SOUTHERN AFRICAN MUSIC RIGHTS ORGANISATION NPC

(Registration Number 1961/002506/08)
Consolidated and Separate Annual Financial Statements
for the year ended 30 June 2023

General Information

Country of Incorporation and Domicile	South Africa
Nature of Business and Principal Activities	The group is an organisation domiciled in South Africa dedicated to the collective management of copyright in musical works of composers, songwriters and publishers.
Directors	N Maweni R Hill S Mayekiso S Vilakazi TTS Thekisho R Naicker G Le Roux A Lebethe (Appointed 1 January 2023) L Thomas (Appointed 1 July 2023) M Rosin (Resigned 31 December 2022) J Scullion (Resigned 28 April 2023) D Alexander (Resigned 5 December 2022) S Sithole (Resigned 28 December 2022) MS Mnguni (Resigned 20 April 2023) P Miller (Resigned 9 December 2022) G Bosman (Appointed 1 January 2023) (Passed away 14 March 2023)
Registered Office	3rd Floor, SAMRO Place 20 De Korte Street Braamfontein Johannesburg 2001
Postal Address	P O Box 31609 Braamfontein Johannesburg 2017
Bankers	Standard Bank, ABSA Bank, Nedbank, Investec, and First National Bank
Auditors	SizweNtsalubaGobodo Grant Thornton Inc. 20 Morris Street East Woodmead 2191
Company Secretary	Luvivi Proprietary Limited

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Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements satisfy the financial reporting standards with regards to form and content and present fairly the consolidated and separate statement of financial position, results of operations and business of the group, and explain the transactions and financial position of the business of the group at the end of the financial year. The consolidated and separate annual financial statements are based upon appropriate accounting policies consistently applied throughout the group and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company and group’s cash flow forecast for the year to 30 June 2024 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the group's external auditors and their unqualified audit report is presented on pages 7 to 8.

The consolidated and separate annual financial statements set out on pages 9 to 68 which have been prepared on the going concern basis, were approved by the directors and were signed on 10 November 2023 on their behalf by:

A Lebethe
Chief Executive Officer

N Maweni
Chairperson

Directors' Report

The directors present their report for the year ended 30 June 2023.

1. Incorporation

The Company is incorporated in the Republic of South Africa under the South African Companies Act as a non-profit company.

2. Review of activities

Main business and operations
The group is an organisation domiciled in South Africa dedicated to the collective management of copyright in musical works of composers, songwriters and publishers. There were no major changes herein during the year.

The operating results and Consolidated and Separate statement of financial position of the group are fully set out in the attached financial statements and do not in our opinion require any further comment.

During the 2021 financial year, SAMRO NPC was awarded Public Benefit Organisation (PBO) Status by the receiver of revenue. This PBO status exempts SAMRO NPC from normal taxation on it's profits.

3. Going concern

As at 30 June 2023, the group's total assets exceed its liabilities by R28.2 million, and as at 30 June 2022, the groups' total assets exceeded its liabilities by R8.0 million.

The group made a loss of R7.8 million for the year (2022: profit of R1.8 million).

The directors have reviewed the company and group's cash flow forecast for the year to 30 June 2024 and, in light of this review and available credit facilities, including other liquid assets, they are satisfied that the company and group has or had access to adequate resources to continue in operational existence for the foreseeable.

4. Events after reporting date

After the reporting date, the board of directors approved a change to the distribution rules that will significantly affect distributions in progress (also referred to as undocumented works). Following this amendment, the royalty distributions that are to be successfully paid out to members during a primary distribution are expected to increase, whilst the distribution in progress liability on our balance sheet is expected to reduce. Full details of this amendment will be communicated to members at the AGM to be held on 7 December 2023.

At the date of this report, SAMRO is in the process of re-negotiating the terms of the renewal of an annual licensing agreement with one of its major licensees. This may have a significant impact on licensing revenue. Management of SAMRO have considered the impact of this during their assessment of Going concern in note 34.

The directors are not aware of any other matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the company.

5. Dividend

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

Directors' Report

6. Directors

The directors of the company during the year and up to the date of this report are as follows:
N Maweni
R Hill
S Mayekiso
S Vilakazi
TTS Thekisho
R Naicker
G Le Roux
A Lebethe (Appointed 1 January 2023)
L Thomas (Appointed 1 July 2023)
M Rosin (Resigned 31 December 2022)
J Scullion (Resigned 28 April 2023)
D Alexander (Resigned 5 December 2022)
S Sithole (Resigned 28 December 2022)
MS Mnguni (Resigned 20 April 2023)
P Miller (Resigned 9 December 2022)
G Bosman (Appointed 1 January 2023) (Passed away 14 March 2023)

Directors' interest in contracts

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

7. Independent Auditors

SizweNtsalubaGobodo Grant Thornton Inc. were the independent auditors for the year under review.

8. Royalty Distribution

Distributions for the Company for the year, after taking into account social and cultural deductions and amounts transferred from reserves, was determined at R552.8 million (2022: R452.3 million), an increase of R100.5 million or 22.2%.

Certificate by the Company Secretary

I hereby confirm, in my capacity as company secretary of SOUTHERN AFRICAN MUSIC RIGHTS ORGANISATION NPC, that for the financial year ended 30 June 2023, the company has filed all required returns and notices in terms of the Companies Act, 2008, with the Companies and Intellectual Property Commission and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.

N. Nkomo

Noma Nkomo, on behalf of
Luvivi Proprietary Limited

Company Secretary
Johannesburg

10 November 2023

SNG Grant Thornton

Independent Auditor's Report

To the members of the Southern African Music Rights Organisation NPC

Opinion

We have audited the consolidated and separate financial statements of Southern African Music Rights Organisation NPC and its subsidiaries as set out on pages 9 to 68, which comprise the consolidated and separate statement of financial position as at 30 June 2023, the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity, the consolidated and separate statement of cash flows for the year then ended, including material accounting policy information.

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 and its subsidiaries as at 30 June 2023, and its consolidated and separate financial performance and the consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "SAMRO Integrated Report 2023", which includes the Directors' Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and / or the company or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group’s and the company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group’s and the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the group and / or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Mthunzi Dwanya CA (SA)
Director
Registered Auditor
14 November 2023

SizweNtsalubaGobodo Grant Thornton Inc.
20 Morris Street East
Woodmead
2191

Statements of Profit or Loss and Other Comprehensive Income

Figures in R `000	Notes	Group 2023	Group 2022	Company 2023	Company 2022
Revenue	22	599 691	520 634	593 689	514 915
Other income	23	2 710	2 220	7 532	7 023
Distribution expenses (License & Royalty)		(552 844)	(452 332)	(552 844)	(452 332)
Administrative expenses		(9 239)	(7 769)	(8 963)	(7 512)
Operating expenses		(198 452)	(134 273)	(185 883)	(136 942)
Other gains and (losses)	25	21 059	3 722	15 736	3 722
Loss from operating activities	26	**(137 075)**	**(67 798)**	**(130 733)**	**(71 126)**
Royalty distributions/ Undistributable income written back		87 734	52 008	87 734	52 008
Investment income	27	43 000	19 145	42 999	19 118
(Loss) / profit before tax		**(6 341)**	**3 355**	**-**	**-**
Income tax expense	28	(1 429)	(1 529)	-	-
(Loss) / profit for the year		**(7 770)**	**1 826**	**-**	**-**
Other comprehensive income / (loss) net of tax					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains/ (Loss) on revaluation of Land and buildings, Paintings, and Musical instruments		7 660	9 334	39	192
Total other comprehensive income that will not be reclassified to profit or loss		**7 660**	**9 334**	**39**	**192**
Components of other comprehensive income/ (loss) that will be reclassified to profit or loss					
Change in Fair value reserves					
Changes in fair value of investments at fair value through other comprehensive income		20 302	(614)	20 302	(614)
Total change in Fair value reserves		**20 302**	**(614)**	**20 302**	**(614)**
Total other comprehensive income / (loss) that will be reclassified to profit or loss		**20 302**	**(614)**	**20 302**	**(614)**
Total other comprehensive income / (loss) net of tax	29	**27 962**	**8 720**	**20 341**	**(422)**
Total comprehensive income/ (loss) attributable to SAMRO members		**20 192**	**10 546**	**20 341**	**(422)**

Statements of Financial Position

Figures in R `000	Notes	Group 2023	Group 2022	Company 2023	Company 2022
Assets					
Non-current assets					
Property, plant and equipment	5	103 232	98 182	8 303	8 451
Intangible assets	6	15 752	26 301	15 752	26 301
Investment in subsidiaries	7	-	-	174	174
Deferred tax assets	10	-	846	-	-
Investments	11	259 883	215 476	259 883	215 476
Loan to group company	12	-	-	169 699	178 970
Total non-current assets		**378 867**	**340 805**	**453 811**	**429 372**
Current assets					
Inventories		117	155	117	155
Trade and other receivables	9	82 603	70 041	94 212	81 745
Current tax assets		9 291	9 468	9 468	9 468
Cash and cash equivalents	13	720 898	517 219	720 173	516 655
Total current assets other than assets classified as held for sale		**812 909**	**596 883**	**823 970**	**608 023**
Assets classified as held for sale	14	-	13 650	-	-
Total current assets		**812 909**	**610 533**	**823 970**	**608 023**
Total assets		**1 191 776**	**951 338**	**1 277 781**	**1 037 395**
Equity and liabilities					
Equity					
(Accumulated loss) / retained income		(96 036)	(88 266)	13 987	13 987
Revaluation surplus	15	23 973	16 313	1 650	1 611
Mark - to - market reserve	15	100 225	79 923	100 225	79 923
Total equity		**28 162**	**7 970**	**115 862**	**95 521**
Liabilities					
Non-current liabilities					
Deferred tax liabilities	10	406	-	-	-
Post-employment medical benefits	19	16 973	16 184	16 973	16 184
Total non-current liabilities		**17 379**	**16 184**	**16 973**	**16 184**
Current liabilities					
Trade and other payables	16	58 902	44 728	57 613	43 234
Social and cultural obligations	18	45 068	33 461	45 068	33 461
Current portion of post-employment medical benefits	19	1 340	11 121	1 340	11 121
Distributions payable and in progress	20	1 040 925	837 874	1 040 925	837 874
Total current liabilities		**1 146 235**	**927 184**	**1 144 946**	**925 690**
Total liabilities		**1 163 614**	**943 368**	**1 161 919**	**941 874**
Total equity and liabilities		**1 191 776**	**951 338**	**1 277 781**	**1 037 395**

Statements of Changes in Equity - Company

Figures in R `000	Revaluation surplus	Mark- to- market reserve	(Accumulated loss) / retained income	Total
Balance at 1 July 2021	1 419	80 537	13 987	95 943
Changes in equity				
Other comprehensive income	192	(614)	-	(422)
Total comprehensive income	192	(614)	-	(422)
Balance at 30 June 2022	**1 611**	**79 923**	**13 987**	**95 521**
Balance at 1 July 2022	**1 611**	**79 923**	**13 987**	**95 521**
Changes in equity				
Other comprehensive income	39	20 302	-	20 341
Total comprehensive income	39	20 302	-	20 341
Balance at 30 June 2023	**1 650**	**100 225**	**13 987**	**115 862**

Statements of Changes in Equity - Group

Figures in R `000	Revaluation surplus	Mark- to- market reserve	(Accumulated loss) / retained income	Total
Balance at 1 July 2021	5 708	80 537	(84 553)	1 692
Changes in equity				
Profit for the year	-	-	1 826	1 826
Other comprehensive income	9 334	(614)	-	8 720
Total comprehensive income for the year	9 334	(614)	1 826	10 546
Disposal of DALRO	-	-	492	492
Disposal of SAMRO Foundation	-	-	(4 760)	(4 760)
Transfers to revaluation surplus	1 271	-	(1 271)	-
Balance at 30 June 2022	**16 313**	**79 923**	**(88 266)**	**7 970**
Balance at 1 July 2022	16 313	79 923	(88 266)	7 970
Changes in equity				
Loss for the year	-	-	(7 770)	(7 770)
Other comprehensive income	7 660	20 302	-	27 962
Total comprehensive income for the year	7 660	20 302	(7 770)	20 192
Balance at 30 June 2023	**23 973**	**100 225**	**(96 036)**	**28 162**

