SAMRO

Southern African Music Rights Organisation

49th Annual Report

'10

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SAMRO BOARD OF DIRECTORS

A E Emdon (Chairman)

T S Kekana (Vice Chairman)

C G de Villiers

J E Edmond

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S C P Mabuse

SAMRO BOARD OF DIRECTORS

M N Motsatse (CEO)

J Mnisi

C F E Woods

J Zaidel-Rudolph

G J Zoghby (Executive)

J J Baloyi (Secretary)

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ORGANISATION PROFILE

The Southern African Music Rights Organisation (Limited) (By Guarantee) (SAMRO) is an organisation dedicated to the collective management of copyright in musical works of authors and publishers. It derives its authority to do so from a number of sources, some of which are interdependent:

- The assignment of rights in musical works by its member authors and publishers of musical works;
- The agreements of reciprocal representation between SAMRO and its affiliated societies throughout the world;
- The Copyright Act 98 of 1978, as Amended;
- The United Nations and WIPO Treaties, in particular the Berne Convention;
- The Binding Resolutions and Professional Rules of the International Confederation of Societies of Authors and Composers (CISAC); and
- The various applicable laws of the Republic of South Africa

The essential work of SAMRO is to license the "non-dramatic" performing, broadcasting and transmission rights (collectively known as 'Performing Rights') as well as the reproduction rights (Mechanical Rights) in copyright musical works to users of music who derive value through the use of such works. As a consequence of licensing the use of copyright musical works SAMRO collects licence fees and usage information from users and, after deducting operating expenses and other authorised deductions, computes royalties and pays such to rights holders according to the extent of use of their individual works.

Through its holding in the Dramatic Artistic and Literary Rights Organisation (Pty) Ltd. (DALRO), SAMRO is involved in the protection of other forms of copyright works. The main bundle of rights administered by DALRO on behalf of literary authors and book publishers is Reprographic Rights.

In keeping with the core tasks of licensing, collection and distribution; SAMRO is also actively involved, together with other peer and affiliated organisations both nationally and internationally, in activities aimed at encouraging respect for copyright and the promotion of the arts.

SAMRO adheres to the highest possible standards of corporate governance. Its policies and administration are controlled by an elected Board of Directors guided by a Chairman and Vice-Chairman. The Board appoints the Chief Executive Officer who in turn appoints the management team of the organisation.

SAMRO's headquarters are in Braamfontein, Johannesburg, with two regional licensing offices spread throughout the country.

Statement of Purpose

SAMRO's purpose is *to create value for the creators and users of music.*

Our Direct Stakeholders are:

- Authors (composers, lyricists, arrangers and translators) and their beneficial rights holders who are SAMRO members;
- Music publisher members of SAMRO;
- SAMRO's affiliated societies and their members; and
- Music users for broadcast, public performance, transmission through diffusion services as well as reproduction for various purposes.

They Value:

- Excellence;
- Convenience;
- Relationships; and
- Trust.

This Annual Report is published to inform SAMRO's own members, members of affiliated societies and other stakeholders as comprehensively as possible about SAMRO's activities for the past year. It is hoped that readers will find the report of value and interest. Comments, suggestions or observations are welcomed and may be forwarded to the Marketing Department, SAMRO, P.O. Box 31609, Braamfontein 2017, or marketing@samro.org.za.

CHAIRMAN'S FOREWORD

Annette Emdon: Chairman

Dear Member

One of the most astounding and debated phenomena of recent times was the "global economic crisis" that engulfed the developed world and, possibly, permanently altered the way we will define success in future. While the financial services industry, the motor manufacturing industry and other industries came under some crushing pressure, the effect on the music industry was less profound as music usage continued unabated. Businesses and organisations whose revenues were largely derived from the use of music showed laudable resilience in the face of the economic onslaught and it was comforting to note from the report of the International Confederation of Societies of Authors and Composers (CISAC) that the collections of all CISAC member societies globally showed a growth of 2.5%. Although emanating from a low base, collections in Africa, where SAMRO is a compelling force, grew by 4.9%. The significance of this is that music and other copyright works continue to be global repositories of value for their creators and users.

We are however, concerned about what seems to be an emerging global trend by lawmakers, spurred on by some user groups, to erode the value of copyright, especially in literary and musical works. This is evidenced by some of the decisions in the US courts, as well as legislative reform proposals in Canada and the United Kingdom. The broadening of exceptions and the imposition of further limitations on authors' rights are likely to create disincentives for creativity. We therefore pledge our support to rightsholders in many parts of the world who are tirelessly engaging their governments to ensure that the value of copyright works is not diluted.

We remain convinced that one of the important contributions to Africa's economic revitalisation and possibly economic miracle, will be that from the copyright and cultural industries. For this reason our management team has been involved, together with the CISAC Regional Office, in supporting programmes towards the implementation of the CISAC Africa 2014 strategic plan. In terms of this strategic plan we shall not only see the strengthening of collective management organisations, but also the promotion of the value of copyright in the continent. We hope that this will lead to the prioritisation of an enabling environment for the copyright and cultural industries to prosper.

We welcome the recent appointment of the Honourable Minister Paul Mashatile as the new Minister of Arts and Culture in the government of the Republic of South Africa. We believe that his appointment could have not come at a more crucial time when the arts and culture sector needs visionary leadership. This sector is like a sleeping giant which needs to awaken and assert its impact on this economy. Ranging from the gathering of economic data related to the sector, to formulating policies and materially supporting institutions that support and encourage creativity, we believe that the Ministry and the Department of Arts and Culture have the capacity and responsibility of effecting cohesion, progress and prosperity in this sector.

The year under review also saw the push by the Department of Trade and Industry (DTI) to pass the Intellectual Property Laws Amendment Bill, a bizarre piece of legislation which would not only corrupt the entire intellectual property system, but also defeat the purpose for which it was drafted. The stated intention of the Bill is to provide protection for Traditional/Indigenous Communities when their Traditional Knowledge (TK) is exploited and SAMRO has always supported this intention. We do, however, strongly oppose the DTI's proposed solution to the challenge, which is the inexplicable super-imposition of Traditional Knowledge on existing Intellectual Property (IP) laws. We firmly believe that a law of its own kind, referred to in legal jargon as "*sui generis*" legislation, is the only way of achieving appropriate protection for TK. It also has an added advantage of causing the least disruption to the functioning of existing IP laws. Moreover, the introduction of *sui generis* legislation for TK will be more in keeping and consistent with the current structure of IP legislation, which is made up of distinct laws of their own kind; in other words *sui generis* laws, for each of the different forms of IP, namely patents, trademarks, industrial designs and copyright.

We therefore call on the Minister of Trade and Industry, as well as the Parliament of the Republic of South Africa, to take into consideration the overwhelming call by those who will be affected by the Bill if it were to be passed into law, as well as the calls by experts in the field. The mere fact that organisations and individuals from different persuasions seem to agree on the appropriateness of a *sui generis* legislation should make those in public office pay attention. If the Bill were to be passed, it would prove that public opinion and participation have no room in the process of creating legislation.

CHAIRMAN'S FOREWORD

We are proud of South Africa's successful hosting of the 2010 FIFA World Cup. Apart from the truly entertaining four weeks of great football, the impact on our national psyche and our international image was profound. It is our hope that we can build on the experiences and the solid foundation created by this great event.

One of the key challenges of South Africa's economic growth is the fact that very few jobs have been created, despite the fact that we have had a prolonged period of economic boom. Economic research into the contribution of the copyright industries in developed economies indicates that the copyright industries are a significant contributor to job creation, foreign exchange earnings and GDP growth. We therefore believe that greater attention should be paid to the stimulation and support of the copyright industries in South Africa. We have, over the years, observed how young people are easily absorbed into productive work by the music industry, dance, theatre, etc. These industries provide low entry barriers into productive activity. There is therefore a need to support them and remove whatever legislative, infrastructural, educational and financial obstacles that impede the growth of the copyright and cultural industries.

The speed of technological development continues unabated. It is comforting that there is a continuous increase in bandwidth and higher data flow capacity in South Africa, which will lead to reduced costs and improved access to online services. Linked to this development, we welcome the proliferation of online music services as they contribute towards increased consumption of music. It is important, however, to also call on the new media operators to acknowledge the value of music and copyright by paying what is due to the rightsholders. The tendency to resist paying and thereby depriving creators and performers of their fair reward is lamentable and hearts and minds need to change. Although it is true that our legislation is inadequate to protect musical works in the online environment, it is contemptible that, instead of recognising the value that music adds to their business, some large music providers should exploit this weakness in the legislation.

Your society continues to be an active member and participant in the music and cultural industries in South Africa. Individual members of our management team are involved in the Boards of Moshito Music Conference and Exhibition as well as South African Music Export (SAMEX). Our premises were used by the Creative Workers' Union (CWUSA) to host the social security seminar which it has been pioneering for some time. It is our fervent belief that the better organised the industry, the better shape it will be in for growth and for playing a significant role in the economy.

SAMRO's role as a good corporate citizen has continued to be strengthened by the work done through the Endowment for the National Arts (SENA). At the end of the financial year in June 2010, over one hundred and ten bursaries had been awarded to deserving students in most of the major music teaching institutions in South Africa. Our overseas scholarship programme saw two students being given an opportunity to further their studies overseas, either by way of formal post-graduate studies or by their attendance of prearranged lessons with some leading educators and performers. Following the recent move to the current building, the music archive facility was completed during the year under review and we are pleased to note the significant role that this facility is already playing in serving the needs of music education researchers and scholars.

We reported in the last Annual General Meeting that with the promulgation of the new Companies' Act, it would become mandatory for the current constitutive documents of SAMRO to be converted into a single Memorandum of Incorporation (MoI). This, however, can only be done once the accompanying Regulations are passed by government and there is certainty about the requirements and the regulatory framework of the Act. The date provided by the DTI for the passing of the Regulations is 1 April 2011, but this might yet again be extended. Whatever the case, we view this process in a positive light and, together with management, the Board of SAMRO is committed to ensuring that our new MoI will continue to commit SAMRO to the highest levels of corporate governance. We have already set in motion a process that will ensure full compliance with the King III Code of Good Governance.

The year 2011 marks an all important fiftieth anniversary of your society, SAMRO, which was originally called the South African Federation of Composers and Authors (SAFCA). It has been a long journey since the early days of the first AGM in December of 1961 at Cavendish Chambers in downtown Johannesburg. We are proud of the fact that, since its inception fifty years ago, SAMRO has without fail held regular Annual General Meetings, regular Board meetings, run distributions as per schedule and, most importantly, grown the collection of licence fees and distributions to members. This has happened even at times of economic hardship and the Directors' Report provides an analysis of distributions over the past twenty years.

CHAIRMAN'S FOREWORD

Your Board of Directors has approved a number of projects which we believe will be important in marking this important milestone in the development of SAMRO. One of the most significant is the commissioning of an independent investigative journalist to write a book that will not only chronicle the development and work of SAMRO, but will also give its readers some true insights into the organisation.

In August 2010, the Board, together with the senior executives, gathered over a two day period to discuss and formulate SAMRO's corporate strategy for the next three to five years, commencing 1 July 2011. While the discussions revolved around this medium-term period, there was a clear sense of defining a strategic positioning for SAMRO over the next ten years to the year 2020. We are excited about what came out of these discussions and we shall be communicating, at appropriate times, the different elements of this strategy. We have a clear commitment from management that this plan will be implemented and its success measured on an annual basis. The Board will be kept fully informed of the progress in the implementation of the plan.

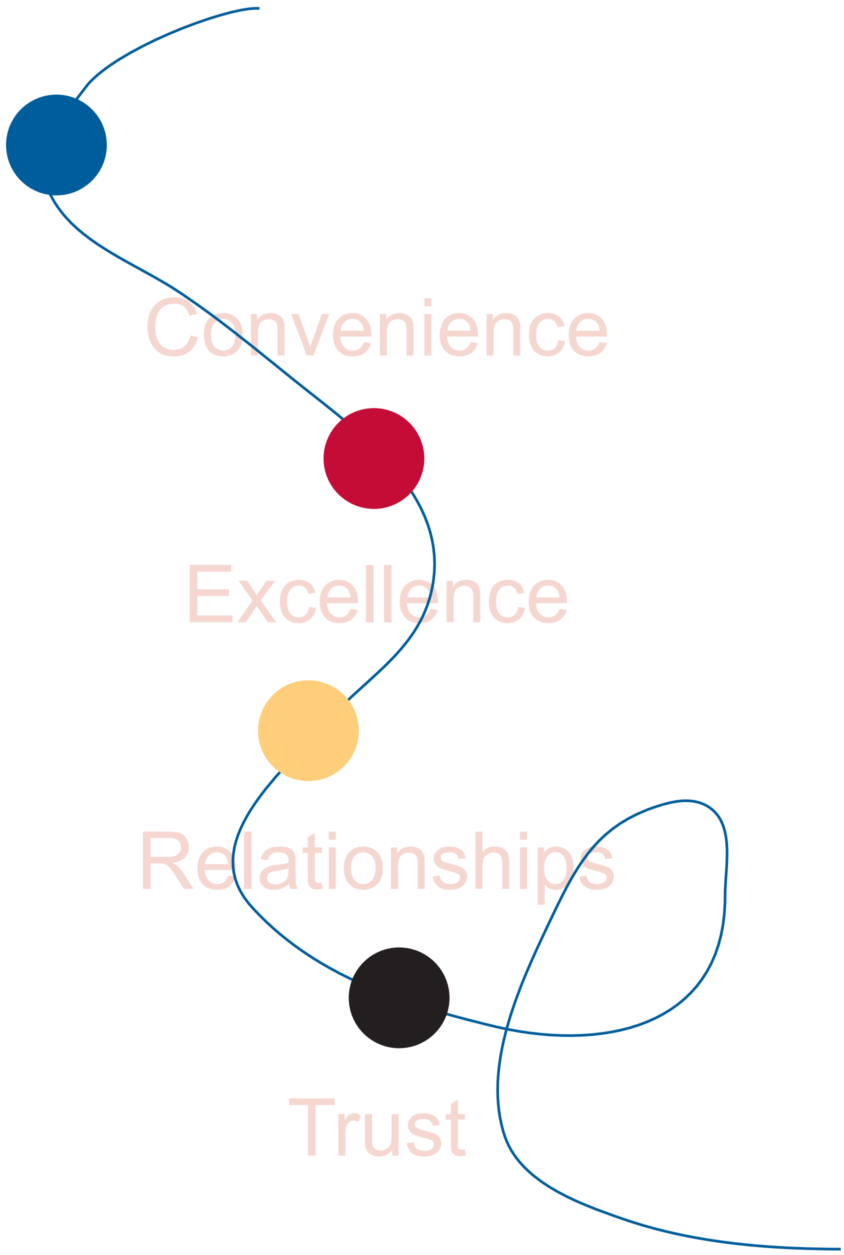
It is important to end this report by reminding you, the rightsholders and members of SAMRO, that while the Board always does everything in its power to maximise the value derived from your creative works, there is an important responsibility that lies on the shoulders of members themselves. This responsibility includes ensuring that you expeditiously notify SAMRO of the new works that you create. Without notifying SAMRO, and in line with SAMRO's rules, we are not in a position to ensure that you receive fair reward for your creative output. While this requirement might seem simple and straightforward, we are informed by management that it continues to be neglected by many members.

