SAMRO

Southern African Music Rights Organisation

ANNUAL REPORT 2011

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SCOPE OF REPORT AND ASSURANCE

SAMRO has reported annually to stakeholders on its financial performance since inception. This is, however, our first integrated annual report – combining financial and non-financial performance for a fuller understanding of our group. It covers the financial year from 1 July 2010 to 30 June 2011.

The report has been prepared using the guidelines of the Global Reporting Initiative (GRI G3) and the recommendations of the latest King report on corporate governance in South Africa (known as King III).

Integrated reporting is a new discipline, and global standards are still being developed. Until such time, we are guided by peer practices globally. Our aim is incrementally improved reporting and disclosure, while protecting the long-term sustainability of our group in an evolving sector.

This report includes the financial and non-financial performance of the SAMRO group and its subsidiaries.

We are concentrating on developing reporting standards that will make our disclosure increasingly meaningful and measurable for stakeholders.

In terms of GRI reporting requirements, SAMRO has met the requirements and self-declared this report at level C.

The full set of financial statements, which has been audited by PricewaterhouseCoopers Inc, is included on pages 39 to 85. The South African broad-based black empowerment information was verified by Empowerdex.

STATEMENT OF THE BOARD OF DIRECTORS

Statement of the board of directors on the integrated report

As required by King III, the audit committee has reviewed the integrated report and the board has reviewed and approved the report. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), while the integrated report was prepared in accordance with the guidelines of the Global Reporting Initiative (GRI) level C.

The integrated report and financial statements fairly reflect, in our opinion, the true financial position of the group at 30 June 2011 as well as that of its operations during this period as described in the report.

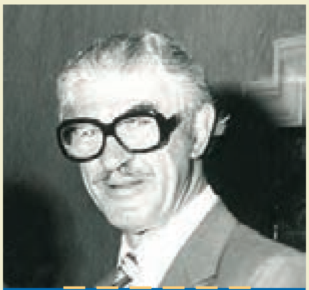
On behalf of the board

A E Emdon
Chairman
Johannesburg
24 November 2011

VALUE ADDED STATEMENT

	GROUP	
	2011	2010
	R000's	R000's
Music Licence and Royalties	**313 028**	303 091
Reprographic Licence and Royalties	**31 364**	28 540
Administration and other Fees	**14 516**	12 448
Cost of Generating Revenue	**(46 187)**	(47 136)
Value added	**312 721**	296 943
Income from investments	**43 562**	41 490
Distribution adjustment	**14 484**	25 451
Wealth created	**370 767**	363 884
Value Distribution		
Members		
Music Royalty distributions	**211 165**	231 876
Reprographic Royalty distributions	**31 364**	28 540
Non-royalty distributions	**34 908**	39 543
SRAF and members funeral benefit	**8 303**	7 658
Endowment for the national arts	**10 172**	8 646
Other Social and Cultural allocations	**607**	223
Employees		
Salaries, Wages and Benefits	**66 788**	62 967
Providers of Capital		
Finance costs	**2 555**	2 519
Government		
Taxation paid	**3 610**	1 308
Reinvested in the Group		
Depreciation and amortisation of capital items	**4 757**	4 521
Transferred to reserves	**164**	(10 750)
Retained earnings	**(3 626)**	(13 167)
Total	**370 767**	363 884

50 YEARS OF SAMRO – THE MILESTONES



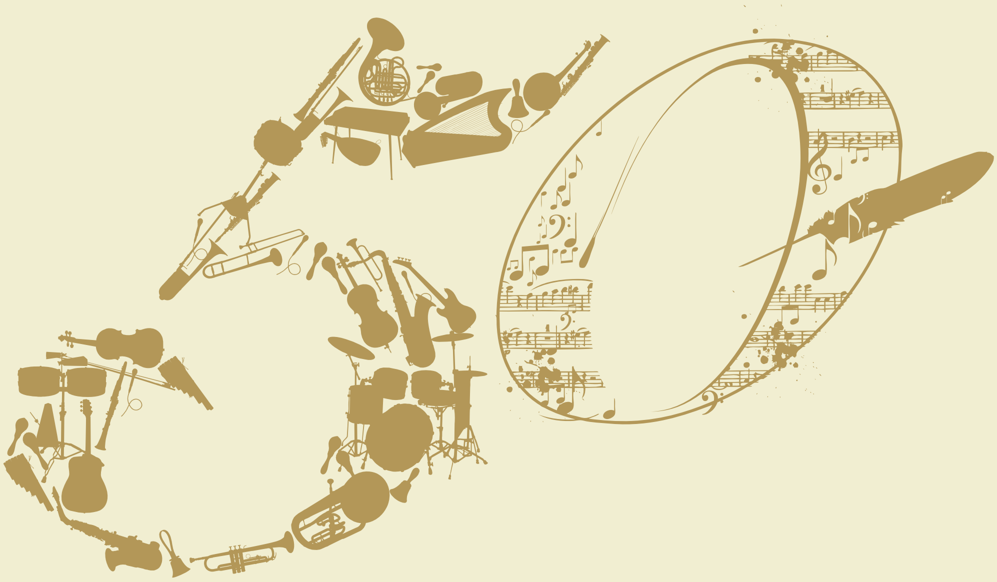
Dr. Gideon Roos left the SABC and started SAMRO because he refused to join the Broederbond

1961: The newly established Southern African Music Rights Organisation (SAMRO) holds its first AGM in December under the stewardship of its founder, the late Dr Gideon Roos. Its objective was to protect the intellectual property of composers, authors and their music publishers, and to ensure that composers' and authors' talents are adequately credited for music usage. SAMRO plays a vital role in administering works, distributing royalties and promoting copyright law. Through its work, SAMRO is able to add value to the music industry and positively impact the livelihood of composers and authors.

1962: In January, SAMRO opens its doors for business. That same year, the society initiates the annual SAMRO Overseas Scholarship, marking the beginning of its social responsibility programme. To date, the scholarship, which was initially aimed at musicians, has boosted the careers of 115 musicians and composers. The scholarship rotates over a four year cycle between instrumentalists, singers, keyboard players and composers.

1967: SAMRO sets up the Dramatic, Artistic and Literary Rights Organisation (DALRO) as a multi-purpose copyright society in charge of administering various aspects of copyright on behalf of authors and publishers. DALRO is a wholly-owned subsidiary of SAMRO and has emerged as a significant role player in the administration of Reprographic Rights in non-fiction literary works. Over time this has become the main revenue stream for DALRO followed by the licensing of Dramatic and Artistic works.

Princess Magogo Buthelezi (81) - applied for SAMRO membership and was subsequently elected to associate membership on 1 July 1981



50 YEARS OF SAMRO – THE MILESTONES

1969: SAMRO launches the SAMRO Retirement Annuity Fund, a unique offering in that it provides pension benefits to the society's members. The fund has grown significantly over the years and is run by a Board of Trustees with an independent Principal Officer and Administrators.

1973: SAMRO relocates from its rented premises in the Johannesburg CBD after buying SAMRO House on 73 Juta Street in Braamfontein, Johannesburg, in order to provide long-term accommodation for all of SAMRO's operations. That year, the society also started to run its own distributions. Until then, these had been run by its sister societies in the Netherlands and Switzerland owing to a lack of sufficient computing power to perform the function.

On 31 December 1968 Sherwood McCay Davashe the composer of Lakutshon'ilanga elected associate member

1975: SAMRO splits the distribution of non-royalty (non-licence) revenue from the distribution of licence revenue. The distribution of NRR became one of the significant benefits to members and affiliates alike. Consequent to the introduction of the new Companies Act of 2008, this distribution category to members may not be possible in the future. The Board and Management of SAMRO are taking legal advice on the matter.

1978
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The amended Copyright Act (No. 98 of 1978) comes into effect

1985: A new computer system, SAMRO 4, is rolled out. In an upgraded form, the system is still in use today.

1996: A corporate social investment arm, SAMRO Endowment for the National Arts (SENA), is formally established. Its responsibilities include maintaining the SAMRO Music Archive, commissioning new works, and music education and outreach programmes. The division also offers scholarships and bursaries annually to music students and grants financial support and advice to a number of South African cultural organisations. SENA is run by its own board of trustees. That year, independent music publisher Annette Emdon was appointed as chairman of SAMRO.

1997: The Roos family, which have been instrumental in founding and directing SAMRO, step down. CEO Paul Roos, his father, SAMRO founder and chairman Gideon Roos and his brother, executive director Gideon Roos junior, resign their positions. Rob Hooijer takes over the reins as CEO.

2002: Nicholas Motsatse joins SAMRO as marketing director and joint Deputy CEO with Alan Johnston. Until then, SAMRO had no marketing and external communication focus. That year, the Board approved the society's first external communication and marketing strategy.

Needletime rights are promulgated in legislation, in the form of the Performers Protection Act. However, this only became effective six years later in 2008. These rights refer to the remuneration of music performers and producers for the public performance and/or use of their recorded performances.

2006: Nicholas Motsatse becomes the fourth CEO of SAMRO since the organisation's inception. He replaces Rob Hooijer, who decides to step down to allow for a new generation of leaders at SAMRO. That year, SAMRO decides to expand its business and enters into the administration of Mechanical Rights ("Reproduction Rights").

2007: Having grown in size over the years, SAMRO moves to its new building, Everite House, at 20 De Korte Street in Braamfontein.

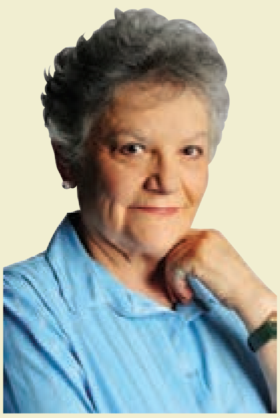
2008: The Performers Protection Act ("Needletime Rights") comes into effect. SAMRO is accredited as one of three organisations to administer Needletime Rights and the only one to administer these on behalf of performers.

2009: The Performers Organisation of SA Trust (POSA) is established to administer Needletime Rights on behalf of SAMRO.

2011: The new Companies Act 71 of 2008 takes effect. This Act is likely to have a significant impact on SAMRO, as it could fundamentally alter the way SAMRO treats financial income.

SAMRO celebrates its fiftieth anniversary and embarks on a new strategy to enable the organisation to embrace technological change and sustain its business.

CHAIRMAN'S FORWARD



Chairman
Annette Emdon:

Dear Member
The year we report on today has been one of the most turbulent in memory. Nevertheless, at SAMRO we believe there are some signs of regrowth and reason for optimism. While most economies throughout the world continued to recover following the financial crisis of 2008, aftershocks still plague the world, including developing countries. Consequently, spending was somewhat depressed and financial institutions remained cautious about lending.

With a significant portion of SAMRO's income directly related to the business performance of its licensees, we are hopeful that current efforts to keep the economy moving towards recovery can produce positive results.

Natural disasters have helped to define 2011. At the time of writing, Bangkok was under water and Thailand was experiencing its most severe floods yet. Over 400 people have lost their lives in flood-related incidents and the cost of the disaster has been estimated at around US$6 billion. This is just one of the disasters that took a very human toll on many countries this year, including earthquakes in Japan and New Zealand, floods in China and Australia, and tornadoes and hurricanes in the United States. Insurance company Munich Re says the first six months of 2011 caused economic losses of US$265 billion, the costliest year on record.

Events such as these remind us of our common humanity as well as our vulnerability. We remember all those who lost their lives, their loved ones, or their livelihoods in these disasters.

DID YOU KNOW?

Gibson Mtutuzeli Kente elected associate member on 01 July 1963.

The past year has seen an unprecedented number of social protests around the globe, but particularly in the Middle East. We have witnessed regime change in Egypt, Libya, and Tunisia, as well as civil uprisings in many other countries in the region. We hope that this heralds a new blossoming of peace, development and democracy in the region.

In 2010, South Africa hosted one of the most successful FIFA World Cup tournaments to date. We hope that we will be able to carry into the future the World Cup spirit of celebration and nation-building, even as the economic recovery continues.

SAMRO tracks the revenue of all broadcasting stations throughout the country on a monthly basis. Based on this data, we see that most stations are experiencing an upward trend in revenue and that advertising is starting to improve. This is a good indicator that the economy is on the mend and at SAMRO we feel optimistic that the economy will strengthen further going forward.

> *"2011 has been particularly challenging in terms of the legal environment."*

Environmental issues are taking a new precedence on the agenda as our country prepares to host the COP17 international climate change negotiations at the end of 2011. SAMRO is committed to playing its part in environmental awareness and is taking steps to reduce its footprint. These measures are detailed separately in this report.

2011 has been particularly challenging in terms of the legal environment. Significant developments have occurred which are likely to have long term impact on the organisation.

We indicated in our last report and at the last two Annual General Meetings (AGMs) that the Department of Trade and Industry (DTI) had introduced a Bill which proposed to protect Traditional / Indigenous Knowledge within the existing suite of Intellectual Property laws, among which is Copyright. While we fully agreed with the intention of the Department, we expressed serious concern and reservations with the proposed solution and approach. We have been engaging extensively on this issue and are optimistic that a reasonable compromise seems to have been found.

During the first quarter of this financial year the DTI constituted the Copyright Review Commission to examine the state of copyright in the country. We said at the time that that was a positive development, as it would allow everyone in the industry to air their concerns and would enable the commission to put forward recommendations as to how those may be addressed. We remain positive and are satisfied that we were able to engage with the Commission on this very important issue for our industry. We look forward to the release of the report. We also recognise that the amount of time and energy devoted to this issue during the year was significant. On behalf of the Board, I would like to thank all those who helped to prepare our response for their hard work.

Over the past twelve months, broadband and mobile communications have become far more accessible, both in South Africa and in the region. With bandwidth continually increasing, along with data flow capacity, costs will reduce and access to online services will improve. This is an exciting development and one which SAMRO welcomes. We believe this will enhance economic development throughout the region. We have also welcomed the proliferation of online music services as they contribute towards increased consumption of music. Broadband does, however, present some challenges for us, such as its impact on piracy.

In our last report, we noted the need to call on new media operators to acknowledge the value of music and copyright by paying what is due to the rightsholders. The tendency to resist paying deprives creators and performers of their fair reward, and hearts and minds need to change.

Furthering this trend is the inadequacy of local legislation, which does not fully protect musical works in the online environment. We are lobbying for amendments to legislation so that our law can take account of these developments. Our view as SAMRO is that accession to the WIPO Internet Treaties will lay a solid base towards the protection of creators' rights in the digital environment. Alternatively, we urge the government to introduce into our Copyright legislation the relevant sections of the WIPO Internet Treaties. Specifically, we refer to the "Communication to the Public Right", which will ensure that online music services are licensed in the same way as broadcast services.

Over R50 million invested in music education since 1961 – through SENA

One of the greatest challenges faced by SAMRO since its inception is the coming into effect of the new Companies Act 71 of 2008 on 1 May 2011. The most significant of the challenges presented by the new Act was the prohibition on distributing income other than that which is expressly provided for in the Act. This means that SAMRO is not in opposition to the new Act per se, but some of SAMRO's practices relating to the distribution of income would not be permissible under the new Act. We expect that it will have a major impact on our members, as we will not be able to do certain distributions of income.

However, there are varying interpretations of the new law which has created some uncertainty. Given the magnitude of the impact on members, the Board decided to apply for a court declaratory order on this issue. It is our sincere hope that a resolution to this matter will be found through this application. We hope that the matter will be settled within the 2012 financial year.

The impact of the Act is discussed in greater detail in the CEO's Report.

In our last report I mentioned that the executor of the late Brenda Fassie's estate had taken legal action against SAMRO. I am pleased to say that this matter was withdrawn by the executor shortly before the writing of this report.

I should also note that this coming year marks SAMRO's fiftieth birthday – a significant anniversary for any organisation. We are proud of what the organisation has already achieved in protecting the rights and income of our members and affiliates. On behalf of the Board, I pledge that you, our members, will continue to be our most important priority into the future.

Finally, I wish to acknowledge the efforts of Management and Staff as well as my colleagues on the Board of Directors. I continue to be grateful for the sacrifice and selfless service my colleagues have shown, especially in guiding the organisation during the numerous meetings and consultations as we grappled with the advent of the Companies Act 2008.

CHIEF EXECUTIVE OFFICER'S REPORT

Chief Executive Officer
Nick Motsatse

This past twelve months could aptly have been described as a rollercoaster ride, but we continue to be optimistic regarding trends in SAMRO's operating environment. New legal developments in particular are likely to have a significant impact on our business and thus on our members. Accordingly, Management has spent considerable time and energy in engaging with these issues.

During 2011, further signs of economic recovery were noted, particularly an increase in advertising revenues. This is a welcome development and we trust that the 2012 financial year will see further economic growth.

The year saw revenue growth of 3.3%. We are pleased that revenue growth has held up in this economic environment. However this figure is muted compared to SAMRO's past performance, which has often averaged between 8% and 10%. During the past twelve months, distributions to members have dropped by 9%, as a result of various factors which will be explained below.

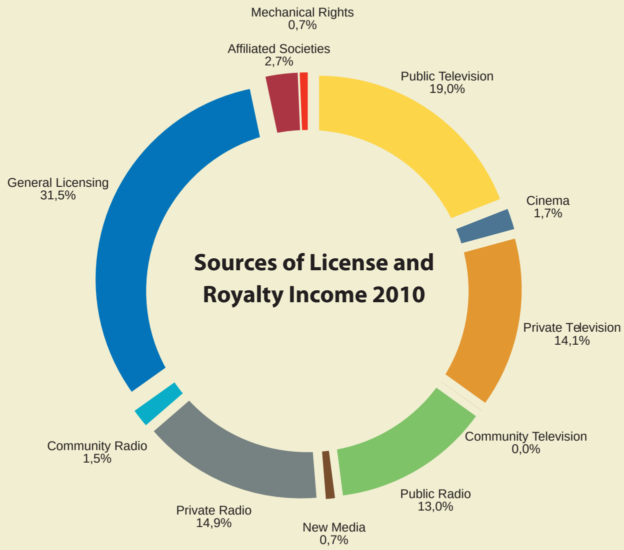
"Firstly, undistributed royalties written back for distribution decreased from R25.5 million in 2010 to R14.5 million in 2011."