Statements of Cash Flows

Figures in R `000	Notes	Group 2023	Group 2022	Company 2023	Company 2022
Net cash flows from operations	37	**445 566**	**408 279**	**446 380**	**418 347**
Income taxes paid	38	-	(55)	-	-
Royalty and social distributions to members and affiliated societies	20	(262 059)	(253 077)	(262 059)	(253 077)
Applied to social and cultural expenses		(14 377)	(4 153)	(14 377)	(8 913)
Payout of medical scheme subsidy to in-service employees	19	(9 865)	-	(9 865)	-
Net cash flows from operating activities		**159 265**	**150 994**	**160 079**	**156 357**
Cash flows from investing activities					
Cash flows from disposal of subsidiaries	32	-	(1 075)	-	3 685
Proceeds from sales of property, plant and equipment		94	275	94	264
Proceeds from sales of non-current asset held for sale (Northern parking lot)		18 973	-	-	-
Proceeds from sales of intangible assets		52	17	52	17
Purchase of property, plant and equipment		(2 062)	(2 031)	(2 062)	(2 031)
Purchase of intangible assets		(7 766)	(6 232)	(7 766)	(6 232)
Net proceeds on (additions)/disposals of investments		(7 878)	(7 310)	(7 878)	(7 310)
Proceeds from/ (Advances on) loan to group company	21	-	-	13 650	(825)
(Repayments on) loan from group company	21	-	-	-	(6 065)
Interest received from investments and banks		38 783	15 587	38 782	15 560
Dividends received		4 217	3 558	4 217	3 558
Interest received from subsidiaries		-	-	4 349	4 349
Cash flows from investing activities		**44 414**	**2 789**	**43 439**	**4 971**
Net increase in cash and cash equivalents		**203 679**	**153 783**	**203 518**	**161 328**
Cash and cash equivalents at beginning of the year		517 219	363 436	516 655	355 327
Cash and cash equivalents at end of the year	**13**	**720 898**	**517 219**	**720 173**	**516 655**

Accounting Policies

1. General information

SOUTHERN AFRICAN MUSIC RIGHTS ORGANISATION NPC ('the company') and its subsidiaries (together, 'the group') is an organisation domiciled in South Africa dedicated to the collective management of copyright in musical works of composers, songwriters and publishers.

The group annual financial statements are presented in South African rand, which is the functional and presentation currency of the parent company and the presentation currency of the group. Amounts are rounded to the nearest thousand except where another rounding measure has been indicated.

2. Basis of preparation and summary of significant accounting policies

The consolidated and separate financial statements of SOUTHERN AFRICAN MUSIC RIGHTS ORGANISATION NPC have been prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa. The consolidated and separate financial statements have been prepared under the historical cost convention except for land & buildings, paintings and certain financial instruments that have been measured at fair value, where applicable.

The preparation of financial statements in conformity with International Financial Reporting Standards 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 and separate financial statements are disclosed in note 3.

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

2.1 Consolidation

Subsidiaries

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

Investments in subsidiaries are accounted for at cost, less accumulated impairment losses.

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

The year end of the SAMRO and its subsidiaries is 30 June.

2.2 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Assets and liabilities designated in foreign currencies are translated at rates of exchange ruling at the reporting date.

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

2.3 Property, plant and equipment

Recognition
Property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Initial measurement
An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost.

The cost of an item of property, plant and equipment includes:
- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

SAMRO Place is owned and accounted for as Investment property in SAMRO House Proprietary Limited's financial statements. Currently majority of the property at SAMRO Place is owner occupied, whilst only minority of the property is leased out externally. Management has performed the assessment of determining whether SAMRO Place should be disclosed and accounted for as Investment Property or Owner occupied property in the Group financial statements. Management have concluded that as per ISA 40.15, SAMRO Place should be accounted for and disclosed as an owner occupied property in the Group financial statements since SAMRO House Proprietary Limited, being the subidiary of SAMRO NPC, leases majority of the property at SAMRO Place to SAMRO NPC.

Subsequent measurement - Cost model
After initial recognition, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent measurement - Revaluation model
Paintings are initially measured at cost and subsequently revalued by recognised professional valuers to net realisable open-market value using the market approach. The owner-occupied land and buildings (SAMRO Place) are measured at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Any revaluation surplus is recorded in the fixed asset revaluation reserve.

Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

An increase in the carrying value of an asset as a result of a revaluation is recognised in other comprehensive income and accumulated in equity under the revaluation surplus. The increase is recognised in profit or loss to the extent where the increase reverses a previously recognised revaluation decrease for the same asset.

A decrease in the carrying value of an asset as a result of a revaluation is recognised in profit or loss except where the decrease reverses a previously recognised revaluation increase for the same asset. The decrease is recognised in other comprehensive income to that extent and reduces the amount accumulated in equity under revaluation surplus.

The revaluation surplus in equity, related to a specific item of property, plant and equipment, is transferred directly to retained earnings when the asset is derecognised. Revalued assets are depreciated in the same way as under the cost model and the depreciation is charged to profit or loss.

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

Depreciation
Depreciation of an asset commences when it is available for use, and ceases at the earlier of the date that the asset is classified as held for sale, or the date that the asset is derecognised.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The depreciable amount of an asset is determined after deducting its residual value.

Residual values, useful lives and depreciation methods are reviewed at each financial year end.

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:

Asset class	Useful life / depreciation rate
Motor vehicles	20% p.a.
Office furniture and equipment	5% to 20% p.a.
Computer information systems	20% to 33.33% p.a.
Owner occupied building - SAMRO Place	2% p.a.

Impairments
The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount. The resulting impairment loss is recognised immediately in profit or loss. To the extent where the decrease reverses a previously recognised revaluation increase for the same asset, the decrease is recognised in other comprehensive income and reduces the amount accumulated in equity under revaluation surplus. Future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

Where the estimated impairment loss exceeds the carrying amount of the asset to which it relates, the resulting liability is only recognised if it is required by another standard.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up are included in profit or loss when the compensation becomes receivable.

Derecognition
The carrying amount of an item of property, plant and equipment is derecognised when the asset is disposed of or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. Gains are classified as other gains on the face of the statements of profit or loss and other comprehensive income.

2.4 Intangible assets

Recognition
An intangible asset, whether purchased or self-created (at cost) is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Initial measurement
Intangible assets are initially measured at cost.

Separately acquired assets are initially measured at their purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any directly attributable cost of preparing the asset for its intended use.

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

Internally generated software products are recognised initially at cost, being the sum of expenditure from the date the recognition criteria for an intangible asset are met, bearing in mind the following additional criteria:

- During the research phase, no intangible asset is recognised. Expenditure on research is recognised as an expense when it is incurred.
- During the development phase, an intangible asset will be recognised only if the following can be demonstrated:
  - it is technically feasible to complete the software product so that it will be available for use or sale;
  - there is an intention to complete the software product and use or sell it;
  - there is an ability to use or sell the software product;
  - it is possible to demonstrate how the software product will generate probable future economic benefits;
  - there are available financial, technical and other resources to complete the development of the software product as well as to use or sell the software product;
  - the expenditure attributable to the software product during the development phase can be reliably measured.

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

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

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

Subsequent measurement - Cost model

After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation

For computer software development costs amortisation is allocated on a systematic basis over its useful life (i.e. straight line method). Where an intangible asset has a residual value, the depreciable amount is determined after deducting its residual value.

The residual values of intangibles assets are assumed zero unless:

- there is a commitment by a third party to purchase the asset at the end of its useful life; or
- there is an active market for the asset and:
  - residual value can be determined by reference to that market; and
  - it is probable that such a market will exist at the end of the asset's useful life.

Residual values as well as the useful lives of all assets are reviewed annually. Changes in residual values are treated as a change in estimate and treated in accordance with the relevant accounting policies.

The classification of useful lives and amortisation rates are as follows:

Asset class	Useful life classification	Remaining useful life / amortisation rate
Computer software development costs	Finite	2

Microsoft had confirmed that it will no longer support Dynamics AX as from October 2023. However, SAMRO will still be able to use Dynamics AX with the support provided by the internal IT department until the new core system (for the Distributions and Member Services departments) is developed and ready for use. The remaining useful life of Dynamics AX was thus reassessed to 3 years as at 01 July 2022 and the remaining useful life as at 30 June 2023 is 2 years.

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

Impairments
The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of intangible assets is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount. The resulting impairment loss is recognised immediately in profit or loss, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

Where the estimated impairment loss exceeds the carrying amount of the asset to which it relates, the resulting liability is only recognised if required by another standard.

Retirements and disposals
An asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal is recognised in profit or loss.

2.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Classification and recognition
Classification of a financial instrument, or its component parts takes place on initial recognition. Each instrument is classified as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

Financial assets classification
The group classifies financial assets into the following categories:
- Financial assets subsequently measured at fair value through profit or loss
- Financial assets subsequently measured at fair value through other comprehensive income (OCI)
- Financial assets subsequently measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The group reclassifies debt investments when and only when its business model for managing those assets changes.

The group financial assets are classified into the following categories:
- Loans to group companies – amortised cost
- Trade and other receivables – amortised cost
- Cash and cash equivalents – amortised cost
- Investments and other financial assets - held at fair value through OCI

Financial liabilities classification
The group classifies financial liabilities into the following categories:
- Financial liabilities subsequently measured at amortised cost

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

The group financial liabilities are classified into the following categories:
• Trade and other payables – amortised cost
• Loans from group companies – amortised cost

Recognition
Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

Initial measurement
Financial assets
When a financial asset is recognised initially, it is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Financial liabilities
Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement
Financial assets
Debt instruments
Subsequent measurement of debt instruments depends on the company's business model for managing the asset and cash flow characteristics of the asset. Debt instruments are subsequently measured at:

- Amortised cost: assets held only for collection of principal and interest payments
  - Interest income is included in finance income using the effective interest rate method.
  - Any gain or loss on derecognition is recognised in profit or loss and presented in other gains / (losses) together with foreign exchange gains and losses.
  - Impairment losses are presented as a separate line item in the statement of profit or loss.
- Fair value through OCI: assets held only for collection of principal and interest payments and for selling the financial assets
  - Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.
  - When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains / (losses).
  - Interest income from these financial assets is included in finance income using the effective interest rate method.
  - Foreign exchange gains and losses are presented in other gains / (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or fair value through OCI
  - A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains / (losses) in the period in which it arises.
  - The entity may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in OCI.

Equity instruments
All equity investments are subsequently measured at fair value.

- Fair value through OCI: elected to present fair value gains and losses on equity investments in OCI
  - There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.
  - Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.
  - Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.
- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or fair value through OCI
  - Changes in the fair value are recognised in other gains / (losses) in the statement of profit or loss as applicable.

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

Financial liabilities

- Amortised cost:
  - After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.
  - Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.
  - Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.
  - The effective interest rate amortisation is included as finance costs in the statement of profit or loss.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Derecognition
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when it is transferred and the transfer qualifies for derecognition.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Impairment of financial assets
A forward looking allowance for expected credit losses is recognised for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The impairment methodology applied depends on whether there has been a significant increase in credit risk:
- For credit exposures with no significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month expected credit loss).
- For credit exposures with significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime expected credit loss).

The group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Loan to (from) group company
This can include loans between holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

The loan to group company is classified as a financial asset at amortised cost, and is initially measured at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

The loan from group company is classified as a financial liabilities at amortised cost, and is initially measured at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

Trade and other receivables
Trade receivables are measured at initial recognition at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest rate method, less allowance for expected credit losses. For trade receivables and contract assets, a simplified approach is applied in calculating expected credit losses. Instead of tracking changes in credit risk, a loss allowance is recognised based on lifetime expected credit losses at each reporting date. A provision matrix was established that is based on the company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade and other receivables are classified as debt instruments and loan commitments at amortised cost.

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

Trade and other payables
Trade payables are initially measured at fair value plus direct transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

2.6 Inventories

Inventories consist of stationery and marketing materials/ goods.

Recognition
Inventories are 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 inventories can be measured reliably.

Measurement
Inventories are measured at the lower of cost and net realisable value using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use.

The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Recognition as an expense
Inventories (i.e. stationery) are used for consumption purposes only. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.7 Assets classified as held for sale

The classification of businesses as disposal groups held for sale involves determining whether the criteria for such recognition as indicated in IFRS 5: Non-current Assets Held for Sale and Discontinued Operations have been met and remain met at 30 June.

Basis of preparation and summary of significant accounting policies continued...