I wish to acknowledge the efforts of the management and staff of SAMRO. The year under review was characterised by peculiar challenges ranging from the worst economic recession in decades, a much-publicised legal case launched against SAMRO by the Executor of the late Brenda Fassie's estate, the DTI's inexplicable push to get the Intellectual Property Laws Amendment Bill passed, through to a protest march staged by a small group of members. The staff held their heads high throughout these tribulations and continued to serve our members, affiliated societies and licensees with pride and professionalism. As the Board, we are united in our support for Team SAMRO.

I welcome Ms Sibongile Khumalo who joins the Board as a non-Executive Director to fill the casual vacancy created by the stepping down of Mrs Yvonne Mhinga. We also welcome Mr Abe Sibiya as a non-Executive Director to fill the casual vacancy created by the departure of Mr Robbie Kallenbach. We extend a word of thanks to Mrs Mhinga and Mr Kallenbach for their commitment and service to creators and users of music. I am also grateful for the support I have received from my Vice-Chairman, Adv. Steve Kekana, and the entire Board of Directors.

ANNETTE EMDON
CHAIRMAN

Our values: The thread that weaves us together



"On a group of theories one can found a school;

but on a group of values one can found a culture,

a civilization, a new way of living together among men"

- Ignazio Silone

CHIEF EXECUTIVE'S REPORT

The operating environment during the year ended 30 June 2010 was one characterised by gradual and steady recovery from the difficult economic conditions that defined the previous year. As advertising revenues began to improve among media houses, retail sales began picking up and live concerts showed signs of improvement; and we began to get real signals that the economy was on the mend. The hosting of the world cup sent positive sentiments that helped to keep the market and mood buoyant. It is evident that one of the real buffers for South Africa during the meltdown of world economies was the spending in infrastructure which will also have long term benefits for the economy. Our licensing income reflects this positive outlook of the year and we are pleased to report the performance details for the period 1 July 2009 to 30 June 2010.

Nick Motsatse: CEO

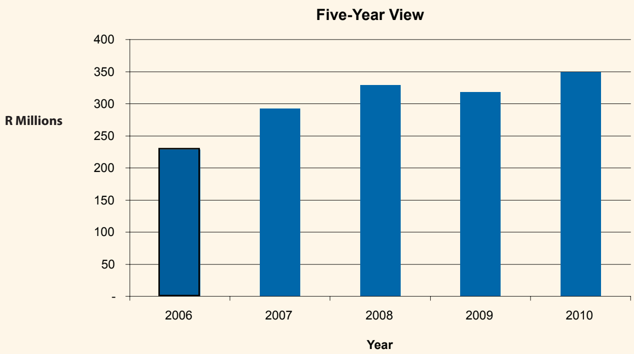
KEY MEASURES OF PERFORMANCE

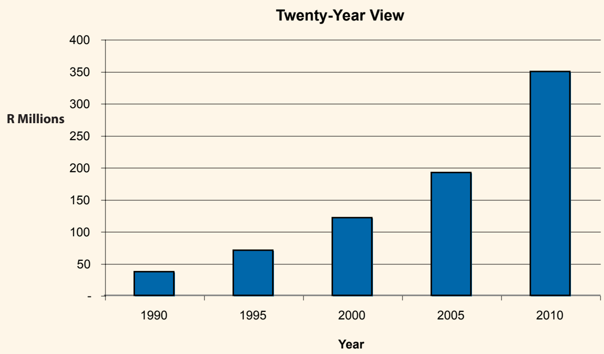
The Directors' Report, a section of this annual report, gives a detailed breakdown of revenue and distributions, as well as other important financial measures. It is, however, important for me to comment on the three key measures of our performance namely - revenue, distributions and expenses.

Group Income

Total group income increased by 9.0% due strong growth in general licensing income and improved investment income. Licence and royalty income grew by 8.8% compared to the previous year's growth of 5.4% broadcast income increased by 5.6%. General licensing income continued to show a strong performance and increased by a significant 24.8% over that of the previous year. SAMRO's income growth over the years is depicted in the charts – "Group Gross Income" – "Five Year View "and "Twenty Year View". Both the five and twenty year views continue to show a strong upward trend in income, something we are pleased about.

GROUP GROSS INCOME

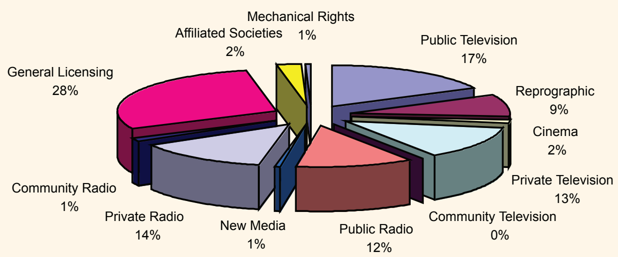




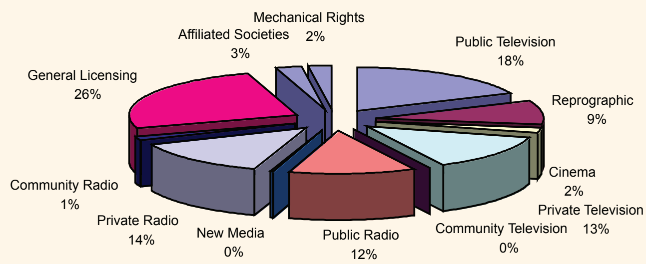
Sources of licence and royalty income for the group have remained largely consistent with the previous year as depicted in the charts – "Sources of Licence and Royalty Income"

SOURCES OF LICENCE AND ROYALTY INCOME

2010



2009



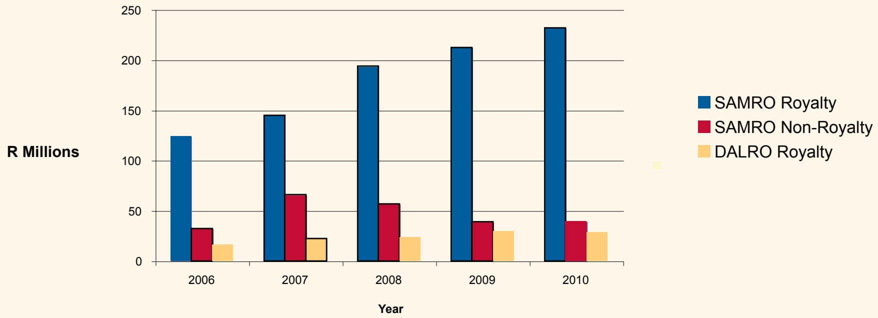
Investment income, after two years of drastic decline, recovered to produce growth of 23.8% for the year. Dividend and interest income remained suppressed. The positive results came from surpluses made on disposal of investments in limited trading activity. There is a strong positive sentiment on the outlook for the financial markets and we certainly hope to see the upward trend in investment income over the next year.

Distributions

Distributable revenue for the group grew by 6.7% for the period under review, up by R18,7 million to R299,7 million.

The company distributions, including both royalty and non-royalty revenue, made during the year under review, based on the amount for distributions in the previous year, increased from 221,7 million in 2009 to R274,2 million in 2010, a growth of some 23.7%. The non-royalty distributions remained flat over last year showing a marginal positive variance of 0.9%. The growth in group royalty and non royalty distributions to rights holders is depicted in the chart.

ROYALTY AND NON-ROYALTY DISTRIBUTION – A FIVE YEAR VIEW



A significant proportion of SAMRO's membership participated in this year's royalty distributions, as was the case previously, which indicates that the beneficiaries of distributions are reasonably broad based.

A total of 7 012 SAMRO members and 105 Affiliated Societies earned royalties during the year under review (2009 – 6 637 SAMRO members and 100 Affiliated Societies). It has again been decided to publish statistics relating to the royalty earnings of SAMRO Members and Affiliated Societies in distribution income bands. The details for the past two royalty distributions are reflected below:-

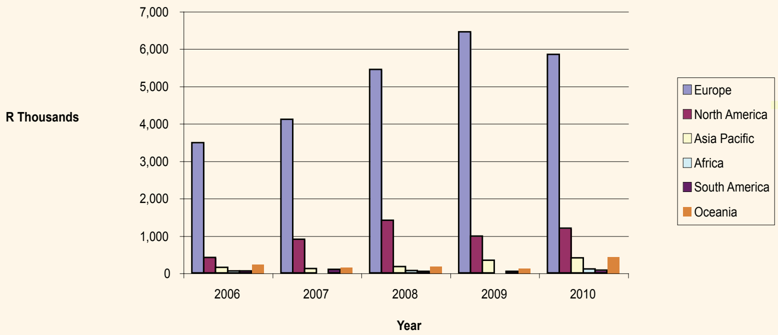
	Distribution 48		Distribution 47	
Income Band	**SAMRO Members**	**Affiliated Societies**	**SAMRO Members**	**Affiliated Societies**
Over R100 000	102	20	99	18
R50 001 to R100 000	113	2	90	4
R25 001 to R50 000	191	3	166	6
R15 001 to R25 000	166	5	182	1
R10 001 to R15 000	171	5	185	5
R 5 000 to R10 000	413	7	388	7
Below R 5 000	5 856	63	5 527	59

From our distribution letters, members will recall that income from SAMRO's distributions is declared to the South African Revenue Service (SARS) by SAMRO. Members are aware that SARS continues to require compliance by all taxpayers, including members of SAMRO, and with this in mind, SARS has the full authority to demand that SAMRO should forward statements of earnings of members for prior and current periods. Annually, members are provided with a statement of earnings which they must include with their declaration of other earnings to SARS.

One of our goals is to as far as possible, promote the demand for South African music abroad and ensure that members receive foreign royalties due to them. Our International Affairs Department is actively engaged in this endeavour and encourages members to keep us informed as to the activity and performance of their works abroad. It is also in the members' best interest to provide us with their foreign tour performance schedules if they are performing works of South African origin, so as to minimise the risk of forfeiting foreign royalty income.

For members whose works are active abroad, we provide a graph depicting regional breakdown of Foreign Income below:

FOREIGN INCOME REGIONAL BREAKDOWN



Distributions in Progress

Members are aware from previous annual reports, that at each distribution, there are credits allocated to works that have been performed, but which could not be distributed because the works or rightsholder shares are not clearly documented, identified or substantiated by the relevant agreements. At times, information provided by users is insufficient or sometimes, SAMRO members fail to notify SAMRO in time or provide us with the full details of all their works. We urge you to notify SAMRO as soon as new works are written or once you have acquired a new catalogue of works and ensure that full details are provided on the prescribed notification of works form which is supplied for this purpose. An ongoing challenge remains the supply of, and quality of programme information from certain users. There is also an ongoing and concerted effort to resolve this and without the full cooperation of users, this will not be possible.

A portion of royalties which has not been distributed for a number of years and for which no further claims have been received, have once again been allocated to current revenue for redistribution. This year the figure amounts to R25,5 million compared to R40,4 million for last year. As indicated in the report last year, a 'spike' in this item was created due to a change in the retention policy. This year we see the more normalised increase in this figure purely as a result of the application of the policy, as well as ongoing effort to secure correct information from rightsholders.

Expenses

Group administration expenses for the period under review increased by 8%. This low increase was a direct result of cost containment plans that were put in place by management.

International Standing

SAMRO participates actively in the organisation and meetings of the international bodies with which it is affiliated. CISAC (Confédération Internationale des Sociétiés d'Auteurs et Compositeurs) is the International Confederation of Copyright Societies of Authors and Composers, of which SAMRO and DALRO are members. SAMRO is a member of the Board of Directors of CISAC. SAMRO is also a member of the international Association of Mechanical Rights societies (BIEM), while DALRO is actively involved as a member of IFRRO (International Federation of Reproduction Rights Organisations). Both SAMRO and DALRO remain committed to the African activities of CISAC and IFRRO. We also continued our participation in the CSB (Common Information Systems Supervisory Board), DTC (Distribution Technical Committee) as well as Legal Committee

Subsidiaries

All the subsidiary companies have performed to expectation and the review of their results is contained within the Directors' Report. As I indicated in the previous years' report, it remains important to note that with the purchase of new accommodation premises, SAMRO Place, the subsidiary companies SAMRO House (Pty) Ltd. and SAMRO House Holdings (Pty) Ltd. will experience greater activity as there are a number of tenants still housed in the new building. Following a decision by the Board of Directors, there are plans to restructure SAMRO's holdings in subsidiary companies, thus effectively creating two focal areas of the business; namely the Rights Management area, which will remain the core and main business of SAMRO, and the non-royalty commercial activities under the wholly owned subsidiary, Gratia Artis (Pty) Ltd.

Highlights Of The Restructuring During The Year Under Review

The focus at the corporate level during the year under review was to firm up the structure following the restructuring process that was undertaken over the previous two years. We are pleased to report that while progress in some areas may be slower than anticipated, there is an overall improvement in the service delivery capacity of the organisation.

