SAMRO

Southern African Music Rights Organisation

INTEGRATED REPORT 2013

RIGHTS MANAGED

TO CREATE VALUE

FOR THE CREATORS AND USERS OF MUSIC

TOTAL LICENCE AND ROYALTY REVENUE INCREASED

10%

TO **R371M**

TOTAL AVAILABLE FOR DISTRIBUTIONS

R306,5M

SAMRO **SUCCESSFULLY** IMPLEMENTED ITS **NEW IT** SYSTEM, **ZEUS**

SAMRO GROUP TOTAL INCOME 2013

- **SAMRO House 1%**
- **DALRO 3%**
- **POSA 0%**

SAMRO

CONTENTS

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

SCOPE AND BOUNDARY

From 1 May 2013, the Southern African Music Rights Organisation (SAMRO) ceased to be a company limited by guarantee and became a not for profit company in terms of the new Companies Act No 71 of 2008 as amended (the Act).

The board and management are committed **to transparency** and good corporate governance in the **best interests** of the organisation's members and other stakeholders.

The organisation recognises that it has a high public interest score as defined by the Act and therefore has to adhere to integrated reporting standards as set out by the Act and the King Code of Governance Principles for South Africa 2009 (King III).

This report covers SAMRO's activities for the financial year from 1 July 2012 to 30 June 2013 and includes commentary by the chairperson of the board, the chief executive officer (CEO) and chief financial officer (CFO) as well as sections pertaining to sustainability initiatives, governance, remuneration and risk. The information presented in this integrated report is intended to give readers the information they need to make an informed decision about SAMRO's ability to create long-term sustainable value for all stakeholders.

SAMRO's financial statements have been audited by PricewaterhouseCoopers Inc. The non-financial information included in the report has not been subject to external assurance.

SAMRO does not have any physical operations outside South Africa, but is affiliated with a number of international collecting management societies that collect licensing income on behalf of SAMRO in their territories. SAMRO plays a similar role in South Africa on behalf of other collecting management societies, and makes regular distributions to these in return.

HIGHLIGHTS

OVERALL GROUP REVENUE INCREASED 9,9% TO R386,5M

FIRST DISTRIBUTION RUN OFF THE NEW RIGHTS MANAGEMENT SOFTWARE SYSTEM

DISTRIBUTIONS AVAILABLE FOR THE YEAR TOTAL R306,5M INCREASING 8,3%

DISTRIBUTIONS FOR THE YEAR TO 30 JUNE 2013

D50	Performance adjustment sequence 2	[4 July 2012]
D50	Satellite	[13 August 2012]
D51	Foreign suspense sequence 1	[14 August 2012]
D51	Foreign sequence 1	[15 August 2012]
D51	Rights holder correction	[24 August 2012]
D51	Royalty adjustment sequence 1	[5 September 2012]
D51	Foreign suspense sequence 2	[17 October 2012]
D51	Film	[30 October 2012]
D50	Mechanical rights television sequence 3	[15 November 2012]
D51	Foreign sequence 2	[21 November 2012]
D50	Supplementary (undoc works) sequence 3	[28 November 2012]
D50	Supplementary (non-society shares) sequence 2	[28 November 2012]
D50	Mechanical rights television sequence 4	[5 December 2012]
D51	Non-royalty revenue (NRR)	[6 December 2012]
D51	Royalty adjustment sequence 2	[12 December 2012]
D51	Radio and general sequence 1	[25 February 2013]
D51	Television sequence 1	[5 April 2013]
D51	Supplementary (undoc works) sequence 1	[7 May 2013]
D51	Supplementary (undoc works) sequence 2	[20 June 2013]

OUR VISION

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

OUR PURPOSE

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

OUR CHALLENGES

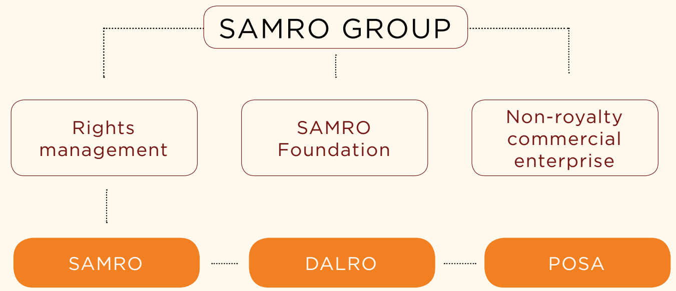
We faced two major internal challenges during the year. The first was the two-month strike in November and December 2012 which impacted negatively on both renewals and new business.

Our second internal challenge was the implementation of the new IT system that went live in January 2013.

OUR NEW CEO

Sipho Dlamini was appointed as SAMRO's new chief executive officer from 30 June 2013, having been in the role of deputy CEO since January 2013. Sipho brings a wealth of experience in the music industry, both locally and internationally, to the leadership team of SAMRO.

OUR STRUCTURE



The group operates through three business units – rights management, the SAMRO Foundation and non-royalty commercial enterprises.

OUR FINANCIAL HIGHLIGHTS

- Total group income: **increased** by 11% to **R426,6 million**
- Income from new licences: **increased** 62,8% to **R26,2 million**
- Available for distribution: **increased** 8,3% to **R306,5 million**

NOT FOR PROFIT COMPANY

From 1 May 2013, SAMRO ceased to be a company limited by guarantee and became a not for profit company in terms of the new Companies Act No 71 of 2008 as amended (the Act).

OUR ACHIEVEMENTS

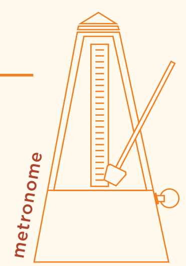
WAWELA MUSIC AWARDS 2013

SAMRO launched the inaugural Wawela Music Awards in 2013 to recognise South African music creators' accomplishments internationally.

SAMRO was established in 1961 as a company limited by guarantee. Its members comprise southern African composers, authors and music publishers. Since inception, SAMRO has delivered services to its members on a not for profit basis. At the start of May 2013, the organisation became a not for profit company under the new Companies Act.

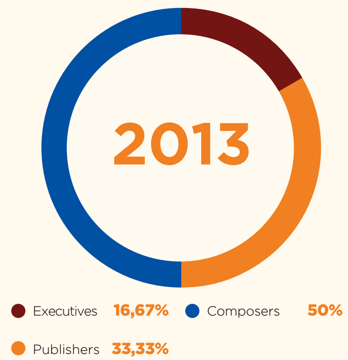
SAMRO'S OBJECTIVE IS TO:

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



The organisation is the **primary representative of music performing rights in southern Africa.** As such, SAMRO is affiliated to most global collecting societies for public performance or mechanical reproduction rights. These global organisations fulfil a similar role on behalf of SAMRO in their territory.

Board members



SAMRO represents in excess of

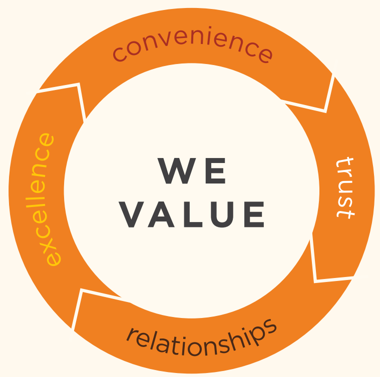
12 000 South African members

1,4M composers and authors across the globe.

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

SAMRO's board comprises six composers and authors, four publishers, two executive directors and one independent director by invitation.

OUR PURPOSE IS TO CREATE VALUE FOR THE CREATORS AND USERS OF MUSIC.



TYPES OF RIGHTS ADMINISTERED BY SAMRO

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

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

Needletime rights
("Pay-for play" or "public playing") rights – Needletime rights entitle performers to remuneration for the public performance/use of their recorded performances.

GROUP OPERATIONAL AND MANAGEMENT STRUCTURE

Sipho Dlamini (chief executive officer)

Stakeholder relations executive/lobbyist (vacant)

Gregory Zoghby (chief financial officer)

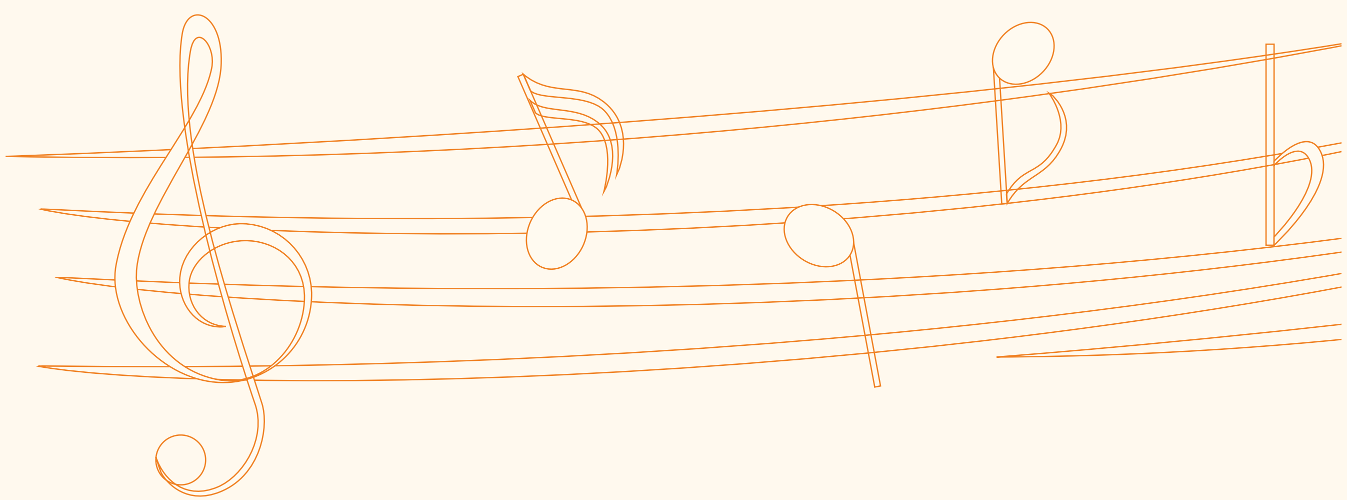
Joyce Schulten (group company secretary)

Bronwen Harty (chief operations officer)

Nkosinathi Gaisa (managing director: DALRO)

Andre le Roux (managing director: SAMRO Foundation)

Pfanani Lishivha (executive general manager: rights holder services and POSA)



BUSINESS MODEL

SAMRO IS A MEMBERSHIP-BASED COMPANY

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

The organisation's main revenue is derived from licensing the rights of music composers, authors and publishers. This includes the licensing of musical works (SAMRO repertoire) for:

- Broadcast
- Performance in public
- Transmission through a diffusion service
- Reproduction

REVENUE VALUE CHAIN

[1] COMPOSITION

[2] NOTIFICATION WITH SAMRO

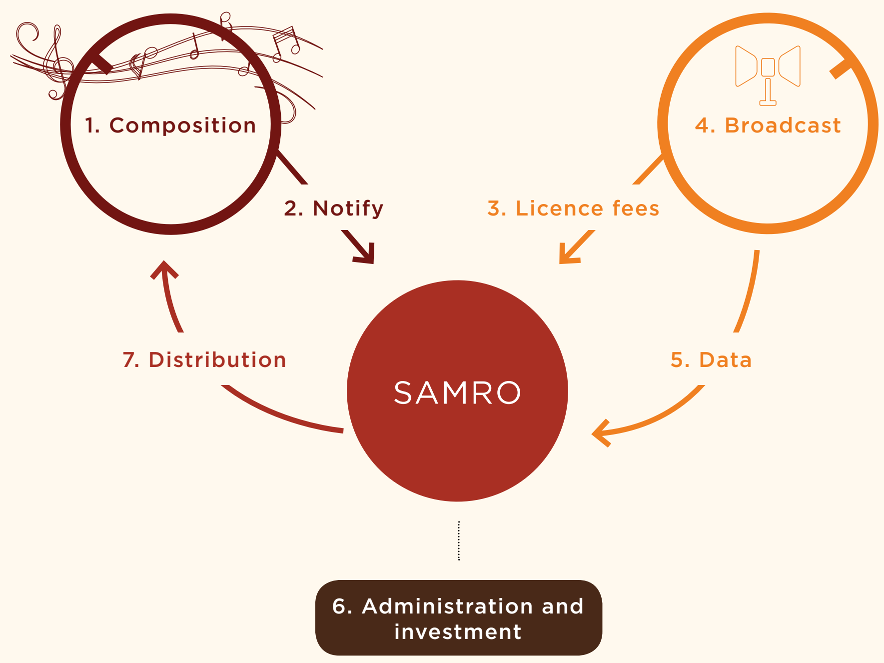
[3] LICENCE FEES COLLECTED

[4] BROADCAST

[5] BROADCAST PERFORMANCE DATA

[6] ADMINISTRATION AND INVESTMENT

[7] DISTRIBUTION



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

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

DALRO
The Dramatic, Artistic and Literary Rights Organisation licenses the reproduction of literary, artistic and dramatico-musical works, and offers a range of related services.

POSA
The Performers Organisation of South Africa Trust is a dedicated trust set up to administer the rights of performers when the sound recordings in which they participated are performed (needletime rights). During the year, POSA was reaccredited for a five-year period.

The SAMRO Foundation
The SAMRO Foundation is a not for profit company housing the corporate social investment portfolio of the SAMRO group of companies. The Foundation's activities aim to promote the national arts and to encourage excellence in the arts.

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

STRATEGY

1 VISION

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

2 MISSION

To create value for the creators and users of music

3 VALUES

Convenience, excellence, trust and relationships

During the year the board and management reassessed its strategic position, and following the determination of a new vision, it defined primary and secondary strategic outcomes for 2013 to 2016:

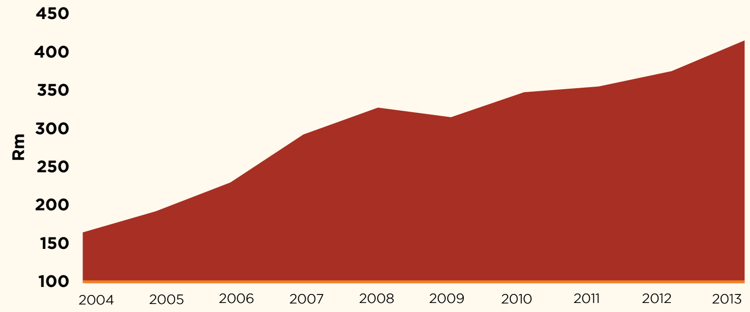
Primary strategic outcome	To become a copyright asset management and services organisation	To achieve this we have to: • ensure that our assets generate income • grow the value of our assets
Secondary strategic outcomes	To facilitate a single music rights licence	To achieve this we have set up a joint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

SAMRO has developed a detailed business plan underlying this strategy with clear milestones and measurables.

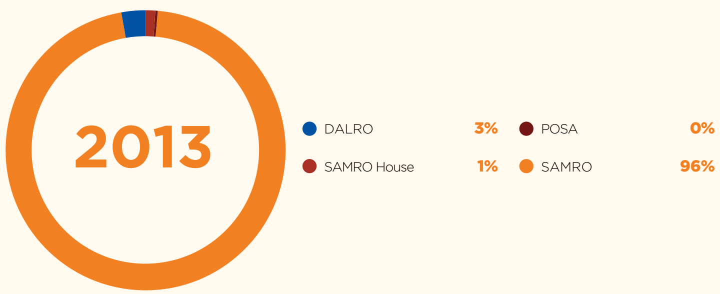
The short-term strategic imperatives are:

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

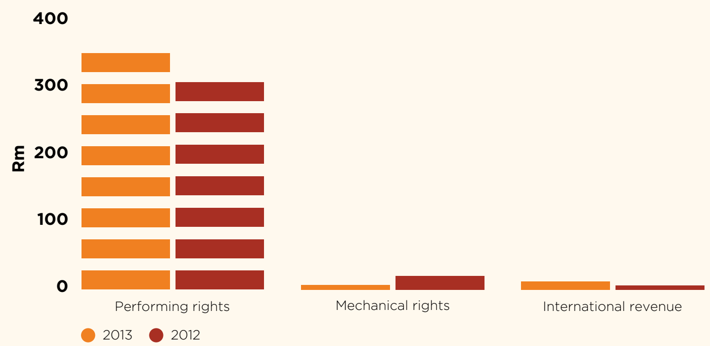
Total income



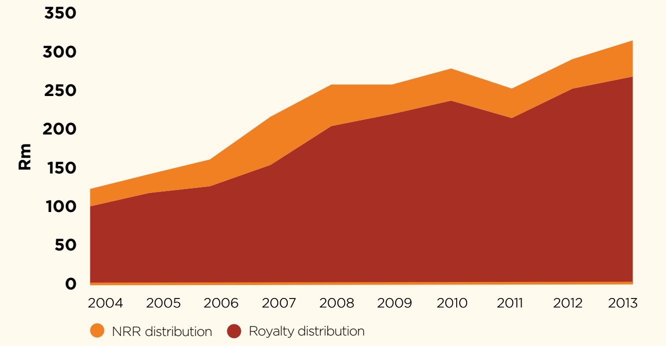
Contribution to group revenue



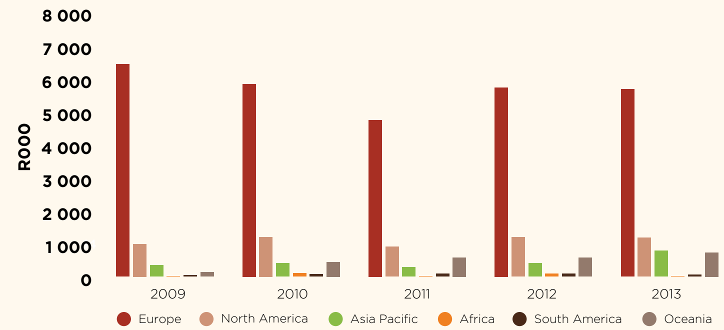
Licence income source



SAMRO royalty and non-royalty distributions (NRR)



Foreign income regional breakdown



MATERIAL ISSUES

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

Material issue	Risk	Further information
Membership	Possibility of alternative rights collection options emerging	Chairperson, CEO and sustainability reports
Reputation	Negative perceptions about SAMRO affecting membership and revenue	Chairperson and CEO reports
Legislative changes	Business model relies on existing legislation	Chairperson and CEO reports
Cost	Fixed cost base requires revenue growth	CEO and CFO reports
Piracy and revenue	Digital service providers and new distribution channels	CEO report
Licensing	Licensing of community broadcasters not sustainable	CFO report
	Lack of adequate copyright legislation for new media	CEO report
Data integrity	Correct and timely distributions rely on accurate data from users	CEO report
IT systems	Limited internet penetration among members	CEO report
Compliance	Compliance capacity and structure	CEO and governance reports
Customers	Non-payment by licensees	CFO report
Employees	Increased union activity	CEO and sustainability reports

ABBREVIATIONS AND DEFINITIONS

AIRCO
Association of Independent Record Companies

BIEM
Bureau International Des Sociéties Gérant Les Droits D'Enregistrement et de Reproduction Mécanique (Mechanical rights equivalent of CISAC)

BBBEE
Broad-based black economic empowerment

CASA
Composers' Association of South Africa

CISAC
International Confederation of Societies of Authors and Composers

CRD
Common royalty distribution

CWU
Communication Workers Union

CWUSA
Creative Workers' Union of South Africa

DALRO
Dramatic, Artistic and Literary Rights Organisation

dti
Department of Trade and Industry

IFRRO
International Federation of Reprographic Reproduction Organisations

IPLAB
Intellectual Property Law Amendment Bill

MMFSA
Music Managers Forum of South Africa

MR
Mechanical rights

NORM
National Organisation for Reproduction Rights in Music in Southern Africa Limited

POSA
Performers Organisation of South Africa

PR
Performing rights

SAMRO
Southern African Music Rights Organisation

SAMPA
South African Music Promoters Association

SAMPRA
South African Music Performance Rights Association

SENA
SAMRO Endowment for the National Arts

SRAF
SAMRO Retirement Annuity Fund

DEFINITIONS

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

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

DIRECTORATE

1. Rev NA Sibiya (47)

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

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

2. AE Emdon (70)

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

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

3. SS Dlamini (39)

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

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

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

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

4. MN Motsatse (48)

Appointed 1 January 2003. Executive member.
Resigned as CEO 30 June 2013

Nick has varied experience spanning teaching, human resource development, business and management consulting and marketing communications. Prior to joining SAMRO he was the managing director of Manning Selvage and Lee, a marketing consulting firm which was part of the Leo Burnett group of companies. As a SAMRO representative he has served in one of the two vice-chairperson posts of the International Confederation of Societies of Authors and Composers (CISAC).