In terms of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, disposal groups classified as held for sale must be measured at the lower of their carrying amount and fair value less costs to sell. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

For the sale to be highly probable, the following conditions must be met:
• the appropriate level of management must be committed to a plan to sell the asset/disposal group,
• an active programme to locate a buyer and complete the plan must have been initiated,
• the asset/disposal group must be actively marketed for sale at a price that is reasonable in relation to its current fair value,
• the sale should be expected to be completed within one year from the date of classification,
• actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset or disposal group, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset or disposal group is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

2.8 Tax

During the 2021 financial year, SAMRO NPC was awarded Public Benefit Organisation (PBO) Status by the receiver of revenue. This PBO status exempts SAMRO NPC from normal taxation on it's profits.

Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of:
- deductible temporary differences;
- the carry forward of unused tax losses; and
- the carry forward of unused tax credits.

Current tax assets and liabilities
Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. The amount already paid in respect of current and prior periods which exceeds the amount due for those periods, is recognised as an asset.

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

The benefit relating to a tax loss that can be carried back to recover current tax of a previous period is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset only where:
- there is a legally enforceable right to set off the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities
A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:
- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset 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 accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

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

The measurement of deferred tax liabilities and deferred tax assets are made to reflect the tax consequences that would follow from the manner in which it is expected, at the end of the reporting period, recovery or settlement if temporary differences will occur.

Deferred tax assets and liabilities are offset only where:
- there is a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same entity within the group or different taxable entities within the group which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tax expense (income)
Current and deferred tax is recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity.
- a business combination other than the acquisition by an investment of a subsidiary that is required to be measured at fair value through profit or loss.

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

Current tax and deferred tax is recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same or a different period:

- in other comprehensive income, will be recognised in other comprehensive income;
- directly in equity, will be recognised directly in equity.

2.9 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.

2.10 Leases as lessor

Classification

Leases where the group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating leases

Lease payments from operating leases are recognised as income on either a straight-line basis or another systematic basis. Another systematic basis is applied if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Costs, incurred in earning the lease income is recognised as an expense.

Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and those costs are recognised as an expense over the lease term on the same basis as the rental income.

2.11 Provisions and contingencies

A provision is a liability of uncertain timing or amount. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Provisions for bonuses and legal claims are recognised when:

- there is a a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating losses.

2.12 Reserves

The nature and purpose of each reserve within equity is described below:

Revaluation surplus
Fair value gains on the revaluation of assets such as paintings and land and buildings.

Mark-to-market reserve
Fair value gains on investments through other comprehensive income.

Retained earnings/ (Accumulated losses)
Retained earnings/ Accumulated losses comprise net gains and losses recognised in the consolidated statements of profit and loss and other comprehensive income.

2.13 Revenue from contracts with customers

Revenue is income arising in the course of an entity's ordinary activities.

Revenue for the company and group comprises revenue earned from licensing activities, dividends, interest revenue, rental revenue, and investment activities.

A contract with a customer is recognised when all of the following criteria are met:
- the contract has been approved and all parties to the contract are committed to performing their respective obligations;
- each party's rights regarding the goods or services to be transferred are identifiable;
- payment terms for the goods or services to be transferred are identifiable;
- the contract has commercial substance; and
- it is probable that the consideration in exchange for the goods or services that will be transferred will be collected.

At the inception of a contract, the goods or services promised in the contract are assessed and a performance obligation is identified for each promise to transfer to the customer either:
- a good or service that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer.

Revenue is is recognised when or as the performance obligation is satisfied by transferring a promised good or service to a customer. Assets are transferred when or as the customer obtains control of that asset.

Measurement
When a performance obligation is satisfied, revenue is recognised as the amount of the transaction price that is allocated to the performance obligation, but excluding estimates of variable consideration that are constrained and any amounts collected on behalf of third parties. The transaction price may include fixed amounts, variable amounts, or both.

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

(i) Royalties from licencing contracts – music rights

Licence fees are based on licence assessments for the use of music within the company and group's repertoire. These licence fees are determined on usage as well as a specified tariff structure which is determined at the time of signing of customer contracts. The revenue is derived mainly from Broadcasters (public, private as well as online streaming services), and any consumers of music in the normal course of their business operations that are registered with the entity. The agreements are administered by the company, and collected on behalf of the members, who cede their rights over to the company and group in order to derive the economic benefits thereof. Revenue is recognised on an accrual basis at a point in time based on usage of licensed music.

(ii) Foreign royalties from licencing contracts

Foreign royalty income received from affiliated societies attributable to music represents the royalties within SAMRO's repertoire in those territories. The revenue from foreign royalty is based on usage reports, which are received from other societies (Collection Management Organisations). Foreign royalty income is recognised as revenue once received at a point in time.

(iii) Rental income

The rentals received are recognised on a straight-line basis over the term of the lease.

(iv) Interest income

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

(v) Dividend income

Dividends are recognised when the shareholders right to receive dividends is established.

2.14 Royalty distributions & grant of rights payments

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

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

Amounts pertaining to distributions in progress, which remain undistributed after a period of three years as well as allocations for public domain shares and distribution corrections, are written back to profit and loss in line with the Prescription Act.

2.15 Transfers to social and cultural funds

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

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

2.16 Employee benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to an entity during a period, the contribution payable to a defined contribution plan in exchange for that service is recognised:

- as a liability, after deducting any contribution already paid. Where the contribution already paid exceeds the contribution due for service before the end of the reporting period, the excess is recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
- as an expense, except where the amount is allowed as an inclusion in the cost of an asset.

As at 30 June 2023, employees within the group are members of the Alexander Forbes Access Retirement Fund. Membership of the fund is compulsory for all employees of the group. The fund provides benefits on a defined contribution basis. The fund is subject to the Pension Funds Act of 1956, as amended. The effective date of the transfer of business from the SAMRO Staff Pension Fund to the Alexander Forbes Access Retirement Fund was 18 June 2014.

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

Medical

The group 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.

2.17 Related parties

A related party is a person or entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Key management personnel are defined as related parties as are all directors of SAMRO and the main trading subsidiary of the group.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

Accounting Policies

Critical accounting estimates and judgements continued...

3.1 Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3.1.1 Impairment of financial assets

The Group measures the expected credit losses (ECL) using reasonable and supportable forward-looking information, which is based on assumptions of future economic conditions.
Refer note 9 for details on the assumptions used in determining the ECL for Trade receivables.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:
• When there is a breach of financial covenants by the debtor; or
• When the debtor fails to make payment within the credit period allowed even though there isn't a breach of financial covenants by the debtor; or
• Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

The ECL allowance seeks to measure the possible loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from debtors that have been handed over.

Probability of default constitutes a key input in measuring the ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

3.1.2 Impairment of non-financial assets

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.

Fair value less costs of disposal:
- Fair value is determined in accordance with IFRS 13 Fair Value Measurement
- Costs of disposal are the direct added costs only

Value in use:
The value in use calculations were considered by management in accordance with the criteria as per IAS 36 Impairment of Assets. The following was considered by management when performing this assessment for non-financial assets: The approved budget for the next financial year, the possible variations in the amount or timing of those future cash flows, the time value of money, and other factors that market participants would reflect in pricing the future cash flows that the company expects to derive from the asset.

3.1.3 Recognition of foreign royalty revenue

The revenue from foreign royalty is based on usage reports, which is received from other societies (Collection Management Organisations). Should those usage reports not be available, management use judgement to estimate revenue based on previous years’ revenues received.

Accounting Policies

Critical accounting estimates and judgements continued...

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

In the determination of the amounts for social and cultural 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. Refer 2.15 Transfers to social and cultural funds for details on the assumptions made.

3.1.5 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.

The fair value of paintings are determined by recognised professional valuers every 3 years. The last valuation was done as at 30 June 2023.

The fair value of land and buildings are determined by recognised professional valuers annually. The last valuation was done as at 30 June 2023.

3.1.6 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 note 19.

3.2 Critical judgements in applying the entity's accounting policies

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:

3.2.1 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.

Accounting Policies

4. Changes in accounting policies and disclosures

4.1 Standards, interpretations and amendments that are not yet effective at June 2023:

The Group has considered the following new standards and interpretations and amendments to existing standards, which are not yet effective as at June 2023 but are effective for the financial years commencing as reflected in the table:

Number	Title	Effective for year commencing	Expected effect on Annual Financial statements
Amendment to IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current - The amendment aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date as current (due or potentially due to be settled within one year) or non-current.	1-Jan-24	The standard will unlikely have a material impact on the classification of debt and other financial liabilities.
Amendment to IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Deferral of Effective date) - The amendment defers the effective date of the January 2020 amendments by one year, so that entities would be required to apply the amendment for annual periods beginning on or after 1 January 2024.	1-Jan-24	The standard will unlikely have a material impact on the classification of debt and other financial liabilities.
Amendment to IAS 1	Non-current liabilities with covenants - The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	1-Jan-24	The standard's impact, if applicable, will be reasonably estimated closer to its effective date.

Changes in accounting policies and disclosures continued...

4.2 Standards and Interpretations effective and adopted in the current year

At the date of authorisation of these financial statements for the year ended 30 June 2023, the following IFRSs were adopted:

Number	**Title**	**Effective for year commencing**	**Effect on Annual Financial statements**
Amendment to IAS 1 and IFRS Practice Statement 2	Presentation of Financial Statements: Disclosure of Accounting Policies - Requires companies to disclose their material accounting policy information rather than their significant accounting policies.	1-Jan-23	The standard does not have a material impact on the changes to accounting policies.
Amendment to IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors: The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates.	1-Jan-23	The standard does not have a material impact on the recognition of accounting estimates.
Amendment to IAS 12	Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction: The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	1-Jan-23	The standard does not have a material impact on the recognition of the deferred tax in the current financial year.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

5. Property, plant and equipment

Balances at year end and movements for the year

	Motor vehicles	Office furniture and equipment	Computer information systems	Owner occupied land & buildings - SAMRO Place	Total
Reconciliation for the year ended 30 June 2023 - Group					
Balance at 1 July 2022					
At cost or revaluation	1 926	12 018	4 341	120 691	**138 976**
Accumulated depreciation	(997)	(6 966)	(1 690)	(31 141)	**(40 794)**
Carrying amount	**929**	**5 052**	**2 651**	**89 550**	**98 182**
Movements for the year ended 30 June 2023					
Additions from acquisitions	795	17	1 249	-	**2 062**
Depreciation	(323)	(528)	(864)	(2 371)	**(4 086)**
Revaluation increase / (decrease)	-	39	-	7 621	**7 660**
Disposals - net	-	(353)	(232)	-	**(585)**
Property, plant and equipment at the end of the year	**1 401**	**4 227**	**2 804**	**94 800**	**103 232**
Closing balance at 30 June 2023					
At cost or revaluation	2 721	10 131	4 211	128 313	**145 376**
Accumulated depreciation	(1 320)	(5 904)	(1 407)	(33 513)	**(42 144)**
Carrying amount	**1 401**	**4 227**	**2 804**	**94 800**	**103 232**
Reconciliation for the year ended 30 June 2022 - Group					
Balance at 1 July 2021					
At cost or revaluation	2 130	11 864	3 581	125 200	**142 775**
Accumulated depreciation	(854)	(6 449)	(2 173)	(28 500)	**(37 976)**
Carrying amount	**1 276**	**5 415**	**1 408**	**96 700**	**104 799**
Movements for the year ended 30 June 2022					
Additions from acquisitions	-	-	2 031	-	**2 031**
Depreciation	(257)	(555)	(681)	(2 642)	**(4 135)**
Revaluation increase / (decrease)	-	192	-	9 142	**9 334**
Disposals - net	(90)	-	(96)	-	**(186)**
Decrease through deregistration of SAMRO Foundation*	-	-	(11)	-	**(11)**
	929	5 052	2 651	103 200	**111 832**
Asset classified as held for sale	-	-	-	(13 650)	**(13 650)**
Property, plant and equipment at the end of the year	**929**	**5 052**	**2 651**	**89 550**	**98 182**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Property, plant and equipment continued...