A major project that was initiated during the period under review and will be ongoing over the next two years, is the overhaul of our Information Systems. While our current legacy systems have served the organisation well and continue to be very stable, it became clear that the system was unable to keep up with the demands of providing services to our songwriter and publisher members, our affiliated societies and licensees. Discussions have thus been held with providers of the requisite systems and the installation will take place throughout the current financial year.

Performing Rights Unit

Performing Rights remained the core of SAMRO's operations for the year under review with revenue contribution being 81.1% of the group's revenue. Last year the figure was 76.6%, an indication of the strong growth in general licensing income compared to the growth of other revenue streams within the group.

Mechanical Rights Unit

This business unit has continued to experience challenges with the licensing of broadcasters. The focus during the year under review was to license new media users as well as producers or owners of sound recordings. The unit's contribution to group revenue is minute, even though there is every likelihood of it growing to about 5% of Group income. A more strategic view is being developed with regard to the future of this unit.

Public Playing Rights (Needletime)

No royalties were received for distribution to performer members due to a legal impasse created by legislative inadequacies.

The Future

As reported last year and as indicated elsewhere in this report, the overhauling of the systems was priority in the last financial year and will remain as such, in the current one.

The Chairman, in her overview, addressed some of the challenges that have been brought about by poor legislation and legislative reform proposals. It is our hope to engage constructively with our government, especially the Department of Trade and Industry (DTI), in seeking ways in which a more enabling legislative environment can be created. While there is already a Bill proposing amendments to the Copyright law and other Intellectual Property Laws, we remain convinced that the proposed Bill, the Intellectual Property Laws Amendment Bill, will bring more disruption rather than address the real issues which are impeding creators from enjoying the full benefit of their work. While the Bill is likely to be passed by parliament, we remain optimistic that through ongoing and constructive engagement, there will be a way of managing the negative consequences of the Bill.

The rapidly changing patterns of music consumption, spurred on by the technological developments at a 'neck breaking' speed, necessitate us to constantly explore opportunities presented by these changes. Similarly, they require of us to constantly explore ways to address the threats posed by them. It is for this reason that the Board and the management team are considering ways in which the risk of revenue loss can be mitigated.

We fully recognise the importance of satisfied customers in the success of any business. Such satisfying of customer needs comes from listening to what they need. We are now convinced that one of the things that our customers - the music users - want, is a single licence for the various rights in musical works. We have thus prioritized the accomplishment of this ideal as one of the most important goals we shall be working towards.

CHIEF EXECUTIVE'S REPORT

CONCLUSION

I conclude by thanking you, our members and affiliates, for your continued support and faith in the management team. Your Board, as your mouthpiece, eyes and ears, have continued to be supportive while holding us accountable by insisting on the highest forms of corporate governance, legal compliance and operational efficiency.

I am also grateful to the staff of SAMRO for their hard work and openness to changes that have defined our business over the last few years. More importantly they are true believers in the purpose for which SAMRO exists, which is "TO CREATE VALUE FOR THE CREATORS AND USERS OF MUSIC".

NICHOLAS MOTSATSE
CHIEF EXECUTIVE

Convenience

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Ninth Annual General Meeting of members of SAMRO will be held on Friday, 26 November 2010, at 14h30, at SAMRO Place, Ground Floor, 20 De Korte Street, Braamfontein, Johannesburg, for the following purposes:-

1. To resolve that the Report of the Independent Auditors be taken as read.

2. To receive and consider the annual financial statements and group annual financial statements of SAMRO and its subsidiaries for the year ended 30 June 2010 including the Directors' Report and the Report of the Independent Auditors.

3. To elect two composer directors, Prof. Mzilikazi Khumalo and Adv. Steve Kekana, who retire by rotation but are eligible and offer themselves for re-election.

4. To fix the remuneration of SAMRO's independent auditors, Messrs Ernst & Young, for the past year's audit.

5. To appoint independent auditors for the 2010 – 2011 financial year, until the next Annual General Meeting.

6. To transact such other business as may be transacted at an Annual General Meeting.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and speak, and to vote in his/her stead. A proxy need not also be a member of SAMRO. Proxy forms must be forwarded to reach the registered office of the Organisation not less than twenty-four (24) hours before the time for holding the meeting, or adjourned meeting.

By order of the Board

COMPANY SECRETARY

JOHANNESBURG
01 November 2010

CERTIFICATE OF THE COMPANY SECRETARY

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act 1973, that for the year ended 30 June 2010 the Society has lodged with the Registrar of Companies all such returns as are required of a public 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.

COMPANY SECRETARY
JOHANNESBURG
01 November 2010

APPROVAL OF ANNUAL FINANCIAL STATEMENTS
DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Board of SAMRO Limited (Limited by Guarantee) accepts responsibility for group and company financial statements of SAMRO. Adequate accounting records have been maintained. The Directors endorse the principle of transparency in financial reporting.

The responsibility of the external auditors, Ernst and Young Inc., is to express an independent opinion on the fair presentation of the financial statements based on their audit of SAMRO and its subsidiaries.

The Risk and Audit Committee has confirmed that adequate internal financial control systems are being maintained. There were no material breakdowns in the functioning of the internal financial control systems during the year. The Directors are satisfied that the financial statements fairly present the financial position, the results of operations and cash flows in accordance with relevant accounting policies, based on International Financial Reporting Standards (IFRS).

The Board of Directors of SAMRO accepts responsibility for the integrity, objectivity and reliability of the reports on the SAMRO Group. It is also of the opinion that SAMRO is financially sound and operates as a going concern.

DIRECTORS

ANNETTE EMDON
CHAIRMAN

MOLEFI NICHOLAS MOTSATSE
CHIEF EXECUTIVE

23 November 2010

REPORT OF THE INDEPENDENT AUDITORS

Report on the Annual Financial Statements

We have audited the annual financial statements and group annual financial statements of the Southern African Music Rights Organisation Limited (Limited by Guarantee) (SAMRO), which comprise the directors' report, the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of changes in funds and reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 23 to 59.

Directors' Responsibility for the Financial Statements

The company and group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 whether the 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 control 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 the directors, 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, these financial statements present fairly, in all material respects, the financial position of the company and group as of 30 June 2010, and of the financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Ernst & Young Inc

ERNST & YOUNG INC.
REGISTERED AUDITOR
Johannesburg
23 November 2010

To the members

Your directors have pleasure in submitting their forty-ninth Annual Report and SAMRO's Audited Financial Statements for the year ended 30 June 2010.

PRINCIPAL ACTIVITIES OF THE GROUP

The SAMRO Group is the largest copyright collective administration group in Southern Africa. It has traditionally administered Performing Rights in musical works on behalf of its members and affiliated societies. In 2006 SAMRO commenced the administration of Mechanical Rights on behalf of its 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 a form of a Trust, the Performers Organisation of South Africa (POSA).

FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

Group Income

•	Total Income	– R385.5 million (2009 – R353.7 million)	+9.0%
•	Licence & Royalty	– R331.6 million (2009 – R304.8 million)	+8.8%
•	Investments	– R40.6 million (2009 - R32.8 million)	23.8%

Music Rights Income

•	Licence and Royalty	– R303.1 million (2009 – R277.7 million)	+9.1%
•	Broadcast	– R192.2 million (2009 – R180.5 million)	+6.5%
•	General	– R100.9 million (2009 – R82.6 million)	+22.1%
•	Foreign	– R 8.1 million (2009 – R8.0 million)	+1.3%

Literary Rights Income

•	Reprographic Reproduction	– R 26.8 million (2009 – R25.2 million)	+6.3%
•	Other Licence	– R 1.7 million (2009 – R2,0 million)	-15.0%

GROUP REVIEW

INCOME

Total group Income for the year increased from R353.7 million for the year ended June 2009 to R385.5 million for the year ended June 2010, an increase of R31.7 million or 9.0%. Group licence and royalty income for the year amounted to R331.6 million as compared to R304.8 million in 2009, an improvement of R26.8 million or 8.8%.

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 R100.6 million (2009 – R96.2 million) and from radio R89.3 million (2009 – R84.2 million). General licence income, which represents diffusion and public performance of musical works (including cinema) amounted to R100.9 million (2009 – R82.6 million).

ADMINISTRATION EXPENSES

Group administration expenses in 2010 amounted to R104.0 million as compared to R96.3 million in 2009, an increase of 8.0%

DIRECTORS' REPORT

DISTRIBUTION

Amount distributable for the year under review, before taxation, social and cultural deductions and transfers to reserves, reached R293.9 million as compared to R283.4 million in 2009, an increase of R10.5 million or 3,7%. 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 R299.7 million compared to R281.0 million in 2009, an increase of R18.7 million or 6.7%.

REVIEW OF OPERATIONS FOR SAMRO AND SUBSIDIARIES

INCOME

- SAMRO – MUSIC RIGHTS

Total licence and royalty income of SAMRO for the past year increased by R25.4 million to R303.1 million from R277.7 million in 2009. Domestic licence income for the year increased by R25.2 million to R295.0 million from R269.8 million in 2009, an improvement of 9,3%. Income from broadcasting this year increased by R11.7 million to R192.2 million from R180.5 million in 2009. General licence income (excluding cinema) increased by R18.8 million to R95.6 million from R76.8 million in 2009.

Income from foreign affiliates for the year increased by R0,1 million to R8.1 million from R8.0 million in 2009. Total non-royalty income increased by R6.3million to R46.4 million from R40.1 million in 2009. Income from investments increased by R8.9 million to R39.2 million from R30.4 million in 2009, a performance better than forecast. This year, administration expenses represent 24.7% (2009 – 25.9%) of SAMRO's total income.

- DALRO – LITERARY RIGHTS

The Dramatic Artistic and Literary Rights Organisation (Pty) Ltd (DALRO) continued to show growth as the turbulence in the tertiary education sector settles. The organisation has turned around its business model as revenue derived from blanket licensing activities has surpassed that derived from its traditional transactional licences. This year, the wholly owned subsidiary has again increased its revenue. DALRO's total licence income for the past financial year increased by R1.3 million to R28.5 million from R27.2 million in 2009, an improvement of 4.8%. The reprographic reproduction income of DALRO continued to show growth during the year. Blanket licensing as opposed to transactional licensing, represented 67.0% of DALRO reprographic reproduction income, as compared with 66.0% in 2009. Total Other Licence Income of DALRO for the year under review decreased by 15.0% to R1.7 million in comparison to R2,0 million in 2009. Administration expenses represented 26.5% of licensing income compared with 20.2% in 2009. Reprographic reproduction represents 94.1% of DALRO's total licence income.

- SAMRO HOUSE HOLDINGS

SAMRO House Holdings (Pty) Ltd is the property holding company with its asset being SAMRO House (Pty) Ltd. During the year under review SAMRO House (Pty) Ltd owned two buildings 73 Juta Street, which has been sold and the transfer is pending and 20 de Korte Street, the current headquarters of SAMRO.

- SAMRO HOUSE

SAMRO House (Pty) Ltd remains the property company that owns the Braamfontein headquarters of SAMRO. Rental revenue decreased by 2.9%. Operating costs decreased during the year by 12.2%.

- GRATIA ARTIS

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

- FIFTEEN MELLE STREET

SAMRO holds 59% of the shares in the property company Fifteen Melle Street (Pty) Ltd. The company declared no dividend in the financial year under review. Rental income for the year was R173 500, down from the previous year by some 73.3%. This was due to the finalisation of the sale of the building during the year. The shareholder loans have been settled and the intention is to wind up and de-register the company.

AMOUNT DISTRIBUTABLE

- SAMRO

Amount available for distribution to SAMRO members and affiliated societies for this year is R271.4 million compared with R251.5 million in 2009, an increase of 7.9%. During the year, SAMRO processed it's Distribution 48 out of distribution revenue determined at the 2009 financial year end and distributions in progress, resulting in royalty credits distributed to its own members, as well as members of affiliated societies, of R274.2 million.

- DALRO

During the past year, the distribution of royalties to rights holders and affiliates by DALRO was made by way of four distributions. This year DALRO's distributions to rights holders in literary and dramatic works reached R28.3 million as compared to R25.9 million in 2009, an improvement of R2.4 million or 9.3%.

TAXATION

Taxation for the year amounted to R1.3 million (2009 - R1.2million).

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 Company Limited by Guarantee, 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

Apart from ongoing investment in SAMRO's information technology and equipment, the renovations of the building that houses the headquarters of the group at 20 de Korte Street Braamfontein continued.

REVALUATION – OTHER INVESTMENTS

Other investments have been valued at market values (unrealised as at the date of this report) in compliance with International Financial Reporting Standards (IFRS).

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

The transfer of 73 Juta Street was completed subsequent to the balance sheet date.

SUBSIDIARY 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 2010	2009	Effective Holding 2010	2009
Subsidiaries		**R**	R	**%**	%
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
Fifteen Melle Street (Pty) Ltd	Property Holding	**600**	600	**59**	59
SAMRO IP Technologies(Pty) Ltd	Holding	**1 000**	**1 000**	**100**	100

DIRECTORS' INTEREST IN CONTRACTS

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

MANAGEMENT BY THIRD PARTY

No part of the business or any subsidiary is managed by a third person or company in which a director has an interest. Dramatic, Artistic and Literary Rights Organisation (Pty) Limited (DALRO) and SAMRO House (Pty) Limited 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 Risk, Remuneration and Executive Committees of SAMRO's Board, as well as that of the Committee of Trustees of the SAMRO Retirement Annuity Fund and the Board of Trustees of the SAMRO Endowment for the National Arts is reflected elsewhere in this Annual Report.

DIRECTORS

During the year under review Mr. R I Kallenbach resigned as a member of the board of directors.

