



2023
INTEGRATED REPORT

Contents

INTRODUCING SAMRO

Introducing this report 2

About SAMRO 6

OUR PERFORMANCE IN 2023

Operating context and strategy 18

Our leadership and social reports 22

GOVERNANCE

Our Board and Management 34

Governance report 38

IT, risk and remuneration reports 46

SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS 52

SAMRO ENCOURAGES ALL MEMBERS TO REGULARLY UPDATE THEIR BANKING DETAILS AND CLOSELY MONITOR THE UNCLAIMED ROYALTIES PLATFORM ON THE SAMRO WEBSITE TO CHECK IF THEY HAVE ACCRUED ROYALTIES DUE TO THEM.

Tips for our readers

COPYRIGHT DEFINITIONS

Performing rights

Performing rights are the rights to perform music publicly or broadcast on mediums such as TV, radio or digital platforms for public consumption. The users of the musical works have to, by copyright law, pay the rights holders of those musical works for the public use of their music.

Performing rights belong to the person or people who own the music, who are often music composers, music publishers and/or lyricists who wrote, created and/or produced it. They earn royalties when the music is performed in public.

SAMRO IS RESPONSIBLE FOR THE ADMINISTRATION OF PERFORMING RIGHTS BY TRACKING USAGE ON BEHALF OF ITS MEMBERS, CHARGING A LICENCE FEE TO MUSIC USERS AND PAYING THIS BACK TO ITS MEMBERS AS ROYALTIES.

Mechanical rights

Mechanical rights refer to the copyright contained in the reproduction of musical works. Examples of reproduction include the making of commercial copies of music such as CDs, MP3s, for music streaming, broadcast and ringtones.

In South Africa, mechanical rights are administered by the Composers, Authors and Publishers Association, also known as CAPASSO.

Needletime rights

Needletime rights refer to copyright in the performance of sound recordings. These rights entitle performers and record companies to remuneration for the public performance and/or use of their recorded performances, irrespective of whether they wrote the song or the lyrics. This is covered in needletime rights each time the song is broadcast for public consumption.

In South Africa, needletime rights are administered for example by the South African Music Performance Rights Association known as SAMPRO.

Reprographic rights

Reprographic rights are administered by the Dramatic Artistic and Literary Rights Organisation (Pty) (Ltd), better known as DALRO. These are rights in the reproduction of visual art, such as stage rights for musicals and plays. Reprographic rights also cover the reproduction of literature and artwork typically displayed at art galleries.

We provide a full glossary of terms used in this report on page 72.

About this report

We present our 2023 integrated report (report) to our members and other stakeholders as a reflection on the past year and a celebration of our future prospects.

We report as the Southern African Music Rights Organisation (SAMRO, the organisation or the company) and our subsidiaries¹ (the group) for the period 1 July 2022 to 30 June 2023.

Our report takes a holistic approach and considers what is material to our stakeholders. This includes reporting on our purpose, strategy and performance. We also aim to continue improving our reporting, building on previous years and considering the following requirements:

- International Integrated Reporting Framework
- International Financial Reporting Standards (IFRS)
- King Report on Corporate Governance™ for South Africa, 2016 (King IV)²

SAMRO is a non-profit company (NPC) with a high public interest score, as defined by the Companies Act, 71 of 2008, as amended (Companies Act).

ACCESS, ASSURANCE AND APPROVAL

This report contains summary consolidated financial information. Members can request the full set of audited consolidated and separate annual financial statements for the year ended 30 June 2023 free of charge from the Company Secretary at cosec@samro.org.za.

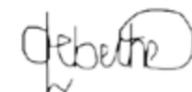
The summarised financial statements were prepared in compliance with IFRS standards and audited by SizweNtsalubaGobodo Grant Thornton (SNG-GT). Their independent report to SAMRO members is available on page 58.

The content of this report is subject to internal reporting processes and controls. Management reviewed the report and submitted it to the Board of Directors (Board) for approval. The Board is responsible for the integrity and completeness of this report. The Board applied its collective mind to the content of the report and accordingly approved it for publication.

Signed on behalf of the Board:



Nicholas Maweni
Chairperson



Annabell Lebethe
Chief Executive Officer

We invite our members to share their feedback on this report. This will help us improve our reports and share information that is relevant and important to you. Please email the company secretary with your comments.



¹ SAMRO House Holdings (Pty) Ltd and SAMRO House (Pty) Ltd.

² Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all rights are reserved.