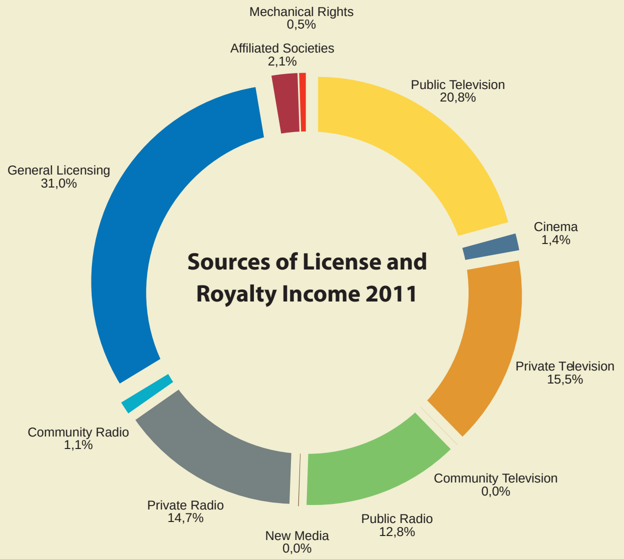
Key Measures of Performance

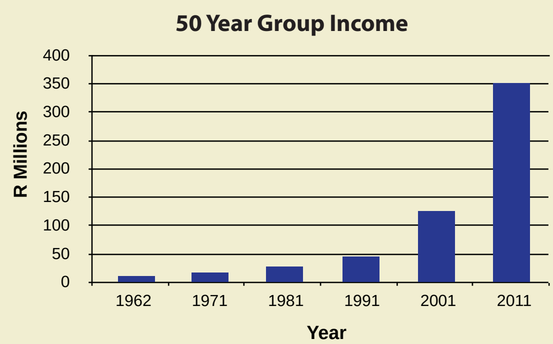
The Directors' Report, a section of this report, gives a detailed breakdown of revenue and distribution, as well as other important financial measures. It is, however, appropriate for me to comment on the three key measures of our performance, namely revenue, distribution and expenses.

Group Income

Total group income increased by 3.8%, from R357.0 million for the year ending June 2010 to R371.1 million for the current period which ended June 2011. Group licence and royalty income amounted to R313.0 million for the year, compared to R303.1 million in 2010. This is an improvement of R9.9 million or 3.3%. General licencing income, excluding cinema, rose by R1.5 million to R97.1 million from R95.6 million in 2010.







SAMRO's income growth over the years is depicted in the Group Gross Income charts, which show both a five-year view and a fifty-year view. From these charts it is evident that SAMRO continues to show an upward trend in revenue, and we hope that this will continue.

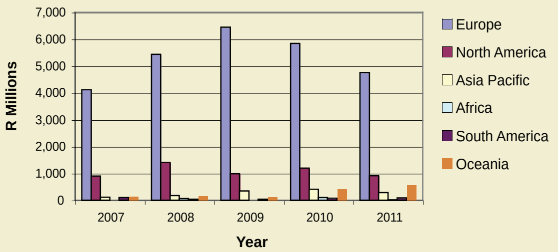
Sources of licence and royalty income for the group have remained largely consistent with the previous year, as depicted in the charts labelled Sources of Licence and Royalty Income.
Total non-royalty income decreased by R5.7 million to R40.7 million, from R46.4 million in 2010. Investment income declined by R5.4 million to R33.8 million, from R39.2 million in 2010.

Distributions
Group distributions for the year were determined at R246.1 million, after income tax, social and cultural deductions, and amounts transferred from reserves, were taken into account. This is a 9.3% decrease, or R25.3 million, on the previous year's figure of R271.4 million. A five-year view of changes in group royalty and non-royalty income is shown in the chart below.

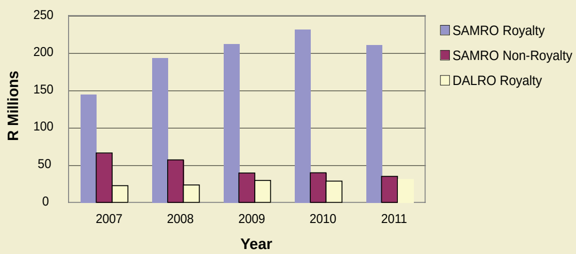
The decline in the amount for distribution is due to two factors: a decrease in the amount of undistributed royalties written back for distribution, and a change in the amount transferred from SAMRO's reserves.

Firstly, undistributed royalties written back for distribution decreased from R25.5 million in 2010 to R14.5 million in 2011. Additionally, in 2010 the company transferred R10.8 million from its reserves, which increased the distribution still further. No transfers were made from the reserves in 2011, as a consequence of the introduction of the new Companies act.

Foreign Income Regional Breakdown



Royalty and Non Royalty Distribution
A Five Year View



During the year, SAMRO processed distribution 49 out of distribution revenue determined at the 2010 financial year end and distributions in progress. This has resulted in royalty credits distributed to its own members, as well as members of affiliated societies, of R268.3 million. This represents a normalisation of the trend after two exceptional years. 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. We have decided to once again publish statistics relating to royalty earnings of SAMRO members and affiliated societies in distribution income bands. The details for the past two distributions are reflected below:
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 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. We urge members 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 the regional breakdown of Foreign Income below:

Distributions in Progress

"Firstly, SAMRO has been able to decrease the amount of undistributed royalties written back for distribution, from R25.5 million in 2010 to R14.5 million in 2011."

Members will be 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 sufficiently documented, identified or substantiated by the relevant agreements. At times, information provided by users is insufficient. Sometimes members fail to notify SAMRO in time or provide us with 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. Please ensure that full details are provided on the prescribed notification of works form which is supplied

CHIEF EXECUTIVE OFFICER'S REPORT

for this purpose. Both the supply and the quality of programme information from certain users are an ongoing challenge. There is an ongoing and concerted effort to address this, but without the full cooperation of users the problem will remain.

Expenses

Group administration expenses in 2011 amounted to R105.7 million, compared to R104 million in 2010, an increase of 1.6%. Overall, administration expenses represent 25% of SAMRO's total income, from 24.7% in 2010.

Total expenses grew by 3.5% for the company compared to 5.5% over the same period in the previous year. Meanwhile, group total expenses increased by 2.7% compared to 5.8% in the previous year. The decline in expenses growth is attributable to an ongoing focus on cost containment and emphasis on increasing the productivity of the administration processes by ensuring that work is done in the most efficient manner possible.

International Standing

SAMRO participates actively in the organisation and meetings of the international bodies with which it is affiliated. CISAC (Confédération Internationale des Sociétés d'Auteurs et Compositeurs) is the International Confederation of Copyright Societies of Authors and Composers, of which SAMRO and DALRO are members. 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), the DTC (Distribution Technical Committee), and the Legal Committee.

Subsidiaries

All the subsidiary companies have performed to expectation, and the review of their results is contained within the Directors' Report.

Strategy

The pace of technological change has continued unabated, and this has necessitated fundamental changes in SAMRO's business model. Accordingly, management has put together a five-year strategy which is intended to assist SAMRO in comprehending and responding to new technology. This is a fundamental change and will be progressively implemented between 2011 and 2016 in order to avoid disruption to the business.

SAMRO's group strategy is built on three pillars: fulfilling our role as a copyright asset management and services (CAMS) organisation; pursuing the issuing of single music rights licences (SMRL) to music users; and diversifying the revenue stream in a limited way by turning some of the non-core cost centres into profit centres.

Our copyright asset management and services will include trading (licensing), asset valuations and research, financing and deal-making, consulting, and piracy research and policing.

Secondly, in order to pursue single music rights licences, a systematic sequence of milestones has been outlined. This will start with us actively participating and promoting a single mechanical rights administration, which will then make possible the issuing of single mechanical and performing rights invoices and later the single authors' rights licences. Once this is achieved, and in collaboration with other rightsholder organisations we will seek to issue single music rights invoices, and single music rights licences.

DID YOU KNOW?

June 1962- SAMRO is accepted as a new member of the International Confederation of Societies of Authors and Composers (CISAC) at its 22nd congress in Rome

Finally, as the third pillar of the strategy, SAMRO will diversify its revenue by commercialising its existing non-core-business cost centres and grouping them into three main areas: property, information technology and media and financial services.
Management has initiated a process to validate this strategy with our members. We have been delighted by some of the feedback received so far. Similarly, we acknowledge the concerns expressed and we have undertaken to safeguard against pitfalls pointed out in these meetings.

Driving this change will be the retention of rightsholders and licensees, appropriate systems, a strong positive brand, revenue and asset growth, responsiveness to customer needs, appropriately skilled and motivated employees, a culture of innovation and receptiveness to change, and a positive working relationship with relevant government departments.

Developments in 2011

Our chairman has already indicated that 2011 has been a particularly challenging year in terms of legal developments. These developments are likely to have a significant and long term impact on the organisation.

Intellectual Property Laws Amendment Bill (IPLAB)

We indicated in our last report and at the last two Annual General Meetings (AGMs) that the Department of Trade and Industry (DTI) had introduced a Bill which proposed to protect Traditional/Indigenous

Knowledge within the existing suite of Intellectual Property laws, among which is Copyright. While we fully agreed with the intention of the Department, we expressed serious concern and reservations with the proposed solution and approach. In that regard, our Management team engaged extensively with the Department as well as the Portfolio Committee on Trade and Industry. Through these efforts and those of other stakeholder groups, the Portfolio Committee set up a special drafting Committee in order to consider the comments from the public and draft an amended Bill. Significantly, the working committee was authorised to recruit independent experts to work with it.

While the outcome is not the ideal sui generis legislation which we sought, a reasonable compromise seems to have been found. At the time of this report, the Parliamentary Portfolio Committee on Trade and industry has just passed the Bill for consideration and signature by the President. We remain concerned however about the application of the Bill once it becomes law and its impact on existing Intellectual Property (IP) protection and administration institutions.

Companies Act of 2008

The new Companies Act 71 of 2008, which came into effect on 1 May 2011, represents one of the greatest challenges SAMRO has yet faced.

SAMRO was a "Company Limited by Guarantee" in terms of the 1926 British Companies Act. This form was perpetuated by subsequent companies legislation in South Africa, particularly the 1965 and 1973 Acts, but not by the 2008 legislation – which has a significant impact as certain of SAMRO's practices may not be permissible under the new Act. Companies Limited by Guarantee were given a once-off opportunity to elect either for profit or non-profit status, which had to be done within twenty days of the Act coming into effect.

Back in 2007, SAMRO's management realised that if the Act were to be passed in the form it held then, SAMRO's distribution of income, including royalties, to its members would not be permitted. Management lobbied government with the result that certain provisions were included in the Act permitting non-profit companies to distribute income under specific conditions that were outlined in Schedule 1 of the Act. While those amendments paved the way for the distribution of royalties as a non-profit company (NPC), the Act remained ambiguous at best, and at worst, prohibited the following:

- The distribution of financial income or what is known as non-royalty revenue (NRR) to members,
- The distribution of assets to members in an event that the company is dissolved,
- On-going contributions to the SAMRO Retirement Annuity Fund (SRAF) and the SAMRO Funeral Benefit Scheme (SFBS).

In light of these significant changes, the board, based on the legal advice it had received, called an Extraordinary General Meeting of members in order to elect either for profit or non-profit status and pass the relevant Memorandum of Incorporation (MoI). Disappointingly, there were not enough votes to pass any of the special resolutions. As a result, SAMRO was then deemed by the new Act to be a non-profit company from 1 May 2011.

SAMRO has been supporting MOSHITO, Africa's leading music industry market.

The unintended consequences of this are that non-royalty revenue and other discretionary distributions, such as allocations to SRAF and SAMRO Funeral Benefit Scheme (SFBS), can no longer be made in their current form.

Given the magnitude of this impact on members, the board decided to apply for a court declaratory order on:

- whether SAMRO can continue the practice of paying NRR to its members and make allocations to SRAF and SFBS; and in the event that the court rules that SAMRO cannot continue this practice,
- whether SAMRO can pay NRR and the contributions to SRAF and SFBS during the transitional or harmonisation period of two years; and in the event that the court rules that SAMRO cannot distribute NRR and make contributions to SRAF and SFBS,
- whether the twenty day period within which companies were given an opportunity to elect either of the forms was sufficient; and if the court rules the period was insufficient,
- whether the members can be given another chance to vote for a form that they believe will best enable SAMRO to provide services that it has always provided to them.

It is evident to all involved that these are critical decisions. Their effect will be to fundamentally affect how the organisation has always operated. For this reason, throughout this period, SAMRO's board and management engaged in several consultative and information exchange meetings with members. It is our sincere hope that a resolution to this matter will be found through the application for a declaratory order.

CHIEF EXECUTIVE OFFICER'S REPORT

It is important to also assure members that despite the outcome of the court application, all monies due to members will be paid to members in line with the provisions of the Act. There is no plan or intention to unduly increase the current reserves or create new ones using the financial income.

Cooperation with NORM

During the year under review, SAMRO signed two significant Memoranda of Understanding (MoUs) with the National Organisation for Reproduction Rights in Music (NORM). The first agreement was around the establishment of a single Mechanical Rights administration. The other was with regard to joint negotiations with the South African Broadcasting Corporation (SABC). I am pleased to say that with regard to the latter, negotiations were successful and a licence covering the period from August 2009 to March 2011 was signed. In addition, the SABC agreed to pay soon thereafter.

The implementation of the first MoU has been far slower than anticipated. While there has been some progress, we remain concerned at its pace. Admittedly, there are important issues which need to be ironed out. However, it is our belief at SAMRO that some of these issues would be better resolved with the establishment of the new organisation.

Copyright Review Commission

As mentioned by the chairman, SAMRO was invited to make representations before the Copyright Review Commission during the year. We appeared before the commission on two occasions following the public hearings as well as international study trips undertaken by the commissioners. We eagerly await the report's publication.

Prospects

Although a high level of uncertainty regarding the global economy remains, we are still optimistic that South Africa's recovery will continue. Early indications of performance from most companies, particularly media houses, show that revenue is improving and getting stronger. Should this trend continue, we believe the year ahead will yield better results than we have seen over the past three years.

In the last eighteen months, we initiated a project to install new IT systems which would enable the organisation to provide quality service to members. Unfortunately, the technology provider we chose was not able to deliver the new system we had identified as most suitable for SAMRO's business and environment. Discussions are now underway with a new provider and it is hoped that the work already done will provide a sufficient knowledge base to expedite the delivery of the system.

We have prioritised the improvement of service and elimination of queries. To that extent we remain conscious and sensitive to the needs of our stakeholders – our members and licensees – and thus will continue to seek ways to meet your needs better than anyone else can. We therefore urge you, our members, to ensure that you provide our administrative team with the necessary information that is essential to the administration of your rights. This includes, but is not limited to, regular and prompt notifications, informing us of any changes in personal details, as well as notifying us of overseas tours and performances, in order for us to collect and distribute your income to you.

The coming year marks SAMRO's 50th anniversary – a significant milestone for any organisation. In recognition of this landmark, we have commissioned a book on SAMRO's history to be written by an independent journalist. In addition, a TV documentary on the organisation will air on SABC2. SAMRO will host an awards ceremony and will launch a media education campaign to improve awareness of the business and the role of copyright in helping to protect and grow the music industry.

Performance review

FINANCIAL

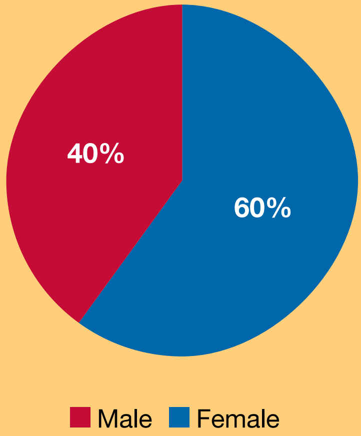
This review sets out highlights of our financial performance for the past year. Full details appear in the annual financial statements.

Overview of group results

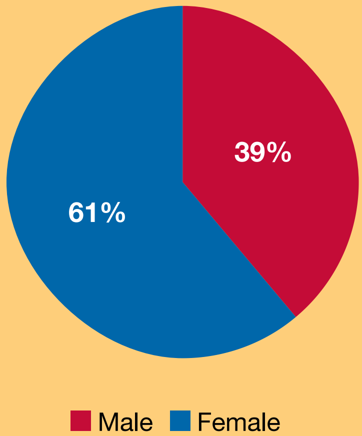
The group has had a mixed performance over the past year, increasing consolidated revenues by 3.8% to R326.3 million, but there was a decrease in the amount for distribution of 9.3% (R25.5 million). The reason for the fall in the amount for

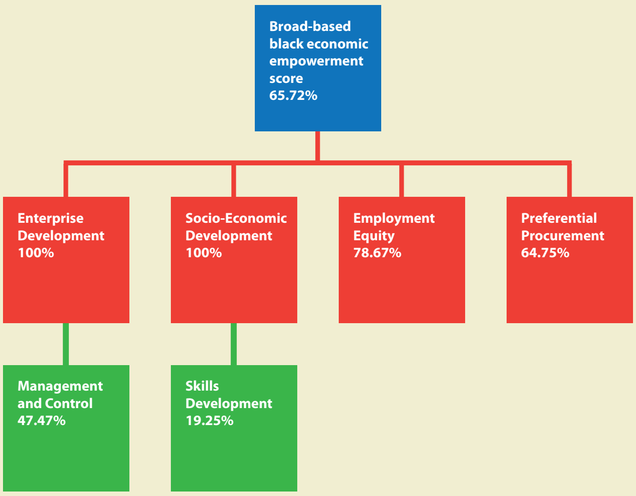
SAMRO exceeds the 10,000-member milestone

Employees by Gender 2011

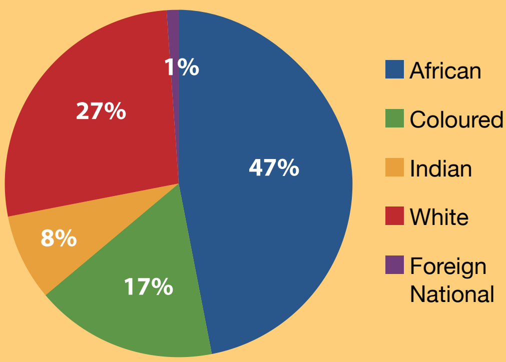


Employees by Gender 2010

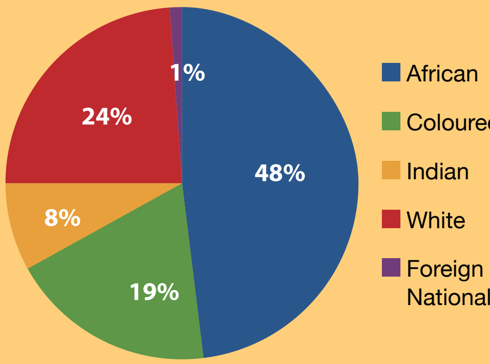




Employees by Race 2010



Employees by Race 2011



distribution is twofold, firstly the amount written back to the distribution from distributions in progress decreased by 43.1% (R11.0 million). Secondly in 2010 the company was able to transfer R10.8 million from its reserves, which increased the amount available for distribution.