Composers / Lyricists:

T S Kekana (Vice Chairman)
J S M Khumalo
C G de Villiers
S C P Mabuse
J Zaidel-Rudolph
J E Edmond

Publishers:

A E Emdon (Chairman)
C F E Woods
R I Kallenbach (resigned 26 November 2009)

Executive Directors:

M N Motsatse
G J Zoghby

Secretary

J J Baloyi
5th Floor, SAMRO Place
20 de Korte Street
BRAAMFONTEIN
2001 Johannesburg

P O Box 31609
2017 BRAAMFONTEIN

JOHANNESBURG
23 November 2010

Excellence

SECTION | TWO

Statement of Comprehensive Income

Statement of Financial Position

Statement of Changes in Funds and Reserves

Statement of Cash Flows

Notes to the Annual Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

	Note	COMPANY		GROUP	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
REVENUE	2.5	**326 436**	315 622	**361 459**	351 507
Income	2	**349 532**	317 839	**385 469**	353 724
Bequests and Donations Received		**100**	158	**100**	158
Administration Expenses	3.1	**(86 384)**	(82 380)	**(104 027)**	(96 287)
Other Expenses	3.3	**(10 251)**	(9 090)	**(10 597)**	(9 743)
Finance Charges	3.2	**-**	(141)	**(2 519)**	(4 834)
Net Operating Income		**252 997**	226 386	**268 426**	243 018
Undistributable income written back	4	**25 451**	40 364	**25 451**	40 364
Amount Distributable before Taxation		**278 448**	266 750	**293 877**	283 382
Distribution	5	**(271 419)**	(251 491)	**(299 742)**	(281 007)
Net Income before Taxation		**7 029**	15 259	**(5 865)**	2 375
Taxation	6	**(1 475)**	230	**(1 308)**	(1 242)
Net Income before Social and Cultural Allocation		**5 554**	15 489	**(7 173)**	1 133
Social and Cultural Allocation	7	**(16 304)**	(14 489)	**(16 527)**	(15 049)
Net (Deficit)/Surplus before Transfer to Reserves	8	**(10 750)**	1 000	**(23 700)**	(13 916)
Other Comprehensive Income					
Net Gain/(Loss) on Available for Sale Financial Assets		**7 564**	(63 677)	**7 564**	(63 677)
Revaluation of Asset Held for Sale		**-**	-	**-**	6 992
Other Comprehensive Income for the Year		**7 564**	(63 677)	**7 564**	(56 685)
Total Comprehensive Income for the Year		**(3 186)**	(62 677)	**(16 136)**	(70 601)
Net (Deficit)/Surplus Attributable to:					
SAMRO Limited				**(16 532)**	(70 454)
Non Controlling interests				**396**	(147)

STATEMENT OF FINANCIAL POSITION

	Note	COMPANY		GROUP	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
ASSETS					
Non-Current Assets					
Property and Equipment	10	22 687	21 889	118 810	102 272
Investment in Subsidiaries	12.1	175	175	-	-
Deferred Tax	13	13 730	13 186	12 440	11 705
Available for Sale Investments	14	218 951	238 887	218 951	238 887
Total Non-Current Assets		255 543	274 137	350 201	352 864
Assets Held for Sale					
Assets Held for Sale	15	-	-	14 500	17 349
Total Assets Held for Sale		-	-	14 500	17 349
Current Assets					
Trade and Other Receivables	16	95 702	58 005	103 663	63 728
Inventory	17	159	243	312	444
Taxation	26	4 847	4 933	5 082	4 750
Cash and Cash Equivalents	29	90 534	97 251	116 980	125 733
Loans to Subsidiaries	12.2	100 897	76 304	-	-
Total Current Assets		292 139	236 736	226 037	194 655
Total Assets		547 682	510 873	590 738	564 868
FUNDS AND LIABILITIES					
Funds and Reserves					
General Reserve		23 028	34 091	(2 736)	21 672
Technological Development Fund		20 231	20 018	20 231	20 018
Unrealised Gains Reserve		41 433	33 869	41 433	33 869
Members Medical reserve		5 000	5 000	5 000	5 000
Non Distributable Reserve		-	-	10 293	10 293
Social and Cultural Funds	22	29 008	25 005	32 013	28 435
		118 700	117 983	106 234	119 287
Non Controlling Interests		-	-	717	321
Total Funds and Reserves		118 700	117 983	106 951	119 608
Non Current Liabilities					
Post Employment Medical Benefit	18	19 694	19 299	19 694	19 299
Loans	19	-	-	27 501	28 264
Total Non Current Liabilities		19 694	19 299	47 195	47 563
Current Liabilities					
For Distribution	20	301 478	274 530	325 965	293 641
Distributions in Progress	21	79 022	80 875	79 022	80 875
Current portion of Post Employment Medical Benefit		568	568	568	568
Trade and Other Payables	23	19 345	10 720	22 162	15 097
Provisions	24	8 875	6 898	8 875	7 516
Total Current Liabilities		409 288	373 591	436 592	397 697
Total Funds and Liabilities		547 682	510 873	590 738	564 868

STATEMENT OF CHANGES IN FUNDS AND RESERVES

STATEMENT OF CHANGES IN FUNDS AND RESERVES COMPANY

	Note	*General Reserve*	*Technological Development Fund*	*Members Medical Fund*	*Unrealised Gains Reserve*	*Social and Cultural Funds*	*Total*
		R'000	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*
Balance at 30 June 2008		**38 249**	**20 018**	**-**	**97 546**	**23 028**	**178 841**
Surplus for the Year	8	(4 000)	-	5 000	-	-	1 000
Revaluation of Investments	14	-	-		(63 677)	-	(63 677)
Total Comprehensive Income for the Year		**(4 000)**	**-**	**5 000**	**(63 677)**	**-**	**(62 677)**
Transfer to Social and Cultural Funds	22	**(158)**	**-**		**-**	**1 977**	**1 819**
Balance at 30 June 2009		**34 091**	**20 018**	**5 000**	**33 869**	**25 005**	**117 983**
Surplus for the Year	8	(10 963)	213	-	-	-	(10 750)
Revaluation of investments	14	-	-	-	7 564	-	7 564
Total Comprehensive Income for the Year		**(10 963)**	**213**		**7 564**	**-**	**(3 186)**
Allocation to Social and Cultural Funds	22	**(100)**	**-**	**-**	**-**	**4 003**	**3 903**
Balance at 30 June 2010		**23 028**	**20 231**	**5 000**	**41 433**	**29 008**	**118 700**

STATEMENT OF CHANGES IN FUNDS AND RESERVES GROUP

	Note	*General Reserve*	*Technological Development Fund*	*Members Medical Fund*	*Unrealised Gains Reserve*	*Social and Cultural Funds*	*NDR*	*Total*	*Non Controlling Interests*	*Total Funds and Reserves*
		R'000	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*	*R'000*
Balance at 30 June 2008		**40 593**	**20 018**	**-**	**97 546**	**26 581**	**3 301**	**188 039**	**468**	**188 507**
Deficit for the Year	8	(13 769)	-	-	-	-	-	(13 769)	(147)	(13 916)
Fair Value Adjustment	14	-	-	-	(63 677)	-	-	(63 677)	-	(63 677)
Revaluation of assets held for sale	15	-	-	-	-	-	6 992	6 992	-	6 992
Total Comprehensive Income for the Year		**(13 769)**	**-**	**-**	**(63 677)**	**-**	**6 992**	**(70 454)**	**(147)**	**(70 601)**
Transfer to Members Medical Fund		**(5 000)**	**-**	**5 000**	**-**	**-**	**-**	**-**	**-**	**-**
Allocation to Social and Cultural Funds	22	**(152)**	**-**	**-**	**-**	**1 854**	**-**	**1 702**	**-**	**1 702**
Balance at 30 June 2009		**21 672**	**20 018**	**5 000**	**33 869**	**28 435**	**10 293**	**119 287**	**321**	**119 608**
Deficit for the Year	8	(24 309)	213	-	-	-	-	(24 096)	396	(23 700)
Fair Value Adjustment	14	-	-	-	7 564	-	-	7 564	-	7 564
Total Comprehensive Income for the Year		**(24 309)**	**213**	**-**	**7 564**	**-**	**-**	**(16 532)**	**396**	**(16 136)**
Allocation to Social and Cultural Funds	22	**(99)**	**-**	**-**	**-**	**3 578**	**-**	**3 479**	**-**	**3 479**
Balance at 30 June 2010		**(2 736)**	**20 231**	**5 000**	**41 433**	**32 013**	**10 293**	**106 234**	**717**	**106 951**

STATEMENT OF CASH FLOWS

	Note	COMPANY 2010 R'000	COMPANY 2009 R'000	GROUP 2010 R'000	GROUP 2009 R'000
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES					
Cash Generated from Licensing Operations	25	**182 134**	174 990	**197 759**	202 621
Finance Costs	3	**-**	(141)	**(2 519)**	(4 834)
Interest from Subsidiaries	30	**3 591**	2 905	**-**	-
Dividends received	2.3	**3 567**	7 684	**3 567**	7 684
Interest received	2.3	**12 560**	20 459	**13 913**	22 902
Management Fees from Subsidiaries	30	**2 815**	6 077	**-**	-
Cash Flow from Operations		**204 667**	211 974	**212 720**	228 373
Taxation Paid	26	**(1 575)**	(8 164)	**(2 017)**	(9 302)
Royalty, Non-Royalty and Social Distributions to Members and Affiliated Societies	27	**(274 223)**	(221 672)	**(288 358)**	(247 619)
Applied to Social and Cultural Operations	22	**(12 301)**	(13 891)	**(13 333)**	(14 990)
Total Net Cash Flows Generated from Operating Activities		**(83 432)**	(31 753)	**(90 988)**	(43 538)
CASH FLOWS GENERATED FROM INVESTING ACTIVITIES					
Investment to Expand Operations					
Additions to Property and Equipment	10	**(3 428)**	(10 047)	**(21 102)**	(31 591)
Decrease/(Increase) in Loans to Subsidiaries	28.1	**(24 593)**	(31 038)	**-**	-
Investment to Maintain Operations					
Proceeds on Disposal of Property and Equipment		**154**	27	**3 917**	27
Net Disposal/(Acquisition) of Investments	28.2	**104 482**	1 919	**99 342**	1 919
Total Net Cash Flows Generated from Investing Operating Activities		**76 615**	(39 139)	**82 157**	(29 645)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES					
Financing Activities					
Increase/(Decrease) in Mortgage Bond		**-**	-	**(22)**	(88)
Bequests and Donations		**100**	158	**100**	158
Total Net Cash Flows Generated from Financing Activities		**100**	158	**78**	70
Net (Decrease) / Increase in Cash and Cash Equivalents		**(6 717)**	(70 734)	**(8 753)**	(73 113)
Cash and Cash Equivalents at the beginning of the Year		**97 251**	167 985	**125 733**	198 846
Cash and Cash Equivalents at the End of the Year	29	**90 534**	97 251	**116 980**	125 733

NOTES TO FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

1.1 Corporate Information

The consolidated financial statements of the Southern African Music Rights Organisation (SAMRO) Limited and its subsidiaries (the group) for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on 23 November 2010. SAMRO Limited is a company Limited by Guarantee with no share capital and is incorporated and domiciled in the Republic of South Africa. The principal activities of the group are described in the Director's Report.

1.2 Basis of Preparation

The consolidated financial statements of the company and group have been prepared on the historical cost basis, except where otherwise noted. The consolidated financial statements comprise the financial statements of SAMRO Limited and its subsidiaries as disclosed below in the note on Basis of Consolidation. The consolidated financial statements have been presented in South African Rands and all values are rounded to the nearest thousand.

Statement of Compliance

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act, Act 61 1973 as amended.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of SAMRO Limited and all its subsidiaries as at 30 June 2010.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies, except for the subsidiary Fifteen Melle Street (Proprietory) Limited, which has a financial year end of 28 February. The results for Fifteen Melle Street (Proprietory) Limited are included for the same financial period as the rest of the group.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Non controlling interests represent the portion of profit or loss and net assets in Fifteen Melle Street (Proprietary) Limited not held by the group and are presented separately in the consolidated statement of comprehensive income and within funds and reserves in the consolidated statement of financial position from the parent members' funds and reserves.

Changes in Accounting Policy and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the group. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

IAS 1 Presentation of Financial Statements

The Standard introduces a statement of comprehensive income: presenting all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense in one single statement. This revised standard has been adopted in the current financial period, including the consequential amendments from IAS 27.

1.3 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 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 therefore 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 reporting 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.

1.3.1 Recognition of Licence Revenue

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

1.3.2 Determination of Social and Cultural Allocations, Transfers to/from Reserves and Amounts for Distribution

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

1.3.3 Carrying Value of Property and Equipment

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

1.3.4 Carrying Value Held to Maturity Investments and/or Loans and 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 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.

1.3.5 Distributions in Progress

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

1.3.6 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.

1.3.7 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 Notes 18 and 31]

1.3.8 Deferred Tax Asset

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

1.4 Unlisted Investments

Unlisted investments are valued by an external independent professional valuer 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.

1.5 Principle Accounting Policies

The following are the principle accounting policies which, unless otherwise stated, conform to International Financial Reporting Standards (IFRS). These policies are consistent for both years disclosed.

1.5.1 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 License 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 accrual basis.

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 pre-determined rates in terms of existing service agreements and are accrued monthly and confirmed annually.

1.5.2 Distribution

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 maximum 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.

1.5.3 Transfers to Social and Cultural Funds

Allocations to social and cultural funds are made expressly for the purpose of the social well being 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 SAMRO territory. The deduction is applied to the SAMRO Retirement Annuity Fund (SRAF) and the SAMRO Endowment for the National Arts (SENA).

1.5.4 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 is initiallly 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 10].

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 on the statement of financial position.

Equipment, consisting of furniture and fittings, computer information systems 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 10].

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%
- Furniture, Fittings and Equipment	16.67% to 20%
- Computer Information Systems	16.67% to 33.33%
- Motor Vehicles	20%

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

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

The gain or loss arising from 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.

1.5.5 Investment Properties

Investment property is land or buildings held to earn rentals or for capital appreciation or both.

Investment property is measured initially at cost including transaction cost. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.5.6 Financial Instruments

Financial instruments recognised on the statement of financial position at 30 June 2010 include cash and cash equivalents, available for sale investments, trade and other receivables, loans receivable and trade and other payables.

Fair Value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. 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.