2023 at a glance

MEMBER DISTRIBUTIONS

Members received a record number and value of distributions this year. A total of R262.1 million was distributed as royalties in 21 tranches for the nine categories listed below.

Category	DISTRIBUTION	DATE OF CREDIT
Performance Adjustment (Sequence 1)	FY2022	07 July 2022
Mobile & Internet Transmission (Sequence 4)	FY2022	12 July 2022
Live (Sequence 2)	FY2022	05 August 2022
Foreign (Sequence 1)	FY2023	12 August 2022
Non-Society (Sequence 1)	FY2023	05 September 2022
Mobile & Internet Transmission (Sequence 1)	FY2023	09 September 2022
Royalty adjustment (Sequence 1)	FY2023	15 September 2022
Foreign (Sequence 2)	FY2023	26 September 2022
Post (Sequence 1)	FY2023	23 October 2022
Mobile & Internet Transmission (Sequence 2)	FY2023	30 October 2022
Radio & General (Sequence 1)	FY2023	31 December 2022
Mobile & Internet Transmission (Sequence 3)	FY2023	18 January 2023
Performance Adjustment (Sequence 1)	FY2023	01 February 2023
Television (Sequence 1)	FY2023	20 March 2023
Live (Sequence 1)	FY2023	03 April 2023
Foreign (Sequence 3)	FY2023	21 April 2023
Post (Sequence 2)	FY2023	12 May 2023
Performance Adjustment (Sequence 2)	FY2023	17 June 2023
Royalty adjustment (Sequence 1)	FY2023	23 June 2023
Television (Sequence 2)	FY2023	27 June 2023
Radio & General (Sequence 2)	FY2023	30 June 2023

Read more about membership distributions in the Chief Executive Officer (CEO) report from page 22.

WE DID OUR FIRST DISTRIBUTION OF NETFLIX AND TIKTOK ROYALTIES IN THE MOBILE AND INTERNET SEQUENCE 4 DISTRIBUTION.

KEY VALUE INDICATORS

SAMRO delivered a solid performance in a year of leadership and system changes. The South African context remained challenging for our members who continued to demonstrate true creativity and resilience.



R552.8 million

Total available for distribution (Company)
(2022: R452.3 million)



R593.7 million

Total Company licence revenue
(2022: R514.9 million)



R262.1 million

Total distribution paid to members (Company)
(2022: R253.1 million)



25.0%

Cost-to-income ratio
(2022: 25.9%)



21

Number of distributions
(2022: 15)



R25.0 million

Cleared undocumented royalties
(2022: R46.8 million)



159 374

Facebook followers
(2022: 149 992)



20 337

Instagram followers
(2022: 17 300)



29 100

X (formerly Twitter) followers
(2022: 27 800)



17.5% ♀

of our members are female
(2022: 18.2%)

About SAMRO

SAMRO is a membership organisation for music creators and is the primary representative of music performing rights in southern Africa. We play a key role in the administration of works and the distribution of royalties globally.

We provide copyright protection for composers, songwriters and publishers' works through the collection of licence fees from establishments such as live music venues, radio and television broadcasters, pubs, shopping malls, cinemas and more.

SAMRO licenses these establishments and ensures that members are fairly compensated for the use of their music according to legislation. SAMRO collects licence fees, which are then distributed to members through royalty distributions.

Our role extends beyond South Africa. SAMRO is affiliated with international collective management organisations (CMOs) collecting licensing income

on behalf of SAMRO members in their territories. SAMRO plays a similar role in South Africa on behalf of other CMOs and makes regular distributions to them in return.

SAMRO is a member of the International Confederation of Societies of Authors and Composers (CISAC) based in Paris.

SAMRO members elected to move from a company limited by guarantee to an NPC when the new Companies Act was promulgated. Since inception, SAMRO has delivered services to its members on a not-for-profit basis.

SAMRO WAS ESTABLISHED IN 1961 AS A COMPANY LIMITED BY GUARANTEE. MEMBERS COMPRISE SOUTHERN AFRICAN COMPOSERS, AUTHORS AND MUSIC PUBLISHERS.