Preparation of results and accounting policies

Our financial results for the year ended 30 June 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS), and the requirements of the South African Companies Act, No 71 of 2008, as amended. Except as noted in the summarised annual financial statements and full financial statements, accounting policies are consistent with those applied in the previous period and IFRS. These results have been audited by the company's auditor, PricewaterhouseCoopers Inc, whose unqualified report is included on page 40.

The annual financial statements appear on page 38 to 85 of this integrated annual report. Hard copies of these financial statements are available from the company's secretarial department.

NON-FINANCIAL

Transformation

Transformation is a strategic imperative for SAMRO. Skills development and responsible procurement policies are the focus of ongoing initiatives within the organisation.

SAMRO maintained its status as a Level-Four contributor. We are proud of our BBBEE status, particularly the areas for enterprise development and socio economic development (100%), employment equity (78.67%) and preferential procurement (64.75%). We will continue to focus on skills development and management and control going forward as well as endeavouring to improve our employment equity and preferential procurement.

Direct empowerment

Supporting black economic empowerment partners

SAMRO's procurement practices support the development and growth of small, medium and micro enterprises (SMMEs). This was the first year in which SAMRO's procurement spend on BEE-compliant companies was measured. We achieved 64.75% and aim to further improve our score.

In addition to its own empowerment initiatives, SAMRO supports, through the administration of performing and mechanical rights, the music composing and publishing industry. This enables local composers and music publishing companies the opportunity to focus on growing their businesses and creating employment, whilst their music rights are protected and administered by SAMRO.

SAMRO plays an important role in economic growth in South Africa, contributing directly and indirectly to job creation. The major area of employment creation in the indirect market stems from SAMRO providing composers and publishers with a revenue stream from their music rights. This enables these individuals to earn revenue from their creative endeavours.

SAMRO's values are:
- Convenience
- Excellence
- Relationships
- Trust

Employment equity

SAMRO values diversity in its workforce. While SAMRO has a five-year diversity and employment equity plan, which is monitored for progress, targets for the 2011 year were achieved.

The current staff composition is shown below:

YEAR	FEMALE	MALE
2010	61%	39%
2011	62%	38%

RACE	2010	2011
AFRICAN	47%	48%
COLOURED	17%	19%
INDIAN	8%	8%
WHITE	27%	24%
FOREIGN NATIONAL	1%	1%

Employee benefits

Retirement benefits

SAMRO provides retirement benefits for full-time employees, primarily as monthly contributions to a defined-benefit pension fund. Membership is compulsory for all full-time permanent employees. Pension fund assets are held in separate trustee-administered funds.

In addition to retirement and withdrawal benefits, the fund also provides members' dependants with a death benefit should the member pass away while in service of SAMRO. A monthly disability income benefit is also offered should the employee be unable to continue his or her normal occupation due to injury or illness.

Medical aid benefits

SAMRO employees are members of the Discovery Health Medical Aid Scheme. Membership is mandatory for all full-time employees, as well as their eligible dependants, unless they belong to their spouse or partner's medical scheme.

First Female Doctor of Music in SA – Prof. Jeanne Zaidel-Rudolph.

SAMRO contributes 60% of the monthly medical aid contributions.

Employee relations

The group complies with

labour legislation and SAMRO regularly submits statutory reports.

The risk of child labour and forced or compulsory labour does not exist in the group.

Representative forums protect the interests of employees, and irrespective of their position provides employees with representation. The forum's major functions are to:

- Promote the interests of all employees
- Enhance efficiency in the workplace
- Be consulted by the employer to reach consensus
- Participate in joint decision-making
- Promote skills development. SAMRO is currently in the process of setting up a forum to meet these objectives.

Training and development

Investing in skills development is a priority at SAMRO, given the strategic importance of intellectual property to our sustainability in a competitive market. In the review period, over R1.1 m was spent on skills development initiatives.

These include the Management and Leadership Programmes for management staff, which cover training from supervisory to executive management levels. About thirty managers attended programmes relevant to their areas of expertise.

SAMRO's partnership with Wits University has contributed to expanding the administrative skills base in the music industry in the country. Since its inception in 2009, the Business Principles for Songwriters and Publishers course has seen about 45 SAMRO staff and independent composers and music publishers complete the course. SAMRO currently provides bursaries for ten attendees a year.

SAMRO awards scholarships and bursaries through the SAMRO Endowment for the National Arts to assist talented, disadvantaged students in completing their music education. Details of these programmes are provided on pages 30 and 31 of this report.

REMUNERATION REPORT

The remuneration Committee

The remuneration committee, chaired by Ms A E Emdon, comprises only non-executive directors. Executive directors and certain members of management attend meetings by invitation as appropriate. This committee met twice during the financial year.

The main responsibilities of the remuneration committee are to:

- Determine and approve general policy on strategic compensation issues.
- Prepare an annual remuneration report for inclusion in the company's integrated report.
- Review and approve annually the remuneration packages of the most senior executives, including incentive schemes and increases, ensuring they are appropriate and in line with the remuneration policy.
- Annually appraise the performance of the chief executive.
- Review the remuneration of non-executive directors of the board and its subcommittees annually.
- Review incidents of unethical behaviour by senior managers and the chief executive.
- Review annually the company's code of ethics and business conduct.
- Review annually the committee's charter and, if appropriate, recommend required amendments for approval by the board.
- Perform an annual self-assessment of the effectiveness of the committee, reporting these findings to the board of directors.

Remuneration strategy and policy

SAMRO's remuneration strategy aims to attract, motivate and retain competent leaders in its drive to create sustainable value for the creators and users of music. We aim to attract innovative, skilled staff to grow the value of the group and to recognise excellent performance.

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

Primary objectives include the need to promote superior performance; to direct employees' energy towards key business goals; to achieve the most effective returns for employee spend; to address diverse needs across differing cultures; and to have a credible remuneration policy overall.

SAMRO has adopted an integrated approach to reward strategy, encompassing a balanced design, in which reward components are aligned to the strategic direction and business-specific value drivers of SAMRO.

Overview of remuneration

Non-executive directors of SAMRO receive a fee per meeting. During the year under review these fees were payable quarterly on the date of the board meeting. However, the remuneration committee opted to change the way these fees are structured, so as to recognise the ongoing responsibility of directors for the efficient control of the company.
In the new year directors fees will take the form of a quarterly retainer paid on the date of the board meeting, an attendance fee paid on the date of the board meeting subject to attendance at the meeting and an annual portion subject to the performance of certain member liaison duties. This remuneration is augmented by compensation for services on the subcommittees of the board and boards of subsidiaries. A premium is payable to the chair of the board, as well as to the chairs of the subcommittees.

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

In remunerating executives, the group aims to attract, motivate and retain competent and committed leaders in its drive to create sustainable value for its members. We aim to recognise excellent performance and attract competent, innovative entrepreneurs to grow the value of the group. The remuneration policy strives to meet this objective.

SAMRO structures packages on a salary plus allowances plus benefits basis (which incorporates base pay, car, housing and cellphone allowances, pension, medical aid and other insured benefits). In addition, executives qualify for individual performance incentives. At senior level we avoid standardised packages and aim to tailor the compensation structure to the needs of the business. Remuneration packages are monitored and compared with reported figures for similar positions to ensure they are sensible.

Annual bonus

The executives have an annual bonus scheme that is based on achieving and surpassing financial and operational objectives. The incentive for each executive is based on individual and company performance and is determined in line with SAMRO's performance incentive scheme. Incentives are based on targets that are verifiable and aligned to the business plan, risk management policy and strategy. If targets are not met, no bonus is paid.

There is no automatic entitlement to bonuses should an executive leave the employ of the company.

Service contracts

Executives' contracts are subject to standard terms and conditions of employment. Top executive and non-executive directors' contracts do not contain golden parachute clauses. Non-executive directors are subject to the regulations regarding appointment and rotation in terms of the company's memorandum and articles of association/ memorandum of incorporation and the Companies Act.

No executive director has a notice period of more than one year. Executive directors' service contracts do not include pre-determined compensation as a result of termination that would exceed one year's salary and benefits.

Directors' and key management remuneration
The board believes the new non-executive directors' fee structure of a quarterly retainer plus attendance and performance portions is more appropriate for the board and its committees and would better reflect their contribution than a fixed quarterly or annual fee.

Directors' and key management remuneration	2011 R'000	2010 R'000
Executive directors	7 689	6 396
Salaries	5 639	4 075
Bonuses	572	533
Medical and pension fund contributions	1 478	1 788
Non-executive directors fees	448	347
Total Directors Remuneration	8 137	6 743

Non-executive directors' terms of appointment
Appointments to the board
The board has adopted a policy on procedures for the appointment and orientation of directors. The governance and nominations committee periodically assesses the skills represented on the board by non-executive directors and determines whether these skills meet the company's needs. Annual self-evaluations conducted by the board and its subcommittees assist in this regard. Directors are invited to give their input in identifying potential candidates. The members of the governance and nominations committee propose suitable candidates for consideration by the board. A 'fit and proper' evaluation is performed for each candidate identified.

Retirement and re-election of directors
In terms of the Memorandum and Articles of Association of SAMRO, the two longest-serving directors retire by rotation every second year and the reappointment of directors is not automatic. As 2010 was an election year, no election of directors will be held this year. Brief biographical details are included on pages 24 to 27 of this report.

Discharge of responsibilities
The remuneration committee determined that, during the financial year under review, it had discharged its responsibilities as outlined in terms of its charter; details of which are included on page 16 of this report. The board concurred with this assessment.

Risk Committe

This committee, chaired by Mr J Mnisi, comprises only non-executive directors. All members have business and financial acumen.

The committee held four meetings during the past financial year. Details of attendance are provided on page 29. The chief executive and chief operating officer attend committee meetings by invitation.

The external auditors have unrestricted access to the committee through the chair. The external auditors also report their findings to the committee with members of executive management not in attendance.

The chair of the board may not be a member of the risk committee, but may attend meetings by invitation.

The committee's responsibilities, in addition to responsibilities over risk management are to:
• Review and approve for presentation to and approval by the board the company's integrated report, including the annual financial statements.
• Review the viability of the company and the group on a going-concern basis, making relevant recommendations.
• Receive all the external auditors' reports directly from the external auditors.
• Approve the external auditor's terms of engagement and remuneration

Risk management

SAMRO is exposed to financial, operational and reputational risks that can have a detrimental impact on the business. Effective risk management of all operational aspects of the business is vital to ensure delivery of the group's objectives and the achievement of sustainable growth.

Risk philosophy

SAMRO is committed to best corporate governance practices and identifies and manages risk accordingly by applying the relevant rules and regulations.

Risk governance is managed at various levels within the group, including the General Management Committee, the Executive Committee and the Risk Committee of the Board; depending on the seriousness of the risk identified. A risk register is maintained and is monitored regularly. Actions are identified to control these risks within agreed ranges of tolerance.

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

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

Identifying risks and developing risk management plans are the responsibility of each divisional head. These risks are assessed monthly by the various committees and quarterly by the board.

Risk policy

The group's risk profile is based on a structured, formal and planned approach to risk management. Identification, management and reporting of risks are embedded in business activities and processes.

SAMRO's Board and Management regularly reviews the risks the group faces in executing its strategy, operations, reporting and compliance.

The General Management Committee formulates, oversees and manages the risk management system and monitors the group's risk profile. It identifies major risks and reports at the appropriate level in the group.

Risk framework

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

Material issues and how we manage these

Some material risks are outside our control and other factors besides those listed may affect the overall performance of the business.

RISK MANAGEMENT REPORT

Despite our structured approach to risk identification in the group, some risks may be unknown at present. Other risks, currently regarded as immaterial, may become material. Audit, risk and quality control functions assist in the monitoring of the system of internal control. At present, aside from a wide range of potential exposures, the following major risks are evident:

Description of material risk	How SAMRO manages the risk
Regulatory and compliance	
SAMRO's operations, and the music industry in general, are subject to laws and government regulations. Changes in the regulatory landscape could have a material impact on the sustainability of the group. Non-compliance could result in fines or financial penalties. Resistance from stakeholders in accepting the impact of new legislation on the organisation creates unintended consequences.	Regulatory and legal compliance is strictly monitored within the group to ensure adherence to all legislation. SAMRO also engages with its stakeholders regularly to help them understand the implications of the new legislation, both on the organisation and on the stakeholders.
SAMRO, as a South African group, is required to comply with the Broad-based Black Economic Empowerment Act and the Employment Equity Act. Failure to comply may impact on the group's ability to operate optimally in the South African context.	SAMRO has maintained its status as a Level Four contributor.

Strategic and operational	
Misaligned governance could result in related risks left unmonitored with adverse reputational consequences in the market.	SAMRO engages in regular review of governance documents and processes by its board and subcommittees to ensure these remain relevant to the group. Risk and audit functions monitor compliance and alignment.
The SAMRO group operates in the music industry. It is therefore sensitive to global, political and other events that may influence the global economy.	Through the business planning cycle, management identifies global and political trends to assist in developing future strategy.
The group operates in a fiercely competitive and mature market. Technology is an integral part of its operations. There is a risk SAMRO may be caught off guard by new technology start-ups or speed of development.	The group devotes significant resources to regular strategy reviews, analysing emerging trends in technology and consumer demand, and to developing new products and services.
Protracted power failures may affect timeous delivery of distributions	SAMRO has implemented proper redundancy procedures such as installation of back-up power supplies.
Description of material risk	**How SAMRO manages the risk**
Financial and reporting	
SAMRO has a unique operational model, which makes compliance with corporate legislation more complex.	Legal, financial and tax advice is obtained from experts in these fields to ensure compliance with legislation.
Health and safety	
Implementing a safe and healthy workplace in line with legislation and regulations.	Health and safety procedures are incorporated into operational processes and regular health and safety audits are performed. Exceptions and progress are monitored and reported.
Our people	
High prevalence of epidemic illnesses (especially HIV/Aids) could result in financial risk and the loss of key personnel.	Comprehensive information, awareness, testing, counselling and medical treatment programmes are in place. Succession plans for key personnel are in place.
We rely on the knowledge of certain key individuals with detailed knowledge of our business. Unanticipated loss of these individuals may disrupt the business.	Succession plans and talent pipelines are developed and reviewed at various levels of the risk framework.

ENVIRONMENTAL REPORT

Environment
SAMRO strives to create solutions that maximise its environmental performance through improvement and sustainable technological innovation. We are committed to limiting our direct impact on the environment.

We do this by:

- creating a culture of general awareness amongst employees;
- keeping staff informed about specific environmental regulations so compliance is practical at all levels;
- arranging regular audits by authorities;
- investigating and addressing real or potential instances of non-compliance;
- managing processes to ensure that operations have minimum impact on the environment;
- using advanced equipment that is rated as energy efficient to reduce the impact on the environment;
- using environmentally responsible, recyclable and sustainable resources (preferably South African) to meet our operational needs, and conserve non-renewable natural resources;
- where possible, using environmentally responsible and sustainable energy sources, investing in improving energy efficiency in our operations on an ongoing basis and designing energy-efficient facilities;
- reducing and recycling of waste where possible;
- the adoption of electronic documentation, filing and communication mechanisms;
- using double sided printing when printing is required;
- using electronic media and technologies such as email;
- re-use of serviceable furniture or donation to charitable organisations;
- adherence to a strict policy against litter;
- limiting smoking to the designated smoking area;

Source: SAMRO Environmental policy

A number of environmental initiatives have been implemented to reduce our carbon footprint, in support of the overall sustainability campaign.

Energy-efficiency initiatives introduced in the building include:
- modern air conditioners and other equipment to reduce electricity consumption
- automatic switch-off of air conditioners after hours supervised
- switch off of lights after hours

Waste management initiatives included:
- setting double-sided printing as a default on printers to reduce paper consumed
- recycling office waste in a more appropriate manner
- we are currently investigating water reservation methods to utilise storm water run-off in order to reduce mains water consumption

Carbon footprint
Whilst we are not yet able to accurately assess our carbon footprint, we endeavour to reduce the impact of our emissions, by maintaining indigenous trees in our parking areas and gardens which also provide shade. Plants are distributed in all workspaces and common areas to aid in providing a healthy working environment.

The group will continue to refine its processes for managing its impact on the environment.

HEALTH AND SAFETY REPORT

The workplace

Implementing a healthy, safe workplace is a priority. Where required and in line with legislation, health and safety committees – comprising responsible, trained individuals – ensure compliance with applicable regulations. Appropriate medical emergency and disaster recovery plans have been devised. Regular occupational health and safety risk-control audits are conducted and improvements implemented as required.

Monitoring

SAMRO conducts annual health, safety and environmental compliance audits as well as building scans. Injuries on duty are stringently monitored, and the group aims for the lowest possible harm rate in terms of serious injuries or deaths on duty. Significant matters are reported to and monitored by the SAMRO risk committee. We only had one incident in the past year, which was not serious.

Wellness

Several wellness programmes reflect a preventative approach to employee health. These range from wellness programmes to assist employees with adopting a healthy lifestyle to HIV/Aids tests. Professional and independent psychosocial support is provided for staff.

SAMRO offers a range of wellness and work/life services to all employees on site.

HIV/Aids

We are acutely aware of the HIV/Aids pandemic, and its social and economic implications. Comprehensive programmes comprise:

• Information and awareness campaigns
• Voluntary free testing
• Free counselling.