Closing balance at 30 June 2022					
At cost or revaluation	1 926	12 018	4 341	120 691	**138 976**
Accumulated depreciation	(997)	(6 966)	(1 690)	(31 141)	**(40 794)**
Carrying amount	**929**	**5 052**	**2 651**	**89 550**	**98 182**
Reconciliation for the year ended 30 June 2023 - Company					
Balance at 1 July 2022					
At cost or revaluation	1 926	11 403	4 341	-	**17 670**
Accumulated depreciation	(997)	(6 532)	(1 690)	-	**(9 219)**
Carrying amount	**929**	**4 871**	**2 651**	**-**	**8 451**
Movements for the year ended 30 June 2023					
Additions from acquisitions	795	17	1 249	-	**2 062**
Depreciation	(323)	(476)	(864)	-	**(1 663)**
Revaluation increase / (decrease) - Paintings	-	39	-	-	**39**
Disposals - net	-	(353)	(232)	-	**(585)**
Property, plant and equipment at the end of the year	**1 401**	**4 098**	**2 804**	**-**	**8 303**
Closing balance at 30 June 2023					
At cost or revaluation	2 721	9 726	4 211	-	**16 658**
Accumulated depreciation	(1 320)	(5 628)	(1 407)	-	**(8 355)**
Carrying amount	**1 401**	**4 098**	**2 804**	**-**	**8 303**
Reconciliation for the year ended 30 June 2022 - Company					
Balance at 1 July 2021					
At cost or revaluation	2 130	11 249	3 472	-	**16 851**
Accumulated depreciation	(854)	(6 075)	(2 075)	-	**(9 004)**
Carrying amount	**1 276**	**5 174**	**1 397**	**-**	**7 847**
Movements for the year ended 30 June 2022					
Additions from acquisitions	-	-	2 031	-	**2 031**
Depreciation	(257)	(495)	(680)	-	**(1 432)**
Revaluation increase / (decrease) - Musical instruments	-	192	-	-	**192**
Disposals - net	(90)	-	(96)	-	**(186)**
Property, plant and equipment at the end of the year	**929**	**4 871**	**2 651**	**-**	**8 451**
Closing balance at 30 June 2022					
At cost or revaluation	1 926	11 403	4 341	-	**17 670**
Accumulated depreciation	(997)	(6 532)	(1 690)	-	**(9 219)**
Carrying amount	**929**	**4 871**	**2 651**	**-**	**8 451**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

Property, plant and equipment continued...

*During the 2022 financial year, the group's board of directors had instructed that SAMRO Foundation be deregistered as a company and rather that the operations will continue under SAMRO NPC as a separate cost centre.

Revaluation of paintings:

The revaluation of the paintings was done by an independent valuer as at 30 June 2023. The Sales comparison approach to value was the valuation method adopted by the independent valuer as at 30 June 2023. The valuation was based on fair market values at the time which was the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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

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

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

Paintings	158	170	158	170

Land and buildings

SAMRO Place

A nine storey office block on ERFs 4518, 2896, 2897, 2898, 2899, 2900, 2901 and 2902 Johannesburg Township, Registration Division I.R. Transvaal. The building was purchased effective 1 February 2008 for a consideration of R56 000 000. Transfer costs of R160 000 were incurred in the transaction. The building has been refurbished and to date R65 167 278 refurbishment costs have been incurred.

During the 2022 financial year, the board of SAMRO NPC had decided to sell a portion of the land and buildings (ERF 2896, 2897, 2898, 2899, 2900, 2901, and 2902, aka the Northern parking lot) belonging to SAMRO House Proprietary Limited. As such the Northern parking lot was reclassified as held for sale as at 30 June 2022. The 30 June 2022 held for sale value was at a market value of R13 650 000, as per the valuation performed by Ockert Brits, a registered Professional Valuer with registration number 6876/7 in terms of the Property Valuer’s Profession Act, (Act No 47 of 2000). The offer to purchase in respect of this portion of the land and buildings was signed by the purchaser and SAMRO House on 23 September 2022. The full payment of R18 973 076 in respect of the sale of the Northern parking lot was received by SAMRO House Proprietary Limited on 26 January 2023.

The remaining portion of the building on ERF 4518 Johanesburg, was last valued on 30 June 2023 by Ockert Brits, a registered Professional Valuer with registration number 6876/7 in terms of the Property Valuer’s Profession Act, (Act No 47 of 2000). The market value was estimated to be R94 800 000.

The valuation is based on fair market values which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Fair Value Estimation

The building has been categorised as a level 2 fair value asset. This means that the fair value is based on inputs that are observable. Inputs used in arriving at the fair value of the building include gross rentals earned, rental space available, advertising revenue as well as estimated annual operating expenses.

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

Property, plant and equipment continued...

For the purpose of determining the Market Value for the subject property the Income Approach based on the Discounted Cash Flow Method has been used. The Discounted Cash Flow (DCF) Method takes into account the time value of money between the valuation date and the date when the income stream theoretically reverts to prevailing market levels. Properties are valued by discounting the expected future net income for a specific period at an appropriate discount rate (or total rate of return) to give the present value (PV) of the expected net income cash flow. To this figure, an applicable final discounted residual or reversionary value is added.

As at 30 June 2023 the significant inputs observable were as follows:
- A weighted rental decline of 0.47% (2022: growth of 6.74%)
- A revisionary capitalisation rate of between 9% and 10% (2022: 9% and 10%)
- A market risk adjusted discount rate of 9.75% (2022: 9.0%)

The table below indicates the sensitivities of the aggregate property values for the following changes to assumptions:

	Increase R'000	Decrease R'000
5% change in the net cash flows	4 782	(4 702)
50bps change in the discount rate	(4 586)	5 167

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

	Group 2023	Group 2022	Company 2023	Company 2022
Land and buildings	75 940	91 961	-	-

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

6. Intangible assets

6.1 Reconciliation of changes in intangible assets

	Computer software development costs	Total
Reconciliation for the year ended 30 June 2023 - Group		
Balance at 1 July 2022		
At cost	146 368	**146 368**
Accumulated amortisation	(120 067)	**(120 067)**
Carrying amount	**26 301**	**26 301**
Movements for the year ended 30 June 2023		
Business System Replacement Project development costs	7 766	**7 766**
Amortisation	(6 741)	**(6 741)**
*Impairment loss recognised in profit or loss	(11 522)	**(11 522)**
Disposals - net	(52)	**(52)**
Intangible assets at the end of the year	**15 752**	**15 752**
Closing balance at 30 June 2023		
At cost	153 407	**153 407**
Accumulated amortisation and impairment	(137 655)	**(137 655)**
Carrying amount	**15 752**	**15 752**
Reconciliation for the year ended 30 June 2022 - Group		
Balance at 1 July 2021		
At cost	140 585	**140 585**
Accumulated amortisation	(104 419)	**(104 419)**
Carrying amount	**36 166**	**36 166**
Movements for the year ended 30 June 2022		
Business system replacement project development costs	6 040	**6 040**
Other additions from acquisitions	192	**192**
Amortisation	(16 080)	**(16 080)**
Disposals - net	(17)	**(17)**
Intangible assets at the end of the year	**26 301**	**26 301**
Closing balance at 30 June 2022		
At cost	146 368	**146 368**
Accumulated amortisation	(120 067)	**(120 067)**
Carrying amount	**26 301**	**26 301**
Reconciliation for the year ended 30 June 2023 - Company		
Balance at 1 July 2022		
At cost	146 368	**146 368**
Accumulated amortisation	(120 067)	**(120 067)**
Carrying amount	**26 301**	**26 301**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Intangible assets continued...

Movements for the year ended 30 June 2023		
Business System Replacement Project development costs	7 766	**7 766**
Amortisation	(6 741)	**(6 741)**
*Impairment loss recognised in profit or loss	(11 522)	**(11 522)**
Disposals - net	(52)	**(52)**
Intangible assets at the end of the year	**15 752**	**15 752**
Closing balance at 30 June 2023		
At cost	153 407	**153 407**
Accumulated amortisation and impairment	(137 655)	**(137 655)**
Carrying amount	**15 752**	**15 752**
Reconciliation for the year ended 30 June 2022 - Company		
Balance at 1 July 2021		
At cost	140 585	**140 585**
Accumulated amortisation	(104 419)	**(104 419)**
Carrying amount	**36 166**	**36 166**
Movements for the year ended 30 June 2022		
Business system replacement project development costs	6 040	**6 040**
Other additions from acquisitions	192	**192**
Amortisation	(16 080)	**(16 080)**
Disposals - net	(17)	**(17)**
Intangible assets at the end of the year	**26 301**	**26 301**
Closing balance at 30 June 2022		
At cost	146 368	**146 368**
Accumulated amortisation	(120 067)	**(120 067)**
Carrying amount	**26 301**	**26 301**

* Microsoft had confirmed that it will no longer support Dynamics AX as from October 2023. Therefore, SAMRO had engaged with an external service provider in FY22 to assist with the development of a new core system (for the Distributions and Member services departments). However, the new core system as developed thus far by this external service provider had not met the development criteria/needs as required by SAMRO. The SAMRO board made a decision on 21 July 2023 to discontinue the services provided by this external service provider. As a result, SAMRO has impaired the total amount of the development costs incurred up to 30 June 2023. The impairment charge for FY23 amounted to R11 522 075.09.

Change in accounting estimate

Microsoft will discontinue support for the Dynamics AX ERP system in October 2023. However, SAMRO will still be able to use Dynamics AX with the support provided by the internal IT department until the new core system (for the Distributions and Member Services departments) is developed and ready for use. The remaining useful life of Dynamics AX was thus reassessed to 3 years as at 01 July 2022 and the remaining useful life as at 30 June 2023 is 2 years.

The effect of the change in the useful life of the database is that it decreased the amortisation expense from R16.0 million to R6.7 million. The amortisation expense for the next 2 years will remain at R6.7 million per annum.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

Intangible assets continued...

6.2 Contractual commitments for acquisition of intangible assets

Computer software development costs	13 806	6 040	13 806	6 040
**Accumulated impairment	(11 522)	-	(11 522)	-
	2 284	**6 040**	**2 284**	**6 040**

SAMRO is currently in the process of replacing the Dynamix AX ERP system. The new system will include the system replacements for Licensing, Member Services, Distributions, and Finance. The new Licensing and Finance systems are expected to be implemented and be in use during the 2024 financial year.

**Microsoft had confirmed that it will no longer support Dynamics AX as from October 2023. Therefore, SAMRO had engaged with an external service provider in FY22 to assist with the development of a new core system (for the Distributions and Member services departments). However, the new core system as developed thus far by this external service provider had not met the development criteria/needs as required by SAMRO. The SAMRO board made a decision on 21 July 2023 to discontinue the services provided by this external service provider. As a result, SAMRO has impaired the total amount of the development costs incurred up to 30 June 2023. The impairment charge for FY23 amounted to R11 522 075.09.

The group had committed itself to capital expenditure of R6 284k in the 2023 financial year for Business System Replacement Project development costs which had been contracted for and had be financed from its existing cash resources. The group has committed itself to expenditure in the 2024 financial year iro the development of the new Distribution and Member services systems that will be developed internally over the next 2 years.

7. Investment in subsidiaries

Investments in subsidiaries	-	-	174	174

7.1 Investment in subsidiaries

7.1.1 Shares at cost

Name of subsidiary	Nature of business	Shares at cost	
*SAMRO House Holdings Proprietary Limited	Investment holding	174	174
Total cost of shares		**174**	**174**

*Principal place of business: SAMRO Place, South Africa

7.1.2 Issued share capital and interest held for these subsidiaries are as follows:

	Issued share capital 2023 R	Issued share capital 2022 R	Effective holding 2023 %	Effective holding 2022 %
*SAMRO House Holdings Proprietary Limited	1 000	1 000	100%	100%
SAMRO House Proprietary Limited	200	200	100%	100%

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

8. Financial assets

8.1 Carrying amount of financial assets by category

	At fair value through profit or loss	At amortised cost	At fair value through other comprehensive income	Total
Year ended 30 June 2023 - Group				
Investments (Note 11)	98 170	-	161 713	**259 883**
Trade and other receivables (Note 9)	-	82 603	-	**82 603**
Cash and cash equivalents (Note 13)	-	720 898	-	**720 898**
	98 170	**803 501**	**161 713**	**1 063 384**

	At fair value through profit or loss	At amortised cost	At fair value through other comprehensive income	Total
year ended 30 June 2022 - Group				
Investments (Note 11)	81 975	-	133 501	**215 476**
Trade and other receivables (Note 9)	-	70 041	-	**70 041**
Cash and cash equivalents (Note 13)	-	517 219	-	**517 219**
	81 975	**587 260**	**133 501**	**802 736**

	At fair value through profit or loss	At amortised cost	At fair value through other comprehensive income	Total
Year ended 30 June 2023 - Company				
Investments (Note 11)	98 170	-	161 713	**259 883**
Loan to group company (Note 12)	-	169 699	-	**169 699**
Trade and other receivables (Note 9)	-	94 212	-	**94 212**
Cash and cash equivalents (Note 13)	-	720 173	-	**720 173**
	98 170	**984 084**	**161 713**	**1 243 967**

	At fair value through profit or loss	At amortised cost	At fair value through other comprehensive income	Total
year ended 30 June 2022 - Company				
Investments (Note 11)	81 975	-	133 501	**215 476**
Loan to group company (Note 12)	-	178 970	-	**178 970**
Trade and other receivables (Note 9)	-	81 745	-	**81 745**
Cash and cash equivalents (Note 13)	-	516 655	-	**516 655**
	81 975	**777 370**	**133 501**	**992 846**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

9. Trade and other receivables

Gross trade debtors	82 004	54 594	81 298	53 287
Loss allowance	(20 356)	(19 740)	(7 994)	(6 682)
Trade debtors - net	61 648	34 854	73 304	46 605
*Other receivables	20 955	35 187	20 908	35 140
	82 603	70 041	94 212	81 745

*Other receivables include accrued revenue, prepayments & staff debtors.