5. TS Kekana (55)

Appointed 1 January 2008. Composer member.
Resigned as director 28 June 2013

Steve is a lecturer at UNISA in the Mercantile Law department. He is also a member of the Church Square Bar Association of Advocates. He is a musician and songwriter with well over 43 albums and 34 years in the music business. Steve stepped down as a director on 30 June 2013.

6. JE Edmond (77)

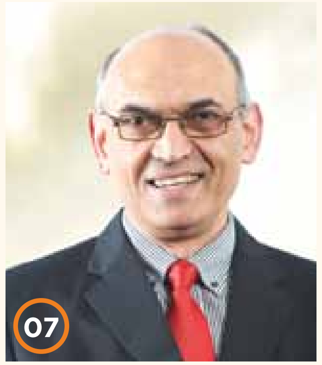
Appointed 28 March 1987. Publisher member.

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

John is also the CEO of Roan Antelope Music, chairman of the Leeupoort Farmers Union, a member of Wildlife Ranching SA and the founder and chairman of Leeupoort Raptor Conservancy. John served on the SRAF board of trustees from 1985 to 1987. He was elected to the board in 1987 and also served on the SENA board for many years.

John registered his first song of more than 500 with SAMRO on 9 March 1966. He is a licensed pilot and hosts bush flying courses at his own aerodrome at Kunkuru Lodge.

DIRECTORATE (CONTINUED)



7. GJ Zoghby (54)

Appointed 1 March 2008. Executive member.

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

8. CFE Woods (59)

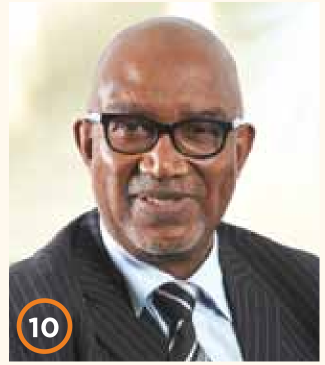
Appointed 11 December 2008. Publisher member.

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

9. S Khumalo (56)

Appointed 1 November 2010. Composer member.

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



10. SCP Mabuse (62)

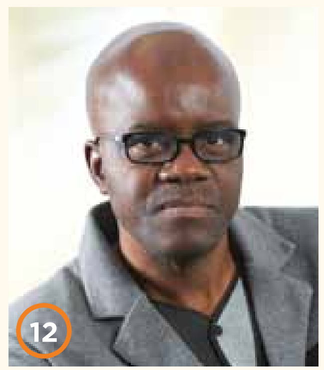
Appointed 25 March 1995. Composer member.

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

11. J Zaidel-Rudolph (65)

Appointed 1 January 2008. Composer member.

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



12. P Mnomiya (53)

Appointed 15 September 2011. Composer member.

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

13. CG de Villiers (57)

Appointed 24 November 2003. Composer member.
Resigned as director 30 November 2012

Coenie lectured at the University of the Free State before joining Anglo American as public affairs manager. He was also managing director of Eliance Media for the Bidvest Group and director of O2 Communication. He is currently a director of Brandwealth Strategic Advertising. Coenie was culture director for ATKV and anchors Kwela, a magazine programme on Kyknet. He has released 18 albums and performed worldwide. Coenie has received many awards, including three SAMA and two VONK awards. In 2009 he was awarded the Centenary Medal of Honour by the SA Academy of Arts and Sciences. He is a patron of MES, a community development organisation in inner cities.

14. J Niemand (35)

Appointed 30 November 2012. Composer member.

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

15. J Mnisi (58)

Appointed 16 September 2010. Independent board member by invitation.

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

CHAIRPERSON'S REPORT

REV NA SIBIYA

OUR MEMBERS **TRUST US** TO MANAGE THEIR **RIGHTS** IN THEIR BEST INTEREST

Dear members

This is my first report as chair of the SAMRO board. I think it only fitting to start by honouring the legacy of my predecessor, Annette Emdon, who held this position for the past 15 years. I would like to thank her for her selfless contribution, guidance and leadership over the years.

In my new role I would like to pay tribute to SAMRO's ongoing championing of the music creator. Through SAMRO, composers and authors have found a vehicle that has turned many a song into revenue. This has seen many men and women who are members of this great organisation raising their families, putting their children through school, putting food on the table; and that is a reward – and it is something we will need to get better and better at.

As chairperson, I would like to build on the efficiencies instituted by the current leadership, particularly as the industry is moving into a new digital age that requires new ways of thinking and operating. We have been entrusted with so much, and much is expected of us. We must always remember that nothing has changed in the business of music: songs are still king, the melody rules and music lives forever. But the world is not what it used to be.

CHANGING INDUSTRY DYNAMICS

We face significant external challenges as an organisation and an industry. The subdued global economic situation continues to put pressure on music users, and new technologies for music distribution outpace the laws that protect artists' rights.

Collecting management societies around the world are being challenged by legislators and court decisions that erode licensing of authors' rights. These developments are forcing collecting management organisations to compete for both members and revenue. Over time, there is likely to be significant consolidation. SAMRO will need to ensure that it stays innovative and efficient in order to compete, grow and build sustainable value for its members and other stakeholders.

Our understanding of these broader forces shaping the future of the industry is greatly enhanced by our involvement with the established global collecting management organisations such as the International Confederation of Societies of Authors and Composers (CISAC), as well as the International Association of Mechanical Rights Societies (BIEM). SAMRO's re-election to the CISAC board underlines our good standing among our global peers.

A YEAR OF MANY CHALLENGES

In many ways, 2013 has been a tumultuous year for the organisation. The consequences of the new Companies Act have occupied a significant amount of time, money and management attention over the last two years. We firmly believe that the cooperative structure was best suited to fulfilling our mandate to our members, but the necessary approval to convert to a cooperative was not obtained. Consequently, the organisation defaulted to a not-for-profit company on 1 May 2013 and this provided management with a challenge that we believe has been overcome and a workable solution is being presented to members at the AGM.

The investment in a new IT system over the past two years is now starting to make a real difference for members and is an important enabler for our medium-term strategy. We also had a two-month strike that affected our operational execution as well as our relationship with our employees, one of our most important stakeholder groups.

Despite these challenges and the headwinds from the subdued local and global economies, it is gratifying that SAMRO managed to grow revenue by 10%. R306,5 million is available for distribution to SAMRO members, compared to R282,9 million in 2012, an increase of 8,3%.

We continue to engage with our broader stakeholders in a range of ways. Particularly critical are our frequent interactions with government and regulators to make sure we understand proposed legislative changes as these evolve and to make sure our members' best interests are represented. We believe that it is crucial for SAMRO to keep the channels of communication clear with all of our stakeholders to ensure that opinions, deliberations and decisions are based on facts.

Our members trust us to manage their rights in their best interests. It is important that we justify their trust in us by behaving in an ethical way. This approach is supported by our commitment to transparency and the standards of good corporate governance, such as the King Report on Governance for South Africa, 2009 (King III).

OUR STRATEGY

Our primary strategic goal is to entrench ourselves as a high-performance global copyright asset management and services organisation. This includes finding innovative ways to ensure that these assets not only continue to deliver annuity income but also grow in value over time.

LOOKING AHEAD

While 2013 may have presented a number of challenges, it was also a year where we invested in the future in the form of the new IT system as well as the capacity we built in our management team. I look forward to working with management and my fellow directors to move the organisation forward and find new and innovative ways of turning the challenges we face into opportunities.

ACKNOWLEDGEMENTS

I would like to welcome Sipho Dlamini as the new CEO of SAMRO. Sipho has been deputy CEO since the start of 2013 and I look forward to working with him in his new role at the helm of the organisation. Our outgoing CEO, Nick Motsatse, steps down as CEO after 10 years. I would like to acknowledge Nick for his vision and thank him for the drive and direction he brought to the organisation.

Coenie de Villiers and Advocate Steve Kekana stepped down as directors during the year. I thank them both for their commitment and the valuable contributions they made in their time on the board. I would also like to welcome Joe Niemand who joined the board in November 2012.

Finally, I would like to thank SAMRO's broader stakeholders and especially our members. Our engagements have been honest, robust and sometimes challenging. We welcome your input and you can rest assured that we will continue to apply every effort to ensuring that SAMRO continues to serve your best interests.

REV NA SIBIYA
Chairperson

OUTGOING CHIEF EXECUTIVE OFFICER'S REPORT

MN MOTSATSE

OUR MEMBERS ARE **OUR TOP PRIORITY** AND THE REASON FOR OUR **EXISTENCE**

This report is my last as CEO of SAMRO and reflects back on a year that was once again challenging in expected, but also in unexpected ways.

OPERATING ENVIRONMENT

Despite hopes that the global economy might be starting to turn the corner this year, the major developed markets are still struggling to lift themselves out of recession. The local economy has performed relatively well in context, but has grown at significantly lower levels than we anticipated three or four years ago. The impact on small businesses has been particularly noticeable. Business confidence continues to struggle in the face of ongoing labour issues, political uncertainty, skills shortages and regulatory challenges.

Our international peers also reflect the pressure on the industry, with growth rates in the low single digits being the norm. By comparison, we grew distributions by 8,3% this year.

Intellectual property royalties help to foster creativity and create income-generating opportunities, particularly for young people. Cultural industries are important contributors to growth, in some countries contributing as much as 6% to gross domestic product (GDP). Income from copyright and related rights accounts for a large proportion of this contribution. Fostering South Africa's creative industries can play an important role in growing South Africa's economy, creating business and job opportunities. These financial benefits are in addition to the less quantifiable, but no less significant benefits of arts, music and culture for a society.

Creative endeavour is supported where creators are rewarded for their work. This requires a legislative environment that provides adequate protection of the rights in their work and an efficient system to manage these rights and realise the rewards. Collecting management societies such as SAMRO provide an important service to the world of creative arts, including music. Efficient management of their rights will encourage creators to invest time and effort into developing their talents.

STRATEGY

With deputy CEO Sipho Dlamini moving into the position of CEO towards the end of the financial year, SAMRO reviewed its five-year strategy (which was set in 2011) and reformulated its vision:

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

We believe that the new vision reflects what is at the core of how SAMRO will operate in future, highlighting the role SAMRO plays as a global asset management agency and the value it adds to its members' lives on a daily basis.

A key part of our strategy is to reinvent how we view and offer our services to ensure we remain relevant and meet the evolving needs of creators and publishers. Over many decades of rights management, we have developed significant experience and expertise in the space. We also have the installed infrastructure to enable us to offer value-added services, especially those that promote the recognition of copyright as an asset.

SAMRO's traditional service has been the administration of the annuity income arising from copyright assets and our short-term focus remains to ensure that we optimise members' experience of this function. This includes ensuring these rights are priced correctly to licensees and are managed and administered as efficiently as possible.

A secondary strategic goal is to push for a single music rights licence. Users of rights are increasingly agitated by the proliferation and fragmentation of licensing fees and are trying to find ways to cut down on licensed music use. A single music rights licence would streamline and simplify rights administration.

By allowing limited diversification from our core mandate, we plan to build alternative revenue streams to be able to offer additional benefits to members and ensure the financial sustainability of the organisation.

HIGHLIGHTS AND CHALLENGES

We faced two major internal challenges during the year. The first was the two-month strike in November and December 2012 which impacted negatively on both renewals and new business. The strike arose from a dispute regarding the restructuring of the 13th cheque to include a performance element in line with our performance management programme.

Our second internal challenge was the installation of the new IT system that went live in January 2013. We set ourselves aggressive targets for implementing the system and one of our operational highlights for the year was achieving these targets. The new system was sourced from an international collecting management society and

offers exciting opportunities to improve members' ability to interact with SAMRO, improve distribution frequency and efficiency and drive cost efficiencies. The inevitable teething problems associated with a project of this nature also affected our invoicing system, resulting in a backlog. While these issues were addressed fairly quickly, they nevertheless impacted operations.

We continue to experience issues with the quality of data reported from our users, which results in a significant number of queries that SAMRO has to process on a daily basis. During the year we contracted external service providers to help ensure the accuracy and completeness of the information supplied. The quality and integrity of information is crucial to the sustainable success of our operation.

While we are extremely proud of the functionality embedded in our new IT system and website, we are aware that many of our members do not have easy access to the internet. We therefore ensure that we continue to communicate through channels appropriate to our members, as was the case with the communications around the change in corporate structure of the organisation.

The transfer of SAMRO's mechanical rights into a separate entity is progressing well. The new organisation, the Composers Authors and Publishers Association (CAPASSO), is expected to be operational towards the end of 2013 and will initially be funded by SAMRO. CAPASSO is a joint venture with NORM.

CONVERSION IN TERMS OF THE COMPANIES ACT

SAMRO defaulted to a not-for-profit company on 1 May 2013, as the option of converting to a cooperative did not achieve a majority vote in the 2012 annual general meeting. The implications of this change meant that various benefits that had previously been paid to members – including non-royalty revenue, contributions to the SAMRO Retirement Annuity Fund and the SAMRO Funeral Benefit Scheme – were no longer permissible in terms of the new Companies Act without making changes to the founding documents in the form of a new memorandum of incorporation (MOI).

Management remained focused on implementing the governance requirements of the organisation's new structure as well as trying to find ways to reinstate members' benefits, as SAMRO had committed to members that it would continue searching for a solution to ensure that members would not lose these vital benefits. Over the past year, management has consulted extensively with our legal advisors and I am pleased to report that a majority vote at the AGM for certain changes to the MOI and various rules will ensure that we will be able to continue providing the funeral and retirement benefits as special consideration payments. In addition to this, the NRR will be replaced by a grant of rights payment which will be paid at the same time of year.

MEMBERSHIP

Our members are our top priority and the reason for our existence. Membership continued to grow during the year. Engagements with members during the year were robust. Most of the more difficult interactions arose as a consequence of the changes in the Companies Act, where SAMRO became the bearer of bad news. We ran a number of roadshows around the country to inform members of the consequences of the changes to the Companies Act, although attendance at most of these meetings was poor. We also communicated extensively around the issue through various other channels.

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

PERFORMANCE

SAMRO

Licensing revenue increased 10% to R1 million. While the private TV broadcasters showed good growth, public broadcasting revenue reversed its positive performance from last year. We continued to clean out the legacy of bad debt.

Realising cost efficiencies is a critical part of delivering value to our members. During the year we increased capacity in a number of areas, which has resulted in a short-term increase in costs, but which we believe will lead to ongoing efficiencies in the future. One of these areas was in human resources where the moratorium on hiring in effect for the last four years was lifted to build capacity in certain key areas. The new IT system will bring benefits over many years, but involves an upfront cost and increased depreciation charges, which we believe will be offset by the improved efficiencies it will deliver.

Extraordinary costs include those associated with engagements around the AGM and corporate conversion as well as the necessary legal costs to implement the conversion. Personnel costs increased significantly due to several key appointments and the use of temporary staff to assist with distributions. Additional costs were also incurred as a result of the strike, including increased overtime, cost of extra security guards, ablution facilities and fresh water.

DALRO

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

DALRO provides an online content licensing portal called RightsPortal that enables it to optimise online licensing, automating permissions and transactions. The organisation also developed an online content aggregator for school text books called EduPortal. Rollout of these offerings continues and while revenues have yet to reach significant volumes, we believe that there is great potential for future growth.

DALRO increased revenue 15,4% to R12,2 million in the year under review.

POSA

POSA was established to administer needletime rights on behalf of music performers to support SAMRO's ultimate goal of being able to issue a single music rights licence to users of music. This would optimise and streamline the licensing process for the benefit of rights holders, key among which are composers, authors and music publishers. Disappointingly, the licensing of needletime rights in South Africa and the distribution of needletime royalties have been delayed by various legal actions over the past five years. The result is that no royalties have been paid to performers since the needletime legislation and its regulations came into effect in 2008. This remains a serious point of concern. The board and management continue to monitor the situation and explore ways to resolve the problem. During the year, POSA was reaccredited for a further five years on needletime rights.

LEGISLATION

The Intellectual Property Law Amendment Bill has been referred back to Parliament for further consultation. The referral included the objections raised by SAMRO and DALRO to the Bill as it stood. While we are concerned that the unintended consequences and unnecessary complication of this legislation may compromise some of the rights of our members, there is little more we can do without the involvement of the composers and authors themselves.

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

NAB again appealed the decision, which is scheduled to be heard in the last quarter of 2013.

SAMRO was cited in court cases related to needletime without being a major respondent in any of the cases. In a recent ruling with regard to needletime, SAMRO was awarded costs in the matter brought by SAMPRA.

While we continue to enforce the rights of our composers and authors and where necessary take matters to court, we remain mindful of the increasing costs of litigation. We believe it is our responsibility to combat the infringements of the rights of our members.