Amortised Cost

Held-to-maturity investments and loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Credit Risk

The group's material exposure to credit risk is in its investments, receivables, deposits and cash balances. Receivables, represent amounts owed to the group in terms of their licence agreements. The objective of the risk management policy is to safeguard the value of the group's assets and minimise bad debts. The maximum exposure to credit risk is reflected in the balances of trade and other receivables, cash and cash equivalents as well as loans receivables.

Interest Rate Risk

The group's exposure to the risk of changes in the market interest rates relates primarily to term deposits which are invested at floating interest rates and the long term debt obligations with floating interest rates.

The group's policy is to manage its investments in such a way as to minimise exposure to interest rate risk and to negotiate the most favourable interest rates available with its bankers.

The long term debt obligation is monitored closely and the interest cost versus the return on investment is compared, debt levels are maintained to ensure that the interest cost does not exceed the return on investment.

Liquidity Risk

The group's liquidity risk is its exposure to meet its royalty distribution obligations in terms of predetermined distribution dates, as well as being able to meet its operational financial obligations when they fall due. This risk is managed by regularly performing cash flow projections and ensuring that the appropriate level of funds are invested in such instruments that are readily convertible to cash as and when requested.

Initial recognition and measurement

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. All financial instruments are initially recognised at fair value. Transaction costs for financial instruments not classified as fair value through profit and loss are included in the carrying amount of the financial assets and financial liabilities at initial recognition.

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract, which terms require delivery of the investment within the timeframe established by the market concerned.

Subsequent measurement

Available-for-sale investments are measured at fair value. Fair value for listed investments is the active market value per the stock exchange listing price. 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. All listed investments are held in this category.

Subsequently, the financial instruments are accounted for as follows:

Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and in hand deposits in money market accounts and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated statement of financial position, consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. The carrying amount of cash and cash equivalents is stated at amortised cost. [Refer Note 29].

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Trade receivables are receivable 30 days from the date of invoice and no interest is charged.

Loans and Payables

Loans and payables are subsequently carried at amortised cost. Gains and losses are recognised in profit or loss. Trade payables are payable 30 days from the date of statement and do not attract interest.

Impairment of Financial Assets

The company assesses at 30 June each year, whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the group's continuing involvement is the amount of the transferred asset that the group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

1.5.7 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 impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets 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.

1.5.8 Key Management Personnel

Key management personnel are those personnel who by virtue of their office are able to influence strategic decisions. Management consider key management to include Non Executive Directors, Executive Directors and General Managers.

1.5.9 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.5.10 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 profit or loss.

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.

1.5.11 Funds and Reserves

General Reserve

Transfers to or from the reserves are at the discretion of the Board. The retained income of the Dramatic, Artistic and Literary Rights Organisation (Proprietary) Limited (DALRO), the unexpended grants in Gratia Artis (Proprietary) Limited, 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.

Social and Cultural Funds

Allocations to social and cultural funds are made expressly for the purpose of the social well being 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.

1.5.12 Distributions in Progress

Distributions in progress comprise amounts pertaining to royalty allocations made in the previous three distribution periods, to works or rightsholder shares that cannot be distributed in accordance with established distribution rules, standards, practices and procedures. These allocations are retained to allow on-going research in respect of identification of the works and rightsholder 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.

1.5.13 Employee Benefits

Retirement

The company has a retirement benefit plan for all permanent employees that provide amongst other benefits a pension of 1/50th of final emolument per year or part thereof of pensionable service. 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 benefit 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, in terms of which valuations should be performed every three years. Any shortfall that may occur is required to be funded by the company and written off against income.

The retirement benefit plan is funded by payments from employees and the company, taking account of the recommendations of independent actuaries. The administration of payment of the monthly pension benefit to the pensioners has been outsourced by the fund. The pension plan assets are invested in a balanced portfolio managed by Trail Finders (Pty) Limited and administered by Investment Solutions (Pty) Limited and direct investment in shares.

In the case of the defined benefit fund the related benefit costs and obligations are assessed using the projected unit credit method. Under this method, the cost of providing benefits is charged to the statement of comprehensive income so as to spread the regular costs over the service lives of employees in accordance with the advice of the actuaries who perform a statutory valuation of the plan every three years and a valuation for financial reporting purposes annually. The net surplus or deficit in the benefit obligation is the difference between the present value of the funded obligation and the fair value of plan assets. Where a positive funded status is disclosed, no asset has been recognised by the company. The disclosure of funded status does not necessarily indicate any assets available to the company.

The portion of actuarial gains and losses recognised is the excess over the greater of:-

10% of the present value of the defined benefit obligation at the end of the previous reporting period (before deducting plan assets); and
10% of the fair value of any plan assets at the same date,

divided by the expected average remaining working lives of the employees participating in the fund.

Ownership of Surplus

The funded status disclosed in the valuation of the fund for accounting purposes can be significantly different from that disclosed by a funding valuation. The surplus assets disclosed by the accounting valuation have been treated in the manner prescribed by IAS 19. Ownership of surplus in a pension fund has historically been a contentious issue, but has now been addressed by way of the Pension Funds Second Amendment Act. The disclosure of the funded status is for accounting purposes only, and does not indicate available assets to the company.

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.

1.5.14 Provisions

Provisions are recognised where the group has a present legal or constructive obligation as a result of a past event, a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

1.5.15 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 fulfillment 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.

1.5.16 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 reporting date. Foreign currency gains and losses are charged to profit or loss.

1.6. Statements Issued and not yet Effective

The group has not applied various IFRS and IFRIC interpretations that have been issued but are not yet effective and does not plan on early adoption. These are as follows:

Standard	Subject	Effective date*	Date issued
IFRS 9	Financial instruments	1 January 2013	November 2009
IAS 24	Related party disclosures	1 January 2011	November 2009
	Improvements to IFRS (April 2008)	Mostly 1 January 2010*	April 2009
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010	November 2009
IAS 32	Classification of rights issues – Amendment to IAS 32	1 February 2010	August 2009
IFRIC 14	Prepayments of a minimum funding requirement – Amendments to IFRIC 14	1 January 2011	November 2009

The following accounting standards have been amended during the period:

Standard	Subject	Effective date*	Date issued
IAS 32	Classification of rights issues – Amendment to IAS 32	1 February 2010	August 2009
IFRIC 14	Prepayments of a minimum funding requirement – Amendments to IFRIC 14	1 January 2011	November 2009

1.7. Business Combinations

Acquistions are included in the group financial statement using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary, the difference is recognised directly in profit or loss.

Following initial ecognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Relationships

		COMPANY		GROUP	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
2.	**INCOME**	**349 532**	317 839	**385 469**	353 724
2.1	**LICENCE AND ROYALTY INCOME**				
	Music Rights				
	Performing Rights	**293 028**	262 916	**293 028**	262 916
	Mechanical Rights	**2 001**	6 819	**2 001**	6 819
	Total SAMRO Territory	**295 029**	269 735	**295 029**	269 735
	Royalties from Affiliated Societies	**8 062**	7 957	**8 062**	7 957
	Total Music Rights	**303 091**	277 692	**303 091**	277 692
	Literary and Dramatic Rights				
	Reprographic Reproduction Income				
	- Blanket			**17 976**	16 589
	- Transactional			**8 866**	8 567
				26 842	25 156
	Other Licences				
	- Primary Rights			**1 450**	1 694
	- Hiring			**248**	307
				1 698	2 001
	Total Literary and Dramatic Rights			**28 540**	27 157
	Total Licence and Royalty Income	**303 091**	277 692	**331 631**	304 849
2.2	**INCOME FROM SUBSIDIARY COMPANIES**				
	Interest	**3 591**	2 905		
	Administration, Computer and Management Fees	**2 815**	6 077		
	Total Income from Subsidiary Companies	**6 406**	8 982		
2.3	**INVESTMENTS**				
	Available for Sale Investments				
	Dividends	**3 567**	7 684	**3 567**	7 684
	Interest from Debentures and Loan Stock	**6 687**	8 875	**6 687**	8 875
	Interest from Bonds and Notes	**4 930**	7 247	**4 930**	7 247
	Interest from Short Term Investments	**943**	4 337	**2 296**	6 780
	Gain on Disposal of Shares	**23 096**	2 217	**23 096**	2 217
	Total Income from Available for Sale Investments	**39 223**	30 360	**40 576**	32 803
2.4	**OTHER INCOME**				
	Administration Fees	**32**	27	**7 001**	10 234
	Interest on loans and cash balances	**780**	778	**964**	1 306
	Rent	**-**	-	**4 340**	4 469
	Gain on Disposal of Property and Equipment	**-**	-	**914**	-
	Hire and Sale of Dramatic Literature	**-**	-	**43**	63
	Total Other Income	**812**	805	**13 262**	16 072
	Total Income	**349 532**	317 839	**385 469**	353 724
2.5	**REVENUE**				
	Total Income	**349 532**	317 839	**385 469**	353 724
	Gain on Disposal of Property and Equipment			**(914)**	-
	Gain on Disposal of Investments	**(23 096)**	(2 217)	**(23 096)**	(2 217)
	Total Revenue	**326 436**	315 622	**361 459**	351 507

		COMPANY 2010 R'000	COMPANY 2009 R'000	GROUP 2010 R'000	GROUP 2009 R'000
3.	**EXPENSES**				
3.1	**ADMINISTRATION EXPENSES**	**86 384**	82 380	**104 027**	96 287
	Accommodation Costs	**2 205**	1 810	**4 636**	2 177
	Operating Costs	**15 134**	16 195	**18 787**	20 991
	Personnel Costs	**55 893**	54 213	**62 967**	58 656
	Marketing Cost	**4 390**	3 652	**4 913**	4 326
	Other Costs	**8 762**	6 510	**12 724**	10 137
	Total Administration Expenses	**86 384**	82 380	**104 027**	96 287
	Included in Other Costs are:				
	Auditors Remuneration				
	Fees – Current Provision	**780**	818	**971**	939
	Fees – Under Provision Previous Years	**145**	125	**145**	125
		925	943	**1 116**	1 064
	Included in Operating Costs:				
	Depreciation				
	Furniture and Equipment	**545**	455	**757**	679
	Computer Information Systems	**1 699**	1 496	**1 699**	1 496
	Motor Vehicles	**342**	383	**342**	383
	Building Fixtures and Equipment	**-**	-	**1 723**	1 198
		2 586	2 334	**4 521**	3 756
3.2	**FINANCE COSTS**	**-**	141	**2 519**	4 834
	Interest on loans	**-**	-	**2 519**	4 693
	Finance charges payable under finance leases	**-**	141	**-**	141
		-	141	**2 519**	4 834
3.3	**OTHER EXPENSES**	**10 251**	9 090	**10 597**	9 743
	Post Employment Medical Cost	**395**	1 424	**395**	1 424
	Bad Debt Provision	**9 105**	5 254	**9 451**	5 858
	Investment Management Fees	**861**	990	**861**	990
	(Profit)/Loss on Disposal of Property and Equipment	**(110)**	1 422	**(110)**	1 471
		10 251	9 090	**10 597**	9 743
4.	**UNDISTRIBUTABLE INCOME WRITTEN BACK**	**25 451**	40 364	**25 451**	40 364
	Comprises undistributed distribution in progress amounts and Public Domain shares written back and distribution corrections and adjustments	**25 451**	40 364	**25 451**	40 364
		25 451	40 364	**25 451**	40 364
5.	**DISTRIBUTION**	**271 419**	251 491	**299 742**	281 007
	Licence and Royalty	**231 876**	212 300	**260 199**	241 816
	Non-Royalty	**39 543**	39 191	**39 543**	39 191
	Total Distribution	**271 419**	251 491	**299 742**	281 007
6.	**TAXATION**	**1 475**	(230)	**1 308**	1 242
	Current charge S.A. Normal Tax	**3 178**	764	**3 202**	891
	(Over)/under provision prior year	**(1 159)**	126	**(1 159)**	(10)
	Deferred Tax	**(544)**	(1 120)	**(735)**	361
	Total Taxation	**1 475**	(230)	**1 308**	1 242
	Reconciliation of the Tax Rate				
	Standard Rate of Tax	**28.00%**	28.00%	**28.00%**	28.00%
	Adjust for:				
	Disallowable Expenditure	**37.81%**	22.59%	**45.31%**	22.59%
	Non Taxable Income	**(28.33%)**	(52.93%)	**(31.23%)**	2.12%
	Prior Year Overprovision	**(16.50%)**	0.83%	**(19.78%)**	(0.42%)
	Effective Tax Rate	**20.98%**	(1.51%)	**22.30%**	52.29%

		COMPANY		GROUP	
		2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
7.	**SOCIAL AND CULTURAL ALLOCATION**	**16 304**	14 489	**16 527**	15 049
	Social	**7 658**	6 736	**7 908**	6 986
	Cultural	**8 646**	7 753	**8 619**	8 063
	Total Social and Cultural Allocation	**16 304**	14 489	**16 527**	15 049
8.	**TRANSFERS TO FUNDS AND RESERVES**	**(10 750)**	1 000	**(23 700)**	(13 916)
8.1	**General Reserve:**				
	Subsidiary Net after Tax Income			**(13 346)**	(14 769)
	Transfer to General Reserve	**(10 963)**	(4 000)	**(10 963)**	(4 000)
	Total Transfer from General Reserve	**(10 963)**	(4 000)	**(24 309)**	(18 769)
8.2	**Development Fund:**				
	Transfer from Development Fund	**(4 787)**	(9 095)	**(4 787)**	(9 095)
	Transfer to Development Fund	**5 000**	9 095	**5 000**	9 095
	Total Transfer to Development Fund	**213**	-	**213**	-
8.3	**Members Medical Fund:**				
	Transfer to Members Medical fund	**-**	5 000	**-**	5 000
	Total Transfer to Members Medical Fund	**-**	5 000	**-**	5 000
	Transfer Non Controlling Interest	**-**	-	**396**	(147)
	Out of Surplus per Income Statement	**(10 750)**	1 000	**(23 700)**	(13 916)