The standard credit period is 30 days. It is considered default on the debtor's part should outstanding balances go beyond the 30 day credit period. A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 – Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery.

The loss allowance for trade receivables is measured by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses (ECL) on trade receivables. These lifetime expected credit losses are estimated by making use of the past default experience of debtors but also incorporates forward-looking information and general economic conditions as at the reporting date. The independent actuaries (Matlotlo Actuaries & Quants), when determining the ECL for the financial year ended 30 June 2023, have not adjusted the historical loss rates for forward looking macro-economic factors as they do not have a basis to believe the underlying debtors will, on average, experience better or worse economic conditions than the historic period assessed.

When determining the ECL on trade receivables, the actuaries divided the trade receivables into sub-groups: Trade receivables that have been handed over to Legal (i.e. credit sales that are over 91 days from the date of the transaction) and Ordinary trade receivables (i.e. all other trade receivables). The outstanding receivables were also allocated to the age profiles as stated below. To determine the amounts that were exposed to loss (i.e. exposure) in a particular age bucket, the initial credit sales were reduced by the payments received before the debt age bucket. The unpaid amount represents the amount to be written off. To determine the loss rates for the exposure in each age bucket, the written off amount was divided by the exposure. The expected credit loss of each sub-group was then calculated by multiplying the current gross receivable balance by the loss rate. Once the expected credit losses of each age profile for the receivables was calculated, all the expected credit losses of each age profile was added together to determine the total expected credit loss of the outstanding debtors.

The current year and prior year aging are disclosed as follows:

	Gross carrying amount R000	Weighted average ECL R000	Expected loss rate %	Loss allowance R000
Group				
At 30 June 2023				
Due - 1 to 30 days	35 145	(13)	0%	(13)
Past due by 31 to 60 days	1 801	(65)	4%	(65)
Past due by 61 to 90 days	5 680	(62)	1%	(62)
Past due by more than 90 days	39 378	(20 217)	51%	(20 217)
Total	**82 004**	**(20 356)**		**(20 356)**
At 30 June 2022				
Due - 1 to 30 days	14 713	(32)	0%	(32)
Past due by 31 to 60 days	1 615	(45)	3%	(45)
Past due by 61 to 90 days	1 834	(45)	2%	(45)
Past due by more than 90 days	36 433	(19 618)	54%	(19 618)
Total	**54 594**	**(19 740)**		**(19 740)**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

Trade and other receivables continued...

	Gross carrying amount R000	Weighted average ECL R000	Expected loss rate %	Loss allowance R000
Company				
At 30 June 2023				
Due - 1 to 30 days	34 831	-	0%	-
Past due by 31 to 60 days	1 588	-	0%	-
Past due by 61 to 90 days	5 598	-	0%	-
Past due by more than 90 days	39 281	(7 994)	20%	(7 994)
Total	**81 298**	**(7 994)**		**(7 994)**
At 30 June 2022				
Due - 1 to 30 days	14 543	-	0%	-
Past due by 31 to 60 days	1 447	-	0%	-
Past due by 61 to 90 days	1 777	-	0%	-
Past due by more than 90 days	35 520	(6 682)	19%	(6 682)
Total	**53 287**	**(6 682)**		**(6 682)**

Trade and other receivables do not attract interest and are payable within 30 days from the date of invoice. As a practical expedient, the transaction price is not adjusted for the effects of any financing component if, at contract inception with the broadcaster, the expectation is that the period between recognition of an account receivable and broadcaster payment is one year or less.

In addition, receivable balances are monitored on an ongoing basis. The maximum credit risk exposure on receivables is the carrying amount.

All amounts are short-term. The carrying values of trade and other receivables reasonably approximates fair value.

Movements in impairment of trade and other receivables are as follows:

	Group 2023	Group 2022	Company 2023	Company 2022
At the beginning of the year	19 740	69 908	6 682	56 569
Written off during the year	(4 119)	(31 470)	(3 515)	(30 926)
Charge for the year	4 735	(18 697)	4 827	(18 961)
At the end of the year	**20 356**	**19 740**	**7 994**	**6 682**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

10. Deferred tax

Reconciliation of deferred tax movements

Group	Deferred tax	Total
Opening balance at 1 July 2022	846	**846**
Movements during the year attributable to temporary differences on:		
Provisions	(111)	**(111)**
Revaluation of land and buildings	(1 134)	**(1 134)**
Income received in advance	(7)	**(7)**
Closing balance at 30 June 2023	**(406)**	**(406)**
Opening balance at 1 July 2021	2 400	**2 400**
Movements during the year attributable to temporary differences on:		
Provisions	(53)	**(53)**
Revaluation of land and buildings	(1 480)	**(1 480)**
Income received in advance	4	**4**
Disposal of subsidiary (i.e. DALRO)	(25)	**(25)**
Closing balance at 30 June 2022	**846**	**846**

Company	Deferred tax	Total
Opening balance at 1 July 2022	-	**-**
Movements during the year	-	**-**
Closing balance at 30 June 2023	**-**	**-**
Opening balance at 1 July 2021	-	**-**
Movements during the year	-	**-**
Closing balance at 30 June 2022	**-**	**-**

The deferred tax closing balance for the company (SAMRO NPC) is nil for the current and prior financial years due to the company's tax exemption status that was obtained during the 2021 financial year.

	Group 2023	Group 2022	Company 2023	Company 2022
Deferred tax (Liability)/ Asset	**(406)**	**846**	**-**	**-**
Closing balance	**(406)**	**846**	**-**	**-**
The closing balance comprises:				
Provisions	79	190	-	-
Revaluation of land and buildings	(485)	649	-	-
Income received in advance	-	7	-	-
	(406)	**846**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022
11. Investments				
Financial assets	259 883	215 476	259 883	215 476
Listed investments				
Shares at fair value	126 073	106 595	126 073	106 595
Gilts and bonds	35 639	26 906	35 639	26 906
Total listed securities	**161 712**	**133 501**	**161 712**	**133 501**
Unlisted securities				
Asset swaps	76 625	61 990	76 625	61 990
Unit trusts	21 545	19 986	21 545	19 986
Total unlisted securities	**98 170**	**81 975**	**98 170**	**81 975**
Total investments	**259 882**	**215 476**	**259 882**	**215 476**
Financial assets at Fair value through Other comprehensive income:				
South African Equities	98 959	85 749	98 959	85 749
Gilts and bonds	35 639	26 906	35 639	26 906
Foreign equity	27 114	20 846	27 114	20 846
	161 712	**133 501**	**161 712**	**133 501**
***Financial assets at Fair value through Profit or loss:**				
Asset swaps	76 625	61 990	76 625	61 990
Unit trusts	21 545	19 986	21 545	19 986
	98 170	**81 975**	**98 170**	**81 975**
Total investments at the end of the year	**259 882**	**215 476**	**259 882**	**215 476**

A register of listed and unlisted investments is available for inspection by members.

The group's exposure to credit risk from investments arises from default of the counterparties. The maximum exposure to the group equals the carrying amount of these instruments. Refer to note 35.2 and note 35.1.3 for further disclosure on credit risk and fair value respectively. The group's exposure to interest rate risk on investments is variable, dependant on the prevailing interest rate as indicated by the South African Reserve Bank, with the exception of interest generated from government bonds, which are fixed at a rate of 8.25%. The group's investment decisions are made by the investment committee through investment guidelines.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

12. Loan to group company

SAMRO House Holdings Proprietary Limited	-	-	186 147	199 797
Impairment/ Loss allowance	-	-	(16 448)	(20 827)
	-	**-**	**169 699**	**178 970**
Non-current assets	-	-	169 699	178 970
Current assets	-	-	-	-
	-	**-**	**169 699**	**178 970**

All loans are unsecured, have no fixed repayment terms and are interest free.

The loan to SAMRO House Holdings Proprietary Limited has been subordinated in favour of other creditors of the borrower, until such time as its assets, fairly valued, exceed its liabilities.

Exposure to Credit Risk

Loans receivable inherently expose the Company to credit risk, being the risk that the Company will incur financial loss if counterparties fail to make payments as they fall due.

Loans receivable are subject to the impairment provisions of IFRS 9 – Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for Group loans receivable is calculated based on 12-month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses.

The loss allowance is updated to either 12-month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition.

The independent actuaries determined the expected credit loss on the loans receivable as the product of probability of default, loss given default and the value of the loans discounted for time value of money. The probability of default was determined by taking the average of probabilities of defaults by Standards & Poor's and Moody’s. The loss given default estimate was based on 30 June 2022 financial statements. The discount rate was based on a zero-yield curve bootstrapped from Government bonds yields by the Johannesburg Stock Exchange. The outstanding term of the loan was maintained at 15 years which is consistent with the last valuation (30 June 2022). The actuaries have noted a significant reduction in the loan balance. Should this continue, the actuaries will revise the loan terms in the next valuation.

The maximum exposure to credit risk is the gross carrying amount of the loans as presented below. The Company does not hold collateral against group loans receivable.

Credit Loss Allowances

The loss allowance is measured by applying the general approach which is prescribed by IFRS 9. The following table sets out the carrying amount, loss allowance and measurement basis of expected credit losses for loans receivable:

Instrument	**Carrying amount**	**Loss allowance**	**Amortised cost**
	R'000	**R'000**	**R'000**
SAMRO House Holdings Proprietary Limited	186 147	(16 448)	169 699

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

Loan to group company continued...

Movements in impairment of loan to group company are as follows:

At the beginning of the year	-	-	20 827	12 141
Charge for the year	-	-	(4 379)	8 686
At the end of the year	**-**	**-**	**16 448**	**20 827**

13. Cash and cash equivalents

Cash on hand and balances with banks	708 646	504 029	707 921	503 465
Short term investments	12 252	13 190	12 252	13 190
	720 898	**517 219**	**720 173**	**516 655**

All amounts are short-term. The carrying values of cash and cash equivalents reasonably approximates fair value.

Management has assessed the expected credit loss of cash and cash equivalents and determined it to be immaterial as the balances are held by reputable financial institutions.

Cash and cash equivalents are invested with the following institutions as at 30 June 2023:

	Credit rating	
	2023	**2022**
Standard Bank	Ba2	Ba2
ABSA	Ba2	Ba2
Nedbank	Ba2	Ba2
Investec	Ba2	Ba2
FNB	Ba2	Ba2

14. Assets classified as held for sale

During the 2022 financial year, the board of SAMRO NPC had decided to sell a portion of the land and buildings (ERF 2896, 2897, 2898, 2899, 2900, 2901, and 2902, aka the Northern parking lot) belonging to SAMRO House Proprietary Limited. As such the Northern parking lot was reclassified as held for sale as at 30 June 2022. The 30 June 2022 held for sale value was at a market value of R13 650 000, as per the valuation performed by Ockert Brits, a registered Professional Valuer with registration number 6876/7 in terms of the Property Valuer's Profession Act, (Act No 47 of 2000). The offer to purchase in respect of this portion of the land and buildings was signed by the purchaser and SAMRO House on 23 September 2022. The full payment of R18 973 076 in respect of the sale of the Northern parking lot was received by SAMRO House Proprietary Limited on 26 January 2023. Refer note 5 for the details regarding the Northern Parking lot sale.

The criteria for the recognition of impairment for the Northern parking lot were considered by management at 30 June 2022, but an impairment charge was not considered to be necessary. No further costs related to the Northern Parking lot were incurred nor recognised in the Statement of Comprehensive Income as at 30 June 2022.