TRANSFORMATION

SAMRO has always considered its transformation responsibility to be of great importance and a vital part of its long-term strategy. Our transformation programme is not put in place to simply adhere to the BBBEE Act, but is driven from a true belief that transformation is essential to SAMRO's growth and development.

To be effective, transformation needs to occur at all levels within the organisation and be treated as a key focus area. For the financial year, SAMRO had 13 board members and one independent invitee, of which three are female and seven are black. Of our seven-member executive committee, we have two females, one coloured member and four black members. We have 11 general managers within SAMRO and of those, three members are female, one is coloured and five are black.

We are continuously improving our procurement process to ensure that we empower, support and develop small and medium-sized black economic empowerment partners.

ACKNOWLEDGEMENTS

In such a challenging year, SAMRO's positive performance was made possible by the commitment, passion and teamwork of the executive, management and employees. 2013 required a special effort and considerable individual sacrifice to achieve what we did.

I would like to thank the board for its support and guidance during my time with the organisation and SAMRO's members for their backing. I wish Sipho Dlamini all the best as he takes over as SAMRO's new CEO. I believe he has the integrity, skill and experience to lead the organisation capably as it evolves, while ensuring that the best interests of our members always remain central.

MN MOTSATSE
Chief executive officer

MESSAGE FROM THE INCOMING CEO, SIPHO DLAMINI

I would like to thank Nick Motsatse for his mentorship and guidance over the last six months of the financial year, and the board for their support. I am looking forward to working with management and the executive team to continue the implementation of SAMRO's long-term strategy.

Our focus will continue to be on finding innovative ways to ensure the organisation's long-term sustainability and add value for our members and other stakeholders. Our first priority remains to provide excellent services to the composers, authors, publishers and performers who entrust us with their works.

We will continue to entrench a high-performance culture in the organisation and explore ways to use technology to improve cost efficiencies and take advantage of value-adding opportunities. We will push for tariffs that reward our members fairly and continue to develop the market to ensure we have sufficient market penetration while driving the transition to a single music rights invoice. Our goal is for member distributions to be frequent and free of error.

I look forward to engaging with SAMRO's stakeholders to ensure that their key concerns are heard and, where relevant, incorporated into the organisation's strategy.

I AM LOOKING FORWARD TO WORKING **WITH MANAGEMENT AND THE EXECUTIVE TEAM** TO CONTINUE THE IMPLEMENTATION OF SAMRO'S **LONG-TERM STRATEGY**

CHIEF FINANCIAL OFFICER'S REPORT

GJ ZOGHBY

NINETEEN **DISTRIBUTIONS** TOTALLING **R282,9 million** WERE PROCESSED DURING THE **2013** FINANCIAL YEAR

- Total licence and royalty revenue: increased 10% to R371 million
- Total group income: increased 11% to R426,6 million
- Available for distribution: increased 8,3% to R306,5 million
- Income from new licences: increased 62,8% to R26,2 million

PERFORMANCE

SAMRO

Despite the challenging external and internal operating conditions during the year, SAMRO grew total licence and royalty revenue by 10% to R371 million (2012: R337,4 million). This should be contrasted against the falling trend for global collecting management societies over the last five years. Total income generated by performing rights licences increased 13,8% to R355,2 million (2012: R312,1 million), representing 95,7% of total licence and royalty revenue (2012: 92,5%).

Mechanical rights income fell 57,2% from R17,2 million in 2012 to R7,4 million in 2013 due to a retrospective once-off payment of R10 million received from the SABC in 2012, which did not recur this year. Foreign licensing fees received from international affiliated societies increased 4,1% to R8,39 million (2012: R8,06 million) and made up 2,3% of total licence income, reflecting the stabilisation of international markets.

Licensing income from TV grew 11,7%, radio grew 9,3% and general licensing grew 22,9%. TV contributed 40,9% of total licence and royalty income, radio 28,2% and general 26,6%.

Revenue from community broadcasters represents a negligible 0,9% of total licensing revenue and is costly to administer; nevertheless, SAMRO continues to collect licence fees from them, as many grassroots composers and authors enter the music industry through these broadcasters.

New business remains a focus area and grew 62,8% to R26,2 million (2012: R16,1 million). Most of this revenue relates to new licences. Renewals declined by 24,5% following the cleanout of bad debt in the prior year.

Investment income increased 24,5% to R37,8 million (2012: R30,4 million) with an increase in gains from disposal of investments offsetting a decrease in interest received.

SAMRO actively manages its debtors and has processes in place to monitor and proactively cancel accounts that cease playing music. The tightening of processes in managing debtors led to a further write-off in the current year to clean out the historical bad debt, some of which had not been provided for.

The increase in total expenses was 18,7% and was higher than anticipated due to a change in accounting treatment. Historically, SAMRO has written off bad debts against income, but this year the auditors insisted that further provisions for bad debt must be written off to expenditure in terms of a reclassification as required by International Financial Reporting Standards (IFRS). Total expenses were R121,9 million (2012: R102,7 million). Excluding the write-offs of these irrecoverable bad debts, total expenses were 5,4%, roughly in line with inflation. This is particularly gratifying considering the extraordinary costs associated with engagements around the AGM and corporate conversion and increased legal costs to implement the conversion. There were also further costs associated with the strike, including the cost of extra security guards, ablution facilities and fresh water. As a result of these anomalies in the current year, the cost ratio increased to 26,5% compared to 24,6% in 2012.

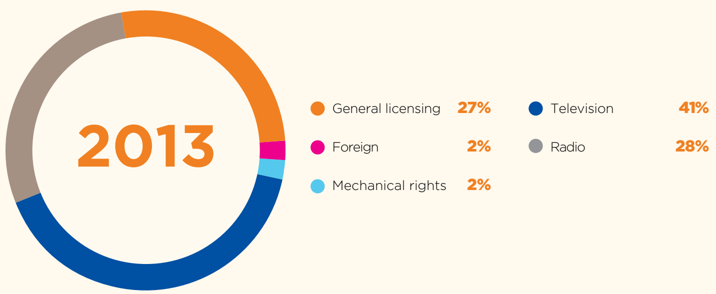
Personnel costs increased 19% due to various extraordinary expenses incurred in the year. In addition to several key appointments during the year which had been delayed for some time, temporary staff were hired to assist with distributions and there was increased overtime during and after the strike to ensure that primary distributions were not delayed. Permanent employee numbers at year-end decreased to 206 (2012: 223) as staff that left were not replaced.

Personnel costs are the biggest contributor to total expenditure at 61,4% (2012: 60,9%). We are committed to constantly improving our cost-efficiency ratios and the new IT system is a key part of our efficiency drive, from which the benefits in improved service and efficiencies will be evident over time.

We continued to incur legal fees associated with the ongoing legal opinions and research relating to SAMRO's legal status and our commitment to finding a solution to the negative ramifications the new Companies Act had on members' benefits.

Social and cultural expenses increased 10,9% to R19,4 million (5,2% of revenue) compared to R17,5 million for 2012.

Licence and royalty income



Financial ratios	2013 %	2012 %	2011 %
Licence income as % of total income	**89,0**	89,8	88,3
Expenditure as % of total income	**26,5**	24,6	30,6
New business as % of general licence revenue	**21,8**	11,5	10,0

The other units in the SAMRO group performed as follows:

DALRO

DALRO experienced good growth with licence income and royalty fees increasing 19% to R45,6 million (2012: R38 million). Copyright and admin fees increased to R10,9 million, up 15,8% on 2012 (R9,4 million) and total income increased 15% to R12,2 million (2012: R10,6 million). Continuing investment in product development along with increasing legal costs resulted in a loss of R2,2 million for the year. Development costs once again included EduPortal, the online aggregator for school textbooks, although revenue flows from this source have not yet materialised.

POSA

POSA received no income for the year due to continued legal delays which have meant that SAMPRA, the society accredited to collect licence fees on behalf of performers, has not distributed any royalties. Expenses for the trust have been approved by the board – most of which are legal costs incurred in an attempt to address the situation.

SAMRO House

Rental income from SAMRO Place is an important part of the organisation's drive to increase non-royalty revenue. Rental income increased 6% in 2013. Operating costs increased largely due to legal costs incurred in respect of the advertising on the side of the building when the provider of service defaulted, depreciation on the building, arrear municipality charges and security costs over the strike period.

Fifteen Melle Street

The company was deregistered at the Companies and Intellectual Properties Commission (CIPC) during the current financial year.

DISTRIBUTION OF ROYALTIES

Nineteen distributions totalling R282,9 million as detailed in the table on page 3 of this report were processed during the 2013 financial year. A total of 33 772 payments were made to members according to usage by licensees in terms of the rights administered by SAMRO. The number of payments is similar to previous years and confirms that the beneficiaries of distributions remain reasonably broad-based.

Total distributions for the 2013 financial year increased 8,3% to R306,5 million. SAMRO aims to ensure a distribution rate above inflation, but the group also has to manage its reserves to ensure that payments to members remain sustainable over the long term.

RESERVES

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

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

INFORMATION TECHNOLOGY

The new computer system was developed with new programming languages and is anticipated to enable the organisation to leverage savings over time. The system provides several new benefits to our members and facilitates integration, all of which was not possible before. Some of the key functionality includes the web portal which provides 24-hour online access to member accounts, the ability to notify works and performances online, as well as access to historical distribution information.

STRATEGIC IMPERATIVES

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

- cost management
- revenue diversification

Cost management

SAMRO benchmarks its cost ratio to international collecting management societies of a similar size. On this basis, our costs should be below 30% of licence revenue and are currently at 26,51% (2012: 24,65%). The efficiency improvements from the new IT system and our other cost-efficiency initiatives should enable the organisation to drive this ratio down towards our target of below 20%.

Non-royalty revenue

Non-royalty revenue comprises investment income and rental income from SAMRO Place, which was fully let in 2013. Investment income is linked to global economic developments and their impact on local markets, and is not expected to make a significant contribution in the short term.

FUTURE PROSPECTS

The relatively low contribution of new business as a proportion of total licence income (7,1% in 2013) demonstrates that the market for licensees is not saturated. We shifted focus to field sales teams supported by telesales, which showed an improvement in sales performance, and continue to investigate other ways of identifying potential licensees.

SAMRO is reassessing its tariff levels to ensure fair reward for members and transparency in the determination of tariffs, especially as the industry uses SAMRO tariffs as a benchmark. Our focus remains on improving our service and increasing our efficiency to deepen our partnership with members and help them to exercise their rights effectively.

G. Zoghby

GJ ZOGHBY
Chief financial officer

The SAMRO board includes a majority of composers, authors and publishers to ensure the interests of the organisation's members are central to decisions around long-term strategy. Directors are committed to ethical behaviour in all the dealings of the board and subscribe to the principles of good corporate governance as defined in the King Report on Governance Principles for South Africa, 2009 (King III).

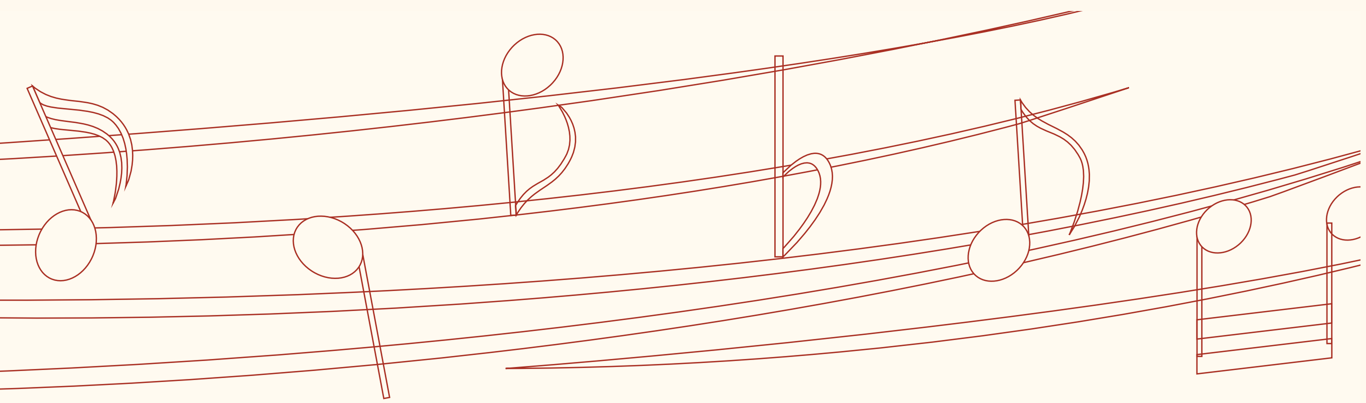
The uncertainty around the appropriate corporate form of the organisation arising out of the provisions of the Companies Act No 71 of 2008 as amended (the Companies Act) continued until the annual general meeting (AGM) at the end of November 2012. With SAMRO's status as a not for profit company under the Companies Act now settled, management attention has turned to ensuring that the correct governance structures are in place to give force to this decision, including the new memorandum of incorporation (MOI). We have aligned the MOI with SAMRO's new status as a not for profit company. We continue to assess which guidelines of King III are applicable given the nature of our organisation, and are currently in the process of adapting two of our board committees to bring them in line with the King III recommendations.

The board has put in place various structures to fulfil its mandate. These ensure the organisation complies with its internal policies and procedures.

This report discusses these structures in the context of the legislative framework in which we operate.

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

SAMRO defaulted to a not for profit company on 1 May 2013 and management continued to explore options and has found a solution to ensure that members will not be prejudiced by the new company form in terms of member benefits.



THE BOARD OF DIRECTORS

The SAMRO board guides and controls the company, sets the strategic direction and takes responsibility for the implementation of strategy. Its pronouncements and actions establish the ethical tone of the organisation. The roles and responsibilities of the board are set out in the board charter, which is available from the company secretary and is being updated to reflect the organisation's new classification.

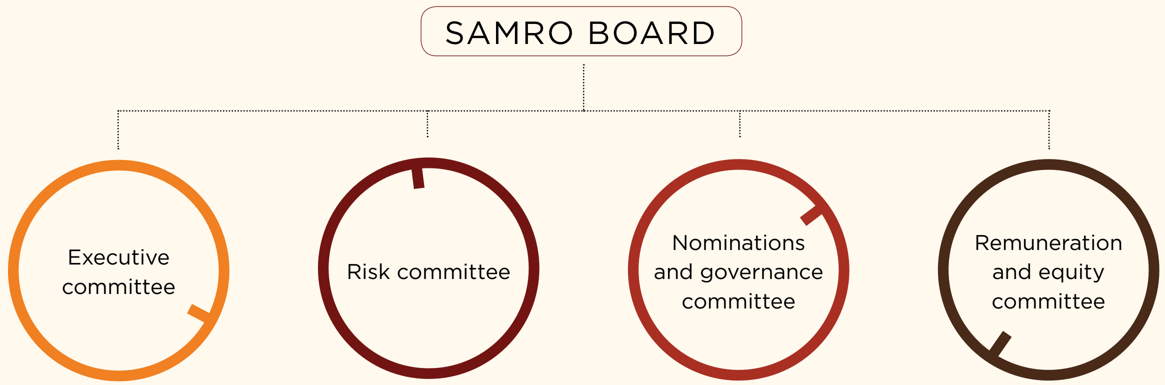
The board has put in place policies and procedures to ensure SAMRO complies with the laws and regulations that apply to the organisation, as well as the principles of good business practice. Engagement with key stakeholders, including members, is an important responsibility of the board and takes place at board, management and key personnel levels.

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

Specific responsibilities of the board include:

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

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



The board meets at least four times a year. Seven meetings were held during the year and attendance was as follows:

Directors	Date first appointed	Date last appointed	08/08/12	13/09/12	07/11/12	29/11/12	23/01/13	19/03/13	27/06/13	Category
NA Sibiya* (chairperson)	1 November 2010	1 November 2010	A	✔	✔	✔	✔	✔	✔	Non-executive
AE Emdon**	28 March 1987	11 December 2008	✔	✔	✔	✔	✔	✔	✔	Non-executive
TS Kekana***	1 January 2008	26 November 2010	✔	✔	✔	✔	✔	✔	A	Non-executive
JE Edmond	28 March 1987	24 November 2006	✔	✔	✔	✔	✔	✔	✔	Non-executive
J Zaidel-Rudolph	1 January 2008	1 January 2008	✔	✔	✔	✔	✔	✔	✔	Non-executive
CFE Woods	11 December 2008	11 December 2008	✔	✔	A	✔	✔	✔	✔	Non-executive
SCP Mabuse	25 March 1995	26 November 2004	✔	✔	A	✔	✔	✔	✔	Non-executive
S Khumalo	1 November 2010	30 November 2012	A	✔	A	✔	✔	A	✔	Non-executive
P Mnomiya	15 September 2011	15 September 2011	✔	✔	✔	✔	✔	✔	✔	Non-executive
J Niemand†	30 November 2012	30 November 2012	-	-	-	-	✔	✔	✔	Non-executive
CG de Villiers‡‡	24 November 2003	24 November 2003	✔	✔	A	✔	-	-	-	Non-executive
MN Motsatse***	1 January 2003	1 January 2003	✔	✔	✔	✔	✔	✔	✔	Executive
SS Dlamini‡‡‡	1 July 2013	1 July 2013	-	-	-	-	✔	✔	✔	Executive
GJ Zoghby	1 March 2008	1 March 2008	✔	✔	✔	✔	✔	✔	✔	Executive

A Apology received
** Appointed chairperson of the board effective 13 September 2012*
*** Stepped down as chairperson of the board effective 13 September 2012*
**** Resigned as director effective 30 June 2013*
† Appointed director 30 November 2012
‡‡ Stepped down as director 30 November 2012
‡‡‡ Attendee by invitation

Mr J Mnisi attends board meetings as an independent member by invitation

SAMRO has a unitary board structure comprising 10 non-executive directors, the chief executive officer (CEO), deputy CEO and the chief financial officer (CFO). Diversity is an important consideration in appointing directors and this diversity is reflected in the gender, race, member type and musical genre represented. Three directors are women and seven of the directors are historically disadvantaged South Africans.

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

The board believes that the diversity, background and experience of its directors are appropriate to govern the company effectively.

The board considers matters and acts as a body to ensure that deliberations are balanced without individuals becoming dominant in decision-making.

Comprehensive training is given to each new director at orientation. This training covers SAMRO's business model, operating and legal environment, as well as the director's rights, duties and responsibilities. Long-standing directors are also able to make use of this training if they wish. Training on directors' fiduciary duties was conducted in July 2013.

The two longest-serving directors retire from office at the AGM each year, but can make themselves available for re-election and reappointment. At the AGM on 30 November 2012, Ms S Khumalo and Mr C de Villiers retired by rotation and Ms Khumalo stood for re-election and was re-elected. Mr J Niemand was proposed to the board and duly elected at the same meeting.