		COMPANY		GROUP	
		2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
9.	**KEY MANAGEMENT EMOLUMENTS**	**14 443**	12 237	**17 136**	13 523
	From the Company and its controlled Subsidiaries for:				
	Directors				
	Current emoluments				
	- Non-Executive Directors' Fees	**224**	254	**347**	281
	- Executives Directors' Fees	**34**	34	**40**	38
	- Salaries and Bonuses	**2 978**	2 486	**3 993**	3 470
	- Pension and Medical Aid Contributions	**540**	481	**715**	645
	- Other Fringe Benefits	**467**	464	**575**	571
	Total Directors' Current Emoluments	**4 243**	3 719	**5 670**	5 005
	Post Retirement Benefits				
	- Estimated Post Retirement Benefits	**1 073**	982	**1 073**	982
	Total Directors Emoluments	**5 316**	4 701	**6 743**	5 987
	Paid by				
	- Company	**5 316**	4 701	**5 316**	4 701
	- Subsidiaries	**-**	-	**1 427**	1 286
	Total Paid	**5 316**	4 701	**6 743**	5 987
	Other Key Management				
	Current emoluments				
	- Salaries and Bonuses	**6 685**	5 483	**7 615**	5 483
	- Pension and Medical	**1 210**	939	**1 394**	939
	- Other Fringe Benefits	**949**	855	**1 101**	855
	Total Key Management current emoluments	**8 844**	7 277	**10 110**	7 277
	Post Retirement Benefits				
	- Estimated Post Retirement Benefits	**283**	259	**283**	259
	Total Other Key Management Emoluments	**9 127**	7 536	**10 393**	7 536
	Total Key Management Emoluments	**14 443**	12 237	**17 136**	13 523
	Number of Non-Executive Directors	**Nine**	Ten	**Nine**	Ten
	Number of Executive Directors of the group	**Two**	Two	**Two**	Two
	Number of General Managers	**Nine**	Nine	**Twelve**	Nine
	A service agreement exists between the Company and the CEO				
	Months in Office				
	JJ Baloyi	**12**	12	**12**	12
	B Harty	**12**	4	**12**	4
	N Hlatshwayo	**-**	-	**9**	-
	A le Roux	**12**	-	**12**	-
	P Lishiva	**-**	-	**12**	11
	Y Madurai	**12**	12	**12**	12
	S Mhlanga	**12**	6	**12**	6
	MN Motsatse	**12**	12	**12**	12
	M Mochoari	**-**	1	**-**	1
	I Napier	**12**	12	**12**	12
	P Noxaka	**-**	1	**-**	1
	BG Robinson	**-**	-	**12**	12
	J Schulten	**12**	12	**12**	12
	L van Wyk	**12**	12	**12**	12
	T Windisch	**12**	12	**12**	12
	G Zoghby	**12**	12	**12**	12

		COMPANY		GROUP	
		2010	2009	**2010**	2009
		R'000	R'000	**R'000**	R'000
10.	**PROPERTY AND EQUIPMENT**	**22 687**	21 889	**118 810**	102 272
	Land and Buildings				
	Owner Occupied Property – SAMRO Place				
	Beginning of the Year				
	Cost			**79 786**	8 993
	Accumulated Depreciation			**(1 198)**	(1 725)
	Carrying Amount at the beginning of the Year			**78 588**	7 268
	Transfer to Assets Held for Sale			**-**	(7 268)
	Transfer from Investment Properties			**-**	60 260
	Building Improvements			**17 424**	19 526
	Depreciation			**(1 723)**	(1 198)
	Carrying Amount at the end of the Year			**94 289**	78 588
	Summary				
	Assets at Cost			**97 210**	79 786
	Accumulated Depreciation			**(2 921)**	(1 198)
	Carrying Amount at the end of the Year			**94 289**	78 588
	Office Furniture and Equipment				
	Beginning of the Year				
	Cost	**10 242**	4 758	**12 262**	4 758
	Accumulated Depreciation	**(1 648)**	(2 151)	**(1 872)**	(2 151)
	Carrying Amount at the beginning of the Year	**8 594**	2 607	**10 390**	2 607
	Additions	**657**	7 578	**907**	9 597
	Disposals	**(14)**	(1 136)	**(14)**	(1 136)
	Depreciation charge for the Year	**(545)**	(455)	**(757)**	(679)
	Carrying Amount at the end of the Year	**8 692**	8 594	**10 526**	10 389
	Summary				
	Assets at Cost	**10 884**	10 243	**13 153**	12 261
	Accumulated Depreciation	**(2 192)**	(1 649)	**(2 627)**	(1 872)
	Carrying Amount at the end of the Year	**8 692**	8 594	**10 526**	10 389
	Computer Information Systems				
	Beginning of the Year				
	Cost	**19 372**	17 129	**19 372**	17 129
	Accumulated Depreciation	**(8 953)**	(7 457)	**(8 953)**	(7 457)
	Carrying Amount at the beginning of the Year	**10 419**	9 672	**10 419**	9 672
	Additions	**2 270**	2 243	**2 270**	2 243
	Disposals	**-**	-	**-**	-
	Depreciation Charge for the Year	**(1 699)**	(1 496)	**(1 699)**	(1 496)
	Carrying Amount at the end of the Year	**10 990**	10 419	**10 990**	10 419
	Summary				
	Assets at Cost	**21 640**	19 372	**21 640**	19 372
	Accumulated Depreciation	**(10 650)**	(8 953)	**(10 650)**	(8 953)
	Carrying Amount at the end of the Year	**10 990**	10 419	**10 990**	10 419
	Motor Vehicles				
	Beginning of the Year				
	Cost	**3 463**	749	**3 463**	749
	Accumulated Depreciation	**(587)**	(265)	**(587)**	(265)
	Carrying Amount at the beginning of the Year	**2 876**	484	**2 876**	484
	Additions	**501**	226	**501**	226
	Transfer from Leased Motor Vehicle Assets - net	**-**	2 544	**-**	2 544
	Disposals	**(30)**	(56)	**(30)**	(56)
	Depreciation Charge for the Year	**(342)**	(322)	**(342)**	(322)
	Carrying Amount at the end of the Year	**3 005**	2 876	**3 005**	2 876

Motor Vehicles	COMPANY 2010 R'000	COMPANY 2009 R'000	GROUP 2010 R'000	GROUP 2009 R'000
Summary				
Assets at Cost	**3 664**	3 463	**3 664**	3 463
Accumulated Depreciation	**(659)**	(587)	**(659)**	(587)
Carrying Amount at the end of the Year	**3 005**	2 876	**3 005**	2 876
Leased Assets – Motor Vehicles				
Beginning of the Year				
Cost	-	3023	-	3 023
Accumulated Depreciation	-	(164)	-	(164)
Carrying Amount at the beginning of the Year	-	2 859	-	2 859
Transfer to Motor Vehicles net – cancellation of leases	-	(2 544)	-	(2 544)
Disposal	-	(254)	-	(254)
Depreciation Charge for the Year	-	(61)	-	(61)
Carrying Amount at the end of the Year	-	-	-	-
Summary				
Assets at Cost	-	3 023	-	3 023
Disposal	-	(2 798)	-	(2 798)
Accumulated Depreciation	-	(225)	-	(225)
Carrying Amount at the end of the Year	-	-	-	-
Total Property and Equipment				
Beginning of the Year				
Cost	**33 078**	25 659	**115 107**	34 652
Accumulated Depreciation	**(11 189)**	(10 037)	**(12 835)**	(11 762)
Carrying Amount at the beginning of the Year	**21 889**	15 622	**102 272**	22 890
Additions	**3 428**	10 047	**21 102**	31 591
Disposals	**(44)**	(1 446)	**(44)**	(1 446)
Depreciation Charge for the Year	**(2 586)**	(2 334)	**(4 521)**	(3 756)
Transfer to Assets Held For Sale	-	-	-	(7 268)
Transfer from Investment Properties	-	-	-	60 260
Carrying Amount at the end of the year	**22 687**	21 889	**118 810**	102 272
Summary				
Assets at Cost	**36 188**	33 303	**135 667**	115 107
Accumulated Depreciation	**(13 501)**	(11 414)	**(16 857)**	(12 835)
Carrying Amount at the End of the Year	**22 687**	21 889	**118 810**	102 272

10.1 Land and Building

- Samro Place

A nine storey office block on ERF 4518, 2896, 2897, 2898, 2899, 2900, 2901, 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 is being refurbished and to date R41 050 000 refurbishment costs have been incurred

		GROUP	
		2010 R'000	2009 R'000
11.	**INVESTMENT PROPERTY**		
	Investment Property – 15 Melle Street		
	Carrying amount at the beginning of the year	-	2 537
	Revaluation	-	313
	Transfer to assets held for sale	-	(2 850)
	Carrying Amount at the end of the Year	-	-
	Investment Property – Samro Place		
	Purchase price	-	56 160
	Cost of refurbishment in process	-	4 100
	Transfer to Land and Buildings	-	(60 260)
	Carrying Amount at the end of the Year	-	-
	Summary		
	Assets at Cost	-	62 797
	Revaluation	-	313
	Transfer to Land and Buildings	-	(63 110)
	Carrying Amount at the End of the Year	-	-

		COMPANY	
		2010 R'000	2009 R'000
12.	**INVESTMENT IN SUBSIDIARIES**	**101 072**	76 479
12.1	**Shares at Cost**		
	Dramatic, Artistic and Literary Rights Organisation (Proprietary) Limited	^	^
	Gratia Artis (Proprietary) Limited	^	^
	Fifteen Melle Street (Proprietary) Limited	^	^
	Samro House Holdings (Proprietary) Limited	**174**	174
	Samro IP Technologies (Proprietary) Limited	**1**	1
	Total Cost of Shares	**175**	175
	^ denotes a holding of less than R1 000 Refer to the Directors Report on Subsidiary and Associate Companies for effective holding		
12.2	**Loan to /(from) Subsidiaries**		
	Dramatic, Artistic and Literary Rights Organisation (Proprietary) Limited	**(1 323)**	3 092
	Gratia Artis (Proprietary) Limited	**402**	176
	Fifteen Melle Street (Proprietary) Limited	-	1 060
	Samro House Holdings (Proprietary) Limited	**98 654**	70 639
	Samro IP Technologies (Proprietary) Limited	**(81)**	(82)
	Performers Organisation of South Africa	**3 245**	1 419
	Total Indebtedness	**100 897**	76 304
	Total Investment in Subsidiaries	**101 072**	76 479

Loans are repayable in the ordinary course of business, there are no fixed repayment terms. Interest on loans that have been outstanding for longer than 12 months is charged at a nominal interest rate of 2.85% per annum.

NOTES TO FINANCIAL STATEMENTS

		COMPANY		GROUP	
		2010	2009	**2010**	2009
		R'000	R'000	R'000	R'000
13.	**DEFERRED TAX**	**13 730**	13 186	**12 440**	11 705
	Opening balance at the beginning of the year	**13 186**	12 066	**11 705**	12 066
	Movement for the year	**544**	1 120	**735**	(361)
	Deferred Tax on provisions	**592**	1 370	**592**	1 370
	Deferred Tax on post retirement medical benefit	**(48)**	399	**(48)**	399
	Deferred Tax on operating loss			**191**	
	Deferred Tax on Capital Gain on Sale of Inv Property	-	-	-	(1 481)
	Deferred Tax on bad debt provision	-	(649)	-	(649)
	Total Deferred Tax	**13 730**	13 186	**12 440**	11 705
	Deferred Tax on Useful Life Adjustment on Fixed Assets	**(587)**	(769)	**(587)**	(769)
	Deferred Tax on Post Retirement Medical Benefit	**5 514**	5 563	**5 514**	5 563
	Deferred Tax on Provisions	**2 342**	1 931	**2 342**	1 931
	Deferred Tax on Bad Debt Provision	**6 461**	6 461	**6 461**	6 461
	Deferred Tax on Operating Loss	-	-	**191**	-
	Deferred Tax on Capital Gain on Sale of Inv Property	-	-	**(1 481)**	(1 481)
	Total Deferred Tax	**13 730**	13 186	**12 440**	11 705
14.	**AVAILABLE FOR SALE INVESTMENTS**	**218 951**	238 887	**218 951**	238 887
	Cost				
	Listed Shares	**82 175**	98 947	**82 175**	98 947
	Listed Bonds and Unitised Investments	**67 857**	78 585	**67 857**	78 585
	Listed Investments at Cost	**150 032**	177 532	**150 032**	177 532
	Unlisted Investments	**27 486**	27 486	**27 486**	27 486
	Total Investments at Cost	**177 518**	205 018	**177 518**	205 018
	Fair Value				
	Shares at Fair Value	**124 935**	135 213	**124 935**	135 213
	Bonds and Unitised Investments	**66 530**	76 188	**66 530**	76 188
	Total Listed Investments at Fair Value	**191 465**	211 401	**191 465**	211 401
	Participation Bonds, Notes and Other	**27 486**	27 486	**27 486**	27 486
	Total Investments at Fair Value	**218 951**	238 887	**218 951**	238 887
	Fair Value Adjustment				
	Total Investment at Fair Value	**218 951**	238 887	**218 951**	238 887
	Total Investment at Cost	**(177 518)**	(205 018)	**(177 518)**	(205 018)
	Total Unrealised Gain at the end of the Year	**41 433**	33 869	**41 433**	33 869
	Total Unrealised Gain at the beginning of the Year	**(33 869)**	(97 546)	**(33 869)**	(97 546)
	Total Fair Value Adjustment	**7 564**	(63 677)	**7 564**	(63 677)
	A register of Listed and Unlisted Investments is available for inspection by members.				
15.	**ASSETS HELD FOR SALE**	**-**	-	**14 500**	17 349
	Carrying amount at the beginning of the year			**17 349**	
	Transferred from Land and Buildings	-	-	-	7 268
	Transferred from Investment Property	-	-	-	2 850
	Fair Value adjustment	-	-	-	7 231
	Sale of Asset			**(2 849)**	
	Total Assets Held for Sale	**-**	-	**14 500**	17 349
16.	**TRADE AND OTHER RECEIVABLES**	**95 702**	58 005	**103 663**	63 728
	Trade Debtors	**91 997**	54 374	**95 425**	55 767
	Other Receivables	**3 705**	3 631	**8 238**	7 961
	Total Trade and Other Receivables	**95 702**	58 005	**103 663**	63 728

As at 30 June 2010, trade receivables at a nominal value of R39 626 691 (2009: R30 768 703) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	Individually Impaired R'000	Collectively Impaired R'000	Total R'000
At 1 July 2008	**18 646**	**6 747**	**25 393**
Charge for the year	**6 682**	**371**	**7 053**
Utilised	**(1 677)**	**-**	**(1 677)**
At 30 June 2009	**23 651**	**7 118**	**30 769**
Charge for the year	**10 876**	**3 751**	**14 627**
Utilised	**(5 521)**	**(248)**	**(5 769)**
At 30 June 2010	**29 006**	**10 621**	**39 627**

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

		NEITHER PAST DUE NOT IMPAIRED	PAST DUE NOT IMPAIRED			
COMPANY	Total	Current	30 days	60 days	90 days	120 days
	R'000	R'000	R'000	R'000	R'000	R'000
2009	54 374	31 184	13 589	1 474	938	7 189
2010	91 997	42 092	14 768	7 845	2 931	24 361
GROUP						
2009	55 767	32 546	13 619	1 474	939	7 189
2010	95 425	43 016	15 219	7 956	4 696	24 538

Other receivables relate to deposits, prepaid expenses and staff debtors.