DIRECTORATE

AE Emdon (68)

B Mus (Wits)
Annette studied voice training with several well-known teachers and was a member of the Witwatersrand choir under Prof John Blacking and a soloist at Wits University Opera Productions. She was also a timpanist for the Johannesburg Symphony Orchestra. Annette was appointed to the SAMRO board in 1987 and represented SAMRO on the board of directors of the International Confederation of Societies of Authors and Composers (CISAC). She is one of the managing partners of Accent Music, the local representative of Boosey and Hawkes. Annette is chairman of the SAMRO Endowment for the National Arts and of the SAMRO group.

TS Kekana (53)

B Juris, LLB degrees. Steve is a practising advocate and member of the Johannesburg Society of Advocates. He is a renowned musician and songwriter with well over twenty albums and thirty three years in the music business.

JE Edmond (75)

John is a music publisher with 43 years experience and has been a composer/singer for 50 years, many of those as a professional musician in many countries including Holland, the UK, USA and Australasia. He represented South Africa at the World Song Festival in Japan in 1970. John was managing director of Gallo Music from 1968 to 1985. John is also the CEO of Roan Antelope Music, Chairman of the Leeuwpoort Farmers Union, a member of Wildlife Ranching SA and the Founder and Chairman of Leeuwpoort Raptor Conservancy.

CG de Villiers (55)

Coenie has a post graduate degree in Communication Studies from the University of the Free State where he lectured in Media and Communication Sciences before joining the corporate world. He worked as the Public Affairs manager for Anglo American, Managing Director of Eliance Media part of the Bidvest Group and a director of O2 Communication. He is currently a director of Brandwealth Strategic Advertising. Coenie was culture director for ATKV and anchors *Kwela*, a magazine programme on Kyknet. He has released eighteen albums and performed worldwide. Coenie has received many awards including three SAMA and two VONK awards. In 2009 he was awarded the Centenary Medal of Honour by the South African Academy of Arts and Sciences. He is a patron of MES.

JSM Khumalo (79)
BA; MA; and PhD (UNISA), Mzilikazi was Professor and Head of the Department of African Languages at Wits University until 1998. He was an Honorary Professional Research Fellow at the Wits School of Music and served on the Music committee of the National Arts Council. He is the chairman of the South African National Anthem committee and was music director of the Soweto Nation Building Massed Choir Festival. Mzilikazi won the African Bank Tenth Anniversary Songwriter Contest and wrote the music for the enthronement of Archbishop Desmond Tutu in 1986. He was presented with the MNET Lifetime Achievement Award for a life spent in the service of African literature. He composed the opera Ushaka KaSenzangakhona amongst others and has served as an adjudicator for major choral competitions.

SCP Mabuse (60)
Sipho is a professional composer and musician with experience throughout the industry. He has toured internationally and has performed in many countries including the United States, Italy, Spain, Germany, Russia, the United Kingdom and Belarus. Sipho is a trustee of the SAMRO Endowment for the National Arts and former chairman of the SAMRO Retirement Annuity Fund. He also held a post on the FUBA Music School board, was the owner-manager of Kippies jazz club, was a member of the Music Industry Task Team (MITT) and a member of the National Arts Council of the Department of Arts and Culture. He also served on the board of the Soweto Old Age Home.

CFE Woods (57)
Fred has more than thirty five years experience in the music, advertising and television industries, having been involved as a professional musician, composer, music producer, music publisher and sound engineer. He is qualified in sound engineering, audio post production and live sound mixing. Fred is a trustee of the SAMRO Retirement Annuity Fund and CEO Red Igloo Music. He is a prolific composer and producer of theme and incidental music. He is also the creator of two internationally renowned music libraries, Cute Music and Strange Fruit Music. Fred has won several local and international music awards.

J Zaidel-Rudolph (60)
B Mus (cum laude), M Mus (cum laude), D Mus (Pretoria), D Ed (Honorary – Pretoria), L.T.C.L. F.T.C.L. U.P.L.M L.R.S.M. (Performers Licentiate – Royal Schools of Music)
Jeanne has held academic posts for thirty-five years and has performed as an accompanist for many choirs and singers. She was head of the Performing Arts Workshop from 1983 to 1986 and has also been involved in initiatives for both curriculum development and concerts of South African music and composition workshops. She was a visiting Professor, artist and composer-in-residence in the USA, in Ohio and New York, attending festivals and conferences as a composer and lecturer.

DIRECTORATE

NA Sibiya (45)
Abe is the CEO of One Gospel TV channel, managing director of Urban Rythm Factory Music Publishing, CEO of Mtommbo Audio Solutions, head of Southstone Records and a singer/songwriter in his own right, having performed live internationally from 1988 to 2006. His experience in television includes scriptwriting, music direction, drama music scores, jingle compositions and TV show design. He is also an ordained minister of religion and leader of his community and a board member of African Christian Media Broadcasters. He has managed one of the biggest libraries for local content music and has led initiatives to educate musicians in Southern, West and East Africa in music administration on television.

MN Motsatse (46)
B. Theol Degree (Fort Hare), Post Graduate Certificate Programme in Marketing Management (Wits Business School). Nick has had a varied experience spanning teaching, human resource development, business and management consulting and marketing communications. Prior to joining SAMRO he was the managing director of Manning Selvage and Lee a marketing consulting firm which was part of the Leo Burnett group of companies. He has served as Chief Executive Officer of SAMRO since 2006 in one of the two vice-chairperson posts of the International Confederation of Societies of Authors and Composers (CISAC).

GJ Zoghby (53)
B Com (University of Wits), B Compt (Hons) (UNISA)
Gregory completed his articles with Aitken and Carter before joining Standard Bank in its International Division. He moved on to become financial manager of African Life Assurance and was later deployed in the group to manage Operations. He joined SAMRO in 2006 to head up the operations Division. He has been Chief Operating Officer of SAMRO since 2008.

J Mnisi (54)
B Com (Hons), MBA, Diploma in Company Direction
Jerry has well over twenty years experience in the financial services and asset management industry and has held various senior roles, including that of marketing and strategy director. Jerry has headed up Stanlib's Institutional Distribution from 1 November 2010 and is currently attending SAMRO board meetings by invitation, serving as an independent.

S Khumalo (54)
BA Music (Zululand), BA (Hons) History of Music (Wits), Higher Diploma in Personnel Management. Sibongile is a former head of FUBA's music department (The Federated Union of Black Arts) and the Funda Arts Centre's Coordinator. She has worked with various artistic institutes including the Madimba Institute of African Music and served on the board of Opera Africa. Sibongile won the Standard Bank Young Artist Award for Music in 1993, and FNB Vita Award in 1999 and multiple SAMA awards. She has recorded numerous albums and performed worldwide in leading roles. She is involved with the Khongisa Academy for the Performing Arts and in 2007 founded the Khabi Mngoma Foundation to fundraise for Khongisa. Sibongile is the Chairperson of the Association of South African Business Women in the Arts (SABWA). In the last few years she has honed her skills as a producer, ensuring a legacy for future young singers.

COMMITTEES

Directors	Date first appointed in current position	Date last appointed	Six board meetings held during the year. Attendance	Category
AE Emdon	28 March 1987	26 November 2010	6	Non-executive
TS Kekana	1 January 2008	26 November 2010	5	Non-executive
JSM Khumalo	10 September 1993	26 November 2010	4	Non-executive
CG de Villiers	24 November 2003	26 November 2010	6	Non-executive
JE Edmond	28 March 1987	26 November 2010	6	Non-executive
J Zaidel-Rudolph	1 January 2008	26 November 2010	5	Non-executive
CFE Woods	11 December 2008	26 December 2010	5	Non-executive
SCP Mabuse	25 March 1995	25 November 2004	5	Non-executive
NA Sibiya[1]	1 November 2010	1 November 2010	5	Non-executive
S Khumalo[2]	1 November 2010	1 November 2010	4	Non-executive
MN Motsatse	1 January 2003	1 January 2003	6	Executive
GJ Zoghby	1 March 2008	1 March 2008	6	Executive

1. NA Sibiya appointed to the board on 1 November 2010

2. S Khumalo appointed to the board on 1 November 2010

Directors	Nominations and Governance committee		Risk committee		Remuneration and equity committee		Category
	One meeting held during the year. Attendance:		Four meetings held during the year. Attendance:		Two meetings held during the year. Attendance:		
AE Emdon	√	1			√	1	Non-executive
TS Kekana	√						Non-executive
J Zaidel-Rudolph	√	1					Non-executive
CFE Woods	√	1					Non-executive
CG de Villiers			√	4			Non-executive
JE Edmond[1]			√	3	√	1	Non-executive
SCP Mabuse			√	4			Non-executive
J Mnisi[2]			√	3	√	1	Independent, by invitation
MN Motsatse	√	1	√	4	√	1	Executive
GJ Zoghby			√	4			Executive

1 JE Edmond appointed to Risk committee on 16 September 2010
2 J Mnisi appointed to the Risk committee on 16 September 2010

CORPORATE CITIZENSHIP

Corporate citizenship
Due to the nature of its business, SAMRO plays a key role in the South African music industry and in cultural life. We aim to have a lasting and sustainable impact and to this end we have supported and implemented various initiatives. SAMRO is active within communities, with a focus mainly on music education Programmes, music heritage, conservation and music promotion. This is done through the SAMRO Music Archive and SAMRO stakeholder Hub, which channels the support of the music and cultural industries.

During the review period, SAMRO spent R6,7m on corporate social investment initiatives.

In the 2012 financial year, the group plans to launch the SAMRO Foundation in order to contribute to the broader transformation agenda in South Africa. Our focus will be on generating skills critical for the creative economy, which includes the music, copyright and creative industries. All our CSI programmes will be consolidated into this single vehicle.

SAMRO has a proud history of investing in the value of music that dates back to 1962 the year after its founding.

	Number/Value	Duration/Initiation
Overseas Scholarship Winners	62	1962 – 2010
Bursaries Awarded	1 404	1981 – 2010
Music Schools Supported	35	1980
Tertiary Institutions Supported[1]	8	1982
Funds Invested	R50 million (+)	1995 – 2009
Works Commissioned	371	1996 – 2010

1 University of Cape Town, University of KwaZulu-Natal, University of the North West, University of the Witwatersrand, University of the Free State, Nelson Mandela Metropolitan University, University of Venda, University of the North.

Music Education	
Project	**Beneficiaries**
SAMRO Overseas Scholarships Competition	The 2010 SAMRO Overseas Scholarship for Composers went to James Bassingthwaight (Jazz / Popular) and Keith Moss (Western Art Music). Runners Up were Kingsley Buitendag and Angela Mullins. Merit Awards went to Christo Jankewitz and Prince Bulo. A special award was given to Professor JSM Khumalo for lifetime achievement in Choral Music. In total the awards amounted to R450 000 with the competition including the gala event costing R1.1m
SAMRO/Hubert Van Der Spuy National Music Competition	Previously known as the SANTAM National Music Competition, this is the most prestigious competition at primary-school level for Western Art Music. This was the first year that SAMRO has partnered this platform for excellence in music at this level R380 000 has been sponsored this year
SAMRO Music Bursaries	117 bursaries totalling R1.05m were awarded to 12 Higher Education Institutions. • 74 for General Music Study • 20 for Music Education Study • 13 for Music Composition Study • 10 for Indigenous African Music Study
NGO Music Schools Supported	35 Music Schools were supported
Bridging Courses at Tertiary Institutions	These courses assist disadvantaged students who wish to study music and come from disadvantaged backgrounds in acquiring the necessary skills to qualify for music study at universities and universities of technology
Academic Concerts at Universities	105 students at the universities of Cape Town, KwaZulu -Natal and the Witwatersrand benefited from this allocation. This initiative creates work for performing artists and exposes the South African musical compositions of SAMRO composer members to budding artists and young audiences on university campuses Concerts were funded at North West University, Stellenbosch University, University of Cape Town, University of KwaZulu-Natal, UNISA and University of the Witwatersrand
SAMRO Music Archive Music Conservation and Promotion	
The SAMRO Music Archive is primarily a score archive with 100 000 pieces of sheet music written by South African composers. It also contains photographs, books and recordings, and a number of special collections. Researchers and the public are welcome to use this archive for academic, media and non-academic purposes	
Enquiries	The archive attended to 121 enquiries that were received
Scores	418 scores were reproduced
Catalogues of South African Musical Works	29 catalogues were ordered and produced
Music Commissions	During the period under review, SAMRO Endowment received requests for commissions and generated requests for commissions. It also generated requests for commissions to meet the needs for our Overseas Scholarships Competition and to meet the needs of young players. R298,000 was spent on 41 commissions of new works by South African composers

Music / Cultural Industry Support	
MOSHITO Music Conference and Exhibition	MOSHITO is the biggest music industry conference; exhibition and trade platform on the continent. It was initiated and incubated by SAMRO and has become an independent company hosting the conference and other projects for the past 8 years. SAMRO provides the following support: • Chairmanship and strategic support in terms of board representation • Participation on sub committees • Hosting of stands for SAMRO and SAMRO Endowment • creation of value-enhancing spaces such as broadcast studios and a digital hub for journalists
Academic and Non Fiction Authors Association of South Africa	Provision of office space and administrative support at reduced rates
Arts and Culture Trust	Board representation and provision of office space and administrative support at reduced rates
South African Coalition for Cultural Diversity	Chairmanship, board representation and provision of office space and administrative support at reduced rates
Klein Karoo Nasionale Kunste Fees	Strategic support in terms of board representation
Business and Arts South Africa	SAMRO is a BASA Member and provides strategic support in terms of board representation
Department of Arts and Culture	Participation on cultural policy matters – Arts and Culture Minister's Mzansi Golden Economy Strategy, committees and task teams

Additional Projects Supported
A further Twenty seven additional sponsorships of music and literature projects totalling R 571,000 were granted for the period.
Publishers Association of South Africa
New Music SA Visby Exchange Project
The Bursary Register
South African Association for Jazz Education
The Marimba Education Foundation
Cape Town Big Band Jazz Festival
Montagu Music Society
UNISA: National & Overseas Competitions
Johannesburg Musical Society
Black Tie Ensemble
Johannesburg Festival for the Advancement of Music
Standard Bank Joy of Jazz Festival
Opera Africa
RU New Coin & DALRO Prizes
RU Guy Butler Awards
National Youth Jazz Festival
South African Society for Research in Music
SA Theatre Journal (SATJ)
Marimba Nation Festival
MEWS
Field Band Foundation
Wordfest
UNISA Young Artists
Boermusiekgilde
South African National Community Theatre Association
New Music SA: New Music Indaba 2011
South African Music Outreach Project (SAMOP)

Bequests and Donations
A number of individuals and organisations have entrusted their legacy to the SAMRO Endowment for the promotion of South African Music. The funds come from royalty income, organisations which have ceased to exist, individual philanthropy and deceased estates. The amount for the period under review was R2.2m.
Bonhams
De Waal
Flink
Fischer
Gettleson
National Operatic Society of South Africa
Opera Society of South Africa
Hermien Dommisse
DALRO – Bartho Smit
Trewhela
Roodepoort International Eisteddfod of South Africa
Judith Brent–Wessels

Other community outreach activities include SAMRO's involvement with the following charitable organisations:

- **MES**, an organisation providing support to 'at risk' individuals in the inner city of Johannesburg and other centres around the country. SAMRO contributed to the upgrade of facilities at the BG Alexander Centre in Hillbrow during the year, both from a financial and human resource perspective

- Collection of food and clothing for **Gift of the Givers** in support of relief efforts

- A staff outreach programme to **Alexandra Orphanage**. Staff donated their time to improve the premises in which the orphanage is housed. In addition, stationery packs for schoolgoing children were donated and there is an ongoing collection of food, clothing and toys.

- During the year, SAMRO staff collected food, blankets and clothing for various ad hoc appeals, including the tragic fires in old age homes on the East Rand.


MOTIF

ORGANISATION PROFILE

ORGANISATION PROFILE

The Southern African Music Rights Organisation NPC (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 it affiliate 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).
- The various other 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 deduction of 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 copyright 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, and with two regional licensing offices spread throughout the country service all regions.

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.

Our Stakeholder Values:

- 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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fiftieth Annual General Meeting of members of SAMRO will be held on Friday, 25 November 2011, 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 2011 including the Directors' Report and the Report of the Independent Auditors.

3. To approve the remuneration of SAMRO's independent auditors, PricewaterhouseCoopers Inc, for the past year's audit and to re-appoint them as auditors until the next Annual General Meeting.

4. 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

G Zoghby

G.J. Zoghby
For the SECRETARY

JOHANNESBURG
24 November 2011

CERTIFICATE OF THE COMPANY SECRETARY

CERTIFICATE OF THE COMPANY SECRETARY

In my capacity as Company Secretary, I hereby certify, in terms of the Companies Act 71 of 2008 as amended, that for the year ended 30 June 2011, the Company has lodged with the Registrar of Companies all such returns as are required of a company in terms of this Act and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

G.J. Zoghby
For the COMPANY SECRETARY
JOHANNESBURG
24 November 2011

STATEMENT OF DIRECTORS' RESPONSIBILITY

The directors are responsible for the preparation, integrity and fair presentation of the group and separate financial statements of SAMRO. The financial statements presented on pages 41 to 85 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa, and include amounts based on judgements and estimates made by management.

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

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

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

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

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

The audit report of PricewaterhouseCoopers Inc. is presented on page 40.

The financial statements were approved by the board of directors on 24 November 2011 and are signed on its behalf by:

ANNETTE EMDON CHAIRMAN	MOLEFI NICHOLAS MOTSATSE CHIEF EXECUTIVE

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

Report on the Annual Financial Statements

We have audited the group annual financial statements and the annual financial statements of the Southern African Music Rights Organisation NPC, which comprise the directors' report, the consolidated and separate statements of financial position as at 30 June 2011, the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 41 to 85.

Directors' Responsibility for the Financial Statements

The company'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 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Southern African Music Rights Organisation NPC as at 30 June 2011, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: KJ Dikana
Registered auditor
Johannesburg
24 November 2011

DIRECTORS' REPORT

To the members

Your directors have pleasure in submitting their fiftieth Annual Report and SAMRO's Audited Financial Statements for the year ended 30 June 2011.

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 Needle time Rights on behalf of performers in 2008 and has, as a result of that accreditation, set up a dedicated Needle time administration operation in a form of a Trust, the Performers Organisation of South Africa (POSA).

FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

Group Total Income	**– R371.1 million (2010 – R357.0 million)**	**+3.9%**
• Licence & Royalty income	– R313.0 million (2010 – R303.1 million)	+3.3%
• Literary rights income	– R8.4 million (2010 – R7.0 million)	+20.0%
• Rental income	– R4.8 million (2010 – R4.3 million)	+11.6%
• Investments income	– R34.9 million (2010 – R39.2 million)	-11.0%
• Other income	–R1.2 million (2010–R1.1 million)	+9.1%
Licence and Royalty Income	**– R313.0 million (2010 – R303.1 million)**	**+3.3%**
• Broadcast	– R203.4 million (2010 – R192.2 million)	+5.8%
• General	– R101.4 million (2010 – R100.8 million)	+0.6%
• Foreign	– R6.6 million (2010 – R8.1 million)	-18.5%
Literary Rights Collected		
• Reprographic Reproduction	– R29.1 million (2010 – R26.8 million)	+8.6%
• Other Licence	– R2.3 million (2010 – R1.7 million)	+35.3%

GROUP REVIEW

INCOME

Total Group Income for the year increased from R357.0 million for the year ended June 2010 to R371.1million for the year ended June 2011, an increase of R14.0 million or 3.9%. Group Licence and Royalty Income for the year amounted to R113.7 million as compared to R303.1 million in 2010, an improvement of R 9.9 million or 3.3%.

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 R121.4 million (2010– R100.6 million) and from radio R89.4 million (2010 – R89.3 million). General Licence Income, which represents diffusion and public performance of musical works (including cinema) amounted to R101.4 million (2010 – R100.8 million).

ADMINISTRATION EXPENSES

Group Administration Expenses in 2011 amounted to R105.7 million as compared to R104.0 million in 2010, an increase of 1.6%.

DIRECTORS' REPORT

DISTRIBUTION

Amount Distributable for the year under review, before taxation, social and cultural deductions and transfers to reserves, remained unchanged at R265.3 million as compared to R265.3 million in 2010. 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 R246.1 million compared to R271.4 million in 2010, a decrease of R 25.3 million or 9.3%.

REVIEW OF OPERATIONS FOR SAMRO AND SUBSIDIARIES

INCOME

- SAMRO – MUSIC RIGHTS

The Total Licence and Royalty Income of SAMRO for the past year increased by R9.9 million to R313.0 million from R303.1 million in 2010. Domestic Licence Income for the year increased by R11.4 million to R306.4 million from R295.0 million in 2010, an improvement of 3.9%. Income from Broadcasting this year increased by R11.2 million to R203.4 million from R192.2 million in 2010. General Licence Income (excluding cinema) increased by R1.5 million to R97.1 million from R95.6 million in 2010.

Income received from Foreign Affiliates for the year decreased by R1.5 million to R6.6 million from R8.1 million in 2010. Total Non-Royalty Income decreased by R5.7million to R40.7 million from R46.4 million in 2010. Income received from Investments decreased by R5.4 million to R33.8 million from R39.2 million in 2010. This year, Administration Expenses represent 24.99% (2010 – 24.7%) of SAMRO's Total Income.

- DALRO – LITERARY RIGHTS

The Dramatic Artistic and Literary Rights Organisation (Pty) Ltd (DALRO) continued to show growth in reprographic licensing largely driven by blanket licensing activities in the tertiary education sector. This year, the wholly-owned subsidiary has again increased its licence royalty stream. DALRO's total licence and royalty fees invoiced increased by R2.9 million to R31.4 million from R28.5 million in 2010, an improvement of 10.2%. The Reprographic Reproduction fees invoiced by DALRO continued to show growth during the year. Blanket licensing as opposed to transactional licensing, represented 69.8% of DALRO's Reprographic Reproduction fees invoiced, as compared with 67.2% in 2010. The total Other Licence fees invoiced by DALRO for the year under review increased by 35.3% to R2.3 million in comparison of R1.7 million in 2010. Administration charges to cover expenses represented 26.8% of Licence and Royalty fees invoiced compared with 24.6% in 2010.

- SAMRO HOUSE HOLDINGS

SAMRO House Holdings (Pty) Ltd is the property holding company with its asset being SAMRO House (Pty) Ltd. During the year under review SAMRO House Holdings (Pty) Ltd owned two buildings 73 Juta Street, the sale of which was finalised and transfer effected during the year under review 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 increased by 17.4%. Operating costs increased during the year largely driven by the increases in electricity and rates charges.

- GRATIA ARTIS

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

- SAMRO IP TECHNOLOGIES

SAMRO IP Technologies (Pty) Ltd remains dormant and no commercial activity took place within this wholly owned subsidiary

- POSA

The Performers Organisation of South Africa has continued to sign up members. Unfortunately, SAMPRA, the society accredited to collect licence fees on behalf of performers. have yet to distribute any royalties to rights holders. POSA has therefore not yet been able to distribute any royalties to its members; however, various means to try and remedy this situation are currently being pursued.

- 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. No rental income for the year was received due to the sale of the building owned by Fifteen Melle Street (Pty) Ltd. In the prior year, the shareholder loans were settled and the process of winding up and de-registering the company is underway.

AMOUNT DISTRIBUTABLE

- SAMRO

Amount available for distribution to SAMRO members and affiliated societies for this year is R246.1 million compared with R271.4 million in 2010, a decrease of 9.3%. This decrease is due to two factors: the amount of undistributed royalties written back for distribution fell from R25.5 million in 2010 to R14.5 million in 2011, a decrease of R11.0 million. In addition, in 2010, an amount of R10.8 million was transferred from the reserves of the company to the distribution, thus increasing the distribution further. During the year, SAMRO processed it's Distribution 49 out of distribution revenue determined at the 2010 financial year end and Distributions in Progress, resulting in royalty credits distributed to its own members, as well as members of affiliated societies, of R268.3 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 R31.6 million as compared to R28.3 million in 2010, an improvement of R3.3 million or 11.7%. As DALRO operates as an agency, the value of Reprographic and other licences income collected well as the amount distributed are not reflected on the Statement of Comprehensive Income, but are disclosed in the Distribution notes to the Annual Financial Statements.

TAXATION

Taxation for the year amounted to R3.6 million (2010 – R1.3 million).

DIVIDENDS

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

REVIEW OF GROUP'S FINANCIAL POSITION

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

SHARE CAPITAL

SAMRO, being a non- profit company, has no share capital, and no shares can therefore be issued. No debentures have been issued, and no wholly owned subsidiary issued any shares or debentures during the accounting period.

FIXED ASSETS

The replacement of the fleet of motor vehicles purchased four years ago for the sales staff who are required to visit licensees around the country commenced in June 2011.

INTANGIBLE ASSETS

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

INVESTMENTS

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

EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the reporting date, the executor of the Fassie estate indicated that they will be withdrawing the claim against SAMRO and will no longer be proceeding with the arbitration process that was entered into. The group entered into negotiations for SAMRO IP Technologies (Pty) Ltd to purchase a 26% minority shareholding in Music Industry Online (Pty) Ltd (MIO), the largest music industry portal in South Africa.

SUBSIDIARY AND ASSOCIATE COMPANIES

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

Name of company	**Nature of Business**	**Issued share capital**		**Effective holding**	
		2011	2010	**2011**	2010
Subsidiaries					
SAMRO House Holdings (Pty) Ltd	Investment Holding	**1 000**	1 000	**100**	100
SAMRO House (Pty) Ltd	Property Holding	**200**	200	**100**	100
DALRO (Pty) Ltd	Rights Administration	**2**	2	**100**	100
Gratia Artis (Pty) Ltd	Dormant	**2**	2	**100**	100
Fifteen Melle Street (Pty) Ltd	Property Holding	**600**	600	**59**	59
SAMRO IP Technologies (Pty) Ltd	Holding	**1 000**	1 000	**100**	100

DIRECTORS REPORT

DIRECTORS REMUNERATION

NON EXECUTIVE DIRECTORS – SAMRO NPC

Name	Directors Fees	Other	Total
AE Emdon	33	-	33
TS Kekana	21	-	21
CG de Villiers	21	-	21
J Edmond	27	12	39
JSM Khumalo	20	-	20
S Khumalo	-	-	-
SCP Mabuse	24	-	24
J Zaidel-Rudolph	20	-	20
CFE Woods	17	-	17
NA Sibiya	13	-	13
J Mnisi (INDEPENDENT DIRECTOR DESIGNATE)	-	84	84
TOTAL	**196**	**96**	**292**

EXECUTIVE DIRECTORS – SAMRO NPC

Name	Salary and Bonuses	Benefits	Total
MN Motsatse	2 440	405	2 845
GJ Zoghby	1 241	351	1 592
TOTAL	**3 681**	**756**	**4 437**

	Company		Group	
	2011	2010	**2011**	2010
Number of Non-Executive Directors	**Eleven**	Nine	**Eleven**	Nine
Number of Executive Directors of the group	**Two**	Two	**Two**	Two
Number of General Managers	**Six**	Nine	**Eight**	Twelve

A service agreement exists between the company and the CEO.

Months in Office				
JJ Baloyi	**6**	12	**6**	12
• B Harty	**12**	12	**12**	12
N Hlatshwayo	**-**	-	**12**	9
• A le Roux	**12**	12	**12**	12
P Lishiva	**-**	-	**12**	12
Y Madurai	**10**	12	**10**	12
• S Mhlanga	**12**	12	**12**	12
MN Motsatse	**12**	12	**12**	12
• I Napier	**12**	12	**12**	12
BG Robinson	**-**	-	**12**	12
J Schulten	**12**	12	**12**	12
L van Wyk	**9**	12	**9**	12
• T Windisch	**12**	12	**12**	12
G Zoghby	**12**	12	**12**	12

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 Board and the Risk and Remuneration Committees of SAMRO' is reflected elsewhere in this Annual Report.

DIRECTORS

During the year under review the casual vacancies created by the resignations of R I Kallenbach and Y Mhinga as members of the board of directors were filled by N A Sibiya and S Khumalo respectively.

Composers / Lyricists:

T S Kekana (Vice Chairman)
J S M Khumalo
C G de Villiers
S Khumalo (appointed 1 November 2010)
S C P Mabuse
J Zaidel-Rudolph
J E Edmond

Publishers:

A E Emdon (Chairman)
N A Sibiya (appointed 1 November 2010)
C F E Woods

Executive Directors:

M N Motsatse
G J Zoghby

Auditors

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


SAMRO
Southern African


SAMRO
Southern African Music Rights Organisation
SAMRO Corporate Video
VIDEO

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MOTIF

STATEMENT OF COMPREHENSIVE INCOME

	Notes	COMPANY 2011 R000's	COMPANY Restated 2010 R000's	GROUP 2011 R000's	GROUP Restated 2010 R000's
REVENUE	2	**313 028**	303 091	**326 268**	314 400
Other Income	3	**7 680**	7 318	**1 277**	1 139
Investment Income	4	**14 249**	16 127	**15 004**	17 480
Other Gains	5	**19 569**	23 096	**28 558**	24 010
		354 526	349 632	**371 107**	357 029
Administration Expenses		**(88 266)**	(86 384)	**(105 679)**	(104 027)
Other Expenses		**(11 743)**	(10 251)	**(12 054)**	(10 597)
Social and Cultural Expenses	7	**(18 475)**	(16 304)	**(19 082)**	(16 527)
Royalty Distributions	8	**(246 073)**	(271 419)	**(246 073)**	(271 419)
Operating Loss	6	**(10 031)**	(34 726)	**(11 781)**	(45 541)
Royalty Distributions written back	9	**14 484**	25 451	**14 484**	25 451
Finance Charges	10	**(348)**	-	**(2 555)**	(2 519)
Profit/(Loss) Before Taxation		**4 105**	(9 275)	**148**	(22 609)
Taxation	11	**(3 941)**	(1 475)	**(3 610)**	(1 308)
Net Profit/(Loss)		**164**	(10 750)	**(3 462)**	(23 917)
Other Comprehensive Income					
Net Gain on Available for Sale Financial Assets		**8 533**	7 564	**8 533**	7 564
Other Comprehensive Income for the Year		**8 533**	7 564	**8 533**	7 564
Total Comprehensive Income for the Year		**8 697**	(3 186)	**5 071**	(16 353)
Attributable to:					
SAMRO Limited				**5 071**	(16 749)
Non Controlling Interests				**-**	396
Total Comprehensive Income for the Year				**5 071**	16 353

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2011 R000's	Restated 2010 R000's	Restated 2009 R000's
ASSETS				
Non-Current Assets				
Property and Equipment	13	**17 556**	18 271	18 220
Intangible Assets	14	**5 633**	4 416	3 669
Investment in Subsidiaries	15.1	**175**	175	175
Deferred Tax	16	**14 657**	13 730	13 186
Available for Sale Investments	17	**238 252**	218 951	238 887
Total Non-Current Assets		**276 273**	255 543	274 137
Current Assets				
Trade and Other Receivables	19	**83 621**	95 702	58 005
Inventory	20	**309**	159	243
Loans to Related Parties	15.2	**115 587**	102 301	76 304
Taxation receivable		**1 217**	4 847	4 933
Cash and Cash Equivalents	32	**78 805**	90 534	97 251
Total Current Assets		**279 539**	293 543	236 736
Total Assets		**555 812**	549 086	510 873
EQUITY AND LIABILITIES				
Capital and Reserves				
Retained Earnings		**48 523**	43 358	54 109
Members Medical Fund		**-**	5 000	5 000
Unrealised Gains Reserve		**49 966**	41 433	33 869
Total Members Equity	21	**98 489**	89 791	92 978
Non Current Liabilities				
Post Employment Medical Benefit obligation	22	**21 384**	19 694	19 299
Total Non Current Liabilities		**21 384**	19 694	19 299
Current Liabilities				
Royalty Distributions payable	24	**270 270**	301 478	274 530
Royalty Distributions in Progress	25	**90 988**	79 022	80 875
Current Portion of Post Retirement Medical Benefit	22	**612**	568	568
Loans from Related Parties	15.3	**5 854**	1 405	
Social and Cultural Obligations	26	**29 884**	28 908	25 005
Trade and Other Payables	27	**38 331**	28 220	17 618
Total Current Liabilities		**435 939**	439 601	398 596
Total Funds and Liabilities		**555 812**	549 086	510 873

GROUP STATEMENT OF FINANCIAL POSITION

	Notes	2011 R000's	Restated 2010 R000's	Restated 2009 R000's
ASSETS				
Non-Current Assets				
Property and Equipment	13	**116 330**	114 394	98 603
Intangible Assets	14	**5 633**	4 416	3 669
Deferred Tax	16	**15 054**	12 440	11 705
Available for Sale Investments	17	**238 252**	218 951	238 887
Total Non-Current Assets		**375 269**	350 201	352 864
Assets Held for Sale				
Assets Held for Sale	18	-	14 500	17 349
Total Assets Held for Sale		-	14 500	17 349
Current Assets				
Trade and Other Receivables	19	**90 010**	103 663	63 728
Inventory	20	**453**	312	444
Taxation receivable		**674**	5 082	4 750
Cash and Cash Equivalents	32	**119 187**	116 980	125 733
Total Current Assets		**210 324**	226 037	194 655
Total Assets		**585 593**	590 738	564 868
EQUITY AND LIABILITIES				
Capital and Reserves				
Retained Earnings		**19 133**	17 595	41 690
Members Medical Fund		-	5 000	5 000
Unrealised Gains Reserve		**49 966**	41 433	33 869
Non Distributable Reserve		-	10 293	10 293
Members Equity	21	**69 099**	74 321	90 852
Non-controlling interest		**716**	716	321
Total Equity		**69 815**	75 037	91 173
Non Current Liabilities				
Post Employment Medical Benefit obligation	22	**21 384**	19 694	19 299
Borrowings	23	**27 478**	27 501	28 264
Total Non Current Liabilities		**48 862**	47 195	47 563
Current Liabilities				
Royalty Distributions payable	24	**300 264**	325 965	293 641
Royalty Distributions in Progress	25	**90 988**	79 022	80 875
Current Portion of Post Retirement Medical Benefit	22	**612**	568	568
Social and Cultural Obligations	26	**34 296**	31 915	28 435
Trade and Other Payables	27	**40 756**	31 036	22 613
Total Current Liabilities		**466 916**	468 506	426 132
Total Funds and Liabilities		**585 593**	590 738	564 868

STATEMENT OF CHANGES IN FUNDS AND RESERVES COMPANY

	Notes	*Retained earnings*	*Members Medical Fund*	*Unrealised Gains Reserve*	*Social and Cultural Funds*	*Total*
Balance at 30 June 2009 as previously reported		**54 109**	**5 000**	**33 869**	**25 005**	**117 983**
Effect of Prior Year Restatement	1.24	-	-	-	(25 005)	(25 005)
Restated Balance at 1 July 2009		**54 109**	**5 000**	**33 869**	**-**	**92 978**
Loss for the Year		(10 750)	-	-	-	(10 750)
Revaluation of investments		-	-	7 564	-	7 564
Total Comprehensive Income for the Year		**(10 750)**	**-**	**7 564**	**-**	**(3 186)**
Balance at 30 June 2010		**43 359**	**5 000**	**41 433**	-	**89 792**
Profit for the Year		164	-	-	-	164
Revaluation of investments		-	-	8 533	-	8 533
Total Comprehensive Income for the Year		**164**	**-**	**8 533**	**-**	**8 697**
Transfer from Members Medical Reserve		5 000	(5 000)	-	-	-
Balance at 30 June 2011		**48 523**	**-**	**49 966**	**-**	**98 489**