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

Company secretarial resources were available to directors through the company secretary or chief financial officer to provide them with guidance on the performance of their duties. Directors have access to external independent professional advice at the organisation's expense and are provided with ongoing training in their duties when necessary.

The last board evaluation was done in 2010. We intend to conduct annual board evaluations but suspended the process during the year under review so that management could focus on the corporate conversion process. This position will be reviewed at the next meeting of the nominations and governance committee.

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

On 13 September 2012, Ms AE Emdon stepped down as chairperson and was replaced by Rev NA Sibiya.

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

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

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

During the year under review, the current CEO, Mr MN Motsatse, indicated that he would step down as CEO with effect from 30 June 2013. He was replaced by Mr SS Dlamini, the deputy CEO since January 2013, as of July 2013. The board has assessed the competence and expertise of Mr Dlamini, in his capacity as CEO, and is satisfied in this regard.

THE COMPANY SECRETARY

Ms Nothando Migogo was appointed company secretary on 2 January 2013, but resigned shortly thereafter. Ms Joyce Schulten was appointed company secretary on 1 March 2013. In the intervening periods, company secretarial resources were available to directors through the chief financial officer.

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

The responsibilities of the company secretary include:

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

BOARD COMMITTEES

The board delegates certain of its duties to various board committees while retaining overall responsibility for the organisation. The board committees operate under formal terms of reference which are approved by the board. The current committees are:

The executive committee

The executive committee meets monthly and consists of the following members:

- CEO
- CFO
- COO
- Group company secretary
- MD: SAMRO Foundation
- Executive general manager: Rights holder services and POSA
- MD: DALRO

The executive committee assists the CEO in the day-to-day running of the company and is chaired by the CEO of SAMRO. The executive committee considers and acts upon the following:

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

Nominations and governance committee

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

- making recommendations to the board on all new appointments
- nomination, recruitment and appointment of directors – including the continuation of services of any director who has reached the age of 70
- facilitating the board evaluation process aimed at reviewing the balance and effectiveness of the board and identifying skills needed and the individuals who might provide such skills in a fair and thorough manner
- ensuring compliance with corporate governance and industry codes of best practice

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

Directors	12/09/12	18/03/13	Category
AE Emdon	✔	✔	Non-executive
TS Kekana	A	✔	Non-executive
J Zaidel-Rudolph	✔	✔	Non-executive
CFE Woods	✔	✔	Non-executive
MN Motsatse	✔	✔	Executive (CEO)
GJ Zoghby	✔	–	Executive (CFO)

A Apology received

Risk committee

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

Directors	13/09/12	29/11/12	19/03/13	27/06/13	Category
J Mnisi	✔	✔	✔	✔	Independent, by invitation
CG de Villiers*	✔	✔	-	-	Non-executive
JE Edmond	✔	✔	✔	✔	Non-executive
SCP Mabuse	✔	✔	✔	✔	Non-executive
MN Motsatse	✔	✔	✔	✔	Executive (CEO)
GJ Zoghby	✔	✔	✔	✔	Executive (CFO)

** Stepped down as director 30 November 2012*

The risk committee is responsible for identifying and quantifying the various risks facing the organisation and initiating appropriate risk management methodologies to mitigate these risks. The risk committee reviews management's risk processes and outcomes, reports its findings and recommends acceptance by the board, as appropriate.

The CEO reports to the risk committee on any perceived deficiencies in risk management.

The external auditor attends meetings of the risk committee by invitation and has the opportunity to engage with the committee without management being present, if necessary.

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

Further information on the activities and deliberations of the risk committee can be found in the risk report on page 47.

Remuneration and equity committee

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

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

IT GOVERNANCE

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

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

CORPORATE ETHICS, DONATIONS AND GIFTS

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

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

The group does not have a formal donations policy, and the organisation's social investments and donations are handled by the SAMRO Foundation. No donations were made to political parties.

Although SAMRO does not have a formal policy on corporate gifts and entertainment, employees are required to declare any gifts to the value of R500 or more.

CONFLICTS OF INTEREST

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

COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

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

No material or immaterial but often repeated regulatory penalties, sanctions or fines for contraventions or non-compliance with statutory obligations were imposed on the company or any of its directors.

The remuneration committee comprises two non-executive directors, as well as the CEO and an independent non-executive director designate, both of whom attend by invitation. The committee is chaired by the chairperson of the board. Executive directors and certain members of management also attend meetings by invitation as appropriate.

Directors	07/08/12	14/02/13	29/05/13	Category
NA Sibiya*	–	✔	✔	Non-executive
AE Emdon	✔	✔	✔	Non-executive
JE Edmond	✔	✔	✔	Non-executive
J Mnisi	✔	✔	✔	Independent
MN Motsatse	✔	✔	✔	Executive (CEO), by invitation

** Appointed chairperson of the board 13 September 2012*

The remuneration committee met three times during the financial year, conducting evaluations of the CEO, having input into the performance scheme and various other matters.

The main responsibilities of the remuneration committee are to:

- determine and approve general policy on strategic compensation issues
- prepare an annual remuneration report for inclusion in the company's integrated report
- review and approve annually 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 chief executive officer
- review the remuneration of non-executive directors of the board and its subcommittees annually
- review incidents of unethical behaviour by senior managers and the chief executive officer
- review annually the company's code of ethics and business conduct
- review annually the committee's charter and, if appropriate, recommend required amendments for approval by the board
- perform an annual self-assessment of the effectiveness of the committee, reporting these findings to the board of directors

REMUNERATION STRATEGY AND POLICY

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

Our remuneration policy and practices align the remuneration and incentives of executives and employees with the group's long-term business strategy and aim to reward superior performance.

Primary objectives include the need to:

- promote superior performance
- direct employees' energy towards key business goals
- achieve the most effective returns for employee spend
- address diverse needs across differing cultures
- have a credible remuneration policy overall

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

OVERVIEW OF REMUNERATION

Non-executive board members

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

Remuneration is reviewed annually, with reference to competitors and companies of similar size to SAMRO. This remuneration is not linked to the company's performance.

Independent advice is acquired to review directors' remuneration as part of the annual salary benchmark initiative.

Directors	Directors' fees R000
NA Sibiya (chairperson)	35
AE Emdon	34
TS Kekana	30
JE Edmond	33
J Zaidel-Rudolph	29
CFE Woods	26
SCP Mabuse	26
S Khumalo	19
P Mnomiya	27
J Niemand	12
CG de Villiers	13
J Mnisi	68
Total	**352**

Executive and employees

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

Remuneration packages are structured on a salary plus allowances plus benefits basis. Aside from basic pay, pension, medical aid and other insured benefits, certain employees may qualify for one or more additional benefits including car, housing and cell phone allowances. All staff, including executives, qualify for additional individual performance incentives. At senior level we avoid standardised packages in favour of tailoring compensation to meet the needs of the business.

The organisation is in the process of moving to a packaged remuneration structure for staff. The staff pension fund is accordingly being converted to a defined contribution fund from the current defined benefit fund.

SAMRO benchmarks salaries through an annual survey to ensure that the organisation's remuneration remains fair and relevant. This survey compares data with over 800 South African organisations employing around 1,5 million economically active employees with similar jobs.

PERFORMANCE MANAGEMENT SYSTEM

SAMRO implemented a new performance management system in the prior year to align with the objectives of SAMRO's five-year strategy. In 2011, the annual 13th cheque was restructured, with a portion spread over the employee's salary each month. The remainder was applied through a bonus scheme linked to the performance of the organisation, the team and the individual – all aimed at driving superior performance in the organisation.

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

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

Individual goals score	70%
Individual competency score	15%
Team score	10%
Organisational score	5%
Total score	**100%**

The competencies against which employees are rated are linked to the group's values and include:

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

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

SERVICE CONTRACTS

The CEO's contract is subject to standard terms and conditions of employment. Non-executive directors are subject to the regulations regarding appointment and rotation in terms of the company's proposed memorandum of incorporation.

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

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

Executive directors' remuneration	2013 R000	2012 R000
Salaries and bonuses	**5 129**	3 953
Pension and medical aid	**746**	690
Other benefits	**608**	481
Total	**6 483**	5 124

DISCHARGE OF RESPONSIBILITIES

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

RISK REPORT

The SAMRO risk committee takes pleasure in presenting its report for the 2013 financial year. The SAMRO risk committee is a subcommittee of the board and its composition and activities are detailed on page 42 of the governance report.

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

All members of the risk committee act independently as described in section 94 of the Companies Act No 71 of 2008 as amended (the Companies Act). The chief executive officer, the chief financial officer, the company secretary, the external audit partners and other employees attend meetings by invitation. In addition, other members of executive management are invited to attend various meetings on an ad hoc invitational basis.

RESPONSIBILITIES OF THE RISK COMMITTEE

The committee's responsibilities include:

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

RISK MANAGEMENT

Effectively managing the range of risks facing the organisation in all operational aspects of the business ensures delivery of the group's strategic objectives and delivers sustainable value growth for all stakeholders.

INTERNAL CONTROL

A sound internal control framework is essential for managing and monitoring compliance with our internal policies and procedures and external regulatory requirements. The organisation's risk management reviews include a review of internal controls, including a review of all policies and procedures, and verification of adherence to and the relevance of policies and procedures.

The organisation previously had no internal audit function and a process was implemented shortly after year-end to enhance the close management monitoring of adherence with company policies and procedures. This concept will be revisited once the corporate conversion process is complete.

RISK POLICY

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

Risk governance is managed at various levels within the group, including the executive committee, the general management committee (which includes the general managers of each business unit) and the risk committee of the board. The level at which the risk is dealt with depends on the seriousness of the risk identified.

The general management committee formulates, oversees and manages the risk management system and monitors the group's risk profile. Major risks are identified and reported at the appropriate level in the group. Each divisional head is responsible for identifying and developing risk management plans. A risk register is maintained and monitored regularly. Actions are identified to control these risks within agreed ranges of tolerance.

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

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

RISK FRAMEWORK

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

SAMRO's risk management process addresses the following:

- identification of the risk
- rating of the risk in terms of probability, impact and urgency, with scoring for each criterion
- how the risk is being mitigated, avoided, transferred or accepted
- allocation of who owns the risk and who manages the risk
- risks rated 9 and above are taken to the board
- risks rated 7 and higher are reviewed in monthly executive meetings
- risks rated 4 to 6 are discussed at the general management committee meetings
- risks rated below 4 are operational risks and managed by the general manager in the area of the risk

MATERIAL ISSUES AND HOW WE MANAGE THESE

Some material risks are outside our control and factors other than those listed in the material issues table on page 14 may affect the overall performance of our business. Despite our formalised and structured approach to risk identification, some risks may be unknown at present. Other risks, currently regarded as immaterial, may become material. Audit, risk and quality control functions assist in the monitoring of the system of internal control.

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

Risk	Our response
Rights holder queries	Implemented improved controls with a specific focus on quality, which appear to have led to an improvement
Compliance with the Companies Act	The vote at the EGM resulted in the default conversion of SAMRO to a not for profit company on 1 May 2013. The consequences for members of this conversion have been communicated and management is focused on the effective transitioning of the necessary governance structures
SAMRO's role in needletime rights	This is being closely monitored and evaluated by the board
Copyright exceptions extensions threatening DALRO's business model	Monitoring the legislation as it develops and reassessing DALRO's business model

SAMRO was founded over 50 years ago to promote the sustainability of the music and artistic communities. While we are faced with a range of challenges and an extremely uncertain operating environment, we believe that successfully executing our strategy will help the organisation evolve to the next stage of its existence. This will enable SAMRO to continue to generate sustainable long-term value for all its stakeholders.

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

Although SAMRO was established to meet a primarily financial need, we recognise the importance of considering a broader range of issues, including our impact on employees and other communities within and around the organisation, as well as the environment.

As administrators and distributors of funds on behalf of our members, it is imperative that our actions build trust with our members. We aspire to the highest standards of corporate governance to demonstrate our commitment to operating in an ethical and responsible way. We subscribe to the principles of the King Report on Governance Principles for South Africa, 2009 (King III). Our governance structures and approach are discussed in our governance report on pages 36 to 43.

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

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

STAKEHOLDER ENGAGEMENT

SAMRO's key stakeholders and our engagements with them are listed in the table on page 52.

Our relationship with government as the regulator of copyright legislation is critical – SAMRO owes its existence to copyright legislation. We engage with government departments on many levels to give an industry perspective to evolving legislation. SAMRO is assisting the State Archive with investigations into a music museum.

Other engagements with stakeholders during the period under review include:

Customer perception survey

SAMRO conducts an annual survey to better understand the concerns and needs of its major stakeholders. Members' overall rating of SAMRO has stayed the same compared to last year. Rights holders mostly became aware of SAMRO through friends or colleagues in the recording industry, with 96% of those sampled knowing about SAMRO's royalty administration service (up from 88% in 2012). Eighty-five percent were aware of the administration of performing rights as a SAMRO service.

The awareness of the website and the Twitter page increased in 2013.

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

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

Stakeholder group	Stakeholders	Engagements	Stakeholder concerns
Members	More than 12 000 music composers, authors or songwriters, performers, publishers and non-fiction authors	Distribution of funds, query resolution, workshops, events, website, newsletters, annual general meeting	Cost effective and timely distributions, rapid query resolution, clear and regular communication
Licence holders (users)	Broadcasters and music users in venues used by the public or a section of the public	Interactions with key accounts, telesales, website, newsletter	Transparent pricing, consolidated music rights licences
Employees	Employees, management, labour unions	Performance reviews, bargaining agreements, website, newsletters, meetings	Fair remuneration, career development opportunities
Government	Government departments including the Department of Trade and Industry, Portfolio Committee on Trade and Industry, Department of Arts and Culture	Providing industry input into the formulation of evolving legislation that may affect our members	Development of the music industry, transformation, fair treatment of rights holders
Industry peers and affiliates	Including International Confederation of Societies of Authors and Composers (CISAC), International Association of Mechanical Rights societies (BIEM), Business and Arts South Africa (BASA), South African Federation Against Copyright Theft (SAFACT) and Moshito Music Conference and Exhibition	Conferences, meetings, board positions, founding and/or incubation	Sharing of best practice and trends, building of a music rights database, efficient remittance of reciprocal royalty collections
Media	Newspapers, television, radio, magazines	Press releases, events, responses to queries	Access to key personnel, transparency
General public	General public	Workshops, events, website	Information about copyright administration

SAMRO engaged extensively with members this year, particularly around the change of corporate form. Communication included explanatory documents, video snippets, YouTube, social media and discussion at the annual general meeting.

Web portal
A significant benefit for members in the new technology platform is the broad functionality the new web portal offers. Members can view and update personal account information, notify works online and view current and past account statements. Between January and October 2013, 696 new users registered and 2 032 successful logins were registered. Distribution data was accessed 907 times.

SAMRO 24/7
SAMRO's 24-hour communication hub assisted members by telephone, email, SMS, fax and social media in the period before January 2013, at which point the new website went live. Since January 2013 the website received an average of 150 emails per day. The call centre continues to operate during normal working hours and makes an average of 140 outbound calls per day. An average of 70 inbound calls per day has been received.

Book launch and documentary
The book commemorating the people, personalities, music and events that shaped SAMRO's first 50 years is still in progress, with contributions from various authors still outstanding. It is anticipated to be completed by the end of the 2014 financial year.

The SAMRO documentary, *Notes 2 Notes,* was broadcast on SABC 1 in September 2013 and is also available on the SAMRO YouTube channel. The documentary is a candid look at the formation and growth of SAMRO in the context of the South African musical and political climate over the past five decades. The 48-minute documentary is a snapshot of how the organisation came into being and explores the highs, the lows and everything in between. To view the documentary visit **www.youtube.com** and search *SAMRO documentary – Notes 2 Notes.*

Facebook
SAMRO's social media profile during the past year included 11 653 Facebook likes, 4 412 Twitter followers, an average of five direct posts on the SAMRO timeline (queries or questions), with the SAMRO Facebook inbox receiving on average a further five posts per day.

CORPORATE SOCIAL INVESTMENT

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

The SAMRO Foundation was launched in 2012 to manage the group's corporate social investment programmes. Projects focus mainly on:

- music education programmes
- music heritage
- conservation and promotion through the SAMRO Music Archive
- music/cultural industry support through the SAMRO Stakeholder Hub

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

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

	Facts and figures	Inception
Overseas scholarship winners	64	1962
Bursaries awarded	1 756	1981
Music schools supported	36	1980
University programmes supported	12	1996
Funds invested	R70 million (+)	1995
Works commissioned	423	1962

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

History of SAMRO corporate social investment in figures

Music education

SAMRO Foundation's three flagship music education projects are:

1. The **SAMRO Overseas Scholarships Competition** offers up-and-coming musicians exposure through the competition as well as the chance to win one of two scholarships for overseas study in music – one in the field of western art music ('classical' music) and the other in jazz/popular music.
2. The **Cape Town and Gauteng Big Band Jazz Festivals** for high schools. The Cape Town festival is now in its 15th year and the Gauteng festival in its second.
3. The **SAMRO/Hubert van der Spuy National Music Competition** for primary school students.

The Foundation also supports music development through offering:

- music bursaries
- support for non-government music schools
- bridging courses to assist disadvantaged students in tertiary music studies
- support for the production of academic concerts at universities to showcase budding artists, expose the South African musical compositions of SAMRO member composers and authors and develop audiences

Music conservation, preservation and promotion

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

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

Music/cultural industry support

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

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

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

International partnership projects

- **Concerts SA** – A partnership between SAMRO, the Norwegian Embassy and Rikskonsertene (Concerts Norway). This is a three-year project that aims to stimulate live music in South Africa by finding and implementing ways to create regular, sustainable live music performance platforms. The focus for implementation over this period is Johannesburg, Cape Town and Durban.
- **International Music Mobility Fund** – A partnership between the SAMRO Foundation and the British Council. The focus is on cross-border exchange of South African music professionals between South Africa, the United Kingdom and the SADC region, but with a particular emphasis on SADC regional exchange. To date four live music tour performances and research-based collaborations have been supported. A delegation of five music professionals was selected to attend the Great Escape Music Conference and Showcase in Brighton in the UK.
- **Vis-a-Vis Johannesburg** – A partnership project between the SAMRO Foundation, the Spanish Embassy and La CASA Afrika in Spain. The project included a battle of the bands competition with 89 entrants and 12 finalists performing to 12 Spanish promoters over three days, selected via online applications. The two winners toured prestigious Spanish festivals in July/August 2013.
- **Music in Africa Project** – A partnership with the Goethe Institute and Siemens Foundation. This project assists with content, strategic direction and governance and SAMRO is represented on the interim board of a portal on contemporary music in Africa.