		COMPANY		GROUP	
		2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
17.	**INVENTORY**	**159**	243	**312**	444
	Inventory comprises:				
	Stationery and paper	**159**	243	**159**	243
	Books and Musical Sheets for Sale	**-**	-	**66**	57
	Books and Musical Sheets for Hire	**-**	-	**87**	144
	Total Inventory	**159**	243	**312**	444
18.	**POST EMPLOYMENT MEDICAL BENEFITS**	**20 262**	19 867	**20 262**	19 867
	Net Liability Reconciliation				
	Opening Balance of the Liability	**19 867**	18 443	**19 867**	18 443
	Income Statement Charge	**395**	1 424	**395**	1 424
	Closing Balance of the Liability	**20 262**	19 867	**20 262**	19 867
	Current portion of Liability	**568**	568	**568**	568
	Long term portion of Liability	**19 694**	19 299	**19 694**	19 299
		20 262	19 867	**20 262**	19 867
	Profit or Loss Charge				
	Opening Balance	**19 867**	18 443	**19 867**	18 443
	Current Service Cost	**775**	918	**775**	918
	Interest Cost	**1 858**	1 876	**1 858**	1 876
	Benefits Paid / Expected to be Paid	**(593)**	(434)	**(593)**	(434)
	Actuarial Gain/(Loss) on Obligation	**(1 645)**	(936)	**(1 645)**	(936)
	Closing Balance of Funded Defined Benefit Obligations	**20 262**	19 867	**20 262**	19 867
	Income Statement Charge	**775**	918	**775**	918
	Current Service Cost	**1 858**	1 876	**1 858**	1 876
	Interest Cost	**(2 238)**	(1 370)	**(2 238)**	(1 370)
	Actuarial Gain/(Loss) on Obligation	**395**	1 424	**395**	1 424

A valuation was carried out by a firm of consulting actuaries at 30 June 2010. At 30 June 2010 there were 50 in service members (2009 : 107) and 24 continuation members (2009: 9).

Actuarial Assumptions:				
Discount Rate	**9.25%**	9.50%	**9.25%**	9.50%
Medical Inflation Rate	**7.75%**	8.00%	**7.75%**	8.00%
	2010	**2009**	**2008**	**2007**
Value of Liability	**20 262**	**19 867**	**18 443**	**17 726**

Valuation Assumptions Post Employment Medical Liability

	Health Care Cost Inflation		
	Central Assumption 8.00%	-1%	+1%
Accrued Liability 30 June 2010 (R'000)	20 262	16 734	23 457
% Change	-	-15.0%	+19.1%
Current Service Cost + Interest Cost 2010 (R'000)	2 533	2 107	3 084
% Change	-	-16.8%	+21.8%
	Health Care Cost Inflation		
	Central Assumption 8.00%	+5% for 5 years	+10% for 5 years
Accrued Liability 30 June 2010 (R'000)	20 262	24 313	29 800
% Change	-	+23.5%	+51.3%
	Discount Rate		
	Central Assumption 9.50%	-1%	+1%
Accrued Liability 30 June 2010 (R'000)	20 262	23 427	16 801
% Change	-	+19.0%	-14.7%
	Expected Retirement Age		
	Central Assumption 60 Years	1 year younger	1 year older
Accrued Liability 30 June 2010 (R'000)	20 262	20 350	18 723
% Change	-	+3.3%	-4.9%

		COMPANY		GROUP	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
19.	**LOANS (NON CURRENT LIABILITIES)**	-	-	27 501	28 264
	Mortgage Loan Received	-	-	44 500	44 500
	Capital Repayment Made	-	-	(15 000)	(15 000)
	Loan Repayments	-	-	(1 999)	(1 977)
	Mortgage Loan Closing Balance	-	-	27 501	27 523
	Due within 12 months	-	-	78	22
	Due thereafter	-	-	27 423	27 501
	Total	-	-	27 501	27 523
	BOE Private Bank	-	-	27 501	27 523
	Secured by a cession and pledge of the share portfolio in the name of Southern African Music Rights Organisation Limited, managed by BOE Private Clients, account number SOUT03FT. The term of the loan is 60 months. The interest rate is prime less 1.25%				
	Outside Shareholders Loans 15 Melle Street (Pty) Ltd	-	-	-	741
	These loans were settled in full during the year following the sale of the investment property				
	Total Loans (Long Term Liabilities)	-	-	27 501	28 264
20.	**FOR DISTRIBUTION**	301 478	274 530	325 965	293 641
	Royalty Distribution	231 876	212 301	260 199	241 816
	Non Royalty Distribution	39 543	39 191	39 543	39 191
	Current Amount per profit or loss	271 419	251 492	299 742	281 007
	Social Benefits	6 768	6 716	7 908	5 705
	Prior Periods Amounts	31 375	24 832	33 661	27 348
		309 562	283 040	341 311	314 060
	Distributions and Advances	(8 084)	(8 510)	(15 346)	(20 419)
	Total for Distribution	301 478	274 530	325 965	293 641

		COMPANY		GROUP	
		2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
21.	**DISTRIBUTIONS IN PROGRESS**	**79 022**	80 875	**79 022**	80 875
21.1	**Shares in Musical Works**				
	Balance at the beginning of the Year	**6 891**	7 836	**6 891**	7 836
	Distributed during the Year	**(5 897)**	(4 240)	**(5 897)**	(4 240)
		994	3 596	**994**	3 596
	Arising out of Distributions during the Year	**5 440**	6 608	**5 440**	6 608
		6 434	10 204	**6 434**	10 204
	Distribution Adjustment prior years	**(1 648)**	(3 313)	**(1 648)**	(3 313)
	Balance at the end of the Year	**4 786**	6 891	**4 786**	6 891
21.2	**Musical Works**				
	Balance at the beginning of the Year	**73 984**	79 268	**73 984**	79 268
	Distributed during the Year	**(31 911)**	(22 465)	**(31 911)**	(22 465)
		42 073	56 803	**42 073**	56 803
	Arising out of Distributions during the Year	**55 966**	51 618	**55 966**	51 618
		98 039	108 421	**98 039**	108 421
	Distribution Adjustment prior years	**(23 803)**	(34 437)	**(23 803)**	(34 437)
	Balance at the end of the Year	**74 236**	73 984	**74 236**	73 984
	Total Distributions in Progress	**79 022**	80 875	**79 022**	80 875
22.	**SOCIAL AND CULTURAL FUNDS**	**29 008**	25 005	**32 013**	28 435
22.1	**SOCIAL FUNDS**				
	Other Social Funds not included in Distributions				
	Balance at the beginning of the Year	**6 710**	6 520	**6 710**	6 520
	Utilisation during the Year	**(6 752)**	(6 546)	**(6 752)**	(6 546)
	Current Funding for the Year	**7 658**	6 736	**7 658**	6 736
	Balance at the end of the Year	**7 616**	6 710	**7 616**	6 710
	Copyrights Training Fund				
	Balance at the beginning of the Year			**1 160**	1 144
	Utilisation during the Year			**(140)**	(234)
	Current Funding for the Year			**250**	250
	Balance at the end of the Year			**1 270**	1 160
	Namrro Development Fund				
	Balance at the beginning of the Year			**-**	66
	Utilisation during the Year			**-**	(66)
	Balance at end of the Year			**-**	-
	Total Social Funds	**7 616**	6 710	**8 886**	7 870
22.2	**CULTURAL FUNDS**				
	SAMRO Endowment for the National Arts and Related Provisions				
	Balance at the beginning of the Year	**16 865**	15 173	**16 865**	15 173
	Utilisation during the Year	**(6 532)**	(7 282)	**(6 532)**	(7 282)
	Current Funding for the Year	**8 546**	7 753	**8 546**	7 753
	Unexpended Grants / Scholarships	**1 140**	1 221	**1 140**	1 221
	Balance at the end of the Year	**20 019**	16 865	**20 019**	16 865
	Bequests and Donations				
	Balance at the beginning of the Year	**1 430**	1 335	**1 430**	1 335
	Utilisation during the Year	**(157)**	(63)	**(157)**	(63)
	Current Funding for the Year	**100**	158	**100**	158
	Balance at the end of the Year	**1 373**	1 430	**1 373**	1 430

		COMPANY 2010 R'000	COMPANY 2009 R'000	GROUP 2010 R'000	GROUP 2009 R'000
22.2	**CULTURAL FUNDS Cont.**				
	Bilateral Agreement Funds				
	Balance at the beginning of the Year	-	-	**1 768**	2 000
	Utilisation during the Year	-	-	**(649)**	(649)
	Current Funding for the Year	-	-	-	417
		-	-	**1 119**	1 768
	Bursary Funds	-	-	-	-
	Arts and Culture Trust Bursary	-	-	**407**	300
	Trewhela-Breytenbach Bursary	-	-	**202**	193
	Interest	-	-	**7**	9
		-	-	**616**	502
	Total Cultural Funds	**21 392**	**18 295**	**23 127**	20 565
	Total Social and Cultural Funds	**29 008**	**25 005**	**32 013**	28 435
	Balance at the beginning of the Year	**25 005**	23 028	**28 435**	26 581
	Utilisation during the Year	**(12 301)**	(13 891)	**(13 333)**	(14 990)
	Current Funding for the Year	**16 304**	15 868	**16 911**	16 844
	Net transfer to Social and Cultural	**4 003**	1 977	**3 578**	1 854
	Balance at the end of the Year	**29 008**	25 005	**32 013**	28 435
23.	**TRADE AND OTHER PAYABLES**	**19 345**	10 720	**22 162**	15 097
	Members and Affiliated Societies	**7 553**	5 943	**7 553**	5 943
	Accounts Payable	**11 791**	4 777	**14 608**	9 154
	Non-Residents Royalty Tax	**1**	-	**1**	-
		19 345	10 720	**22 162**	15 097
24.	**PROVISIONS**	**8 875**	6 898	**8 875**	7 516
	Comprise:				
	Interest payable on shareholders loans – 15 Melle Str	-	-	-	618
	Staff Leave Pay and Bonuses	**8 875**	6 898	**8 875**	6 898
	Total Provisions	**8 875**	6 898	**8 875**	7 516
	Interest Payable on Shareholders Loans – 15 Melle St				
	Opening Balance	-	-	**618**	618
	Provision utilised during the year	-	-	**(618)**	-
		-	-	-	618
	Leave Pay and Bonuses				
	Opening Balance	**6 898**	3 605	**6 898**	3 605
	Provision utilised during the year	**(8 100)**	(3 039)	**(8 100)**	(3 039)
	Provision raised during the year	**10 077**	6 332	**10 077**	6 332
		8 875	6 898	**8 875**	6 898