Non-current assets				
Property, plant and equipment	-	13 650	-	-

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

15. Reserves

15.1 Classification of reserves

Revaluation surplus	23 973	16 313	1 650	1 611
Mark - to - market reserve	100 225	79 923	100 225	79 923
Total reserves	**124 198**	**96 236**	**101 875**	**81 534**

15.2 Revaluation surplus

At the beginning of the year	16 313	5 708	1 611	1 419
Revaluation of Paintings (2023)/ Musical instruments (2022)	39	192	39	192
Revaluation of land and buildings	7 621	9 142	-	-
Transfer from Retained income	-	1 271	-	-
At the end of the year	**23 973**	**16 313**	**1 650**	**1 611**

15.3 Mark - to - market reserve

Investments adjusted at fair value through OCI

Total investment at fair value	259 883	215 476	259 883	215 476
Total investment at cost	(125 074)	(117 466)	(125 074)	(117 466)
Sale of gold bracelets	-	214	-	214
Cumulative impact of Fair value adjustment on Unit Trusts - from OCI to profit	(34 584)	(18 301)	(34 584)	(18 301)
Total unrealised gain at the end of the year	**100 225**	**79 923**	**100 225**	**79 923**

Total unrealised gain at the beginning of the year	79 923	80 537	79 923	80 537
Fair value adjustment	20 302	(614)	20 302	(614)
Total unrealised gain at the end of the year	**100 225**	**79 923**	**100 225**	**79 923**

16. Trade and other payables

Accounts payable	46 131	33 905	44 842	32 411
Leave pay accrual	3 571	4 095	3 571	4 095
Bonus accrual	9 200	6 728	9 200	6 728
Total trade and other payables	**58 902**	**44 728**	**57 613**	**43 234**

Trade and other payables do not attract interest and are payable 30 days from the date of statement. All amounts are short-term. The carrying values of trade and other payables reasonably approximates fair value.

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.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

17. Financial liabilities

Carrying amount of financial liabilities by category

	At amortised cost	Total
Year ended 30 June 2023 - Group		
Trade and other payables excluding non-financial liabilities (Note 16)	58 902	**58 902**
	58 902	**58 902**
year ended 30 June 2022 - Group		
Trade and other payables excluding non-financial liabilities (Note 16)	44 728	**44 728**
	44 728	**44 728**
Year ended 30 June 2023 - Company		
Trade and other payables excluding non-financial liabilities (Note 16)	57 613	**57 613**
year ended 30 June 2022 - Company		
Trade and other payables excluding non-financial liabilities (Note 16)	43 234	**43 234**
	43 234	**43 234**

18. Social and cultural obligations

	Group 2023	Group 2022	Company 2023	Company 2022
Social and cultural obligations	45 068	33 461	45 068	33 461
Balance at the beginning of the year	33 461	20 231	33 461	24 991
Utilisation during the year	(14 377)	(8 913)	(14 377)	(8 913)
SAMRO Foundation disposal	-	4 760	-	-
Current funding for the year	25 984	17 383	25 984	17 383
Balance at the end of the year	**45 068**	**33 461**	**45 068**	**33 461**

18.1 Social Obligations

	Group 2023	Group 2022	Company 2023	Company 2022
Other social funds not included in distributions				
Balance at the beginning of the year	16 351	9 817	16 351	9 817
Utilisation during the year	(12 543)	(8 242)	(12 543)	(8 242)
Current funding for the year	12 992	14 776	12 992	14 776
Balance at the end of the year	**16 800**	**16 351**	**16 800**	**16 351**
Total social funds	**16 800**	**16 351**	**16 800**	**16 351**

Notes to the Consolidated and Separate Financial Statements

Social and cultural obligations continued...

18.2 Cultural obligations

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022
SAMRO Foundation and related provisions				
Balance at the beginning of the year	15 125	8 330	15 125	13 189
Utilisation during the year	(1 834)	(572)	(1 834)	(671)
SAMRO Foundation reserves absorbed	-	4 760	-	-
Current funding for the year	12 992	2 607	12 992	2 607
Balance at the end of the year	**26 283**	**15 125**	**26 283**	**15 125**
Bequests and donations				
Balance at the beginning of the year	1 985	2 084	1 985	1 985
Utilisation during the year	-	(99)	-	-
Current funding for the year	-	-	-	-
Balance at the end of the year	**1 985**	**1 985**	**1 985**	**1 985**
Total cultural funds	**28 268**	**17 110**	**28 268**	**17 110**
Total social and cultural funds	**45 068**	**33 461**	**45 068**	**33 461**

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

19. Post employment medical benefits

Net liability reconciliation:

Opening balance of the liability	27 305	27 500	27 305	27 500
Income statement charge	873	(195)	873	(195)
*Benefits paid	(9 865)	-	(9 865)	-
Closing balance of the liability	**18 313**	**27 305**	**18 313**	**27 305**
Current portion of the liability	1 340	11 121	1 340	11 121
Long term portion of the liability	16 973	16 184	16 973	16 184
	18 313	**27 305**	**18 313**	**27 305**

Former employees (i.e. retirees) of SAMRO participate in the Discovery Health Medical Scheme, administered by Discovery Health (Pty) Ltd. Members who joined the company before 1 January 2003 are eligible for a subsidy of medical scheme contributions in retirement. Eligible members are entitled to a 60% subsidy of medical scheme contributions, including savings. This subsidy benefit is unfunded.

Present value of obligations:				
Opening balance	27 305	27 500	27 305	27 500
Current service cost	199	344	199	344
Interest cost	1 575	1 375	1 575	1 375
Benefits expected to be paid	(11 297)	(1 328)	(11 297)	(1 328)
Actuarial loss/ (gain) on obligation	531	(586)	531	(586)
Closing balance of employment medical benefits	**18 313**	**27 305**	**18 313**	**27 305**

Income statement charge:				
Current service cost	199	344	199	344
Interest cost	1 575	1 375	1 575	1 375
Benefits expected to be paid	(11 297)	(1 328)	(11 297)	(1 328)
Actuarial loss/ (gain) on obligation	531	(586)	531	(586)
Benefits paid	9 865	-	9 865	-
	873	**(195)**	**873**	**(195)**

Present value of obligations per demographic:

2023 - Group and Company	**Continuation Members**	**In-Service Members**	**Total**
Opening balance	17 412	9 893	27 305
Current service cost	-	199	199
Interest cost	1 226	348	1 575
Benefits paid/ expected to be paid	(1 432)	(9 865)	(11 297)
Actuarial (gain)/ loss on obligation	1 107	(576)	531
Decrement Experience	(498)	-	(498)
Benefit Option Changes	-	-	-
Contributions Increase	1 374	-	1 374
Membership changes	1 893	(1 893)	-
Economic Assumptions	(1 829)	-	(1 829)
Miscellaneous	167	1 316	1 484
Closing balance of employment medical benefits	**18 313**	**(0)**	**18 313**
Number of members	28	-	28
Average value per member	654	-	654

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

Post employment medical benefits continued...

2022 - Group and Company	Continuation Members	In-Service Members	Total
Opening balance	19 239	8 261	27 500
Current service cost	-	344	344
Interest cost	962	413	1 375
Benefits expected to be paid	(1 328)	-	(1 328)
Actuarial (gain)/ loss on obligation	(1 461)	875	(586)
Decrement Experience	(4 712)	570	(4 142)
Benefit Option Changes	-	468	468
Contributions Increase	131	(68)	63
Membership changes	3 702	-	3 702
Economic Assumptions	(481)	(95)	(577)
Miscellaneous	(100)	-	(100)
Closing balance of employment medical benefits	**17 412**	**9 893**	**27 305**
Number of members	28	19	47
Average value per member	622	521	581

The liability valuation was carried out by a firm of consulting actuaries at 30 June 2023 and is based on a Projected Unit Credit Method. There were 0 in service members (2022: 19) and 28 continuation members (2022: 28). The liability is calculated on a member by member basis, taking into account potential liabilities arising in respect of principal members and their spouses. For each member, the subsidy cash flow is projected for each probable year of payment using healthcare inflation. The cash flows are multiplied by the discount factor and the probability of payment and are summed to arrive at the expected present value of the liability. The liability accrues uniformly over each employee's service period. For in-service members the past service liability is determined by multiplying the full-service liability by the number of the years of service as a proportion of the total years of service from employment date to retirement date. The methodology aims to ensure a market consistent valuation of the liability, making reference to market rates, commonly used decrements assumptions in the life assurance industry and likely terms of the buy-out of the liability (i.e. the fair value cost if the liability were to be transferred to an independent third party).

The duration of the liability as at 30 June 2023 is 14.30 years.

The principal actuarial assumptions are as follows:

	Group 2023	Group 2022	Company 2023	Company 2022
Discount rate (per market yield curve)	8.4% - 14.3%	4.7% - 13.2%	8.4% - 14.3%	4.7% - 13.2%
Medical inflation rate (market inflation+2%)	6.2% - 10.7%	5.8% - 10.7%	6.2% - 10.7%	5.8% - 10.7%
Expected retirement age	65	65	65	65

The assumed rates of mortality are as follows:

During employment:	SA85-90 (Light) Ultimate table
Post-employment:	PA(90) Ultimate table rated down 3 years

Sensitivity analyses:

The estimate of the value of the provision is most sensitive to assumptions of future medical scheme contribution inflation and discount rates as set out below:

Post-Employment Medical Liability

	Health care cost inflation		
	Central Assumption 6.2% - 10.7%	-1%	+1%
Accrued liability 30 June 2023 (R000)	18 313	(1 291)	1 467
% change	-	-7.0%	+8.0%

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Post employment medical benefits continued...

	Discount rate		
	Central Assumption 8.4% - 14.3%	-1%	+1%
Accrued liability 30 June 2023 (R000)	18 313	+1 608	(1 392)
% change	-	+8.8%	-7.6%

	Expected retirement age		
	Central Assumption 65 years	1 year younger	1 year older
Accrued liability 30 June 2023 (R000)	18 313	-	-
% change	-	0.0%	0.0%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

A projection of results of the valuation as at 30 June 2022 to 30 June 2024 is set out below:

Year ending 30 June 2023	**Accrued Liability R000**
Accrued liability as at 30 June 2023	18 313
Interest Cost	1 740
Service Cost	-
Expected Employer Benefit Payments	(1 551)
Projected Accrued Liability as at 30 June 2024	**18 502**

Year ending 30 June 2022	**Accrued Liability R000**
Accrued liability as at 30 June 2022	27 305
Interest Cost	1 923
Service Cost	399
Expected Employer Benefit Payments	(1 264)
Projected Accrued Liability as at 30 June 2023	**28 363**

SAMRO NPC's existing cash resources should fund the cost of the entitlements expected to be earned on a yearly basis.

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

Post employment medical benefits continued...

The plan liability exposes SAMRO NPC to the following risks:
- Investment risk: The present value of the defined benefit obligation is calculated using a discount rate determined by reference to the market yield curve. The yield curve of interest rates used for discounting is as derived from market of trading government bond. Future inflation is also as implied by the market of nominal and inflation linked bonds. Both curves are sourced from the JSE Securities Exchange as at the valuation date.
- Interest risk: A decrease in the bond Interest rate will increase the plan liability.
- Inflation risk: There is no market to provide an objective expectation of future medical aid scheme contribution inflation. The medical aid contribution inflation depends on, amongst others, healthcare cost inflation and the financial viability of the underlying medical schemes plan. A higher inflation rate would increase the plan liability.
- Longevity risk: The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

*During October 2022, SAMRO NPC entered into negotiations with the 19 in-service employees who are eligible for the above subsidy of medical scheme contributions in retirement. The aim of the negotiations were to facilitate a buy-out in an attempt to reduce the post retirement medical benefit liability. The offer made to eligible employees was tax neutral in order to make the offer more attractive. 18 employees accepted the offer and the pay-out of R9.9m was made to these employees in December 2022. One employee retired in January 2023.

There were no other significant developments in the reporting period that impacted the liability.