STATEMENT OF CHANGES IN FUNDS AND RESERVES GROUP

	Notes	*Retained earnings*	*Members Medical Fund*	*Unrealised Gains Reserve*	*NDR*	*Social and Cultural Funds*	*Total*	*Non-controlling Interest*	*Total Funds and Reserves*
Balance at 30 June 2009 as previously reported		**41 690**	**5 000**	**33 869**	**10 293**	**28 435**	**119 287**	**320**	**119 607**
Effect of Prior Year Restatement	1.24	-	-	-	-	(28 435)	(28 435)	-	(28 435)
Restated Balance at 1 July 2009		**41 690**	**5 000**	**33 869**	**10 293**	**-**	**90 852**	**320**	**91 172**
Loss for the Year		(24 095)	-	-	-	-	(24 095)	396	(23 699)
Revaluation of investments		-	-	7 564	-	-	7 564	-	7 564
Total Comprehensive Income for the Year		**(24 095)**	**-**	**7 564**	**-**	**-**	**(16 531)**	**396**	**(16 135)**
Balance at 30 June 2010		**17 595**	**5 000**	**41 433**	**10 293**	**-**	**74 321**	**716**	**75 037**
Loss for the Year		(3 462)	-	-	-	-	(3 462)	-	(3 462)
Revaluation of investments		-	-	8 533	-	-	8 533	-	8 533
Total Comprehensive Income for the Year		**(3 462)**	**-**	**8 533**	**-**	**-**	**5 071**	**-**	**5 071**
Transfer from Members Medical Reserve		5 000	(5 000)	-	-	-	-	-	-
Sale of Investment Properties		-	-	-	(10 293)	-	(10 293)	-	(10 293)
Balance at 30 June 2011		**19 133**	**-**	**49 966**	**-**	**-**	**69 099**	**716**	**69 815**

STATEMENT OF CASH FLOWS

		COMPANY		GROUP	
	Notes	**2011 R000's**	2010 R000's	**2011 R000's**	2010 R000's
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES					
Cash Generated from Licensing Operations	28	**245 300**	183 072	**242 004**	169 475
Finance Costs	10	**(348)**	-	**(2 555)**	(2 519)
Interest from Subsidiaries	31.1	**3 954**	3 591	**-**	-
Dividends received	4	**4 019**	3 567	**4 019**	3 567
Interest received	4	**10 230**	12 560	**10 986**	13 913
Cash Flow from Operations		**263 155**	202 790	**254 454**	184 436
Taxation Paid	29	**(1 152)**	(1 575)	**(1 728)**	(2 017)
Royalty, Non-Royalty and Social Distributions to Members and Affiliated Societies	30	**(273 597)**	(236 924)	**(268 309)**	(230 178)
Applied to Social and Cultural Operations	26	**(17 599)**	(12 401)	**(16 798)**	(13 047)
Net Cash Flows utilised from Operating Activities		**(29 193)**	(48 110)	**(32 381)**	(60 806)
CASH FLOWS GENERATED FROM INVESTING ACTIVITIES					
Additions to Property and Equipment	13	**(3 884)**	(3 428)	**(8 759)**	(21 102)
Decrease/(Increase) in Loans to Subsidiaries	31.2	**(8 837)**	(24 593)	**-**	-
Proceeds on Disposal of Property and Equipment		**619**	154	**13 804**	3 917
Net Proceeds from disposal of Investments		**28 756**	69 160	**28 756**	69 160
Net Cash Flows Generated from Investing Activities		**16 654**	41 293	**33 801**	51 975
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES					
Financing Activities					
Decrease in Borrowings		**-**	-	**(23)**	(22)
Bequests and Donations		**810**	100	**810**	100
Net Cash Flows Generated from Financing Activities		**810**	100	**787**	78
Net (Decrease) / Increase in Cash and Cash Equivalents		**(11 729)**	(6 717)	**2 207**	(8 753)
Cash and Cash Equivalents at the beginning of the Year		**90 534**	97 251	**116 980**	125 733
Cash and Cash Equivalents at the end of the Year	32	**78 805**	90 534	**119 187**	116 980

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

General information

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

1.1 Summary of significant accounting policies

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

1.2 Basis of preparation

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

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

1.3 Consolidation

Subsidiaries

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

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

1.4 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the group's financial statements requires management to make judgments, 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.

Judgments

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

Operating Lease Commitments – Group as Lessor

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

Estimates and Assumptions

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

1.4.1 Recognition of Licence Revenue

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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

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

1.4.3 Carrying Value of Property and Equipment

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

1.4.4 Carrying Value Trade and other receivables

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

1.4.5 Distributions in Progress

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

1.4.6 Impairment Testing

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

1.4.7 Post Employment Benefits

The post employment benefits disclosed in the annual financial statements require actuarial valuation on an annual basis. This includes a number of assumptions and estimates by the actuaries which are disclosed in the notes. [Refer Note 34]

1.4.8 Deferred Tax Asset

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

1.5 Unlisted Investments

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

1.6 Income and Revenue Recognition

Income

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

Revenue

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

Income from Licensing and Royalty Operations

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

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

Investment Income

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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.

1.7 Royalty Distributions

This amount represents net revenue from licence revenue available for allocation in royalty distributions and net non-licence revenue for allocation in the non-royalty revenue distribution per the statement of comprehensive income. Royalty distributions are standard processes, whereby net licence income from the licensing of public performance, broadcast and diffusion rights in musical works, owned by those whose rights are administered by SAMRO, is allocated in the form of royalties to those rights holders whose musical works were logged as performed, broadcast or played by licensed users of music. The non-royalty distributions are standard processes, whereby non-licence revenue is allocated to members and affiliated societies in accordance with the organisation's established rules, practices and procedures. Amounts pertaining to distributions in progress, which remain undistributed after a period of three years as well as allocations for public domain shares and distribution corrections are written back to current income for re-distribution in the statement of comprehensive income.

1.8 Transfers to Social and Cultural Funds

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

1.9 Property and Equipment

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

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

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

Freehold land and buildings are held as owner occupied.

SAMRO Place is considered as an owner occupied property and is stated at cost, plus any appreciation on revaluation, less accumulated depreciation and any impairment in value. The building and improvement costs are depreciated on a straight-line basis over the expected economic life of the property. The group's policy in respect of this property is to obtain an independent valuation of the property on a regular basis. Any increase in value is recognised in the statement of financial position.

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

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

Fixed Property - Office Block	2.0%
Furniture, Fittings and Equipment	16.67% to 20%
Computer Information Equipment	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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.10 Intangible Assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

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

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

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

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 5 years.

1.11 Financial Instruments

Financial instruments recognised on the statement of financial position at 30 June 2011 include cash and cash equivalents, available for sale investments, trade and other receivables, loans receivable, loans payable 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 company in terms of its 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 and loans as 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 de-recognised on a trade date basis where the purchase or sale of an investment is under a contract, whose 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 the income statement 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 six months or less. For the purpose of the consolidated statement of financial position and 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 32].

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 payable 30 days from the date of invoice and no interest is charged.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Investments in subsidiaries

The Company's investments in the ordinary shares of its subsidiaries are carried at cost less impairment losses and, if denominated in foreign currencies, are translated at historical rates. Purchases and sales of these investments are recognised on the trade date at cost, including transaction costs.

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 (i.e. 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 uncollectible.

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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, 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 profit or loss.

1.12 Impairment of Non-Financial Assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount; the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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.

1.13 Related parties

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

1.14 Inventory

Inventory comprises publications of literary, dramatic, and musical dramatic works for sale or for hire; and stationery. Inventory is valued at the lower of cost, calculated using the weighted average method, and net realisable value. When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.15 Taxation

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

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

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

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

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

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

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

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

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

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

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

1.16 Funds and Reserves

Retained Earnings

General Reserve
Transfers to or from the reserves are at the discretion of the Board. The retained income of 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

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or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profit or loss for the period.

1.17 Royalty Distributions in Progress

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

1.18 Employee Benefits

Retirement

The Company has a retirement benefit plan for all permanent employees that provides, amongst other benefits, a pension of 1/50th of final emolument per year or part thereof of pensionable service. The 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 profit or loss 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.

1.19 Provisions

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

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

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any one item included in the same class of obligations may be small.

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

1.20 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangements at inception date of whether the 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.

1.21 Foreign Currencies

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

1.22 Standards, interpretations and amendments that are not yet effective at June 2011

The Group has considered the following new standards and interpretations and amendments to existing standards, which are not yet effective as at June 2011:

Number	Title	Effective for year ending
Amendments IAS 24	Amendment to IAS 24 – Related party disclosures	June 2012
IFRS 9	IFRS 9 – Financial Instruments	June 2014
Amendments to IFRIC 14	Pre-payments of a Minimum Funding Requirement (amendments to IFRIC 14)	June 2012
Amendment to IFRS 7	Amendments to IFRS 7: Improved disclosure for transfer transactions of financial assets issued	June 2012
Various Improvements to IFRS 2010		June 2012
AC 504	IAS 19 (AC116)) – The limit on a defined benefit asset, minimum funding requirements and their interaction in the South African pension fund environment	June 2012
Amendment to IFRS 1	Amendments to IFRS 1: Severe hyperinflation and removal of Fixed Dates for First-time Adopters	June 2012
Amendment to IAS 12	Amendments to IAS 12: Deferred tax: Recovery of underlying assets	June 2013
IFRS 10	Consolidated Financial Statements	January 2013
IFRS 11	Joint Arrangements	January 2013
IFRS 12	Disclosure of Interests in Other Entities	January 2013

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Number	Title	Effective for year ending
IFRS 13	Fair Value Measurement	January 2013
Amendment to IFRS 1	Presentation of Items of Other Comprehensive Income	July 2012
IAS 19	Employee Benefits	January 2013
IAS 27	Separate Financial Statements	January 2013
IAS 28	Investments in Associates and Joint Ventures	January 2013

1.23 Standards, interpretations amendments effective

The following new standards, and interpretations and amendments to existing standards, that are effective as at June 2011 had no significant effect on the Group's operations:

Number	Title
Amendment to IFRS 1	Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards(IFRS)
Amendment to IFRS 2	Amendments to IFRS 2: Share-based payment – Group cash-settled share-based payment transactions
Amendment to IAS 32	Amendments to IAS 32: Classification of Rights Issues
IFRIC 19	IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments
Various	Improvements to IFRSs (Issued April 2009)

1.24 Restatement of comparatives

1.24.1 Revenue Recognition – DALRO royalty income

The group previously recognised income collected on behalf of the dramatic, artistic and literary rights holders as revenue and a corresponding amount as a distribution expense. The group acts as an agent of the rights holders and earns 25% of amounts collected as an administration fee. During the current year management changed the accounting treatment to be in line with the requirements of IAS18: Revenue, by recognising only its 25% administration fee earned as revenue. The change has been applied retrospectively and prior year financial statements have been restated. The effect on prior year amounts is to decrease the group revenue by R28.5 million and reduce the group distributions expense by R28.5 million.

1.24.2 Social and cultural obligations

During the current year management changed the accounting treatment for social and cultural funds as it was determined that these funds are obligations. These funds are set aside expressly for the social well being of writer members and the promotion and development of the national arts, and cannot be utilised for any other purpose.

The change in accounting treatment has been applied retrospectively and prior year financial statements have been restated. The effect of the restatement on the financial statements of the company is a decrease in reserves of R28.9 million and an increase in the social and cultural obligation of R28.9 million. There is no effect on the current year's statement of comprehensive income.

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	COMPANY		GROUP	
	2011 R000's	2010 R000's	**2011 R000's**	2010 R000's
2 REVENUE	**313 028**	303 091	**326 268**	314 400
Music Rights				
Performing Rights	**304 709**	293 028	**304 709**	293 028
Mechanical Rights	**1 694**	2 001	**1 694**	2 001
Total SAMRO Territory	**306 403**	295 029	**306 403**	295 029
Royalties from Affiliated Societies	**6 625**	8 062	**6 625**	8 062
Licence and Royalty Income	**313 028**	303 091	**313 028**	303 091
Reprographic Administration Fees	**-**	-	**8 434**	6 969
Rental Income	**-**	-	**4 806**	4 340
TOTAL REVENUE	**313 028**	303 091	**326 268**	314 400
3 OTHER INCOME	**7 680**	7 318	**1 277**	1 139
Bequests and Donations Received	**810**	100	**810**	100
Administration Fees	**82**	32	**82**	32
Interest on loans and cash balances	**338**	780	**385**	1 007
Interest from Subsidiary Companies	**3 954**	3 591	**-**	-
Administration, Computer and Management Fees from Subsidiary Companies	**2 496**	2 815	**-**	-
Total Income from Subsidiary Companies	**7 680**	7 318	**1 277**	1 139
4 INVESTMENT INCOME				
Available for Sale Investments	**14 249**	16 127	**15 004**	17 480
Dividends	**4 019**	3 567	**4 019**	3 567
Interest from Debentures and Loan Stock	**3 748**	6 687	**3 748**	6 687
Interest from Bonds and Notes	**4 626**	4 930	**4 626**	4 930
Interest from Short Term Investments	**1 856**	943	**2 611**	2 296
Total Income from Available for Sale Investments	**14 249**	16 127	**15 004**	17 480
5 OTHER GAINS	**19 569**	23 096	**28 558**	24 010
Gain on Disposal of Property and Equipment	**-**	-	**8 989**	914
Gain on Disposal of Investments	**19 569**	23 096	**19 569**	23 096
Total Other Gains	**19 569**	23 096	**28 558**	24 010
6 OPERATING LOSS				
Operating loss includes the following items:				
Accommodation Costs	**2 972**	2 205	**3 605**	4 636
Depreciation Costs	**1 995**	2 106	**4 202**	4 040
Amortisation Costs	**538**	480	**538**	480
Auditors Remuneration	**768**	925	**1 399**	1 116
Operating Costs	**8 218**	7 319	**9 408**	8 555
Professional Fees	**8 059**	7 566	**9 398**	10 545
IT Costs	**3 212**	4 023	**3 326**	4 112
Personnel Costs	**58 132**	55 893	**66 788**	62 967
Marketing Cost	**3 890**	4 390	**4 320**	4 913
Other Costs	**832**	1 477	**2 838**	2 663
Auditor's Remuneration:				
Fees Current Provision	**768**	780	**1 399**	971
Fees Under Provision Previous Years	**-**	145	**-**	145
	768	925	**1 399**	1 116

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	COMPANY		GROUP	
	2011	2010	**2011**	2010
	R000's	R000's	**R000's**	R000's
6 OPERATING LOSS				
Post Employment Medical Cost	**1 734**	395	**1 734**	395
Bad Debt Provision	**8 780**	9 105	**9 091**	9 451
Investment Management Fees	**990**	861	**990**	861
Loss on Disposal of Property and Equipment	**239**	(110)	**239**	(110)
6.1 PERSONNEL COSTS				
Personnel costs include:				
Salaries and Bonuses	**46 485**	44 938	**53 143**	50 930
Social Security Costs	**738**	288	**752**	298
Pension Costs Defined Benefit Plan	**5 285**	4 971	**5 400**	5 063
Training	**1 107**	1 424	**1 140**	1 454
Recruitment	**345**	220	**350**	220
Other Employment benefits	**4 172**	4 052	**6 003**	5 001
	58 132	55 893	**66 788**	62 966
Post Employment benefits	**1 734**	395	**1 734**	395
	59 866	56 288	**68 522**	63 361
7 SOCIAL AND CULTURAL EXPENSES				
Social	**18 475**	16 304	**19 082**	16 527
Cultural	**8 303**	7 658	**8 553**	7 908
Total Social and Cultural Allocation	**10 172**	8 646	**10 529**	8 619
	18 475	16 304	**19 082**	16 527
8 ROYALTY DISTRIBUTIONS				
	246 073	271 419	**246 073**	271 419
Licence and Royalty	**211 165**	231 876	**211 165**	231 876
Non-Royalty	**34 908**	39 543	**34 908**	39 543
Total Distributions	**246 073**	271 419	**246 073**	271 419
9 ROYALTY DISTRIBUTIONS WRITTEN BACK	**14 484**	25 451	**14 484**	25 451
	14 484	25 451	**14 484**	25 451
Undistributable income written back	**14 484**	25 451	**14 484**	25 451
10 FINANCE COSTS	**348**	-	**2 555**	2 519
Interest on borrowings	**-**	-	**2 196**	2 519
Other	**348**	-	**348**	-
	348	-	**2 544**	2 519
11 TAXATION	**3 941**	1 475	**3 610**	1 308
Current charge S.A. Normal Tax	**4 868**	3 178	**6 225**	3 202
Overprovision prior year	**-**	(1 159)	**-**	(1 159)
Deferred Tax	**(927)**	(544)	**(2 615)**	(735)
Total Taxation	**3 941**	1 475	**3 610**	1 308
Reconciliation of the Tax Charge				
Profit/(Loss) before Tax	**4 105**	(9 275)	**148**	(22 609)
Adjust for:				
Disallowed Expenditure	**44 969**	54 933	**49 372**	57 472
Exempt Income and Allowances	**(31 691)**	(40 451)	**(36 626)**	(39 536)
Adjusted Taxable Profit	**17 383**	5 207	**12 894**	4 673
Tax at 28%	**4 867**	1 475	**3 610**	1 308

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	COMPANY		GROUP	
	2011	2010	**2011**	2010
	R000's	R000's	**R000's**	R000's
12 KEY MANAGEMENT EMOLUMENTS	**14 899**	14 443	**18 673**	**17 136**
From the Company and its controlled Subsidiaries for:				
Directors				
Current emoluments				
- Non-Executive Directors' Fees	**292**	224	**448**	347
- Executive Directors' Fees	**34**	34	**42**	40
- Salaries and Bonuses	**3 306**	2 978	**5 472**	3 993
- Pension and Medical Aid Contributions	**614**	540	**858**	715
- Other Fringe Benefits	**483**	467	**697**	575
Total Directors' Current Emoluments	**4 729**	4 243	**7 517**	5 670
Post Retirement Benefits				
- Estimated Post Retirement Benefits	**310**	1 073	**620**	1 073
Total Directors Emoluments	**5 039**	5 316	**8 137**	6 743
Paid by:				
- Company	**5 039**	5 316	**5 039**	5 316
- Subsidiaries	**-**	-	**3 098**	1 427
Total Paid	**5 039**	5 316	**8 137**	6 743
Other Key Management				
Current emoluments				
- Salaries and Bonuses	**6 866**	6 685	**7 380**	7 615
- Pension and Medical	**1 153**	1 210	**1 253**	1 394
- Other Fringe Benefits	**911**	949	**973**	1 101
Total Key Management current emoluments	**8 930**	8 844	**9 606**	10 110
Post Retirement Benefits				
- Estimated Post Retirement Benefits	**930**	283	**930**	283
Total Other Key Management Emoluments	**9 860**	9 127	**10 536**	10 393
Total Key Management Emoluments	**14 899**	14 443	**18 673**	17 136