CASE STUDY: WAWELA MUSIC AWARDS 2013

SAMRO launched the inaugural Wawela Music Awards in 2013 to recognise South African music creators' accomplishments internationally. The Wawela (a Zulu word meaning "Go Beyond") Awards – the first of its kind in South Africa – also paid homage to the legends of local music who have paved the way for international recognition through their lifetime achievements. The Wawela Music Awards offered free entry and were only open to SAMRO members. They welcomed music of all genres and were judged according to a wide variety of categories.

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

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

SAMRO supports black economic empowerment partners through its preferential procurement and enterprise development programmes. We are proud of our continued high levels of support for developing small enterprises. In addition to these empowerment initiatives, SAMRO supports the music composing and publishing industry through its role as administrator of performing and mechanical rights.

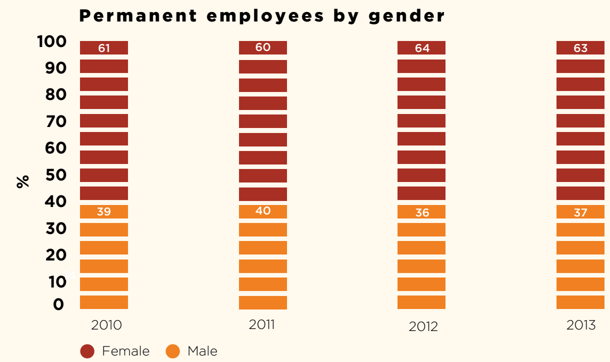
By protecting and administering their music rights, SAMRO enables local composers, authors and music publishers the opportunity to focus on growing their businesses and creating employment.

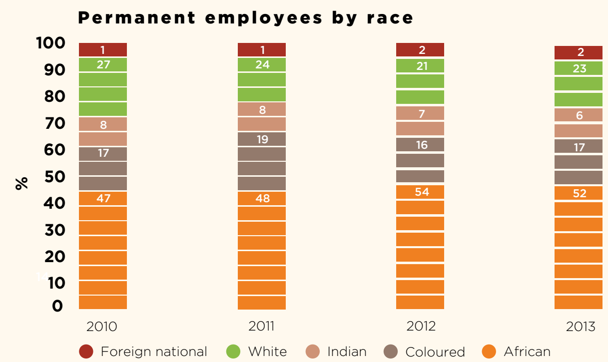
SAMRO's ability to meet its members' needs and execute its strategy is largely dependent on the skills and hard work of its employees. In line with our stated vision, we invest in highly skilled and committed staff who excel in service. We continue to implement our new performance-management programme to drive the culture of performance. Delivering efficient service to our stakeholders not only ensures that we meet their needs and build trust, but will also help us to meet our cost-management goals.

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

SAMRO plays an important role in economic growth in South Africa, contributing directly to job creation through its group operations (all human capital numbers reflect the entire group).

SAMRO employed 206 permanent (2012: 223) and 15 temporary employees (2012: 31) at year-end. Employee turnover was 17,94% for the year (8,07% in 2012) and staff that left during the year were not replaced due to the increased efficiencies that are anticipated from the new IT system.





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

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

We are committed to transformation and our five-year diversity and employment equity plan aims to ensure that our workforce is representative of the country's demographic profile. We achieved our diversity and employment equity targets in 2013. Historically disadvantaged South Africans comprised 76% of our workforce in the current year (2012: 77%).

Employment equity in terms of the BBBEE requirements is also mentioned in the transformation section of this report on page 56.

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

In November and December 2012, certain union members went on strike to contest the restructure of the organisation's 13th cheque – which was removed in 2011 – to include a performance recognition component. We sincerely regret the disruption caused by the strike as well as the financial pressure it continues to place on certain employees. We look forward to continuing to build on our mutually respectful and honest relationships with our employees and their representatives.

ATTRACTION AND RETENTION

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

Our performance management programme is designed to align employees with the long-term strategic goals of the company and reward excellent performance. While the process is still bedding down, we continue to see the benefits of the performance focus.

Intellectual property rights management is a complex subject and succession planning receives special attention due to the concentration of specialised knowledge within certain roles in the organisation. Each role is analysed and a profile developed around the job, rather than the individual in that job. A gap analysis is then performed with employees a level below that position, thus creating a growth plan to close the existing gap. Succession plans and talent pipelines are reviewed at various levels of the risk framework.

SKILLS DEVELOPMENT

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

Our training programme is guided by the annual skills development plan we submit to the relevant SETA. In the current financial year, SAMRO invested R3 million in skills development (2012: R1,2 million). A large proportion of the skills development investment in the current year was allocated to training staff for the new IT system.

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

HEALTH AND SAFETY

SAMRO is in the process of establishing health and safety committees, where required and in line with legislation. Health and safety training will be supplied to all committee members.

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

The group monitors injuries on duty and aims for the lowest possible harm rate in terms of serious injuries or deaths on duty. Significant matters are reported to and monitored by the SAMRO risk committee. There were two injuries on duty in the current year (one in 2012). There have been no deaths on duty in the group.

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

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

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

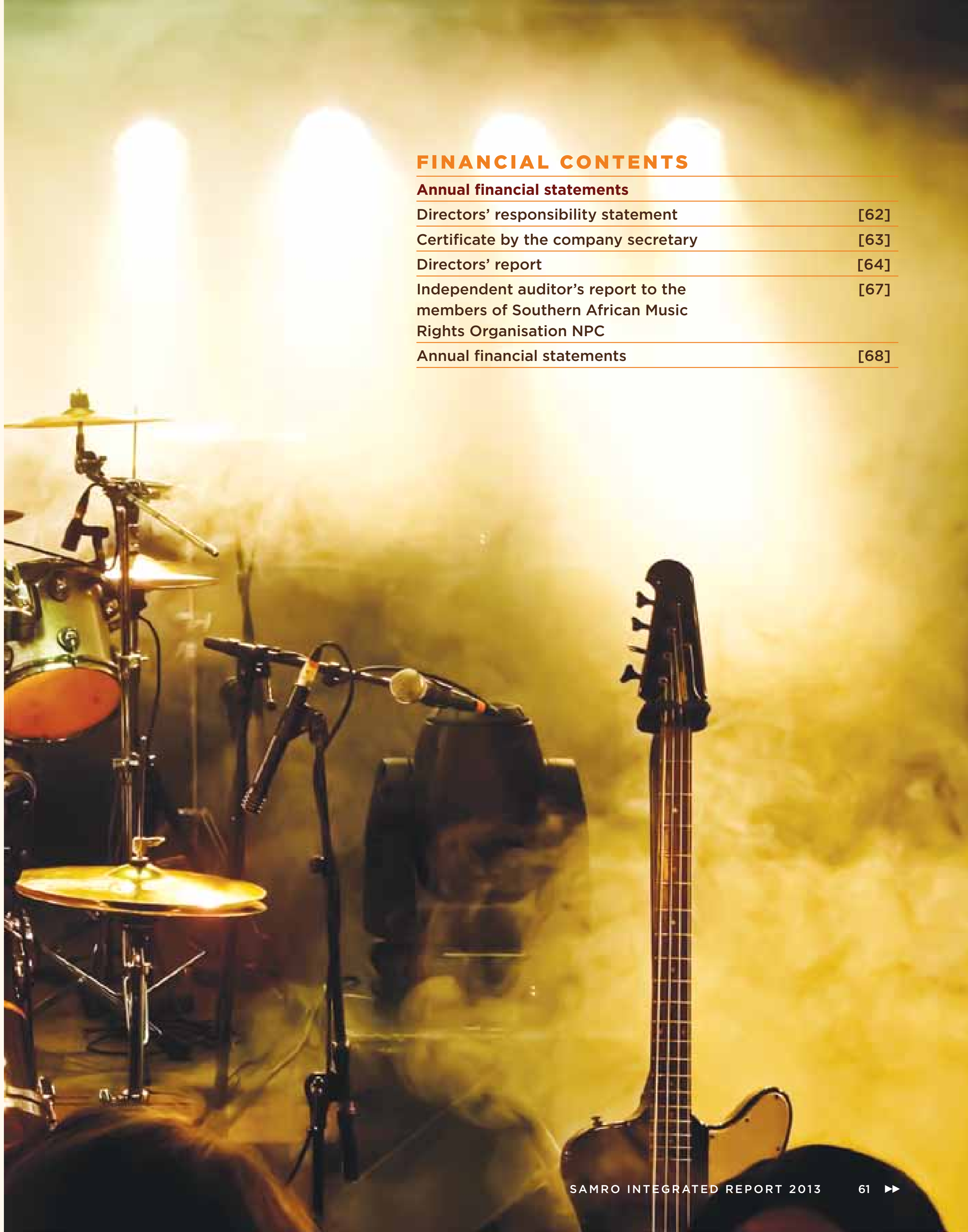
VALUE ADDED STATEMENT

SAMRO created and distributed R447 million of wealth in 2013, 11,3% more than in 2012. Distributions for the benefit of members in the form of royalties, retirement annuity and funeral benefits, endowments for the national arts and other social and cultural allocations totalled R372,1 million in 2013, an increase of 9,6% on 2012 (R339,4 million). Over the last three years, SAMRO has distributed over R1 billion for the benefit of members.

Payments to employees in the form of salaries, wages and benefits increased 14,8% in 2013 to R83,9 million (2012: R73,1 million) and represented 19,7% of total value distributed. Providers of capital received R2,0 million and R416 000 was distributed to government in the form of taxation paid.

A net total of R10,9 million was drawn from reserves and retained earnings to fund operations during the year (2012: R8,5 million).

	GROUP	
	2013 R000	2012 R000
Music licence and royalties	**370 962**	337 353
Reprographic licence and royalties	**45 602**	38 327
Administration and other fees	**16 069**	14 668
Cost of generating revenue	**(52 049)**	(47 090)
Value added	**380 584**	343 258
Income from investments	**39 523**	32 284
Distribution adjustment	**27 368**	26 463
Wealth created	**447 475**	402 005
Value distribution		
Members		
Music royalty distributions	**260 421**	245 864
Reprographic royalty distributions	**45 602**	38 327
Non-royalty distributions	**46 086**	37 074
SRAF and members funeral benefit	**9 096**	8 158
Endowment for the national arts	**10 257**	9 325
Other social and cultural allocations	**609**	609
Employees		
Salaries, wages and benefits	**83 921**	73 062
Providers of capital		
Finance costs	**1 996**	1 966
Government		
Taxation charge	**416**	(3 898)
Reinvested in the group		
Depreciation and amortisation of capital items	**8 015**	5 475
Transferred to reserves	**(3 755)**	1 858
Retained earnings	**(15 189)**	(15 815)
Total	**447 475**	402 005



FINANCIAL CONTENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation, integrity and fair presentation of the group and separate financial statements of SAMRO. The financial statements presented on pages 68 to 104 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa, and include amounts based on judgements and estimates made by management.

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

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

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

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

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

The audit report of PricewaterhouseCoopers Inc is presented on page 67.

The financial statements were approved by the board of directors on 13 November 2013 and are signed on its behalf by:

Rev NA Sibiya
Chairperson

SS Dlamini
Chief executive officer

CERTIFICATE BY THE COMPANY SECRETARY

In my capacity as company secretary, I hereby certify, in terms of the Companies Act No 71 of 2008 as amended, that for the year ended 30 June 2013, the company has lodged with the Registrar of Companies all such returns as are required of a company in terms of this Act and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

JM Schulten
Company secretary
Johannesburg

13 November 2013

To the members

Your directors have pleasure in submitting their fifty-second annual report and SAMRO's audited financial statements for the year ended 30 June 2013.

PRINCIPAL ACTIVITIES OF THE GROUP

The SAMRO group is the largest copyright collecting administration group in southern Africa. It has traditionally administered performing rights in musical works on behalf of its members and affiliated societies. In 2006, SAMRO commenced the administration of mechanical rights on behalf of its composer, author and publisher members and its affiliated societies. SAMRO was accredited to administer needletime rights on behalf of performers in 2008 and has, as a result of that accreditation, set up a dedicated needletime administration operation in the form of a trust, the Performers Organisation of South Africa (POSA).

FINANCIAL REVIEW

Financial highlights

Group income		
Total group income	R426,6 million (2012: R384,3 million)	+11,0%
Licence and royalty income	R386,5 million (2012: R351,6 million)	+9,9%
Literary rights income	R10,9 million (2012: R9,4 million)	+10,0%
Investment income	R39,5 million (2012: R32,3 million)	+24,3%
Music rights income	R371,0 million (2012: R337,4 million)	+10,0%
Broadcast income	R262,5 million (2012: R247,5 million)	+6,1%
General licence income	R98,7 million (2012: R80,3 million)	+22,9%
Foreign income	R8,4 million (2012: R8,1 million)	+3,7%
Literary rights collected		
Reprographic reproduction income	R42,5 million (2012: R35,7 million)	+19,0%
Other licence income	R3,1 million (2012: R2,33 million)	+35,3%

Group review

Income

Total group income for the year increased from R384,3 million to R426,6 million, an increase of R42,3 million or 11%. Group licence and royalty income for the year amounted to R386,5 million as compared to R351,6 million, an improvement of R34,9 million or 9,9%.

Once again, 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 R151,7 million (2012: R135,8 million) and from radio R104,5 million (2012: R95,6 million). General licence income, which represents diffusion and public performance of musical works (including cinema) amounted to R98,7 million (2012: R80,3 million).

Administration expenses

Group administration expenses amounted to R144 million as compared to R125,6 million in 2012, an increase of 14,6%.

Distribution

Amount available for distribution for the year under review, before taxation, social and cultural deductions and transfers to reserves, amounted to R280,6 million. Distributions for the group for the year after taking into account income tax, social and cultural deductions and amounts transferred from reserves was determined at R306,5 million compared to R282,9 million in 2012, an increase of R23,6 million or 8,3%.

REVIEW OF OPERATIONS FOR SAMRO AND SUBSIDIARIES

Income

SAMRO – Music rights

The total licence and royalty income of SAMRO for the past year increased by R33,6 million to R371 million from R337,4 million in 2012. Domestic licence income for the year increased by R33,2 million to R362,5 million from R329,3 million in 2012, an improvement of 10%. Income from broadcasting this year increased by R15 million to R262,5 million from R247,5 million in 2012. General licence income (excluding cinema) increased by R16,9 million to R91,3 million from R74,4 million in 2012.

Income received from foreign affiliates for the year increased by R0,3 million to R8,4 million from R8,1 million in 2012. Total non-royalty income increased by R8,1 million to R46,1 million from R38 million in 2012. Income received from investments increased by R7,4 million to R37,8 million from R30,4 million in 2012. This year, administration expenses represent 26,5% (2012: 24,6%) of SAMRO's total income.

DALRO – Literary rights

The Dramatic Artistic and Literary Rights Organisation (Pty) Ltd (DALRO) continued to show growth in reprographic licensing, largely driven by blanket licensing activities in the tertiary education sector. This year, the wholly owned subsidiary has again increased its licence royalty stream. DALRO's total licence and royalty fees invoiced increased by R7,6 million to R45,6 million from R38 million in 2012, an improvement of 19,9%. The reprographic reproduction fees invoiced by DALRO continued to show growth during the year. Blanket licensing, as opposed to transactional licensing, represented 74,8% of DALRO's reprographic reproduction fees invoiced, as compared with 72,3% in 2012. The total other licence fees invoiced by DALRO for the year under review increased by 34,8% to R3,1 million in comparison to R2,3 million in 2012. Administration charges to cover expenses represented 24% of licence and royalty fees invoiced compared with 24,8% in 2012.

SAMRO House Holdings

SAMRO House Holdings (Pty) Ltd is the holding company of SAMRO House (Pty) Ltd in which the property, SAMRO Place, the current headquarters of SAMRO at 20 de Korte Street, is housed.

SAMRO House

SAMRO House (Pty) Ltd remains the property company that owns the Braamfontein headquarters of SAMRO. Rental revenue increased 6% over the previous year. Operating costs increased during the year, largely driven by legal fees, increases in electricity and rates charges due to arrear billings by the municipality, depreciation on the building, and costs incurred for security of the building during the strike.

Gratia Artis

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

POSA

The Performers Organisation of South Africa has continued to sign up members. SAMPRA, the society accredited to collect licence fees on behalf of performers, has still not distributed any royalties to rights holders. POSA has therefore not received any royalties and has been unable to distribute any royalties to its members. SAMRO continues pursuing various means to remedy this situation.

Fifteen Melle Street

This company was deregistered in the financial year.

Amount distributable

SAMRO

The amount available for distribution to SAMRO members and affiliated societies for this year is R306,5 million compared with R282,9 million in 2012, an increase of 8,3%. During the year, SAMRO processed its distribution 51 out of distribution revenue determined at the 2012 financial year-end and distributions in progress, resulting in royalty credits distributed to its own members, as well as members of affiliated societies.

DALRO

DALRO's distributions to rights holders in literary and dramatic works reached R42 million as compared to R34,5 million in 2012, an improvement of R7,5 million or 21,7%. As DALRO operates as an agency, the value of reprographic and other licence income collected, as well as the amount distributed, are not reflected on the statement of comprehensive income, but are disclosed in the distribution notes to the annual financial statements.

Taxation

Taxation credit for the year amounted to R0,4 million (2012: R3,1 million tax charge).

Dividends

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

REVIEW OF GROUP'S FINANCIAL POSITION

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

Share capital

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

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

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

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

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

Name of company	Nature of business	Issued share capital 2013 R	2012 R	Effective holding 2013 %	2012 %
Subsidiaries					
SAMRO House Holdings (Pty) Ltd	Investment holding	**1 000**	1 000	**100**	100
SAMRO House (Pty) Ltd	Property holding	**200**	200	**100**	100
DALRO (Pty) Ltd	Rights administration	**2**	2	**100**	100
Gratia Artis (Pty) Ltd	Dormant	**2**	2	**100**	100
SAMRO IP Technologies (Pty) Ltd	Holding	**1 000**	1 000	**100**	100

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

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

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

COMPOSITION OF SAMRO'S BOARD AND OTHER COMMITTEES
Composition of the board, risk and remuneration committees of SAMRO is reflected in the corporate governance section on page 36 of this integrated report.

DIRECTORS
During the year under review, the casual vacancy created by the resignation of Mr CG de Villiers as a member of the board of directors was filled by Mr J Niemand.