20. Royalty distribution payments to members and affiliated societies

*Available for distribution at the end of the year	750 538	561 537	750 538	561 537
*Distributions in progress at the end of the year	290 387	276 337	290 387	276 337
	1 040 925	**837 874**	**1 040 925**	**837 874**
Available for distribution at the beginning of the year	(561 537)	(419 183)	(561 537)	(419 183)
Distribution in progress at the beginning of the year	(276 337)	(271 444)	(276 337)	(271 444)
- Shares in musical works	(28 066)	(25 977)	(28 066)	(25 977)
- Musical works	(248 271)	(245 467)	(248 271)	(245 467)
Add:				
Distribution expenses (License & Royalty)	(552 844)	(452 332)	(552 844)	(452 332)
Royalty distributions/ Undistributable income written back	87 734	52 008	87 734	52 008
Less:				
*Available for distribution at the end of the year	750 538	561 537	750 538	561 537
*Distributions in progress at the end of the year	290 387	276 337	290 387	276 337
- Shares in musical works	30 367	28 066	30 367	28 066
- Musical works	260 020	248 271	260 020	248 271
	(262 059)	**(253 077)**	**(262 059)**	**(253 077)**

*Excludes obligations linked to non-current assets held for sale

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

21. Non-licensing activities

(Increase)/ Decrease in related party balances

Opening balance of group loans	-	-	(187 656)	(180 766)
Closing balance of group loans	-	-	(174 006)	(187 656)
Decrease/ (Increase) in group loans	-	-	13 650	(6 890)
Add intercompany interest and fees	-	-	4 852	4 825
Indebtedness of subsidiaries	-	-	18 502	(2 065)
Interest	-	-	(4 349)	(4 349)
Administration, computer and management fees	-	-	(503)	(476)
Net Cash Inflow/ (Outflow To) from group companies	-	-	13 650	(6 890)

Loan to group company

Opening balance	-	-	(187 656)	(186 831)
Closing balance	-	-	(174 006)	(187 656)
Decrease/ (Increase) in loan to group company	-	-	13 650	(825)

Loan from group company

Opening balance	-	-	-	6 065
Closing balance	-	-	-	-
(Decrease) in loan from group company	-	-	-	(6 065)

22. Revenue

Music rights	568 182	490 417	568 182	490 417
Royalties from affiliated societies	25 507	24 498	25 507	24 498
SAMRO House rental income	6 002	5 719	-	-
Total revenue	**599 691**	**520 634**	**593 689**	**514 915**

23. Other income

Sundry income	1	-	1	-
Administration, computer and management fees from subsidiary companies	-	-	503	476
Interest on member loans advanced	997	1 041	997	1 041
Interest from subsidiary companies	-	-	4 349	4 349
Membership fee income	18	-	18	-
Bad debts recovered	1 694	1 179	1 664	1 157
Total other income	**2 710**	**2 220**	**7 532**	**7 023**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

24. Employee benefits expense

Personnel costs form part of operating expenses (refer note 26) and include:

Salaries and bonuses	90 919	76 932	90 100	76 230
Training	1 994	1 809	1 994	1 809
Social security levies	1 132	899	1 132	899
*Other employment costs	3 642	2 698	1 751	1 526
Pension - Defined contribution plans	9 616	8 697	9 616	8 697
Post-employment benefits	873	(195)	873	(195)
	108 176	**90 840**	**105 466**	**88 966**

*Other employment costs include medical aid contributions, workmen’s compensation, funeral cover contributions as well as staff functions and meeting expenses.

25. Other gains and (losses)

Profit/ (Loss) on disposal of property and equipment	4 832	78	(491)	78
Profit on sale of subsidiaries	-	3 685	-	3 685
(Loss)/ Gain on disposal of investments	(56)	173	(56)	173
Fair value gains and (losses) on unit trusts	16 283	(214)	16 283	(214)
Total other gains and (losses)	**21 059**	**3 722**	**15 736**	**3 722**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

26. Loss from operating activities

Loss from operating activities includes the following items:

Office rental and repairs[1]	6 454	4 453	5 328	5 089
Depreciation[1]	4 086	4 134	1 663	1 432
Amortisation[1]	6 741	16 079	6 741	16 079
^Other operating costs[3]	4 666	3 958	4 651	3 947
Professional fees[1]	2 547	1 795	2 250	1 659
IT costs[2]	4 236	3 181	4 172	3 126
Employee benefits[1] - Refer note 24	108 176	90 840	105 466	88 966
Marketing costs[1]	3 215	1 516	3 215	1 516
*Other costs[3]	17 092	11 433	15 369	9 753

^Other operating costs include Inspection and collection expenses, Insurance, Travel, Printing & stationery, Telecommunication expenses, etc.
*Other costs include bank charges, IT & HR consulting fees, recruitment fees, storage costs, subscription costs, and the write-off of sundry debtors (FY23: R4.9m, FY22: nil)

Auditors remuneration[2]				
Fees - current year	2 298	2 188	2 098	1 998
Fees - under provision previous years	884	868	884	868
	3 182	**3 056**	**2 982**	**2 866**
*****(Reversals of ECL)/ ECL[1]***				
ECL on Trade receivables	4 735	(18 699)	4 827	(18 961)
ECL on loan to group company	-	-	(4 379)	8 686
ECL - Non recovery of member advances	1 226	-	1 226	-
	5 961	**(18 699)**	**1 674**	**(10 275)**
***ECL (i.e. Expected credit losses)*				
******Impairment of Business System Replacement Project development costs[1]***	11 522	-	11 522	-
**** Refer note 6 for more detail*				
Investment management fees[1]	931	961	931	961
Social and Cultural expenses[1]				
Social	12 992	14 776	12 992	14 776
Cultural	12 992	2 607	12 992	2 607
	25 984	**17 383**	**25 984**	**17 383**

Notes:
[1] Included in Operating expenses
[2] Included in Administration expenses
[3] Included in Administration expenses and in Operating expenses

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022
27. Investment income				
Interest received from Banks	6 294	2 497	6 294	2 497
Interest from investments	32 489	13 090	32 488	13 063
Dividends	4 217	3 558	4 217	3 558
Total income from investments	**43 000**	**19 145**	**42 999**	**19 118**

28. Income tax expense

28.1 Income tax recognised in profit or loss:

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022
Current tax - S.A. Normal tax				
Current year	177	-	-	-
Total current tax	**177**	**-**	**-**	**-**
Deferred tax				
Changes in tax rates	-	31	-	-
Current year	1 252	1 498	-	-
Total deferred tax	**1 252**	**1 529**	**-**	**-**
Total income tax expense	**1 429**	**1 529**	**-**	**-**

28.2 The income tax for the year can be reconciled to the accounting (loss) / profit as follows:

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022
(Loss) / profit before tax from operations	(6 341)	3 355	-	-
Income tax calculated at 27.0% (2022: 28.0%)	(1 712)	939	-	-
Tax effect of				
Income not subject to tax[1]	(1 414)	(1 169)	-	-
Expenses not deductible for tax[2]	5 546	2 515	-	-
Tax loss utilised	(707)	-	-	-
Unrecognised tax loss	-	(423)	-	-
Permanent difference on fair value adjustment	(284)	(364)	-	-
Changes in tax rates	-	31	-	-
Tax charge	**1 429**	**1 529**	**-**	**-**

[1] Income not subject to tax includes interest received on intercompany loan and gains subject to capital gains tax (i.e. Profit on sale of investment property).

[2] Expenses not deductible for tax includes expenses of a capital nature, interest expense on intercompany loans as well expenses that are not incurred in the production of income.

The following change in taxation rates has been substantially enacted during the year: The South African corporate tax has changed from 28% to 27% for years of assessment ending on or after 31 March 2023.

Notes to the Consolidated and Separate Financial Statements

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29. Other comprehensive (income)/ loss

Disclosure of gross, tax and net other comprehensive (income)/ loss

	Gross other comprehen-sive income	Net other comprehen-sive income
year ended 30 June 2023 - Group		
Gain on revaluation of paintings and land and buildings	(7 660)	(7 660)
Changes in fair value of investments	(20 302)	(20 302)
Total other comprehensive income	**(27 962)**	**(27 962)**
year ended 30 June 2022 - Group		
Gain on revaluation of musical instruments and land and buildings	(9 334)	(9 334)
Changes in fair value of investments	614	614
Total other comprehensive income	**(8 720)**	**(8 720)**
year ended 30 June 2023 - Company		
Gain on revaluation of paintings	(39)	(39)
Changes in fair value of investments	(20 302)	(20 302)
Total other comprehensive income	**(20 341)**	**(20 341)**
year ended 30 June 2022 - Company		
Gain on revaluation of musical instruments	(192)	(192)
Changes in fair value of investments	614	614
Total other comprehensive income	**422**	**422**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

30. Key management emoluments

Directors emoluments and related payments

Payments to directors for the year ended 30 June 2023 for services rendered are as follows:

	Services as director R'000	Basic salary R'000	Other benefits[1] R'000	Bonuses R'000	Other services R'000	Total R'000
Executive directors						
Rosin M[2]	-	1 441	26	1 100	-	2 567
Scullion J[3]	-	1 750	-	483	-	2 233
Lebethe A[4]	-	1 100	-	-	-	1 100
Thomas L[5]	-	-	-	-	-	-
	-	**4 291**	**26**	**1 583**	**-**	**5 900**
Prescribed officers						
Mofikoe M	-	1 637	223	-	-	1 860
	-	**1 637**	**223**	**-**	**-**	**1 860**
Non-executive directors						
Alexander D[6]	65	-	-	-	-	65
Hill R^	446	-	-	-	-	446
Sithole S[7]	83	-	-	-	-	83
Maweni N	554	-	-	-	-	554
Mayekiso SL	448	-	-	-	-	448
Vilakazi SD	422	-	-	-	-	422
Thekisho TTS	98	-	-	-	-	98
Le Roux G	142	-	-	-	-	142
Naicker R	125	-	-	-	-	125
Miller P[8]	33	-	-	-	-	33
Mnguni N[9]	87	-	-	-	-	87
Bosman G*	25	-	-	-	-	25
	2 528	**-**	**-**	**-**	**-**	**2 528**
	2 528	**5 928**	**249**	**1 583**	**-**	**10 288**
Less: paid by subsidiary companies	-	-	-	-	-	-
Paid by holding company	**2 528**	**5 928**	**249**	**1 583**	**-**	**10 288**

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Key management emoluments continued...

Notes

[1] Other benefits comprise medical aid contributions, travel and other allowances
[2] End of contract 31 December 2022
[3] Resigned 28 April 2023
[4] Appointed 01 January 2023
[5] Appointed 01 July 2023
[6] Resigned 05 December 2022
[7] Resigned 28 December 2022
[8] Resigned 09 December 2022
[9] Resigned 20 April 2023
* Appointed 01 January 2023. Passed away 14 March 2023
^ Includes payments made to R Hill, for his services as director, that relate to prior periods

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

Key management emoluments continued...

Payments to directors for the year ended 30 June 2022 for services rendered are as follows:

	Services as director R'000	Basic salary R'000	Other benefits[1] R'000	Bonuses R'000	Other services R'000	Total R'000
Executive directors						
Rosin M	-	2 791	66	1 029	-	3 886
Scullion J	-	2 000	-	-	-	2 000
	-	**4 791**	**66**	**1 029**	**-**	**5 886**
Prescribed officers						
Nkosi C[2]	-	-	-	-	-	-
Serobe L[3]	-	-	-	-	-	-
Mofikoe M[4]	-	1 056	144	-	-	1 200
	-	**1 056**	**144**	**-**	**-**	**1 200**
Non-executive directors						
Alexander D	123	-	-	-	-	123
Hill R	-	-	-	-	-	-
Ngcobo L[5]	67	-	-	-	-	67
Oldfield W[5]	67	-	-	-	-	67
Sithole S	165	-	-	-	-	165
Maweni N	267	-	-	-	-	267
Mayekiso SL	218	-	-	-	-	218
Vilakazi SD	202	-	-	-	-	202
Thekisho TTS	124	-	-	-	-	124
Le Roux G[6]	59	-	-	-	-	59
Naicker R[6]	51	-	-	-	-	51
Miller P[6]	51	-	-	-	-	51
Mnguni M[6]	56	-	-	-	-	56
	1 450	**-**	**-**	**-**	**-**	**1 450**
	1 450	**5 847**	**210**	**1 029**	**-**	**8 536**
Less: paid by subsidiary companies	-	-	-	-	-	-
Paid by holding company	**1 450**	**5 847**	**210**	**1 029**	**-**	**8 536**

Notes

[1] Other benefits comprise medical aid contributions, travel and other allowances
[2] Resigned during FY2022
[3] No payments during FY2022
[4] Appointed November 2021
[5] Resigned 11 February 2022
[6] Appointed 10 December 2021

Notes to the Consolidated and Separate Financial Statements

Figures in R `000

31. Related parties

Individuals, as well as their close family members or entities, are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions or if the parties are jointly controlled.

Key management personnel are defined as related parties as are all directors of SAMRO and the main trading subsidiaries of the Group.