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	COMPANY		GROUP	
	2011 R000's	2010 R000's	**2011 R000's**	2010 R000's
13. PROPERTY AND EQUIPMENT	**17 556**	18 271	**116 330**	**114 394**
Land and Buildings				
Owner Occupied Property – SAMRO House				
Beginning of the Year				
Cost			**97 210**	79 786
Accumulated Depreciation			**(2 921)**	(1 198)
Carrying Amount at the beginning of the Year			**94 289**	78 588
Building Improvements			**4 830**	17 424
Depreciation			**(2 004)**	(1 723)
Carrying Amount at the end of the Year			**97 115**	94 289
Summary				
Assets at Cost			**102 040**	97 210
Accumulated Depreciation			**(4 925)**	(2 921)
Net Carrying Amount at the end of the Year			**97 115**	94 289
Office Furniture and Equipment				
Beginning of the Year				
Cost	**10 884**	10 242	**13 153**	12 262
Accumulated Depreciation	**(2 192)**	(1 648)	**(2 627)**	(1 872)
Carrying Amount at the beginning of the Year	**8 692**	8 594	**10 526**	10 390
Additions	**203**	657	**248**	907
Disposals - net	**(23)**	(14)	**(23)**	(14)
Depreciation charge for the Year	**(526)**	(545)	**(746)**	(757)
Net carrying Amount at the end of the Year	**8 346**	8 692	**10 005**	10 526
Summary				
Assets at Cost	**11 060**	10 884	**13 374**	13 153
Accumulated Depreciation	**(2 714)**	(2 192)	**(3 369)**	(2 627)
Net carrying Amount at the end of the Year	**8 346**	8 692	**10 005**	10 526
Computer Equipment				
Beginning of the Year				
Cost	**14 603**	13 559	**14 603**	13 559
Accumulated Depreciation	**(8 029)**	(6 810)	**(8 029)**	(6 810)
Carrying Amount at the beginning of the Year	**6 574**	6 749	**6 574**	6 749
Additions	**417**	1 044	**417**	1 044
Disposals - net	**(8)**	-	**(8)**	-
Depreciation Charge for the Year	**(1 144)**	(1 219)	**(1 144)**	(1 219)
Carrying Amount at the end of the Year	**5 839**	6 574	**5 839**	6 574
Summary				
Assets at Cost	**15 001**	14 603	**15 001**	14 603
Accumulated Depreciation	**(9 162)**	(8 029)	**(9 162)**	(8 029)
Net carrying Amount at the end of the Year	**5 839**	6 574	**5 839**	6 574

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	COMPANY		GROUP	
	2011 R000's	2010 R000's	**2011 R000's**	2010 R000's
Motor Vehicles				
Beginning of the Year				
Cost	**3 664**	3 463	**3 664**	3 463
Accumulated Depreciation	**(659)**	(587)	**(659)**	(587)
Carrying Amount at the beginning of the Year	**3 005**	2 876	**3 005**	2 876
Additions	**1 507**	501	**1 507**	501
Disposals - net	**(816)**	(30)	**(816)**	(30)
Depreciation Charge for the Year	**(325)**	(342)	**(325)**	(342)
Carrying Amount at the end of the Year	**3 371**	3 005	**3 371**	3 005
Summary				
Assets at Cost	**4 021**	3 664	**4 021**	3 664
Accumulated Depreciation	**(650)**	(659)	**(650)**	(659)
Net Carrying Amount at the end of the Year	**3 371**	3 005	**3 371**	3 005
Total Property and Equipment				
Beginning of the Year				
Cost	**29 151**	27 264	**128 630**	109 070
Accumulated Depreciation	**(10 880)**	(9 045)	**(14 236)**	(10 467)
Carrying Amount at the beginning of the Year	**18 271**	18 219	**114 394**	98 603
Additions	**2 127**	2 202	**7 002**	19 876
Disposals	**(847)**	(44)	**(847)**	(44)
Depreciation Charge for the Year	**(1 995)**	(2 106)	**(4 219)**	(4 041)
Net Carrying Amount	**17 556**	18 271	**116 330**	114 394
Summary				
Assets at Cost	**30 082**	29 151	**134 436**	128 630
Accumulated Depreciation	**(12 526)**	(10 880)	**(18 106)**	(14 236)
Net Carrying Amount at the end of the Year	**17 556**	18 271	**116 330**	114 394

13.1 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 R45 880 000 refurbishment costs have been incurred

14 INTANGIBLE ASSETS	**5 633**	4 416	**5 633**	4 416
Beginning of the Year				
Cost	**7 039**	5 812	**7 039**	5 812
Accumulated Amortisation	**(2 623)**	(2 143)	**(2 623)**	(2 143)
Carrying Amount at the beginning of the Year	**4 416**	3 669	**4 416**	3669
Additions	**1 755**	1 227	**1 755**	1 227
Amortisation charge for the year	**(538)**	(480)	**(538)**	(480)
Net Carrying Amount	**5 633**	4 416	**5 633**	4 416
Summary				
Assets at Cost	**8 794**	7 039	**8 794**	7 039
Accumulated Amortisation	**(3 161)**	(2 623)	**(3 161)**	(2 623)
Net Carrying Amount at the end of the Year	**5 633**	4 416	**5 633**	4 416

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	COMPANY		GROUP	
	2011 R000's	2010 R000's	**2011 R000's**	2010 R000's
15 INVESTMENT IN SUBSIDIARIES	**109 908**	101 072		
15.1 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 Companies for effective holding				
15.2 Loans to subsidiaries				
Gratia Artis (Proprietary) Limited	**403**	402		
Samro House Holdings (Proprietary) Limited	**109 532**	98 654		
Performers Organisation of South Africa	**5 652**	3 245		
Total Indebtedness	**115 587**	102 301		
15.3 Loans from Subsidiaries				
Dramatic, Artistic and Literary Rights Organisation (Proprietary) Limited	**(5 775)**	(1 323)		
Samro IP Technologies (Proprietary) Limited	**(79)**	(81)		
Total Indebtedness	**(5 854)**	(1 404)		
Total Investment in Subsidiaries	**109 908**	101 072		

Loans are repayable in the ordinary course of business. There are no fixed repayment terms. Interest on the loan to SAMRO House Holdings (Pty) Ltd has been charged at a rate of 3.6% per annum.

	COMPANY		GROUP	
	2011 R000's	2010 R000's	**2011 R000's**	2010 R000's
16 DEFERRED TAX	**14 657**	13 730	**15 054**	12 440
Balance at the Beginning of the year	**13 730**	13 186	**12 440**	11 705
Movement for the year	**927**	544	**2 614**	735
Deferred Tax on provisions	**282**	592	**282**	592
Deferred Tax on post retirement medical benefit	**645**	(48)	**645**	(48)
Deferred Tax on Capital Gain on Sale of Investment Property	**-**	-	**1 481**	-
Deferred Tax on Operating Loss	**-**	-	**206**	191
Total Deferred Tax	**14 657**	13 730	**15 054**	12 440

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	COMPANY		GROUP	
	2011 R000's	2010 R000's	**2011 R000's**	2010 R000's
17. AVAILABLE FOR SALE INVESTMENTS	**238 252**	218 951	**238 252**	218 951
Cost				
Listed Shares	**74 847**	82 175	**74 847**	82 175
Listed Bonds and Unitised Investments	**85 952**	67 857	**85 952**	67 857
Listed Investments at Cost	**160 799**	150 032	**160 799**	150 032
Unlisted Investments	**27 486**	27 486	**27 486**	27 486
Total Investments at Cost	**188 285**	177 518	**188 285**	177 518
Fair Value				
Listed Investments				
Shares at Fair Value	**123 854**	124 935	**123 854**	124 935
Bonds and Unitised Investments	**86 912**	66 530	**86 912**	66 530
Total Listed Investments at Fair Value	**210 766**	191 465	**210 766**	191 465
Unlisted Investments				
Participation Bonds, Notes and Other	**27 486**	27 486	**27 486**	27 486
Total Unlisted Investments at Fair Value	**27 486**	27 486	**27 486**	27 486
Total Investments at Fair Value	**238 252**	218 951	**238 252**	218 951
Total Cost at Beginning of the Year	**177 518**	205 018	**177 518**	205 018
Interest Income Capitalised	**10 230**	12 560	**10 230**	12 560
Dividend Income Capitalised	**4 019**	3 567	**4 019**	3 567
Fees and Disinvestments	**(3 481)**	(43 627)	**(3 481)**	(43 627)
Unrealised Gains	**49 966**	41 433	**49 966**	41 433
Total Investments at End of Year	**238 252**	218 951	**238 252**	218 951

A register of Listed and Unlisted Investments is available for inspection by members. The investments held with BOE valued at R81.5m at 30 June 2011 have been used as security for the loan, as disclosed in note 23, with BOE for the purchase of SAMRO Place.

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

18. ASSETS HELD FOR SALE	**-**	-	**-**	14 500
Carrying Amount at the Beginning of the Year	**-**	-	**14 500**	17 349
Sale of Asset	**-**	-	**(14 500)**	(2 849)
Total Assets Held for Sale	**-**	-	**-**	14 500

The sale of the property (73 Juta Street Braamfontein), which was the former headquarters of SAMRO was finalised during the current financial year. The transfer went through and was registered in November 2010 for an amount of R14.5m.

19. TRADE AND OTHER RECEIVABLES	**83 621**	95 702	**90 010**	103 663
Gross Trade Debtors	**125 363**	131 624	**127 362**	135 832
Provision for Doubtful Debts	**(48 318)**	(39 627)	**(49 278)**	(40 407)
Net Trade Debtors	**77 045**	91 997	**78 084**	95 425
Other Receivables	**6 576**	3 705	**11 926**	8 238
Total Trade and Other Receivables	**83 621**	95 702	**90 010**	103 663

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2011 Individually Impaired R '000	2011 R000's Collectively Impaired R '000	2011 R000's Total R '000
COMPANY			
At 1 July 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**
Charge for the year	**19 402**	7 690	**27 092**
Utilised	**(10 658)**	(7 743)	**(18 401)**
At 30 June 2011	**37 750**	10 568	**48 318**
GROUP			
At 1 July 2009	**24 214**	7 118	**31 332**
Charge for the year	**11 093**	3 751	**14 844**
Utilised	**(5 521)**	(248)	**(5 769)**
At 30 June 2010	**29 786**	10 621	**40 407**
Charge for the year	**19 713**	7 690	**27 403**
Utilised	**(10 789)**	(7 743)	**(18 532)**
At 30 June 2011	**38 710**	10 568	**49 278**

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

	Neither past due nor impaired			**Past due but not impaired**		
	Total	**Current**	**30 days**	**60 days**	**90 days**	**120 days**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
COMPANY						
2010	91 997	42 092	14 768	7 845	2 931	24 361
2011	77 045	29 317	7 139	3 948	1 404	35 237
GROUP						
2010	95 425	43 016	15 219	7 956	4 696	24 538
2011	78 084	29 934	7 425	4 009	1 450	35 266

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	COMPANY		GROUP	
	2011 R000's	2010 R000's	**2011 R000's**	2010 R000's
20. INVENTORY	**309**	159	**453**	**312**
Inventory comprises of:				
Stationery and paper	**309**	159	**309**	159
Books and Musical Sheets for Sale	**-**	-	**54**	66
Books and Musical Sheets for Hire	**-**	-	**90**	87
Total Inventory	**309**	159	**453**	312
21. MEMBERS EQUITY				
21.1 Retained Earnings				
General Reserve at the beginning of the Year	**23 128**	23 340	**(2 636)**	21 672
Development Fund at the beginning of the Year	**20 231**	20 018	**20 231**	20 018
Retained Earnings at the beginning of the Year	**43 359**	43 358	**17 595**	41 690
Net Profit/(Loss) for the year	**164**	-	**(3 462)**	(24 095)
Transfer from Members Medical Fund	**5 000**	-	**5 000**	-
Retained Earnings at the end of the Year	**48 523**	43 358	**19 133**	17 595
21.2 Members Medical Fund				
Members Medical Fund at the beginning of the Year	**5 000**	5 000	**5 000**	5 000
Transfer to Retained Earnings	**(5 000)**	-	**(5 000)**	-
Members Medical Fund at the end of the Year	**-**	5 000	**-**	5 000

These fund were set aside with the intention of providing medical aid to members. However on investigation this was not viable and the funds have been reallocated to retained earnings.

	COMPANY 2011	COMPANY 2010	GROUP 2011	GROUP 2010
21.3 Unrealised Gains Reserve				
Fair Value Adjustment				
Total Investment at Fair Value	**238 251**	218 951	**238 251**	218 951
Total Investment at Cost	**(188 285)**	(177 518)	**(188 285)**	(177 518)
Total Unrealised Gain at the end of the Year	**49 966**	41 433	**49 966**	41 433
Total Unrealised Gain at the beginning of the Year	**41 433**	33 869	**41 433**	33 869
Fair Value Adjustment	**8 533**	7 564	**8 533**	7 564
Total Unrealised Gain at the end of the Year	**49 966**	41 433	**49 966**	41 433
21.4 Non Distributable Reserve				
Non Distributable Reserve at Beginning of the year	**-**	-	**10 293**	10 293
Realised on Sale of Building	**-**	-	**(10 293)**	-
Non Distributable Reserve at the End of the Year	**-**	-	**-**	10 293
22. POST EMPLOYMENT MEDICAL BENEFITS	**21 996**	20 262	**21 996**	20 262
Net Liability Reconciliation:				
Opening Balance of the Liability	**20 262**	19 867	**20 262**	19 867
Income Statement Charge	**1 734**	395	**1 734**	395
Closing Balance of the Liability	**21 996**	20 262	**21 996**	20 262
Current portion of the liability	**612**	568	**612**	568
Long term portion of the liability	**21 384**	19 694	**21 384**	19 694
	21 996	20 262	**21 996**	20 262

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	COMPANY		GROUP	
	2011 R000's	2010 R000's	**2011 R000's**	2010 R000's
Present Value of Obligations:				
Opening Balance	**20 262**	19 867	**20 262**	19 867
Current Service Cost	**740**	775	**740**	775
Interest Cost	**1 793**	1 858	**1 793**	1 858
Benefits Paid / Expected to be Paid	**(605)**	(593)	**(605)**	(593)
Actuarial Gain/(Loss) on Obligation	**(194)**	(1 645)	**(194)**	(1 645)
Closing Balance of Funded Defined Benefit Obligations	**21 996**	20 262	**21 996**	20 262
Income Statement Charge:				
Current Service Cost	**740**	775	**740**	775
Interest Cost	**1 793**	1 858	**1 793**	1 858
Actuarial Gain/(Loss) on Obligation	**(799)**	(2 238)	**(799)**	(2 238)
	1 734	395	**1 734**	395

A valuation was carried out by a firm of consulting actuaries at 30 June 2011. At 30 June 2011 there were 47 in service members (2010 : 50) and 24 continuation members (2010: 24).

Actuarial Assumptions:				
Discount Rate	8.75%	9.25%	8.75%	9.25%
Medical Inflation Rate	7.75%	7.75%	7.75%	7.75%

Valuation Assumptions

	Health Care Cost Inflation		
	Central Assumption 7.75%	**-1%**	**+1%**
Accrued Liability 30 June 2011 (R'000) **% Change**	**21 996** **-**	**18 627** **-15.3%**	**26 296** **+19.5%**
Current Service Cost + Interest Cost 2011 (R'000) **% Change**	**2 712** **-**	**2 248** **-17.1%**	**3 315** **+22.2%**
	Health Care Cost Inflation		
	Central Assumption 7.75%	**+5% for 5 years**	**+10% for 5 years**
Accrued Liability 30 June 2011 (R'000) **% Change**	**21 996** **-**	**27 171** **+23.5%**	**33 319** **+51.5%**
	Discount Rate		
	Central Assumption 8.75%	**-1%**	**+1%**
Accrued Liability 30 June 2011 (R'000) **% Change**	**21 996** **-**	**26 285** **+19.5%**	**18 689** **-15.0%**
	Expected Retirement Age		
	Central Assumption 60 Years	**1 year younger**	**1 year older**
Accrued Liability 30 June 2011 (R'000) **% Change**	**21 996** **-**	**23 090** **+5.0%**	**21 571** **-1.9%**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	COMPANY		GROUP	
	2011 R000's	2010 R000's	**2011 R000's**	2010 R000's
23. BORROWINGS			**27 478**	27 501
Borrowing Raised	-	-	**44 500**	44 500
Capital Repayment Made	-	-	**(15 000)**	(15 000)
Interest payments	-	-	**(2 022)**	(1 999)
Borrowings Closing Balance	-	-	**27 478**	27 501
BOE Private Bank	-	-	**27 478**	27 501
Secured by a cession and pledge of the share portfolio. The term of the loan is 60 months. The outstanding capital amount will be repaid as one bullet payment after year 5. The interest rate is prime less 1.25%				
24. ROYALTY DISTRIBUTIONS PAYABLE	**270 270**	301 478	**300 264**	325 965
Royalty Distribution	**211 165**	231 876	**211 165**	231 876
Non Royalty Distribution	**34 908**	39 543	**34 908**	39 543
Current Amount per Income Statement	**246 073**	271 419	**246 073**	271 419
Social Benefits	**8 283**	6 768	**8 283**	6 768
For Distribution Current Year DALRO	-	-	**31 364**	28 540
Prior Periods Amounts	**26 467**	31 375	**25 097**	25 808
	280 823	309 562	**310 817**	332 535
Distributions and Advances	**(10 553)**	(8 084)	**(10 553)**	(6 570)
Total for Distribution	**270 270**	301 478	**300 264**	325 965
25. ROYALTY DISTRIBUTIONS IN PROGRESS	**90 988**	79 022	**90 988**	79 022
25.1 Shares in Musical Works				
Balance at the beginning of the Year	**4 786**	6 891	**4 786**	6 891
Distributed during the Year	**(2 092)**	(5 897)	**(2 092)**	(5 897)
	2 694	994	**2 694**	994
Arising out of Distributions during the Year	**6 288**	5 440	**6 288**	5 440
	8 982	6 434	**8 982**	6 434
Distribution Adjustment prior years	**(1 598)**	(1 648)	**(1 598)**	(1 648)
Balance at the end of the Year	**7 384**	4 786	**7 384**	4 786
25.2 Musical Works				
Balance at the beginning of the Year	**74 236**	73 984	**74 236**	73 984
Distributed during the Year	**(36 040)**	(31 911)	**(36 040)**	(31 911)
	38 196	42 073	**38 196**	42 073
Arising out of Distributions during the Year	**58 079**	55 966	**58 079**	55 966
	96 275	98 039	**96 275**	98 039
Distribution Adjustment prior years	**(12 671)**	(23 803)	**(12 671)**	(23 803)
Balance at the end of the Year	**83 604**	74 236	**83 604**	74 236
Total Distributions in Progress	**90 988**	79 022	**90 988**	79 022