Leave Pay Provision 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	
		2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
25.	**CASH GENERATED FROM LICENSING OPERATIONS**	**182 134**	174 990	**197 759**	202 621
	Operating Surplus				
	Amount Distributable before Tax	**278 448**	266 750	**293 877**	283 382
	Adjustments for:				
	Depreciation	**2 586**	2 334	**4 521**	3 756
	Administration, Computer, Management and Other Fees	**(2 815)**	(6 077)	**-**	-
	(Profit)/Loss on Disposal of Property and Equipment	**(110)**	1 422	**(1 024)**	1 471
	Surplus on Disposal of Investments	**(23 096)**	(2 217)	**(23 096)**	(2 217)
	Interest from Subsidiaries	**(3 591)**	(2 905)	**-**	-
	Income from Investments	**(15 184)**	(23 806)	**(15 184)**	(23 806)
	Interest from Term and Call Deposits	**(943)**	(4 337)	**(2 296)**	(6 780)
	Bequests and Donations	**(100)**	(158)	**(100)**	(158)
	Finance Charges	**-**	141	**2 519**	4 834
	Movement in Provisions	**1 977**	3 293	**1 977**	2 573
	Distribution Adjustment prior years	**(25 451)**	(40 364)	**(25 451)**	(40 364)
	Post Employment Medical Benefits	**395**	1 424	**395**	1 424
	Operating Surplus before Working Capital Changes	**212 116**	195 500	**236 138**	224 115
	Working Capital Changes				
	(Increase) / Decrease in Current Asset Items				
	Distribution and Advances	**(426)**	(60)	**(5 073)**	(640)
	Accounts Receivable	**(37 697)**	(12 760)	**(39 935)**	(15 676)
	Inventory	**84**	(120)	**132**	(101)
	Increase / (Decrease) in Current Liability Items				
	Members and Affiliated Societies	**1 610**	3 898	**1 610**	3 898
	Accounts Payable, Provisions and Royalty Tax	**6 447**	(11 468)	**4 887**	(8 975)
	Total Working Capital Changes	**(29 982)**	(20 510)	**(38 379)**	(21 494)
	Total Cash Generated from Licensing Operations	**182 134**	174 990	**197 759**	202 621
26.	**TAXATION PAID**	**(1 575)**	(8 164)	**(2 017)**	(9 302)
	Opening Balance	**4 933**	(2 504)	**4 750**	(3 698)
	Current Taxation	**(1 475)**	230	**(1 308)**	(1 242)
	Prior Year (Over)/Under Provision	**-**	163	**-**	27
	Prior year interest on tax received	**358**	-	**358**	-
	Closing Balance	**(4 847)**	(4 933)	**(5 082)**	(4 750)
	Net Adjustment	**(1 031)**	(7 044)	**(1 282)**	(9 663)
	Net Tax Adjustment Deferred Tax	**(544)**	(1 120)	**(735)**	361
	Total Taxation Paid	**(1 575)**	(8 164)	**(2 017)**	(9 302)
27.	**ROYALTY AND NON-ROYALTY DISTRIBUTIONS TO MEMBERS AND AFFILIATED SOCIETIES**	**274 223**	221 672	**288 358**	247 619
	Available for Distribution at the beginning of the Year	**266 446**	280 639	**278 295**	309 102
	Prior Periods Amounts	**31 375**	(24 832)	**33 661**	(27 348)
	Available for Distribution	**297 821**	255 807	**311 956**	281 754
	Distributions in Progress at the beginning of the Year				
	- Shares	**6 891**	7 836	**6 891**	7 836
	- Works	**73 984**	79 268	**73 984**	79 268
		378 696	342 911	**392 831**	368 858
	Distributions in Progress at the end of the Year				
	- Shares	**(4 786)**	(6 891)	**(4 786)**	(6 891)
	- Works	**(74 236)**	(73 984)	**(74 236)**	(73 984)
		299 674	262 036	**313 809**	287 983
	Less Distribution Adjustment Prior years	**(25 451)**	(40 364)	**(25 451)**	(40 364)
	Royalty, Non-Royalty and Social Benefit Amounts **Distributed during the Year**	**274 223**	221 672	**288 358**	247 619

		COMPANY		GROUP	
		2010 R'000	2009 R'000	**2010 R'000**	2009 R'000
28.	**NON-LICENSING ACTIVITIES**				
28.1	**Decrease /(Increase) in Loans to Subsidiary Companies**	**(24 593)**	(31 038)		
	Opening Balance Subsidiary Loans	**76 304**	45 266		
	Closing Balance Subsidiary Loans	**(100 897)**	(76 304)		
	Increase in Subsidiary Loans	**(24 593)**	(31 038)		
	Add Intercompany interest and fees	**6 406**	8 982		
	Indebtedness of Subsidiaries	**(18 187)**	(22 056)		
	Interest	**(3 591)**	(2 905)		
	Administration, Computer and Management Fees	**(2 815)**	(6 077)		
	Net Cash Inflow From / (Outflow To) Subsidiaries	**(24 593)**	(31 038)		
28.2	**Movements in Investments**	**104 482**	1 919	**99 342**	1 919
	Proceeds on Disposal of Investments	**159 152**	57 094	**159 152**	57 094
	Transfer to /(from) Funds	**56 837**	(30 000)	**51 697**	(30 000)
	Investments Purchased	**(111 507)**	(25 175)	**(111 507)**	(25 175)
	Net Cash Inflow/(Outflow)	**104 482**	1 919	**99 342**	1 919
29.	**CASH AND CASH EQUIVALENTS**	**90 534**	97 251	**116 980**	125 733
	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	**10 301**	23 962	**36 747**	52 444
	Short Term Investments	**80 233**	73 289	**80 233**	73 289
	Total Cash and Cash Equivalents	**90 534**	97 251	**116 980**	125 733

30. RELATED PARTY DISCLOSURES

Subsidiaries	**Dalro (Pty) Ltd**	**Samro House Holdings (Pty) Ltd**	**Samro House (Pty) Ltd**	**Total**
Administration, Computer Management and other fees	**2 527**	96	**192**	2 815
Interest Received	**-**	3 591	**-**	3 591
	2 527	3 687	**192**	6 406

Details of Income from Investments in Subsidiaries are disclosed in Note 2.2.
Details of loans to subsidiaries are disclosed in Note 12

Directors

There are two groups of SAMRO Directors - Writer directors and Publisher directors. 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.

31. 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 as at 30 June 2007. A valuation as at 30 June 2010 will be carried out by the same firm of consulting actuaries and submitted to the FSB as per statutory requirements. 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 Fund Act of 1956 as amended.

Summary of Results

The Pension Funds Second Amendment Act, 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 2009 and 30 June 2010. The "adjusted expense" for the year ended 30 June 2010 was therefore calculated to be R4 891 000 (2009 : R 4 958 000).

	Company and Group	
	2010	2009
	R'000	R'000
Active number of Members	**173**	156
Total Annual Salaries	**33 860**	28 922
Number of Pensioners (outsourced by the fund)	**22**	22
Present Value of Funded Defined Benefit Obligation	**(64 490)**	(56 725)
Fair Value of Plan Assets in Respect of Defined Benefit Obligation	**70 958**	61 389
Funded Status of Defined Benefit Plan	**6 468**	4 664
Unrecognised Actuarial Gains	**(2 479)**	-
Asset	**3 989**	4 664
Paragraph 58 Limit	**-**	-
Unrecognised due to paragraph 58 limit	**(3 989)**	(4 664)
Asset recognised on Balance Sheet	**-**	-

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.

	2010	2009
Actuarial Valuation Assumptions		
Discount Rate	**9.25%**	9.50%
Inflation Rate	**5.75%**	6.00%
Salary Increase Rate	**6.75%**	7.00%
Expected Rate of Return on Assets	**10.00%**	8.50%
Pension Increase Allowance	**5.56%**	5.80%

Determination of the Net Periodic Pension Cost for the Fiscal Year ending 30 June 2010

	2010	2009
	R'000	R'000
Components of Income Statement Pension Expense		
Current Service Cost	**5 066**	4 394
Interest Cost	**6 006**	5 045
Expected Return on Assets	**(5 506)**	(8 259)
Amortisation:		
a. Unrecognised Net Transition Obligation / (Asset)	**-**	-
b. Unrecognised Past Service Cost	**-**	-
c. Unrecognised Net (Gain) / Loss	**-**	-
d. Unrecognised due to Limit	**(4 664)**	(23 847)
Paragraph 58A(Gain)/Loss	**3 989**	27 625
Expense / (Income)	**4 891**	4 958
Estimated Contributions, Benefit Payments, Expenses and Risk Premiums for the Period 1 July 2009 to 30 June 2010		
Member Contributions	**2 564**	2 193
Additional Voluntary Contributions	**-**	-
Company Contributions	**4 891**	4 958
Special Company Contributions	**-**	-
Risk Premiums	**(577)**	(860)
Benefit Payments	**(6 320)**	(11 045)
Estimated return on Assets for the period ending 30 June 2010	**9 011**	6 064

	Company and Group	
	2010	2009
	R'000	R'000
Reconciliation of Asset / (Liability) on the Balance Sheet		
(Liability) / Asset as at 30 June 2009		-
Net (Expenses) / Income Recognised in the Income Statement	**(4 891)**	(4 958)
Company Contributions	**4 891**	4 958
(Liability) / Asset as at 30 June 2010	**-**	-
Paragraph 59 Limit	**-**	-
Unrecognised due to Paragraph 59 Limit	**-**	-
(Liability) / Asset Recognised on the Balance Sheet	**-**	-
Adjusted Net Expenses Recognised in the Income Statement	**4 891**	4 958
Reconciliation of Defined Benefit Obligation		
Defined Benefit Obligation as at 30 June 2009	**56 725**	43 662
Service Cost	**5 066**	4 394
Member Contributions	**2 564**	2 193
Interest Cost	**6 006**	5 045
Actuarial (Gain) / Loss	**1 026**	13 336
Benefits Paid	**(6 320)**	(11 045)
Risk Premiums	**(577)**	(860)
Defined Benefit Obligation as at 30 June 2010	**64 490**	56 725
Reconciliation of Fair Value of Plan Assets		
Assets at Fair Market Value as at 30 June 2009	**61 389**	72 173
Expected Return on Assets	**5 506**	8 259
Contributions	**7 455**	7 151
Risk Premiums	**(577)**	(860)
Benefits Paid	**(6 320)**	(11 045)
Actuarial Gain / (Loss)	**3 505**	(14 289)
Assets at Fair Market Value as at 30 June 2010	**70 958**	61 389
Estimated Asset Composition as at 30 June 2010		
Cash	**12.68%**	55.06%
Equity	**63.78%**	32.79%
Bonds	**18.05%**	8.54%
Property and Other	**4.04%**	1.86%
International	**1.45%**	1.75%
Total	**100.00%**	100.00%
Determination of Estimated Pension Expense	**2011**	2010
for the Fiscal Year ending 30 June 2011	**R'000**	R'000
Components of Income Statement Pension Expense		
Current Service Cost	**4 423**	5 066
Interest Cost	**6 568**	6 006
Expected Return on Assets	**(7 463)**	(5 506)
Amortisation:		
a. Unrecognised Net Transition Obligation / (Asset)	**-**	-
b. Unrcognised Past Service Cost	**-**	-
c. Unrecognised Net (Gain) / Loss	**-**	-
Expense / (Income)	**3 528**	5 566
Expected Contributions, Expenses and Risk Premiums for Period 1 July 2010 to 30 June 2011		
Member Contributions	**2 347**	2 347
Additional Voluntary Contributions	**-**	-
Company Contributions	**5 221**	5 305
Risk Premiums	**(616)**	(920)

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 2010 and expense for the year ending 30 June 2011	Asset as at 30 June 2009 and expense for the year ending 30 June 2010
Discount Rate	**9.25%**	9.50%
Salary Increase Rate	**6.75%**	7.00%
Expected Rate of Return on Assets	**10.00%**	8.50%
Inflation	**5.75%**	6.00%
Pension Increase Allowance	**5.56%**	5.80%

Discount Rate

The rate used to discount post-employment benefit obligations should be determined by reference to market yields at the reporting date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the reporting date) on government bonds should be used. In our opinion, there is no deep market in Corporate Bonds in South Africa 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 effective yield of 9.25% as at 30 June 2010. In terms of the accounting standards, historical yields are less important and we consequently consider it appropriate to use the discount rate of 9.25% 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 5.75% per annum. This assumption has been based on the relationship between the current conventional bond yields and the current index-linked bond yields. This assumption is in line with the SA Government's Monetary Policy target of 3% to 6% per annum.

Salary Increase Rate

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

Age	Merit Increase
20	13.5%
25	9.0%
30	5.5%
35	3.0%
40	1.5%
45	1.0%

Expected Return on Assets

The Fund's expected long term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions we made use of the asset split as at 30 June 2010. The expected long-term rate of return on bonds was set at the same level as the discount rate. This implies a yield on government bonds of 9.25% per annum. The expected long-term rate of return on equities was set at a level of 3% above the bond rate, whilst the expected long-term rate of return on cash was set at a level of 2% below the bond rate. Adjustments were made to reflect the effect of expenses.

Pension Increase Rate

We have used a post retirement discount rate of 3.5% per annum, which drives the Trustees pension increase policy. Taken in conjunction with a pre-retirement rate of 9.25% this implies a pension increase rate of 5.56% per annum.

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.

32. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities comprise finance leases, 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 risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and other price risks in the form of the fair value movements of its investments and credit risk.

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

Interest rate risk

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

Interest rate risk table

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

2010	Increase/decrease in basis points	Effect on profit before tax
Mortgage bond	+1%	(275)
	-1%	275
Treasury funds	+1%	905
	-1%	(905)

2009	Increase/decrease in basis points	Effect on profit before tax
Mortgage bond	+1%	(276)
	-1%	276
Treasury funds	+1%	733
	-1%	(733)

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 on the statement of financial position.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and 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.

	R'000	R'000	R'000	R'000	R'000
Year ended 30 June 2010	**On Demand**	**Less than 3 months**	**3 months – 1 year**	**1 to 5 years**	**Total**
Interest bearing loans and borrowings	-	-	78	27 423	**27 501**
Trade and other payables	-	22 162	-	-	**22 162**
For Distribution	-	-	325 965	-	**325 965**
Other liabilities	-	-	88 465	-	**88 465**
	-	22 162	414 508	27 423	**464 093**
Year ended 30 June 2009	**On Demand**	**Less than 3 months**	**3 months – 1 year**	**1 to 5 years**	**Total**
Interest bearing loans and borrowings	-	-	22	27 501	**27 523**
Trade and other payables	-	17 618	-	-	**17 618**
For Distribution	-	-	293 641	-	**293 641**
Other liabilities	-	-	86 438	-	**86 438**
	-	17 618	380 101	27 501	**425 220**

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 R219.0 million. A decrease of 10% in the JSE market index could have an impact of approximately R21.9 million on 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 and would not have an effect on profit or loss.

	Change in year end price	**Effect on equity**
2010 Listed investments		
	+10%	**21 895**
	-10%	**(21 895)**

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 in the objectives, policies or processes during the years ended 30 June 2009 and 30 June 2010.

33. 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	
	2010	**2009**	**2010**	**2009**
Financial Assets				
Cash	**116 980**	125 733	**116 980**	125 733
Available-for-sale investments	**218 951**	256 236	**218 951**	256 236
Financial Liabilities				
Interest bearing loans	**27 501**	28 264	**27 501**	28 264

Market values have been used to determine the fair value of available-for-sale financial assets. 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 – 30 JUNE 2010

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CHIEF OPERATING OFFICER
GJ ZOGHBY

BANKERS
Standard Bank
ABSA Bank

AUDITORS
Ernst & Young Inc.

LEGAL ADVISORS
Cheadle Thompson & Haysom
Adams & Adams
Spoor & Fisher
Edward Nathan Sonnenbergs

INVESTMENT ADVISORS
BOE
Investec
Standard Corporate & Merchant Bank

Trust

SAMRO
Southern African Music Rights Organisation