Composers/lyricists:
S Khumalo, SCP Mabuse, J Niemand (appointed 30 November 2012), P Mnomiya and J Zaidel-Rudolph

Publishers:
JE Edmond, AE Emdon, NA Sibiya, CFE Woods

Independent director:
J Mnisi

Executive directors:
MN Motsatse, GJ Zoghby

Secretary
JM Schulten

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN AFRICAN MUSIC RIGHTS ORGANISATION NPC

We have audited the consolidated and separate financial statements of Southern African Music Rights Organisation NPC, set out on pages 68 to 104, which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

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

OPINION
In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Southern African Music Rights Organisation NPC as at 30 June 2013, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT
As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2013, we have read the directors' report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: KJ Dikana
Registered auditor
Johannesburg

25 November 2013

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2013

	Note	COMPANY 2013 R000	COMPANY 2012 R000	GROUP 2013 R000	GROUP 2012 R000
REVENUE	2	370 962	337 353	386 525	351 558
Other income	3	8 273	7 680	506	464
Investment income	4	15 096	17 550	16 806	19 450
Other gains	5	22 717	12 834	22 717	12 834
		417 048	375 417	426 554	384 306
Administration expenses		(110 130)	(98 026)	(131 954)	(121 059)
Other expenses		(11 764)	(4 681)	(12 031)	(4 571)
Social and cultural expenses	7	(19 354)	(17 483)	(19 963)	(18 091)
Distributions	8	(306 507)	(282 938)	(306 507)	(282 938)
Operating loss	6	(30 707)	(27 711)	(43 901)	(42 353)
Royalty distributions written back	9	27 368	26 463	27 368	26 463
Finance charges	10	–	–	(1 996)	(1 966)
Loss before taxation		(3 339)	(1 248)	(18 529)	(17 856)
Taxation	11	(416)	3 106	(416)	3 898
Net (loss)/profit		(3 755)	1 858	(18 945)	(13 958)
Other comprehensive income					
Net gain on available-for-sale financial assets		31 311	8 147	31 311	8 147
Other comprehensive income for the year		31 311	8 147	31 311	8 147
Total comprehensive income/(loss) for the year		27 556	10 005	12 366	(5 811)
Attributable to:					
Members		27 556	10 005	12 366	(5 811)

STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

	Note	COMPANY 2013 R000	COMPANY 2012 R000	GROUP 2013 R000	GROUP 2012 R000
ASSETS					
Non-current assets					
Property and equipment	13	18 411	15 998	133 347	122 865
Intangible assets	14	73 347	24 758	73 738	24 758
Investment in subsidiaries	15.1	175	175	–	–
Deferred tax	16	20 537	20 240	21 726	21 429
Available-for-sale investments	17	288 090	259 883	288 090	259 883
Total non-current assets		400 560	321 054	516 901	428 935
Current assets					
Trade and other receivables	18	116 493	60 407	115 534	66 429
Inventory	19	423	549	606	675
Related party receivable	15.2	155 751	134 414	–	–
Taxation		5 060	434	3 687	–
Cash and cash equivalents	31	56 516	99 531	104 327	139 917
Total current assets		334 243	295 335	224 154	207 021
Total assets		734 803	616 389	741 055	635 956
EQUITY AND LIABILITIES					
Capital and reserves					
Retained earnings		46 626	50 381	(14 525)	5 175
Fixed asset revaluation reserve	20	2 042	–	2 042	–
Unrealised gains reserve	20	89 424	58 113	89 424	58 113
Members' equity		138 092	108 494	76 941	63 288
Non-controlling interest		–	–	–	716
Total funds and reserves		138 092	108 494	76 941	64 004
Non-current liabilities					
Post-employment medical benefit	21	26 161	25 261	26 161	25 261
Borrowings	22	–	–	25 576	–
Total non-current liabilities		26 161	25 261	51 737	25 261
Current liabilities					
Distributions payable	23	366 276	299 304	400 120	326 285
Distributions in progress	24	131 521	99 846	131 521	99 846
Current portion of post-retirement medical benefit	21	852	721	852	721
Related party payable	15.3	4 045	78	3 968	–
Social and cultural obligations	25	20 599	24 313	24 802	29 654
Trade and other payables	26	47 256	58 372	49 215	62 433
Borrowings	22	–	–	1 899	27 304
Taxation		–	–	–	448
Total current liabilities		570 549	482 634	612 377	546 691
Total equity and liabilities		734 803	616 389	741 055	635 956

STATEMENT OF CHANGES IN FUNDS AND RESERVES

for the year ended 30 June 2013

COMPANY	Retained earnings R000	Fixed assets revaluation reserve R000	Unrealised gains reserve R000	Total R000
Balance at 30 June 2011	48 523	–	49 966	98 489
Total comprehensive income for the year	1 858	–	8 147	10 005
Profit for the year	1 858	–	–	1 858
Revaluation of investments	–	–	8 147	8 147
Balance at 30 June 2012	50 381	–	58 113	108 494
Total comprehensive income for the year	(3 755)	(2 042)	31 311	29 598
Loss for the year	(3 755)	–	–	(3 755)
Revaluation of paintings	–	2 042	–	2 042
Revaluation of investments	–	–	31 311	31 311
Balance at 30 June 2013	46 626	2 042	89 424	138 092

GROUP	Retained earnings R000	Fixed assets revaluation reserve R000	Unrealised gains reserve R000	Total R000	Non-controlling interest R000	Total funds and reserves R000
Balance at 30 June 2011	19 133	–	49 966	69 099	716	69 815
Total comprehensive (loss)/income for the year	(13 958)	–	8 147	(5 811)	–	(5 811)
Loss for the year	(13 958)	–	–	(13 958)	–	(13 958)
Revaluation of investments	–	–	8 147	8 147	–	8 147
Balance at 30 June 2012	5 175	–	58 113	63 288	716	64 004
Total comprehensive income/(loss) for the year	(19 700)	2 042	31 311	13 653	(716)	12 937
Loss for the year	(18 945)	–	–	(18 945)	–	(18 945)
Revaluation of paintings	–	2 042	–	2 042	–	2 042
Deregistration of associate company	(755)	–	–	(755)	(716)	(1 471)
Revaluation of investments	–	–	31 311	31 311	–	31 311
Balance at 30 June 2013	(14 525)	2 042	89 424	76 941	–	76 941

STATEMENT OF CASH FLOWS

for the year ended 30 June 2013

	Note	COMPANY 2013 R000	COMPANY 2012 R000	GROUP 2013 R000	GROUP 2012 R000
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES					
Cash generated from licensing operations	27	195 408	292 117	193 571	278 131
Finance costs	10	–	–	(1 996)	(1 966)
Interest from subsidiaries	30.1	4 349	4 349	–	–
Dividends received	4	5 064	4 040	5 064	4 040
Interest received	4	10 032	13 510	11 742	15 410
Cash flow from operations		214 853	314 016	208 381	295 615
Taxation paid	28	(4 781)	(1 691)	(2 526)	(1 355)
Royalty, non-royalty and social distributions to members and affiliated societies	29	(185 080)	(228 707)	(181 457)	(224 902)
Applied to social and cultural expenses	25	(23 068)	(23 054)	(24 815)	(22 733)
Net cash flows generated/(utilised) from operating activities		1 924	60 564	(417)	46 625
CASH FLOWS GENERATED FROM INVESTING ACTIVITIES					
Additions to property, equipment and intangible assets	13	(54 128)	(23 979)	(65 874)	(34 465)
(Increase)/decrease in loans to/from related parties	30.1	(17 369)	(24 603)	3 968	–
Proceeds on disposal of property and equipment		392	874	392	874
Proceeds from disposal of investments	30.2	26 166	7 840	26 166	7 840
Net cash flows utilised from investing activities		(44 939)	(39 867)	(35 348)	(25 751)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES					
Financing activities					
Increase/(decrease) in borrowings		–	–	175	(172)
Bequests and donations		–	28	–	28
Net cash flows generated/(utilised) from financing activities		–	28	175	(144)
Net (decrease)/increase in cash and cash equivalents		(43 015)	20 725	(35 590)	20 730
Cash and cash equivalents at the beginning of the year		99 530	78 805	139 917	119 187
Cash and cash equivalents at the end of the year	31	56 516	99 530	104 327	139 917

GENERAL INFORMATION

SAMRO NPC (the company or SAMRO) and its subsidiaries (together, the group) is an organisation dedicated to the collective management of copyright in musical works of authors and publishers.

1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.2 BASIS OF PREPARATION

The consolidated financial statements of SAMRO have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and paintings.

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

1.3 CONSOLIDATION

Subsidiaries

Subsidiaries are entities (including special purpose entities) which are, directly or indirectly, controlled by the group. Control is established where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The acquisition method of accounting is used to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of the acquisition over the fair value of the group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income. A subsidiary is consolidated from the date on which control is transferred to the group and is no longer consolidated from the date that the control ceases.

Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group. All intergroup transactions, balances and unrealised gains and losses on transactions between group companies have been eliminated.

1.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Operating lease commitments – group as lessor

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

Estimates and assumptions

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

1.4.1 Recognition of licence revenue

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

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

In the determination of the amounts for distribution, management, together with the board, uses its judgement to determine the amounts to be set aside for future development and social and cultural provisions. The amounts for distribution are consequently determined. The CISAC recommendations/practices are also taken into account in the determination.

1.4.3 Carrying value of property and equipment

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

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

1.4.4 Carrying value trade and other receivables

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

1.4.5 Distributions in progress

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

1.4.6 Impairment testing

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

1.4.7 Post-employment benefits

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

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

1.4.8 Deferred tax asset

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

1.5 UNLISTED INVESTMENTS

Unlisted investments are valued by an external independent professional valuator every second year. Changes in the value of unlisted investments are accounted for through equity until they are realised when they are recognised in profit or loss.

1.6 INCOME AND REVENUE RECOGNITION

Income

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

Revenue

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

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

Income from licensing and royalty operations

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

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

Investment income

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

Rental income

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

Administration fees

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

1.7 ROYALTY DISTRIBUTIONS

This amount represents net revenue from licence revenue available for allocation in royalty distributions and net non-licence revenue for allocation in the non-royalty revenue distribution per the statement of comprehensive income.

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

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

1.8 TRANSFERS TO SOCIAL AND CULTURAL FUNDS

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

1.9 PROPERTY AND EQUIPMENT

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

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

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

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

Freehold land and buildings are held as owner occupied.

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

The group's policy in respect of this property is to obtain an independent valuation of the property on a regular basis. Any increase in value is recognised in the statement of financial position.

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

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

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

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

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

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

1.10 INTANGIBLE ASSETS

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

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

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

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

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

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 15 years.

1.11 FINANCIAL INSTRUMENTS

Classification

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

- Financial assets at fair value through profit or loss – designated
- Loans and receivables
- Financial liabilities at fair value through profit or loss – designated
- Financial liabilities measured at amortised cost

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

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Derecognition

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

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option-pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

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

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

Loans to/from group companies

These include loans to and from subsidiaries and are recognised initially at fair value plus direct transaction costs. Loans to group companies are classified as financial assets at fair value through profit or loss. Loans from group companies are classified as financial liabilities at fair value through profit or loss.

Loans to key management and employees
These financial assets are classified as loans and receivables.

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

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

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

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

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

1.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

1.13 RELATED PARTIES

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

1.14 INVENTORY

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

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

1.15 TAXATION

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

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

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

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

1.16 FUNDS AND RESERVES

Retained earnings
General reserve
Transfers to or from the reserves are at the discretion of the board. The retained income of DALRO, the unexpended grants in Gratia Artis (Pty) Ltd, and the company's attributable share of the subsidiary company's retained income since acquisition are treated as part of the general reserve.

Development fund
Transfers to the fund are at the discretion of the board with the object of setting aside amounts deemed necessary for future regional copyright administration and technological and business

development within the group. The utilisation of this fund comprises identified expenditure incurred which is considered to be related to development and is recorded as a transfer from the fund.

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

1.17 ROYALTY DISTRIBUTIONS IN PROGRESS

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

1.18 EMPLOYEE BENEFITS

Retirement
The company has a retirement benefit plan for all permanent employees that provides, among other benefits, a pension on retirement. The full details of the benefits payable by the scheme can be found in the registered rules of the scheme. The plan is an approved defined contribution plan and is governed by a board of trustees in accordance with the rules of the fund and the Pension Funds Act of 1956 as amended.

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

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

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

1.19 PROVISIONS

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

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

1.20 LEASES

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

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

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

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

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

1.21 FOREIGN CURRENCIES

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

1.22 STANDARDS, INTERPRETATIONS AND AMENDMENTS THAT ARE NOT YET EFFECTIVE AT JUNE 2013

The group has considered the following new standards and interpretations and amendments to existing standards, which are not yet effective as at June 2013 but are effective for the financial years commencing as reflected in the table:

Number	Title	Effective date for financial year commencing
Amendments to IFRS 1	First time adoption on government loans	1 January 2013
Amendment to IFRS 7	Financial instruments: Disclosures – Asset and liability offsetting	1 January 2013
IAS 19	Employee benefits	1 January 2013
IFRS 9	Financial instruments	1 January 2015
Amendments to IFRS 9	Financial instruments	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 27 (revised 2011)	Separate financial statements	1 January 2013
IAS 28 (revised 2011)	Associates and joint ventures	1 January 2013
Amendments to IAS 32	Financial instruments: Presentation	1 January 2014

1.23 STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE AT JUNE 2013

The following new standards, interpretations and amendments to existing standards, that are effective as at June 2013, had no significant effect on the group's operations:

Number	Title	Effective date for financial year commencing
Amendments to IAS 1	Presentation of financial statements, on presentation of items of OCI	1 July 2012
Amendment to IAS 12	Amendment to IAS 12 Income taxes on deferred tax	1 January 2012

		COMPANY		GROUP	
		2013 R000	2012 R000	2013 R000	2012 R000
2.	**REVENUE**	370 962	337 353	386 525	351 558
	Music rights				
	Performing rights	355 162	312 078	355 162	312 078
	Mechanical rights	7 375	17 215	7 375	17 215
	Total SAMRO territory	362 537	329 293	362 537	329 293
	Royalties from affiliated societies	8 425	8 060	8 425	8 060
	Licence and royalty income	370 962	337 353	370 962	337 353
	Reprographic administration fees	–	–	10 931	9 436
	Rental income	–	–	4 632	4 768
	Total revenue	370 962	337 353	386 525	351 558
3.	**OTHER INCOME**	8 273	7 680	506	464
	Bequests and donations received	–	28	–	28
	Administration fees	7	21	19	48
	Interest on loans and cash balances	481	383	487	388
	Interest from subsidiary companies	4 349	4 349	–	–
	Administration, computer and management fees from subsidiary companies	3 436	2 899	–	–
	Total other income	8 273	7 680	506	464
4.	**INVESTMENT INCOME**	15 096	17 550	16 806	19 450
	Available-for-sale investments				
	Dividends	5 064	4 040	5 064	4 040
	Interest from debentures and loan stock	4 537	4 262	4 537	4 262
	Interest from bonds and notes	4 261	4 801	4 261	4 801
	Interest from short-term investments	1 234	4 447	2 944	6 347
	Total income from available-for-sale investments	15 096	17 550	16 806	19 450
5.	**OTHER GAINS**	22 717	12 834	22 717	12 834
	Gain on disposal of investments	22 717	12 834	22 717	12 834
	Total other gains	22 717	12 834	22 717	12 834

		COMPANY		GROUP	
		2013 R000	2012 R000	2013 R000	2012 R000
6.	**OPERATING LOSS**				
	Operating loss includes the following items:				
	Accommodation costs	2 490	2 570	1 690	2 734
	Depreciation	2 031	2 454	5 167	4 848
	Amortisation	2 698	627	2 848	627
	Operating costs	12 193	9 129	14 219	11 052
	Professional fees	3 883	7 379	5 935	12 745
	IT costs	4 889	4 432	5 026	4 587
	Employee benefits	74 831	62 895	84 952	73 062
	Marketing costs	3 854	3 446	5 158	4 622
	Other costs	2 386	862	5 295	3 032
	Auditors' remuneration				
	Fees – current year	1 223	1 080	1 713	1 391
	Fees – under provision previous years	312	193	513	514
		1 535	1 273	2 226	1 905
	Impairment of receivables	(9 413)	(309)	(9 680)	(420)
	Investment management fees	1 321	961	1 321	961
	Loss on disposal of property and equipment	44	2 401	44	2 401
6.1	**Employee benefits**				
	Employee benefits include:				
	Salaries and bonuses	59 282	50 308	66 373	58 061
	Social security costs	794	556	880	573
	Pension costs defined benefit plan	7 044	6 302	7 757	6 701
	Training	435	556	465	650
	Recruitment	314	496	373	496
	Other employment costs	5 931	4 677	8 073	6 581
		73 800	62 895	83 921	73 062
	Post-employment benefits	1 031	3 986	1 031	3 986
		74 831	66 881	84 952	77 048
7.	**SOCIAL AND CULTURAL EXPENSES**	19 354	17 483	19 963	18 091
	Social	9 097	8 158	9 347	8 408
	Cultural	10 257	9 325	10 616	9 683
		19 354	17 483	19 963	18 091
8.	**DISTRIBUTIONS**	306 507	282 938	306 507	282 938
	Licence and royalty	260 421	245 864	260 421	245 864
	Non-royalty	46 086	37 074	46 086	37 074
	Total distributions	306 507	282 938	306 507	282 938

	Company 2013 R000	Company 2012 R000	Group 2013 R000	Group 2012 R000
9. ROYALTY DISTRIBUTIONS WRITTEN BACK	27 368	26 463	27 368	26 463
Undistributable income written back	27 368	26 463	27 368	26 463
10. FINANCE COSTS	–	–	1 996	1 966
Interest on borrowings	–	–	1 996	1 966
Total finance costs	–	–	1 996	1 966
11. TAXATION	416	(3 106)	416	(3 898)
Current charge – SA normal tax	713	2 320	713	2 320
– prior year underprovision	–	158	–	158
Deferred tax – current charge	(2 132)	(1 898)	(2 132)	(2 690)
– prior year under/(over) provision	1 835	(3 686)	1 835	(3 686)
Total taxation	416	(3 106)	416	(3 898)
Reconciliation of the tax rate:				
Loss before tax	(3 339)	(1 248)	(18 528)	(17 856)
Tax at 28%	(935)	(349)	(5 188)	(5 000)
Adjust for:				
Income not subject to tax	(1 418)	(2 097)	(1 418)	(2 097)
Expenses not deductible for tax	48	2 872	48	2 872
Prior year under/(over) provision	2 720	(3 528)	2 720	(3 528)
Doubtful debt allowance	1	(3)	1	(3)
Assessed loss utilised	–	–		(792)
Unrecognised tax loss	–	–	4 253	4 650
Current charge SA normal tax	416	(3 106)	416	(3 898)