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	COMPANY		GROUP	
	2011 R000's	2010 R000's	**2011 R000's**	2010 R000's
26. SOCIAL AND CULTURAL OBLIGATIONS	**29 884**	28 908	**34 296**	31 915
Balance at the beginning of the Year	**29 008**	25 005	**32 013**	28 435
Utilisation during the Year	**(17 599)**	(12 401)	**(16 799)**	(13 047)
Provision for the Year	**18 475**	16 304	**19 082**	16 527
Balance at the end of the Year	**29 884**	28 908	**34 296**	31 915
26.1 SOCIAL OBLIGATIONS				
Other Social Funds not included in Distributions				
Balance at the beginning of the Year	**7 616**	6 710	**7 616**	6 710
Utilisation during the Year	**(8 810)**	(6 752)	**(8 810)**	(6 752)
Current Funding for the Year	**8 303**	7 658	**8 303**	7 658
Balance at the end of the Year	**7 109**	7 616	**7 109**	7 616
Copyrights Training Fund				
Balance at the beginning of the Year	**-**	-	**1 270**	1 160
Utilisation during the Year	**-**	-	**(160)**	(140)
Current Funding for the Year	**-**	-	**250**	250
Balance at the end of the Year	**-**	-	**1 360**	1 270
Total Social Funds	**7 109**	7 616	**8 469**	8 886
26.2 CULTURAL OBLIGATIONS				
SAMRO Endowment for the National Arts and Related Provisions				
Balance at the beginning of the Year	**20 019**	16 865	**20 019**	16 865
Utilisation during the Year	**(9 578)**	(6 532)	**(9 578)**	(6 532)
Provision for the Year	**9 362**	8 446	**9 362**	8 446
Unexpended Grants / Scholarships	**910**	1 140	**910**	1 140
Balance at the end of the Year	**20 713**	19 919	**20 713**	19 919
Bequests and Donations				
Balance at the beginning of the Year	**1 373**	1 430	**1 373**	1 430
Utilisation during the Year	**(121)**	(157)	**(121)**	(157)
Provision for the Year	**810**	100	**810**	100
Balance at the end of the Year	**2 062**	1 373	**2 062**	1 373
Bilateral Agreement Funds				
Balance at the beginning of the Year	**-**	-	**1 119**	1 768
Utilisation during the Year	**-**	-	**1 194**	(649)
Provision for the Year	**-**	-	**-**	-
	-	-	**2 313**	1 119
Bursary Funds				
Balance at the beginning of the Year	**-**	-	**616**	502
Utilisation during the Year	**-**	-	**(234)**	(243)
Provision for the Year	**-**	-	**357**	359
			739	618
Total Cultural Funds	**22 775**	21 292	**25 827**	23 029
Total Social and Cultural Funds	**29 884**	28 908	**34 296**	31 915

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	COMPANY		GROUP	
	2011	2010	**2011**	2010
	R000's	R000's	**R000's**	R000's
27. TRADE AND OTHER PAYABLES	**38 331**	28 220	**40 757**	31 036
Members and Affiliated Societies	**9 317**	7 553	**9 317**	7 553
Accounts Payable	**20 273**	11 791	**22 698**	14 607
Leave Pay and Bonus Accrual	**8 738**	8 875	**8 738**	8 875
Non-Residents Royalty Tax	**3**	1	**3**	1
	38 331	28 220	**40 756**	31 036

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

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

	COMPANY 2011	COMPANY 2010	GROUP 2011	GROUP 2010
28. CASH GENERATED FROM LICENSING OPERATIONS	**245 300**	183 072	**242 004**	169 475
Operating loss	**(10 031)**	(34 726)	**(11 781)**	(45 541)
Adjustments for:				
Depreciation	**1 995**	2 106	**4 219**	4 041
Amortisation of intangible assets	**538**	480	**538**	480
(Profit)/Loss on disposal of property and equipment	**239**	(110)	**(8 989)**	(914)
Surplus on disposal of investments	**(19 569)**	(23 096)	**(19 569)**	(23 096)
Interest from subsidiaries	**(3 954)**	(3 591)	**-**	-
Income from investments	**(12 393)**	(15 184)	**(12 393)**	(15 184)
Income from term and call deposits	**(1 856)**	(943)	**(2 611)**	(2 296)
Bequests and Donations	**(810)**	(100)	**(810)**	(100)
Post employment medical benefits	**1 734**	395	**1 734**	395
Distribution expense	**246 073**	271 419	**246 073**	271 419
Social and cultural expenses	**18 475**	16 304	**19 082**	16 527
	220 441	212 954	**215 493**	205 731
Decrease/(Increase) in distributions and advances	**2 469**	(426)	**3 983**	(5 073)
Decrease/(increase) in accounts receivable	**12 081**	(37 697)	**13 653**	(39 935)
(Increase)/decrease in inventory	**(150)**	84	**(141)**	132
Increase in amounts owed to members and affiliated societies	**(821)**	1 610	**(1 764)**	1 610
Increase in accounts payable	**11 280**	6 547	**10 780**	7 010
	24 859	(29 882)	**26 511**	(36 256)
Total cash generated from licensing operations	**245 300**	183 072	**242 004**	169 475
29. TAXATION PAID	**(1 152)**	(1 575)	**(1 728)**	(2 017)
Opening Balance	**4 847**	4 933	**5 082**	4 750
Current Taxation	**(3 941)**	(1 475)	**(3 610)**	(1 308)
Prior year interest on tax received	**89**	358	**89**	358
Closing Balance	**(1 220)**	(4 847)	**(674)**	(5 082)
Net Adjustment	**(225)**	(1 031)	**887**	(1 282)
Net Tax Adjustment Deferred Tax	**(927)**	(544)	**(2 615)**	(735)
Total Taxation Paid	**(1 152)**	(1 575)	**(1 728)**	(2 017)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	COMPANY		GROUP	
	2011	2010	**2011**	2010
	R000's	R000's	**R000's**	R000's
30. ROYALTY AND NON-ROYALTY DISTRIBUTIONS TO MEMBERS AND AFFILIATED SOCIETIES	**(273 597)**	(236 924)	**(270 129)**	(230,178)
Available for Distribution at the beginning of the Year				
Prior Periods Amounts	**(312 030)**	(266 446)	**(312 030)**	(266 446)
Available for Distribution	**26 467**	31 375	**24 647**	38 454
Distributions in Progress at the beginning of the Year	**(285 563)**	(235 071)	**(285 563)**	(227 992)
- Shares	**(4 786)**	(6 891)	**(4 786)**	(6 891)
- Works	**(74 236)**	(73 984)	**(74 236)**	(73 984)
	(364 585)	(315 946)	**(364 585)**	(308 867)
Distributions in Progress at the end of the Year				
- Shares	**7 384**	4 786	**7 384**	4 786
- Works	**83 604**	74 236	**83 604**	74 236
	(273 597)	(236 924)	**(275 417)**	(229 845)
DALRO Licence and Royalty Fees received	**-**	-	**31 364**	28 540
DALRO Distributions Paid	**-**	-	**(26 076)**	(28 873)
	(273 597)	(236 924)	**(270 129)**	(230 178)
31. Non-Licensing Activities				
31.1 Decrease/(Increase) in Loans to Subsidiary	**(8 837)**	(24 593)		
Opening balance subsidiary loans	**100,896**	76 304		
Closing balance subsidiary loans	**(109 733)**	(100 897)		
Increase in subsidiary loans	**(8 837)**	(24 593)		
Add: Intercompany interest and fees	**6 450**	6 406		
Indebtedness of subsidiaries	**(2 387)**	(18 187)		
Interest	**(3 954)**	(3 591)		
Administration, computer and management fees	**(2 496)**	(2 815)		
	(8 837)	(24 593)		
31.2 Movements in Investments	**28 756**	69 160	**28 756**	69 160
Proceeds on Disposal of Investments	**95 820**	159 152	**95 820**	159 152
Investments Purchased	**(67 064)**	(89 992)	**(67 064)**	(89 992)
	28 756	69 160	**28 756**	69 160
32. CASH AND CASH EQUIVALENTS	**78 805**	90 534	**119 187**	116 980
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	**76 885**	10 301	**117 267**	36 747
Short Term Investments	**1 920**	80 233	**1 920**	80 233
Total Cash and Cash Equivalents	**78 805**	90 534	**119 187**	116 980

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

33. RELATED PARTY TRANSACTIONS

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

	COMPANY	
Subsidiaries	**2011**	2010
	R000's	R000's
33.1 Services rendered		
DALRO (Pty) Ltd	**2 208**	**2 527**
Samro House Holdings (Pty) Ltd	**96**	**96**
Samro House (Pty) Ltd	**192**	**192**
Administration and Management Fees	**2 496**	**2 815**
Interest Received SAMRO House Holdings (Pty) Ltd	**3 956**	**3 591**
	6 452	**6 406**
33.2 Purchases of services		
Rental expense		
Samro House (Pty) Ltd	**2 403**	**1 869**
	2 403	**1 869**
33.3 Balances owing/(owed)		
DALRO (Pty) Ltd	**(5 775)**	**(1 323)**
Samro House Holdings	**109 531**	**98 654**
Samro IP Technologies	**(79)**	**(81)**
Gratia Artis	**403**	**402**
	104 080	**97 652**

Refer to note15 for further details

33.4 Other related Parties

Balances owing	**5 652**	**3 245**
POSA Trust	**5 652**	**3 245**

33.5 Key management

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

a) Key management remuneration

Refer to note 12 for details on emoluments of key management

There are two groups of SAMRO Directors, 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.

b) Year-end balances

Loans to Key management	245	270

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

34. 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 and independent firm of consulting actuaries on 30 June 2010, an IAS 19 valuation is conducted annually by independent counsulting 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 2010 and 30 June 2011. The "adjusted expense" for the year ended 30 June 2011 was therefore calculated to be R5 785 000. (2010 : R 4 891 000).

	Company and Group	
	2011	2010
	R000's	R000's
Active number of Members	**194**	**173**
Total Annual Salaries	**39 735**	**33 860**
Number of Pensioners (outsourced by the fund)	**17**	**18**
Present Value of Funded Defined Benefit Obligation	**(66 260)**	**(64 490)**
Fair Value of Plan	**72 577**	**70 958**
Funded Status of Defined Benefit Plan	**6 317**	**6 468**
Unrecognised Actuarial Gains	-	-
Asset	**6 317**	**6 468**
Unrecognised due paragraph 58 limit	**(6 317)**	**(6 468)**
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.

	Company and Group	
Actuarial Valuation Assumptions	**2011**	**2010**
Discount Rate	**8.75%**	**9.25%**
Inflation Rate	**5.75%**	**5.75%**
Salary Increase Rate	**6.75%**	**6.75%**
Expected Rate of Return on Assets	**9.75%**	**10.00%**
Pension Increase Allowance	**5.07%**	**5.56%**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Company and Group	
	2011	2010
	R000's	R000's
Components of Income Statement Pension Expense	**4 423**	5 066
Current Service Cost	**6 568**	6 006
Interest Cost	**(7 463)**	(5 506)
Expected Return on Assets		
Amortisation:		
a. Unrecognised Net Transition Obligation / (Asset)	**-**	-
b. Unrecognised Past Service Cost	**-**	-
c. Unrecognised Net (Gain) / Loss	**-**	-
d. Unrecognised due to Limit	**(151)**	1 804
Paragraph 58A(Gain)/Loss	**2 408**	(2 479)
Expense / (Income)	**5 785**	4 891

Estimated Contributions, Benefit Payments, Expenses and Risk Premiums for the Period 1 July 2010 to 30 June 2011		
Member Contributions	**3 020**	2 564
Company Contributions	**5 785**	4 891
Risk Premiums	**(525)**	(577)
Benefit Payments	**(19 060)**	(6 320)
Estimated return on Assets for the period ending 30 June 2011	**(10 780)**	558
Reconciliation of (Liability) / Asset on the Balance Sheet		
(Liability) / Asset as at 30 June 2010	**-**	-
Net (Expenses) / Income Recognised in the Income Statement	**(5 785)**	(4 891)
Company Contributions	**5 785**	4 891
(Liability) / Asset as at 30 June 2011	**-**	-
Paragraph 59 Limit	**-**	-
Unrecognised due to Paragraph 59 Limit	**-**	-
(Liability) / Asset Recognised on the Balance Sheet	**-**	-
Adjusted Net Expenses Recognised in the Income Statement	**5 785**	4 891
Reconciliation of Defined Benefit Obligation		
Defined Benefit Obligation as at 30 June 2010	**64 490**	56 725
Service Cost	**4 423**	5 066
Member Contributions	**3 020**	2 564
Interest Cost	**6 568**	6 006
Actuarial (Gain) / Loss	**7 344**	1 026
Benefits Paid	**(19 060)**	(6 320)
Risk Premiums	**(525)**	(577)
Defined Benefit Obligation as at 30 June 2011	**66 260**	64 490

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2011 R000's	2010 R000's
Reconciliation of Fair Value of Plan Assets		
Assets at Fair Market Value as at 30 June 2010	70 958	61 389
Expected Return on Assets	7 463	5 506
Contributions	8 805	7 455
Risk Premiums	(525)	(577)
Benefits Paid	(19 060)	(6 320)
Actuarial Gain / (Loss)	4 936	3 505
Assets at Fair Market Value as at 30 June 2011	72 577	70 958
Estimated Asset Composition as at 30 June 2011		
Cash	13.80%	12.68%
Equity	62.01%	63.78%
Bonds	17.81%	18.05%
Property and Other	3.35%	4.04%
International	3.03%	1.45%
Total	100.00%	100.00%
Determination of Estimated Pension Expense for the Fiscal Year ending 30 June 2012		
Components of Income Statement Pension Expense		
Current Service Cost	6 265	4 423
Interest Cost	6 577	6 568
Expected Return on Assets	(7 507)	(7 463)
Amortisation:		
a. Unrecognised Net Transition Obligation / (Asset)	-	-
b. Unrcognised Past Service Cost	-	-
c. Unrecognised Net (Gain) / Loss	-	-
Expense / (Income)	5 335	3 528
Expected Contributions, Expenses and Risk Premiums for Period 1 July 2011 to 30 June 2012		
Member Contributions	3 224	2 347
Company Contributions	6 175	5 221
Risk Premiums	(560)	(616)
	8 839	6 952

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 2011 and expense for the year ending 30 June 2012	**Asset as at 30 June 2010 and expense for the year ending 30 June 2011**
Discount Rate	8.75%	9.25%
Salary Increase Rate	6.75%	6.75%
Expected Rate of Return on Assets	9.75%	10.00%
Inflation	5.75%	5.75%
Pension Increase Allowance	5.07%	5.56%

Discount Rate

The rate used to discount post-employment benefit obligations should be determined by reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet date) on government bonds should be used. In South Africa there is no deep market in Corporate Bonds and as such we have set our recommended assumption with reference to the yield on South African government bonds of medium duration. This converts into and effective yield of 8.75% as at 30 June 2011. In terms of the accounting standards historical yields are less important and we consequently consider it appropriate to use the discount rate of 8.75% 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 3.00% to 6.00% per annum.

Salary Increase Rate

We have assumed that the general level of salary increases to be awarded in the long term will, on average, be equal to inflation plus 1.00% 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 31 May 2011. 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 8.75% per annum. The expected long-term rate of return on equities was set at a level of 3.00% above the bond rate, whilst the expected long-term rate of return on cash was set at a level of 1.00% 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 3.50% per annum, which drives the Trustees pension increase policy. Taken in conjunction with a pre-retirement discount rate of 8.75% this implies a pension increase rate of 5.07% 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

35. FINANCIAL RISK MANAGEMENT

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

The main 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.

	2011Increase/decrease in basis points %	Effect on profit before tax R'000
Mortgage bond	**+1%**	**(275)**
	-1%	**275**
Treasury funds	**+1%**	**1 173**
	-1%	**(1 173)**

2010	**Increase/decrease in basis points**	**Effect on profit before tax**
Mortgage bond	**+1%**	**(275)**
	-1%	**275**
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 in Note 19.

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.

Year ended 30 June 2011	**On Demand**	**Less than 3 months**	**3 months – 1 year**	**1 to 5 years**	**Total,**
Interest bearing loans and borrowings	-	-		27 478	**27 478**
Trade and other payables	-	40 756	-	-	**40 756**
For Distribution	-	-	300 264	-	**300 264**
Other liabilities	-	-	125 284	-	**125 284**
	-	**40 756**	**425 548**	**27 478**	**493 782**

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	-	-	-	27 501	**27 501**
Trade and other payables	-	31 036	-	-	**31 036**
For Distribution	-	-	325 965	-	**325 965**
Other liabilities	-	-	110 937	-	**110 937**
	-	**31 036**	**436 902**	**27 501**	**495 439**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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 R238.3 million. A decrease of 10% in the JSE market index could have an impact of approximately R23.8 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 listed securities would impact equity and would not have an effect on profit or loss.

	Change in year-end price	**Effect on equity**
	%	**R'000**
2011 Listed investments	+10%	23 825
	-10%	(23 825)

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 2010 and 30 June 2011.

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	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
Financial Assets				
Cash	**119 187**	116 980	**119 187**	116 980
Available-for-sale investments	**238 252**	218 951	**238 252**	218 951
Financial Liabilities				
Interest bearing loans	**27 478**	27 501	**27 478**	27 501

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 substantially the same; discounted cash flow analysis or other valuation methods.

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Standard Bank
ABSA Bank
Nedbank

AUDITORS
PricewaterhouseCoopers Inc.
Sunninghill

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

INVESTMENT ADVISORS
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Investec
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Global and Local Financial Consultants (Pty) Ltd