OUR STRATEGIC FRAMEWORK

SAMRO's purpose is:

- To create value for the creators and users of music
- To protect the intellectual property rights of writers, composers and music publishers by licensing music users
- To ensure members whose works are commercially broadcast and played are paid their royalties from licence fees collected by SAMRO
- To actively promote the value of copyright

Our vision is to be:

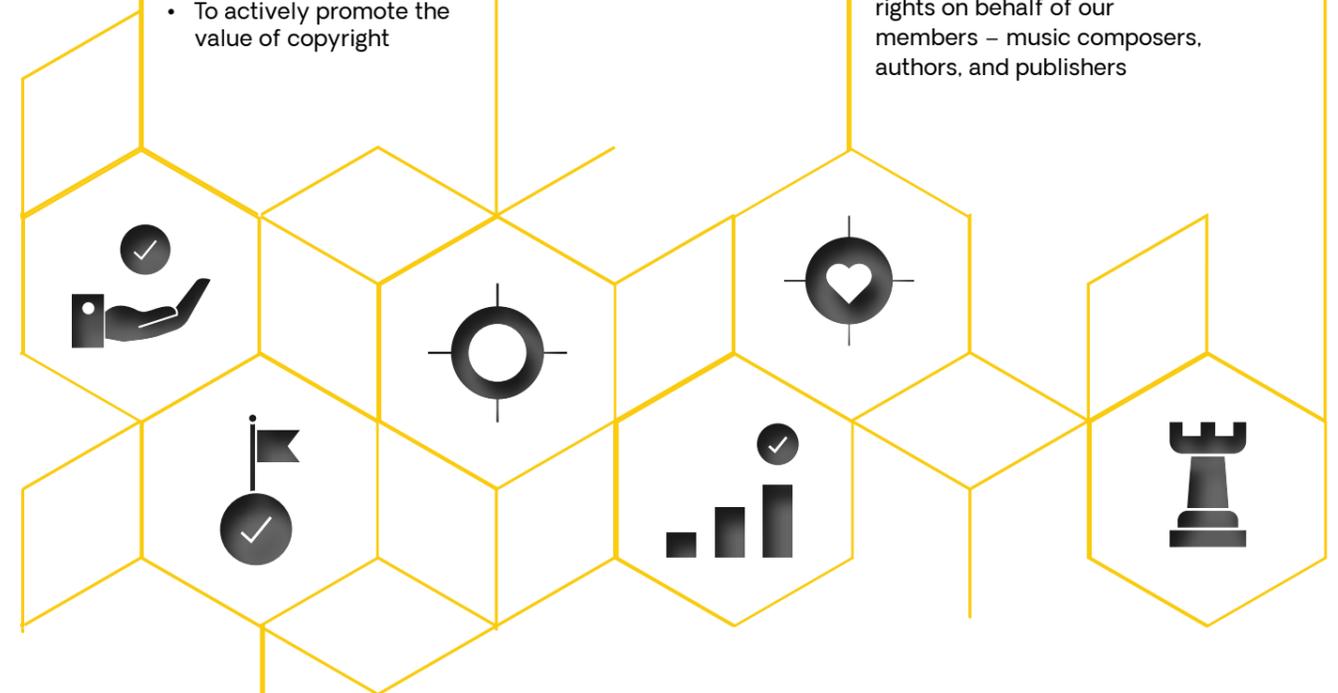
A leading and most admired CMO in Africa, respected by the global community and members

Our values are:

- Accountability
- Integrity
- Service excellence
- Teamwork

Our mission is to:

Efficiently administer music rights on behalf of our members – music composers, authors, and publishers



Our strategy consists of three pillars:

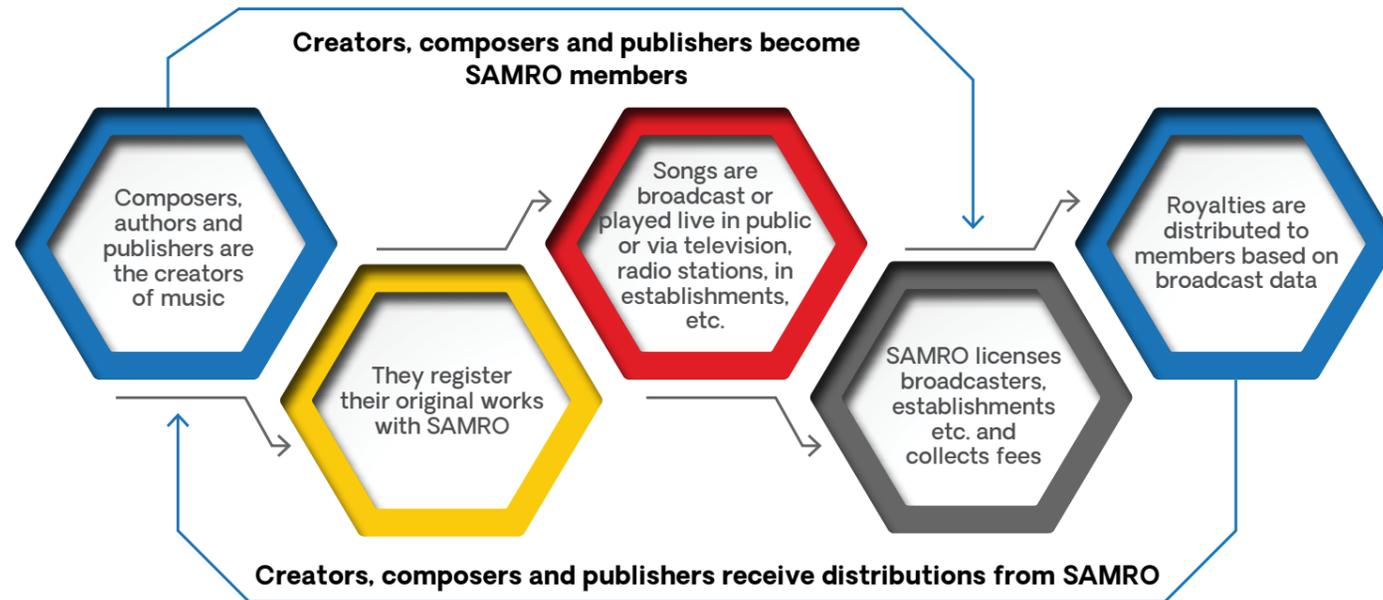
1. Optimising the business model
2. Diversification
3. Innovation

That drive delivery on five strategic goals:

1. Increase revenue
2. Improve systems and processing
3. Improve reputation
4. Improve cost management
5. Consolidate music industry

The SAMRO value chain

SAMRO has a commercial and sustainable model based on effective data tracking and an efficient infrastructure that ensures value creation for SAMRO's members.



Our members are talented creators who compose music of any kind, write lyrics or are music publishers. SAMRO has been supporting members since 1961 and has a deep understanding of the challenges they face.

WHAT WE DO FOR MEMBERS

We create value for members in the following ways:

- Composers and authors participate in the SAMRO Retirement Annuity Fund and the Funeral cover currently provided to over 20,000 members along with their spouse and up to 4 kids.
- SAMRO collects royalties worldwide and across South Africa, ensuring members' music rights are represented and measured at the correct value.
- Members are serviced through a variety of channels, including physical offices and a new website launched in May 2023.
- Members have access to an online wellness platform that offers safe virtual video consultations in the privacy of their homes.
- New member application are subject to a small fee, after which membership is free.
- SAMRO lobbies on behalf of members, for example for a Copyright Amendment Bill that best suit music creators.
- Members elect Board members annually to look after their interests.
- 100 SAMRO members have shared in R2.4 million allocated through the SAMRO Music Creation Support Fund since 2021.

OUR MEMBERSHIP STRUCTURE

We have a three-tier membership structure with 83% of members currently prospective, 16% associate and 1% full members. 32 associate members were promoted to full members this year.

Prospective members

New composers and author members join SAMRO by applying, paying a R100 application fee and receiving a unique reference number. New publishers pay a R500 application fee. Prospective members are not eligible to attend or participate in the Annual General Meeting (AGM). They also do not qualify for the SAMRO Funeral Benefit and SAMRO Retirement Annuity Fund. Once their application is successful, members do not have to pay any further membership fees.

Benefits of prospective members:

- Receive IPI number
- Access to the SAMRO portal for work registrations
- Allocate ISWC to works once they start to earn.
- Upload registered works to CIS-Net, so as to enhance monetisation of the work.

Associate members

Prospective members are eligible to become associate members once their notified musical works earn at least R100 (for authors and composers) and R1 000 (for publishers) in royalties in the preceding three years. Once they meet this requirement, their election is submitted to board for approval.

Associate members have the following benefits:

- Participate fully in royalty distributions
- Receive annual reports as well as regular correspondence from SAMRO
- Attend and vote at AGMs
- Composers and authors are eligible for the SAMRO Funeral Benefit and Retirement Annuity Fund. This benefit does not apply to publishers.
- Ability to be voted as a trustee board member for SRAF

Full member

Associate members are promoted to full members based on a point system that takes the contributions of both the composer/author and publisher into account.

Full members have the following benefits in addition to those of associate members:

- Participate fully in royalty distributions
- Eligible to be elected as a SAMRO Board member
- Ability to be voted as a trustee board member for SRAF

Members assign the rights of their musical works to SAMRO to administer. SAMRO uses the assignments to license individuals and businesses that use music for business or commercial purposes. Once collected, members receive royalties during the annual distribution cycle. Members receive royalties once administration costs have been deducted.