	Company 2013 R000	Company 2012 R000	Group 2013 R000	Group 2012 R000
12. KEY MANAGEMENT EMOLUMENTS	16 310	13 356	20 175	18 058
From the company and its controlled subsidiaries for:				
Directors				
Current emoluments				
– Non-executive directors' fees	515	287	643	538
– Salaries and bonuses	5 129	3 953	7 335	5 992
– Pension and medical aid contributions	746	690	982	837
– Other fringe benefits	608	481	866	756
Total directors' current emoluments	6 998	5 412	9 826	8 122
Post-retirement benefits				
– Estimated post-retirement benefits	16	59	31	117
Total directors' emoluments	7 014	5 471	9 857	8 240
Paid by:				
– Company	7 014	5 471	7 014	5 471
– Subsidiaries	–	–	2 843	2 769
Total paid	7 014	5 471	9 857	8 240
Other key management				
Current emoluments				
– Salaries and bonuses	7 053	6 084	7 835	7 514
– Pension and medical aid contributions	1 333	995	1 469	1 272
– Other fringe benefits	878	689	983	916
Total other key management current emoluments	9 264	7 768	10 287	9 701
Post-retirement benefits				
– Estimated post-retirement benefits	31	117	31	117
Total other key management emoluments	9 295	7 885	10 318	9 819
Total key management emoluments	16 310	13 356	20 175	18 058

	COMPANY		GROUP	
	2013 R000	2012 R000	2013 R000	2012 R000
13. PROPERTY AND EQUIPMENT	18 411	15 998	133 347	122 865
Land and buildings				
Owner occupied property – SAMRO Place				
Beginning of the year				
Cost			112 487	102 040
Accumulated depreciation			(7 089)	(4 925)
Carrying amount at the beginning of the year			105 398	97 115
Building improvements			10 355	10 449
Depreciation charge for the year			(2 742)	(2 166)
Net carrying amount at the end of the year			113 011	105 398
Summary				
Assets at cost			122 842	112 487
Accumulated depreciation			(9 831)	(7 089)
Net carrying amount at the end of the year			113 011	105 398
Office furniture and equipment				
Beginning of the year				
Cost	10 130	11 060	12 405	13 374
Accumulated depreciation	(2 019)	(2 714)	(2 825)	(3 369)
Carrying amount at the beginning of the year	8 111	8 346	9 580	10 005
Additions	370	730	472	767
Revaluation of paintings	2 042	–	2 042	–
Disposals – net	–	(370)	–	(370)
Depreciation charge for the year	(575)	(595)	(812)	(822)
Net carrying amount at the end of the year	9 948	8 111	11 282	9 580
Summary				
Assets at cost	10 214	10 130	12 592	12 405
Assets at revalued amounts	2 327	–	2 327	–
Accumulated depreciation	(2 593)	(2 019)	(3 637)	(2 825)
Net carrying amount at the end of the year	9 948	8 111	11 282	9 580
Computer information systems				
Beginning of the year				
Cost	5 609	15 001	5 609	15 001
Accumulated depreciation	(1 694)	(9 162)	(1 694)	(9 162)
Carrying amount at the beginning of the year	3 915	5 839	3 915	5 839
Additions	428	887	1 176	887
Disposals – net	–	(1 564)	–	(1 564)
Depreciation charge for the year	(754)	(1 247)	(911)	(1 247)
Net carrying amount at the end of the year	3 589	3 915	4 180	3 915
Summary				
Assets at cost	6 037	5 609	6 785	5 609
Accumulated depreciation	(2 448)	(1 694)	(2 605)	(1 694)
Net carrying amount at the end of the year	3 589	3 915	4 180	3 915

	COMPANY		GROUP	
	2013 R000	2012 R000	2013 R000	2012 R000
13. PROPERTY AND EQUIPMENT (CONTINUED)				
Motor vehicles				
Beginning of the year				
Cost	4 905	4 021	4 905	4 021
Accumulated depreciation	(933)	(650)	(933)	(650)
Carrying amount at the beginning of the year	3 972	3 371	3 972	3 371
Additions	2 043	2 443	2 043	2 443
Disposals – net	(439)	(1 229)	(439)	(1 229)
Depreciation charge for the year	(702)	(613)	(702)	(613)
Net carrying amount at the end of the year	4 874	3 972	4 874	3 972
Summary				
Assets at cost	6 213	4 905	6 213	4 905
Accumulated depreciation	(1 339)	(933)	(1 339)	(933)
Net carrying amount at the end of the year	4 874	3 972	4 874	3 972
Total property and equipment				
Beginning of the year				
Cost	20 643	30 082	135 406	134 436
Accumulated depreciation	(4 645)	(12 526)	(12 541)	(18 106)
Carrying amount at the beginning of the year	15 998	17 556	122 865	116 330
Additions	2 841	4 060	14 046	14 546
Revaluation of paintings	2 042	–	2 042	–
Disposals – net	(439)	(3 163)	(439)	(3 163)
Depreciation charge for the year	(2 031)	(2 455)	(5 167)	(4 848)
Net carrying amount at the end of the year	18 411	15 998	133 347	122 865
Summary				
Assets at cost	22 465	20 643	148 432	135 406
Assets at revalued amounts	2 327	–	2 327	–
Accumulated depreciation	(6 381)	(4 645)	(17 412)	(12 541)
Net carrying amount at the end of the year	18 411	15 998	133 347	122 865
The revaluation of the paintings was done by an independent valuer. The valuation is based on fair market values on arm's-length terms. The effective date of the revaluation is 30 June 2013.				
If the cost model had been applied, the carrying values would have been as follows:				
Paintings	269	281	269	281

13.1 Land and building

SAMRO Place

A nine storey office block on ERFs 4518, 2896, 2897, 2898, 2899, 2900, 2901 and 2902 Johannesburg Township, Registration Division I.R. Transvaal. The building was purchased effective 1 February 2008 for a consideration of R56 000 000. Transfer costs of R160 000 were incurred in the transaction. The building has been refurbished at a cost of R63 524 000.

	COMPANY		GROUP	
	2013 R000	2012 R000	2013 R000	2012 R000
14. INTANGIBLE ASSETS	73 347	24 758	73 738	24 758
Beginning of the year				
Cost	28 234	8 794	28 234	8 794
Accumulated amortisation	(3 476)	(3 161)	(3 476)	(3 161)
Carrying amount at the beginning of the year	24 758	5 633	24 758	5 633
Additions	51 287	19 919	51 828	19 919
Disposals – net	–	(167)	–	(167)
Amortisation charge for the year	(2 698)	(627)	(2 848)	(627)
Net carrying amount at the end of the year	73 347	24 758	73 738	24 758
Summary				
Assets at cost	79 521	28 234	80 062	28 234
Accumulated amortisation	(6 174)	(3 476)	(6 324)	(3 476)
Net carrying amount at the end of the year	73 347	24 758	73 738	24 758
15. INVESTMENT IN SUBSIDIARIES	151 706	134 336		
15.1 Shares at cost				
Dramatic, Artistic and Literary Rights Organisation (Pty) Ltd	^	^		
Gratia Artis (Pty) Ltd	^	^		
Fifteen Melle Street (Pty) Ltd	–	^		
SAMRO House Holdings (Pty) Ltd	174	174		
SAMRO IP Technologies (Pty) Ltd	1	1		
Total cost of shares	175	175		
^ denotes a holding of less than R1 000				
Refer to the directors' report on subsidiary companies for effective holding				
15.2 Related party payable				
Dramatic, Artistic and Literary Rights Organisation (Pty) Ltd	3 682	731		
Gratia Artis (Pty) Ltd	405	404		
SAMRO House Holdings (Pty) Ltd	137 858	121 484		
SAMRO Foundation	–	1 305		
Performers Organisation of South Africa	13 806	10 491		
Total indebtedness	155 751	134 414		
15.3 Related party receivable				
SAMRO Foundation NPC	(3 968)	–	(3 968)	–
SAMRO IP Technologies (Pty) Ltd	(77)	(78)	–	–
Total indebtedness	(4 045)	(78)	(3 968)	–
Total investment in subsidiaries	151 706	134 336	(3 968)	–

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

	COMPANY		GROUP	
	2013 R000	2012 R000	2013 R000	2012 R000
16. DEFERRED TAX	20 537	20 240	21 726	21 429
Balance at the beginning of the year	20 240	14 657	21 429	15 054
Movement for the year	297	5 583	297	6 375
Deferred tax on provisions	45	4 669	45	4 669
Deferred tax on post-retirement medical benefit	252	914	252	914
Deferred tax on operating loss	–		–	792
Total deferred tax	20 537	20 240	21 726	21 429
17. AVAILABLE-FOR-SALE INVESTMENTS	288 090	259 883	288 090	259 883
Cost				
Listed investments at cost	171 179	174 284	171 179	174 284
Unlisted investments	27 486	27 486	27 486	27 486
Total investments at cost	198 665	201 770	198 665	201 770
Fair value				
Listed investments				
Shares at fair value	138 466	109 292	138 466	109 292
Bonds and unitised investments	122 138	123 105	122 138	123 105
Total listed investments at fair value	260 604	232 397	260 604	232 397
Unlisted investments				
Participation bonds, notes and other	27 486	27 486	27 486	27 486
Total investments at fair value	288 090	259 883	288 090	259 883
Total cost at the beginning of the year	201 770	188 285	201 770	188 285
Interest income capitalised	8 798	13 510	8 798	13 510
Dividend income capitalised	4 338	4 040	4 338	4 040
Fees and disinvestments	(16 241)	(4 066)	(16 241)	(4 066)
Unrealised gains	89 425	58 113	89 425	58 113
Total investments at the end of the year	288 090	259 883	288 090	259 883

A register of listed and unlisted investments is available for inspection by members. Investments held with Nedbank Private Wealth valued at R45 000 000 at 30 June 2013 have been used as security for the loan with Nedbank Limited, as disclosed in Note 22, for the purchase of SAMRO Place.

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

	COMPANY		GROUP	
	2013 R000	2012 R000	2013 R000	2012 R000
18. TRADE AND OTHER RECEIVABLES	**116 493**	60 407	**115 534**	66 429
Gross trade debtors	**150 966**	103 906	**155 916**	111 007
Provision for impairments	**(44 092)**	(48 275)	**(44 597)**	(48 723)
Net trade receivables	**106 874**	55 631	**111 319**	62 284
Other receivables	**9 619**	4 776	**4 215**	4 145
Total trade and other receivables	**116 493**	60 407	**115 534**	66 429

COMPANY	Individually impaired R000	Collectively impaired R000	Total R000
At 30 June 2011	37 750	10 568	48 318
Charge for the year	–	–	–
Utilised	–	(44)	(44)
At 30 June 2012	37 750	10 524	48 274
Charge for the year	**–**	**–**	**–**
Utilised	**–**	**(4 182)**	**(4 182)**
At 30 June 2013	**37 750**	**6 342**	**44 092**
GROUP			
At 30 June 2011	38 710	10 568	49 278
Charge for the year	–	–	–
Utilised	–	(555)	(555)
At 30 June 2012	38 710	10 013	48 723
Charge for the year	**57**	**–**	**57**
Utilised	**–**	**(4 183)**	**(4 183)**
At 30 June 2013	**38 767**	**5 830**	**44 597**

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Neither past due nor impaired			Past due but not impaired		
COMPANY	Total R000	Current R000	30 days R000	60 days R000	90 days R000	120 days R000
2012	55 631	3 677	8 543	3 865	3 896	35 649
2013	**106 874**	**35 659**	**57 465**	**2 925**	**387**	**10 438**
GROUP						
2012	62 284	5 869	8 986	4 241	7 415	35 773
2013	**111 319**	**38 516**	**57 950**	**3 361**	**732**	**10 760**

Trade and other receivables do not attract interest and are payable within 30 days from the date of invoice. The company and group do not hold collateral as security.

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

	COMPANY		GROUP	
	2013 R000	2012 R000	2013 R000	2012 R000
19. INVENTORY	**423**	549	**606**	675
Inventory comprises:				
Stationery and paper	**423**	549	**423**	549
Books and musical sheets for sale	**–**	–	**54**	54
Books and musical sheets for hire	**–**	–	**129**	71
Total inventory	**423**	549	**606**	675
20. RESERVES				
20.1 Fixed asset revaluation reserve				
Fixed asset revaluation reserve at the beginning of the year	**–**	–	**–**	–
Revaluation of paintings	**2 042**	–	**2 042**	–
Fixed asset revaluation reserve at the end of the year	**2 042**	–	**2 042**	–

	COMPANY 2013 R000	COMPANY 2012 R000	GROUP 2013 R000	GROUP 2012 R000
20. RESERVES (CONTINUED)				
20.2 Unrealised gains reserve				
Fair value adjustment				
Total investment at fair value	288 090	259 883	288 090	259 883
Total investment at cost	(198 665)	(201 770)	(198 665)	(201 770)
Total unrealised gain at the end of the year	89 425	58 113	89 425	58 113
Total unrealised gain at the beginning of the year	58 113	49 966	58 113	49 966
Fair value adjustment	31 311	8 147	31 311	8 147
Total unrealised gain at the end of the year	89 424	58 113	89 424	58 113
21. POST-EMPLOYMENT MEDICAL BENEFITS	27 013	25 982	27 013	25 982
Net liability reconciliation:				
Opening balance of the liability	25 982	21 996	25 982	21 996
Income statement charge	1 031	3 986	1 031	3 986
Closing balance of the liability	27 013	25 982	27 013	25 982
Current portion of the liability	852	721	852	721
Long-term portion of the liability	26 161	25 261	26 161	25 261
	27 013	25 982	27 013	25 982
Present value of obligations:				
Opening balance	25 982	21 996	25 982	21 996
Current service cost	901	817	901	817
Interest cost	2 112	1 895	2 112	1 895
Benefits paid/expected to be paid	(749)	(636)	(749)	(636)
Actuarial (gain)/loss on obligation	(1 233)	1 910	(1 233)	1 910
Closing balance of funded defined benefit obligations	27 013	25 982	27 013	25 982

	COMPANY 2013 R000	COMPANY 2012 R000	GROUP 2013 R000	GROUP 2012 R000
21. POST-EMPLOYMENT MEDICAL BENEFITS (CONTINUED)				
Income statement charge:				
Current service cost	901	817	901	817
Interest cost	2 112	1 895	2 112	1 895
Benefits paid/expected to be paid	(749)	(636)	(749)	(636)
Actuarial (gain)/loss on obligation	(1 233)	1 910	(1 233)	1 910
	1 031	3 986	1 031	3 986

A valuation was carried out by a firm of consulting actuaries at 30 June 2013. There were 38 in-service members (2012: 42) and 28 continuation members (2012: 26).

	COMPANY 2013	COMPANY 2012	GROUP 2013	GROUP 2012
Actuarial assumptions:				
Discount rate	9,40%	8,25%	9,40%	8,25%
Medical inflation rate	8,90%	7,75%	8,90%	7,75%

The assumed rates of mortality are as follows:

During employment	SA85-90 (Light) Ultimate table
Post employment	PA(90) Ultimate table rated down 2 years plus 1% improvement per annum (from a base year of 2006)

Valuation assumptions
Post-employment medical liability

	Health care cost inflation		
	Central assumption 8,90%	-1%	+1%
Accrued liability 30 June 2013 (R000)	27 013	22 955	32 176
% change	–	-15,0%	+19,1%
Current service cost + interest cost 2013/2014 (R000)	3 319	2 764	4 039
% change	–	-16,7%	+21,7%
	Health care cost inflation		
	Central assumption 8,90%	+5% for 5 years	+10% for 5 years
Accrued liability 30 June 2013 (R000)	27 103	33 273	40 695
% change	–	+23,2%	+50,7%
	Discount rate		
	Central assumption 9,40%	-1%	+1%
Accrued liability 30 June 2013 (R000)	27 013	32 189	23 014
% change	–	+19,2%	-14,8%
	Expected retirement age		
	Central assumption 60 years	1 year younger	1 year older
Accrued liability 30 June 2013 (R000)	27 103	27 773	26 065
% change	–	+2,8%	-3,5%

21. POST-EMPLOYMENT MEDICAL BENEFITS (CONTINUED)

A projection of results of the valuation as at 30 June 2013 to 30 June 2014 is set out below:

Year ending 30 June 2014	Accrued liability R000
Accrued liability as at 30 June 2013	27 013
Interest cost	2 495
Service cost	824
Expected employer benefit payments	(889)
Projected accrued liability as at 30 June 2014	29 443

	COMPANY		GROUP	
	2013 R000	2012 R000	2013 R000	2012 R000
22. BORROWINGS	–	–	27 475	27 304
Borrowing raised	–	–	44 500	44 500
Capital repayment made	–	–	(15 029)	(15 230)
Interest payments	–	–	(1 996)	(1 966)
Borrowings closing balance	–	–	27 475	27 304
Nedbank Limited				
Non-current	–	–	25 576	–
Current	–	–	1 899	27 304
Secured by a cession and pledge of the share portfolio. The term of the loan is 60 months. The outstanding capital amount will be repaid as one bullet payment after year 5. The interest rate is prime less 1,25%.				
23. DISTRIBUTIONS PAYABLE	366 276	299 304	400 120	326 285
Royalty distribution	260 421	245 864	260 421	245 864
Non-royalty distribution	46 086	37 075	46 086	37 075
Current amount per income statement	306 507	282 938	306 507	282 938
Social benefits	9 076	8 137	9 076	8 137
For distribution current year DALRO	–	–	33 844	26 981
Prior periods amounts	66 621	20 467	66 621	20 467
	382 204	311 542	416 048	338 523
Distributions and advances	(15 928)	(12 238)	(15 928)	(12 238)
Total for distribution	366 276	299 304	400 120	326 285

	COMPANY		GROUP	
	2013 R000	2012 R000	2013 R000	2012 R000
24. DISTRIBUTIONS IN PROGRESS	131 521	99 846	131 521	99 846
24.1 Shares in musical works				
Balance at the beginning of the year	8 818	7 384	8 818	7 384
Distributed during the year	(1 417)	(2 998)	(1 417)	(2 998)
	7 401	4 386	7 401	4 386
Arising out of distributions during the year	776	6 735	776	6 735
	8 177	11 121	8 177	11 121
Distribution adjustment prior years	134	(2 303)	134	(2 303)
Balance at the end of the year	8 311	8 818	8 311	8 818
24.2 Musical works				
Balance at the beginning of the year	91 028	83 604	91 028	83 604
Distributed during the year	(11 806)	(36 042)	(11 806)	(36 042)
	79 222	47 562	79 222	47 562
Arising out of distributions during the year	71 489	65 337	71 489	65 337
	150 711	112 899	150 711	112 899
Distribution adjustment prior years	(27 501)	(21 871)	(27 501)	(21 871)
Balance at the end of the year	123 210	91 028	123 210	91 028
Total distributions in progress	131 521	99 846	131 521	99 846
25. SOCIAL AND CULTURAL OBLIGATIONS	20 598	24 313	24 802	29 654
Balance at the beginning of the year	24 313	29 884	29 654	34 296
Utilisation during the year	(23 068)	(23 054)	(24 815)	(22 733)
Current funding for the year	19 354	17 483	19 963	18 091
Balance at the end of the year	20 599	24 313	24 802	29 654
25.1 Social obligations				
Other social funds not included in distributions				
Balance at the beginning of the year	6 532	7 109	6 532	7 109
Utilisation during the year	(7 564)	(8 729)	(7 564)	(8 729)
Current funding for the year	9 096	8 152	9 096	8 152
Balance at the end of the year	8 064	6 532	8 064	6 532
Copyrights training fund				
Balance at the beginning of the year	–	–	1 349	1 360
Utilisation during the year	–	–	(68)	(261)
Current funding for the year	–	–	250	250
Balance at the end of the year	–	–	1 531	1 349
Total social funds	8 064	6 532	9 595	7 881

	COMPANY		GROUP	
	2013 R000	2012 R000	2013 R000	2012 R000
25. SOCIAL AND CULTURAL OBLIGATIONS (CONTINUED)				
25.2 Cultural obligations				
SAMRO endowment for the national arts and related provisions				
Balance at the beginning of the year	15 698	20 713	16 637	20 713
Utilisation during the year	(15 440)	(14 318)	(16 005)	(13 767)
Current funding for the year	10 257	9 303	9 911	8 654
Unexpended grants/scholarships	–	–	–	1 037
Balance at the end of the year	10 515	15 698	10 543	16 637
Bequests and donations				
Balance at the beginning of the year	2 083	2 062	2 182	2 062
Utilisation during the year	(64)	(7)	(64)	(7)
Current funding for the year	–	28	–	127
Balance at the end of the year	2 019	2 083	2 118	2 182
Bilateral agreement funds				
Balance at the beginning of the year	–	–	2 142	2 313
Utilisation during the year	–	–	(621)	(720)
Current funding for the year	–	–	193	549
Balance at the end of the year	–	–	1 714	2 142
Bursary funds				
Balance at the beginning of the year	–	–	812	739
Utilisation during the year	–	–	(338)	(286)
Current funding for the year	–	–	358	359
Balance at the end of the year	–	–	832	812
Total cultural funds	12 534	17 781	15 207	21 773
Total social and cultural funds	20 599	24 313	24 802	29 654
26. TRADE AND OTHER PAYABLES	47 256	58 372	49 215	62 433
Members and affiliated societies	6 533	34 443	6 533	34 443
Accounts payable	26 675	13 115	28 634	17 176
Leave pay and bonus accrual	14 116	10 819	14 116	10 819
Non-residents royalty tax	(68)	(5)	(68)	(5)
	47 256	58 372	49 215	62 433

Trade and other payables do not attract interest and are payable 30 days from the date of statement.