31.1 Group companies

Subsidiaries	Refer note 7.1

31.2 Related party transactions and balances

	Subsidiaries	Total
Year ended 30 June 2023		
Related party transactions		
Administration and management fees received - SAMRO House Holdings (Pty) Ltd	173	**173**
Administration and management fees received - SAMRO House (Pty) Ltd	330	**330**
	503	**503**
Interest received - SAMRO House Holdings (Pty) Ltd	4 349	**4 349**
Rental expense - SAMRO House (Pty) Ltd	5 326	**5 326**
Outstanding loan accounts		
SAMRO House Holdings (Pty) Ltd	186 147	**186 147**
	186 147	**186 147**
year ended 30 June 2022		
Related party transactions		
Administration and management fees received - SAMRO House Holdings (Pty) Ltd	164	**164**
Administration and management fees received - SAMRO House (Pty) Ltd	312	**312**
	476	**476**
Interest received - SAMRO House Holdings (Pty) Ltd	4 349	**4 349**
Rental expense - SAMRO House (Pty) Ltd	5 073	**5 073**
Outstanding loan accounts		
SAMRO House Holdings (Pty) Ltd	199 797	**199 797**
	199 797	**199 797**

The administration and management fees had initially been agreed upon by the Group at a market related rate and annual increases thereof are based on inflation.
Interest is charged at a nominal rate negotiated by both parties annually, the rate is set at 5.5% annually on the interest-bearing portion of the loan. The loan is unsecured and has no repayment terms.
The rental had initially been agreed upon by the Group at a market related rate and annual increases thereof are based on an agreed upon rate.

31.3 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.

Figures in R `000

Related parties continued...

31.3.1 Key management remuneration

Refer to note 30 for details on emoluments of key management.

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

32. Disposal of controlled entities in 2022 Financial year

32.1 Assets and liabilities over which control was lost

	*DALRO	**SAMRO Foundation	Total
Current assets			
Assets classified as held for sale	72 502	-	**72 502**
Current liabilities			
Social and Cultural obligations	-	4 760	**4 760**
Liabilities directly associated with assets held for sale	(72 994)	-	**(72 994)**
*****Assets and liabilities over which control was lost**	**(492)**	**4 760**	**4 268**

32.2 Gain/ (Loss) on disposal of subsidiaries

	*DALRO	**SAMRO Foundation	Total
Consideration received (Refer note 25)	3 685	-	**3 685**
Less: net assets disposed of	-	(4 760)	**(4 760)**
Gain or loss on disposal of subsidiaries	**3 685**	**(4 760)**	**(1 075)**

*The net assets of DALRO (R492k) were classified as held for sale as at 30 June 2021. The sale of DALRO was finally concluded during the 2022 financial year when the suspensive conditions were met.
**Company was deregistered during the financial year 2022.
***Refer Group Statement of Changes in Equity

32.3 Net cash flow from disposal of subsidiaries

	Group 2023	Group 2022	Company 2023	Company 2022
Consideration received in cash	-	3 685	-	3 685
Less net assets disposed of	-	(4 760)	-	-
Total net cash flow from disposal of subsidiaries	**-**	**(1 075)**	**-**	**3 685**

Notes to the Consolidated and Separate Financial Statements

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33. Events after the reporting date

After the reporting date, the board of directors approved a change to the distribution rules that will significantly affect distributions in progress (also referred to as undocumented works). Following this amendment, the royalty distributions that are to be successfully paid out to members during a primary distribution are expected to increase, whilst the distribution in progress liability on our balance sheet is expected to reduce. Full details of this amendment will be communicated to members at the AGM to be held on 7 December 2023.

At the date of this report, SAMRO is in the process of re-negotiating the terms of the renewal of an annual licensing agreement with one of its major licensees. This may have a significant impact on licensing revenue. Management of SAMRO have considered the impact of this during their assessment of Going concern in note 34.

34. Going concern

Company revenue has increased by 15% compared to the prior year and it is estimated that licensing revenue may increase by 9.8% during FY2024 compared to FY2023. The directors are consistently monitoring the financial performance, liquidity and solvency in order to ensure the company's ability to continue as a going concern. Operational costs will continue to be tightly controlled to mitigate any possible impact of reduced revenue levels. The directors have reviewed the company’s forecasts for the next twelve months and are satisfied that the company has adequate financial resources to continue as a going concern.

As at 30 June 2023, the group’s total assets exceed its liabilities by R28.2 million, and as at 30 June 2022, the groups’ total assets exceeded its liabilities by R8.0 million.
The group made a loss of R7.8 million for the year (2022: profit of R1.8 million).
The directors have reviewed the company and group’s cash flow forecast for the year to 30 June 2024 and, in light of this review and available credit facilities, including other liquid assets, they are satisfied that the company and group has or had access to adequate resources to continue in operational existence for the foreseeable.

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 investments at fair value through OCI which arise directly from its operations.

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

The board of directors review and agree the policies for managing each of these risks, which are summarised below.

Notes to the Consolidated and Separate Financial Statements

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Financial risk management continued...

35.1 Market risk

35.1.1 Cash flow and fair value interest rate risk

Exposure

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.

Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (0.25% change in the basis points percentage), with all other variables held constant, of the group's profit before tax (through the impact on floating interest rate borrowings and investments). The same methods and assumptions were used and disclosed in the prior period.

	Increase/ decrease in basis points %		Effect on profit before tax R000	
	2023	**2022**	**2023**	**2022**
Gilts and bonds	+0.25%	+0.25%	89	67
	-0.25%	-0.25%	(89)	(67)
Unit trusts	+0.25%	+0.25%	54	50
	-0.25%	-0.25%	(54)	(50)
Short term funds	+0.25%	+0.25%	1 802	1 293
	-0.25%	-0.25%	(1 802)	(1 293)

35.1.2 Price risk

Exposure

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 R259.9 million. A decrease of 10% in the JSE market index could have an impact of approximately R25.99 million on the equity attributable to the group, depending on whether or not the decline is significant or prolonged. An increase of 10% in the value of the listed securities would impact equity but would not have an effect on profit or loss.

Sensitivity

	Change in year-end price %		Effect on equity R000	
	2023	**2022**	**2023**	**2022**
Shares at fair value	+10%	+10%	12 607	10 660
	-10%	-10%	(12 607)	(10 660)
Gilts and bonds	+10%	+10%	3 564	2 691
	-10%	-10%	(3 564)	(2 691)
Unit Trusts	+10%	+10%	2 154	1 999
	-10%	-10%	(2 154)	(1 999)

Figures in R `000

Financial risk management continued...

35.1.3 Fair value estimation

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

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

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

Level 3:
Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). Unobservable inputs may include reasonably available information such as discount rates and risk assumptions.

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

Year ended 30 June 2023

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Listed equity	126 073	-	-	126 073
Asset swaps	-	76 625	-	76 625
Gilts and bonds	35 639	-	-	35 639
Unit trusts	-	-	21 545	21 545
	161 712	76 625	21 545	259 882

Year ended 30 June 2022

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Listed equity	106 595	-	-	106 595
Asset swaps	-	61 990	-	61 990
Gilts and bonds	26 906	-	-	26 906
Unit trusts	-	-	19 986	19 986
	133 501	61 990	19 986	215 476

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

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Financial risk management continued...

Investments classified as level 2 consist of financial instruments that are not traded in an active market. The fair value of these financial instruments is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. The observable inputs used to determine the fair value of unit trusts and participation bonds classified as level 2 are the unit prices published by the unit trust fund managers.
Asset swaps:
- Method of calculation: Unit prices are calculated on a net asset value basis by determining the total market value of all assets in the Fund, including any income accruals, less any permissible deductions.
- The Net Asset Value (NAV): represents the value of the assets of a fund less its liabilities.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.
Specific valuation techniques used to value financial instruments include:
• quoted market prices or dealer quotes for similar instruments;
• the fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves; and
• other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.
Unit Trusts:
Unit trusts are generally medium to long- term investments. The value of units may go down as well as up and past performance is not necessarily a guide to the future. Unit Trusts are traded at ruling prices and can engage in scrip lending and borrowing. Different classes of units may apply to these portfolios and are subject to different fees and charges. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accruals and less any permissable deductions (brokerage, Uncertified Securities Tax, VAT, auditor's fees, bank charges, trustee and custodian fees, and the annual management fee) from the portfolio, divided by the number of units in issue.

35.2 Credit risk

In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to expected credit losses are limited. The maximum exposure is the carrying amount as disclosed in note 9.

With respect to credit risk arising from the other financial assets of the group, which comprise cash, cash equivalents and 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. Refer to note 11 and note 39.

35.3 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. The table below analyses the group’s liabilities into relevant maturity groupings.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

Financial risk management continued...

35.3.1 Maturities of financial liabilities

Contractual maturities of financial liabilities	Less than 6 months	Between 6 months and 1 year	Total contractual cash flows	Carrying amount
Year ended 30 June 2023 - Group				
Trade and other payables excluding non-financial liabilities (Note 16)	46 131	12 774	**58 905**	**58 905**
	46 131	**12 774**	**58 905**	**58 905**
year ended 30 June 2022 - Group				
Trade and other payables excluding non-financial liabilities (Note 16)	33 905	10 819	**44 724**	**44 724**
	33 905	**10 819**	**44 724**	**44 724**
Year ended 30 June 2023 - Company				
Trade and other payables excluding non-financial liabilities (Note 16)	44 842	12 773	**57 615**	**57 615**
year ended 30 June 2022 - Company				
Trade and other payables excluding non-financial liabilities (Note 16)	32 411	10 819	**43 230**	**43 230**

36. 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 primarily internally generated cash balances. Refer to note 13 for the details regarding the current year and prior year cash and cash equivalents balances.

	Group 2023	Group 2022	Company 2023	Company 2022
Cash and cash equivalents	720 898	517 219	720 173	516 655
Total assets	1 191 776	951 338	1 277 781	1 037 395
Equity	28 162	7 970	115 862	95 521
Total Liabilities	1 163 614	943 368	1 161 919	941 874

The group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the distribution payments to members and transfers to and from the group's reserves. No changes were made to the objectives, policies or processes during the years ended 30 June 2022 and 30 June 2023.

The group is not subject to any externally imposed capital requirements.

Notes to the Consolidated and Separate Financial Statements

Figures in R `000	Group 2023	Group 2022	Company 2023	Company 2022

37. Cash flows from operating activities

(Loss) / profit for the year	(7 770)	1 826	-	-
Adjustments for:				
Income tax expense	1 429	1 529	-	-
Investment income	(43 000)	(19 145)	(42 999)	(19 118)
Depreciation and amortisation expense	10 827	20 213	8 404	17 511
Expected credit losses/ (Reversals of expected credit losses) recognised in profit or loss	4 735	(18 699)	448	(10 275)
Impairment of Business System Replacement Project development costs	11 522	-	11 522	-
Royalty distributions/ Undistributable income written back	(87 734)	(52 008)	(87 734)	(52 008)
Interest from subsidiaries	-	-	(4 349)	(4 349)
Post-employment medical benefits	873	(195)	873	(195)
Distribution expense (License & Royalty)	552 844	452 332	552 844	452 332
Social and cultural expenses	25 984	17 383	25 984	17 383
Loss/ (Surplus) on disposal of investments	56	(173)	56	(173)
Fair value (gains) and losses on unit trusts	(16 283)	214	(16 283)	214
Other non cash item: Write off on sale of DALRO	-	29	-	-
(Gain) /Loss on disposal of property and equipment	(4 832)	(78)	491	(78)
(Gain) on disposal of DALRO	-	(3 685)	-	(3 685)
Change in operating assets and liabilities:				
Adjustments for decrease in inventories	38	11	38	11
Adjustments for (increase) / decrease in trade accounts receivable	(31 529)	19 910	(31 526)	20 096
Adjustments for decrease / (increase) in other operating receivables	14 232	(7 738)	14 232	(7 747)
Adjustments for increase / (decrease) in trade accounts payable	12 226	(4 701)	12 431	6 872
Adjustments for increase/ (decrease) in other operating payables	1 948	1 254	1 948	1 556
Net cash flows from operations	**445 566**	**408 279**	**446 380**	**418 347**

38. Income tax paid

Amounts receivable / (payable) at the beginning of the year	9 468	9 413	9 468	9 468
Amounts (receivable) / payable at the end of the year	(9 291)	(9 468)	(9 468)	(9 468)
Taxation expense (credit)	(1 429)	(1 529)	-	-
Less deferred tax included in taxation expense	1 252	1 529	-	-
	-	(55)	-	-

39. Retirement benefits

As at 30 June 2023, employees within the Group are members of the Alexander Forbes Access Retirement Fund. Membership of the fund is compulsory for all employees of the Group. The fund provides benefits on a defined contribution basis. The fund is subject to the Pension Funds Act of 1956, as amended.