Leave pay accrual is computed in terms of employees' current salary and accrued days leave at the financial year-end. This method accounts for any utilisations during the year.

	COMPANY		GROUP	
	2013 R000	2012 R000	2013 R000	2012 R000
27. CASH GENERATED FROM LICENSING OPERATIONS	195 408	292 117	193 571	278 131
Loss before taxation	(3 339)	(1 248)	(18 529)	(17 856)
Adjustments for:				
Royalty distributions written back	(27 368)	(26 463)	(27 368)	(26 463)
Finance charges	–	–	1 996	1 966
Depreciation	2 031	2 454	5 167	4 848
Amortisation of intangible assets	2 698	627	2 848	627
Loss on disposal of property and equipment	44	2 401	44	2 401
Surplus on disposal of investments	(22 717)	(12 834)	(22 717)	(12 834)
Interest from subsidiaries	(4 349)	(4 349)	–	–
Income from investments	(13 863)	(13 103)	(13 863)	(13 103)
Interest from term and call deposits	(1 234)	(4 447)	(2 944)	(6 347)
Bequests and donations	–	(28)	–	(28)
Post-employment medical benefits	1 031	3 986	1 031	3 986
Distribution expense	306 507	282 938	306 507	282 938
Social and cultural expenses	19 354	17 483	19 963	18 091
	258 795	247 417	252 135	238 226
Decrease in distributions and advances	3 690	1 685	3 690	1 685
(Increase)/decrease in accounts receivable	(56 086)	23 214	(49 105)	16 764
Decrease/(increase) in inventory	125	(240)	69	(222)
(Decrease)/increase in amounts owed to members and affiliated societies	(27 910)	(717)	(27 911)	(717)
Increase/(decrease) in accounts payable	16 794	20 758	14 693	22 395
	(63 387)	44 700	(58 564)	39 905
Total cash generated from licensing operations	195 408	292 117	193 571	278 131
28. TAXATION PAID	4 781	(1 691)	2 526	(1 355)
Opening balance	434	1 220	(448)	674
Current taxation	(416)	3 106	(416)	3 898
Closing balance	5 060	(434)	3 687	448
Net adjustment	5 078	3 892	2 823	5 020
Net tax adjustment deferred tax	(297)	(5 583)	(297)	(6 375)
Total taxation paid	4 781	(1 691)	2 526	(1 355)

	COMPANY		GROUP	
	2013 R000	2012 R000	2013 R000	2012 R000
29. ROYALTY AND NON-ROYALTY DISTRIBUTIONS TO MEMBERS AND AFFILIATED SOCIETIES	**(185 080)**	(228 707)	**(181 457)**	(224 902)
Available for distribution at the beginning of the year	**(283 376)**	(258 032)	**(283 376)**	(258 032)
Prior period amounts	**66 621**	20 467	**66 621**	20 467
Available for distribution	**(216 755)**	(237 565)	**(216 755)**	(237 565)
Distributions in progress at the beginning of the year				
– Shares in musical works	**(8 818)**	(7 384)	**(8 818)**	(7 384)
– Musical works	**(91 028)**	(83 604)	**(91 028)**	(83 604)
	(316 601)	(328 553)	**(316 601)**	(328 553)
Distributions in progress at the end of the year				
– Shares in musical works	**8 311**	8 818	**8 311**	8 818
– Musical works	**123 210**	91 028	**123 210**	91 028
	(185 080)	(228 707)	**(185 080)**	(228 707)
DALRO licence and royalty fees received	**–**	–	**45 602**	38 327
DALRO distributions paid	**–**	–	**(41 979)**	(34 522)
	(185 080)	(228 707)	**(181 457)**	(224 902)
30. NON-LICENSING ACTIVITIES				
30.1 Decrease/(increase) in related party balances	**(17 369)**	(24 603)		
Opening balance subsidiary receivables	**134 336**	109 733	**–**	–
Closing balance subsidiary receivables	**(151 705)**	(134 336)	**3 968**	–
Increase in subsidiary receivables	**(17 369)**	(24 603)	**3 968**	–
Add intercompany interest and fees	**7 785**	7 248	**–**	–
Indebtedness of subsidiaries	**(9 584)**	(17 355)	**3 968**	–
Interest	**(4 349)**	(4 349)	**–**	–
Administration, computer and management fees	**(3 436)**	(2 899)	**–**	–
Net (outflow to)/cash inflow from subsidiaries	**(17 369)**	(24 603)	**3 968**	–
30.2 Movements in investments	**26 166**	7 840	**26 166**	7 840
Proceeds on disposal of investments	**56 669**	48 010	**56 669**	48 010
Investments purchased	**(30 503)**	(40 170)	**(30 503)**	(40 170)
	26 166	7 840	**26 166**	7 840
31. CASH AND CASH EQUIVALENTS	**56 516**	99 531	**104 327**	139 917
Cash and cash equivalents consist of cash on hand, balances with banks and investment in money market instruments and are made up as follows:				
Cash on hand and balances with banks	**42 706**	89 763	**90 517**	130 149
Short-term investments	**13 810**	9 768	**13 810**	9 768
Total cash and cash equivalents	**56 516**	99 531	**104 327**	139 917

32. RELATED PARTY TRANSACTIONS

Subsidiaries

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

	COMPANY		GROUP	
	2013 R000	2012 R000	2013 R000	2012 R000
Subsidiaries				
32.1 Services rendered				
DALRO (Pty) Ltd	**3 130**	2 611		
SAMRO House Holdings (Pty) Ltd	**102**	96		
SAMRO House (Pty) Ltd	**204**	192		
Administration and management fees	**3 436**	2 899		
Interest received from SAMRO House Holdings (Pty) Ltd	**4 349**	4 349		
	7 785	7 248		
32.2 Purchase of services				
Rental expense				
SAMRO House (Pty) Ltd	**2 404**	2 341		
Administration and management fees	**2 404**	2 341		
32.3 Balances owing by/(owed to)				
DALRO (Pty) Ltd	**3 682**	731		
SAMRO House Holdings (Pty) Ltd	**137 858**	121 484		
SAMRO IP Technologies (Pty) Ltd	**(77)**	(78)		
Gratia Artis (Pty) Ltd	**405**	404		
	141 868	122 541		
Refer to Note 15 for further details.				
32.4 Other related parties				
Balances (owed to)/owing by				
SAMRO Foundation NPC	**(3 968)**	1 305	**(3 968)**	–
POSA Trust	**13 806**	10 491	**–**	–
	9 838	11 796	**(3 968)**	–

32. RELATED PARTY TRANSACTIONS (CONTINUED)

32.5 Key management

Key management personnel are those personnel who by virtue of their office are able to influence strategic decisions. Management considers key management to include non-executive directors, executive directors, executive general managers and general managers.

a) Key management remuneration

Refer to Note 12 for details on emoluments of key management

There are two groups of SAMRO directors – writers and publishers. These directors and parties related to them are entitled to royalty and non-royalty distributions from SAMRO. These distributions are computed on the same basis as those for other rights holders and are not considered to be emoluments for services as directors.

	COMPANY	
	2013 R000	2012 R000
b) Year-end balances		
Loans to key management	299	320

33. RETIREMENT BENEFITS

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

Summary of results

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

The balance sheet item that the company can recognise was calculated to be nil as at 30 June 2013 and 30 June 2012. The "adjusted expense" for the year ended 30 June 2013 was therefore calculated to be R3 663 000 (2012: R7 101 000).

	COMPANY AND GROUP	
	2013 R000	2012 R000
Active number of members	189	208
Total annual salaries	47 768	47 769
Number of pensioners (outsourced by the fund)	18	16
Present value of funded defined benefit obligation	(103 272)	(85 991)
Fair value of plan	104 018	87 757
Funded status of defined benefit plan	746	1 766
Unrecognised net (loss)/gain due paragraph 58 limit	3 251	(1 766)
	3 997	–

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

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

33. RETIREMENT BENEFITS (CONTINUED)

	COMPANY AND GROUP	
	2013 R000	2012 R000
Actuarial valuation assumptions (%)		
Discount rate	9,50	7,75
Inflation rate	6,50	5,00
Salary increase rate	7,50	6,00
Expected rate of return on assets	n.a.	8,75
Pension increase allowance	5,20	4,00
Components of income statement pension expense		
Current service cost	6 879	6 265
Interest cost	7 701	6 577
Expected return on assets	(8 363)	(7 507)
Amortisation:		
a) Unrecognised net transition obligation/(asset)	–	–
b) Unrecognised past service cost	–	–
c) Unrecognised net (gain)/loss	–	–
d) Unrecognised loss due to limit	(1 766)	(4 551)
Paragraph 58A (gain)/loss	–	6 317
Curtailment cost	(788)	–
Expense	3 663	7 101
Estimated contributions, benefit payments, expense and risk premiums for the period 1 July 2012 to 30 June 2013		
Member contributions	3 388	3 154
Company contributions	7 660	7 101
Risk premiums	(514)	(582)
Benefit payments	(10 375)	(2 599)
Estimated return on assets for the period ending 30 June 2013	159	7 074
Reconciliation of (liability)/asset on the balance sheet		
(Liability)/asset at the beginning of the year	–	–
Net (expenses)/income recognised in the income statement	(3 663)	(7 101)
Company contributions	7 660	7 101
(Liability)/asset at the end of the year	–	–
Paragraph 59 limit	–	–
Unrecognised due to paragraph 59 limit	–	–
(Liability)/asset recognised on the balance sheet	–	–
Adjusted net expenses recognised in the income statement	3 997	–

	COMPANY AND GROUP 2013 R000	COMPANY AND GROUP 2012 R000
33. RETIREMENT BENEFITS (CONTINUED)		
Reconciliation of defined benefit obligation		
Defined benefit obligation as at 30 June 2012	85 991	66 260
Service cost	6 879	6 265
Member contributions	3 388	3 154
Interest cost	7 701	6 577
Actuarial gain	11 012	6 916
Benefits paid	(10 375)	(2 599)
Risk premiums	(514)	(582)
Curtailment	(810)	–
Defined benefit obligations as at 30 June 2013	103 272	85 991
Reconciliation of fair value of plan assets		
Assets at fair market value as at 30 June 2012	87 757	72 577
Expected return on assets	8 363	7 507
Contributions	11 048	10 255
Risk premiums	(514)	(582)
Benefits paid	(10 375)	(2 599)
Actuarial gain	7 739	599
Assets at fair market value as at 30 June 2013	104 018	87 757
Actual return on assets	16 102	8 106
Estimated asset composition as at 30 June 2013 (%)		
Cash	73,81	13,20
Equity	0,00	66,04
Bonds	26,19	14,10
Property and other	0,00	5,08
International	0,00	0,07
Other	0,00	1,51
Total	100,00	100,00
Determination of estimated pension expense for the fiscal year ending 30 June 2014		
Components of income statement pension expense (R000)		
Current service cost	–	8 645
Interest cost	(71)	7 544
Expected return on assets	–	(8 127)
Amortisation:		
a) Unrecognised net transition obligation/(asset)	–	–
b) Unrecognised past service cost	–	–
c) Unrecognised net (gain)/loss	–	–
Income/(expense)	(71)	8 062

	COMPANY AND GROUP 2013 R000	COMPANY AND GROUP 2012 R000
33. RETIREMENT BENEFITS (CONTINUED)		
Components of net interest cost on defined benefit liability		
Interest cost	9 811	–
Expected return on assets	(9 882)	–
	(71)	–

Valuation assumptions

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

	Asset as at 30 June 2013 and expense for the year ending 30 June 2014 %	Asset as at 30 June 2012 and expense for the year ending 30 June 2013 %
Discount rate	9,50	7,75
Inflation	6,50	5,00
Salary increase rate	7,50	6,00
Expected rate of return on assets	n.a.	8,75
Pension increase allowance	5,20	4,00

Discount rate

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

Inflation rate

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

33. RETIREMENT BENEFITS (CONTINUED)

Salary increase rate

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

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

Pension increase rate

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

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

The assumed rates of mortality are as follows:

Pre-retirement	SA85-90 Ultimate table
Post-retirement	PA(90) Ultimate table rated down 1 year plus 0,75% improvement per annum from June 2004.

34. FINANCIAL RISK MANAGEMENT

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

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

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

Interest rate risk

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

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk table

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

	Increase/ decrease in basis points %	Effect on profit before tax R000
2013		
Mortgage bond	**+1**	**(275)**
	-1	**275**
Treasury funds	**+1**	**1 043**
	-1	**(1 043)**
2012		
Mortgage bond	+1	(273)
	-1	273
Treasury funds	+1	1 399
	-1	(1 399)

Credit risk

The group trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is limited. The maximum exposure is the carrying amount as disclosed in Note 18.

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

	On demand R000	Less than 3 months R000	3 months to 1 year R000	1 to 5 years R000	Total R000
Year ended 30 June 2013					
Interest-bearing loans and borrowings	**–**	**–**	**1 889**	**25 576**	**27 475**
Trade and other payables	**–**	**49 215**	**–**	**–**	**49 215**
For distribution	**–**	**–**	**400 120**	**–**	**400 120**
Other liabilities	**–**	**–**	**161 143**	**–**	**161 143**
	–	**49 215**	**563 162**	**25 576**	**637 953**
Year ended 30 June 2012					
Interest bearing loans and borrowings	–	–	27 304	–	27 304
Trade and other payables	–	62 433	–	–	62 433
For distribution	–	–	326 285	–	326 285
Other liabilities	–	–	130 669	–	130 669
	–	62 433	484 258	–	546 691

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

Price risk

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

At the reporting date, the exposure to listed and unlisted equity securities at fair value was R288,0 million. A decrease of 10% in the JSE market index could have an impact of approximately R28,8 million on the equity attributable to the group, depending on whether or not the decline is significant or prolonged. An increase of 10% in the value of the listed securities would impact equity but would not have an effect on profit or loss.

	Change in year-end price %	Effect on equity R000
2013 listed investments	+10	26 060
	-10	(26 060)

Capital management

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

The group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the distribution payments to members and transfers to and from the group's reserves. No changes were made to the objectives, policies or processes during the years ended 30 June 2012 and 30 June 2013.

35. FINANCIAL INSTRUMENTS

Fair values

Set out below is a comparison by category of the carrying amounts and fair values of all the group's financial instruments.

	Carrying amounts		Fair value	
	2013 R000	2012 R000	**2013 R000**	2012 R000
Financial assets				
Cash	**104 327**	139 917	**104 327**	139 917
Available-for-sale investments	**288 090**	259 883	**288 090**	259 883
Financial liabilities				
Interest-bearing loans	**27 475**	27 304	**27 475**	27 304

Market values have been used to determine the fair value of available-for-sale investments. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions, reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation methods.

CORPORATE INFORMATION

REGISTERED OFFICE
Fifth floor
SAMRO Place
20 de Korte Street
Braamfontein
2001 Johannesburg

REGISTRATION NUMBER
1961/002506/07

POSTAL ADDRESS
PO Box 31609
Braamfontein
2017

TELEPHONE
(011) 712 8000

FACSIMILE
086 682 0270

INTERNATIONAL
+27 11 712 8039

HOTLINE (during working hours)
0800 247 247
(toll-free from Telkom landlines and for 8ta subscribers)

E-MAIL
24-7@samro.org.za

SMS
45141 @ R1 per SMS

WEBSITE
www.samro.org.za

CHIEF EXECUTIVE OFFICER
SS Dlamini

CHIEF FINANCIAL OFFICER
GJ Zoghby

CHIEF OPERATING OFFICER
B Harty

BANKERS
Standard Bank
ABSA Bank
Nedbank
Investec

AUDITORS
PricewaterhouseCoopers Inc.
Sunninghill

LEGAL ADVISORS
Adams & Adams
Spoor & Fisher
Edward Nathan Sonnenbergs

INVESTMENT ADVISORS
BOE
Investec
Standard Corporate & Merchant Bank
Global and Local Financial Consultants (Pty) Ltd

GREYMATTER & FINCH # 7572

WWW.SAMRO.ORG.ZA