Chairperson's Report

Nicholas Maweni



In 2023, SAMRO made history by appointing its first women-led executive team. We achieved record member distributions and reaffirmed our commitment to ethical behaviour. This year, we began reimagining who we are and how to shape better outcomes for our members.

COMMUNITY AND STAKEHOLDER ENGAGEMENT

As Africa's oldest and leading Music Rights Organisation, we are proud to announce that When Music Speaks, everyone listens. We are honoured to listen to your discussions and work towards the betterment of the music industry.

The partnership with the Norwegian Embassy and the Ministry of Foreign Affairs stands as a highlight, underscoring 10 years of unwavering support. Through initiatives like Concerts SA, we have bolstered Southern African music, aiding artists amid the seismic shifts within the global music landscape.

LEADERSHIP FOR THE FUTURE

SAMRO is the leader in music collection societies on the African continent and holds a prominent position in CISAC, the world's largest network in the creative sector, with 225 societies in 116 countries.

Our Board consists of elected leaders who all share members' passion and enthusiasm for the future of the music industry. A mix of seasoned artists, professionals, and entrepreneurs, the Board anchors SAMRO even in times of rapid change.

In this context, the appointment of SAMRO's women-led executive team is a further pioneering step, signalling our commitment to gender-driven change. Ms Annabell Lebethe was appointed as Chief Executive Officer (CEO) on 1 January 2023, Ms Leanne Thomas as Chief Financial Officer (CFO) on 1 July 2023, joining Ms Mpho Mofikoe, our Chief Operating Officer (COO), who was appointed on 1 November 2021. This is a strong team supported by the Board, which will make SAMRO unrecognisable to those still expecting a bureaucratic, slow-moving institution.

We also appointed a second female Board member, Gloria Bosman, on 1 January 2023, and were all immensely saddened by her sudden passing on 14 March 2023. In her short period of engagement with the Board, she added a perspective that comprised a rich blend of insights on member aspirations as well as the direction that our organisation should continue to march towards.

“AS MY MUSIC BECAME THIS VOICE AND IMAGE OF AFRICA AND THE PEOPLE WITHOUT EVEN REALISING,” MIRIAM MAKEBA EXPRESSED.

We know from the research on Women's Rights and Representation in the Music Industry in South Africa that SAMRO commissioned in 2022, that our organisation has to listen closer to the female voices in our midst. We are committed to addressing gender imbalances, promoting diversity, decreasing harassment and gender-based violence, and providing safer spaces for women working in our sector.

CREATING VALUE AND INCREASING ROYALTIES

In this financial year, we further cemented our purpose to create and promote value for our members. We were able to diversify and expand our royalty income, leading to total distributions increasing by 22% compared to the previous year.

We are pleased to report that considerable progress has been made in these areas, with our cost-to-income ratio dropping from above 30% to 25%. It is also important to mention that as the Board, our focus isn't just on keeping the cost down, but rather on being obsessed with how much of the money that the organisation is collecting is paid directly to members, for that is the actual important mandate of SAMRO.

SAMRO has achieved a milestone in terms of royalty distribution in the 2023 financial year. We have distributed R148.8 million in royalties in the Radio and General category, as well as R81.4 million in royalties in the Television category. This record distribution is evidence of our successful strategy and efforts to license music users and collect licensing fees.

In line with our commitment to diversify revenue streams, SAMRO has expanded royalty collection to several digital platforms, including TikTok, Facebook, and Netflix. We are happy to announce that we've had our first distribution of Netflix and TikTok. Through licensing agreements with these platforms, we have adapted our licensing and royalty payment processes to the changing technological landscape. We are now able to collect royalties on behalf of our members for all copyright-protected content featured on these platforms.

We are pleased to announce that SAMRO has successfully distributed over R22 million in accumulated unclaimed royalties to members who had outdated or incorrect banking information. We strive to ensure that all our members receive the royalties they deserve.

Previously, the Board set an audacious target of seeing the organisation reach R1 billion in revenue by 2025. We remain committed to financial growth as a strategic priority. Our aim is to empower our members, who are talented composers, authors, and publishers, by ensuring that they experience the tangible benefits of our revenue growth in their pockets and daily lives. It is my goal to make a meaningful impact on our

members' financial prospects and provide them with the means to pursue their passions with greater ease and security.

To achieve this, we continue looking beyond traditional revenue streams such as broadcast and exploring revenue opportunities in the digital space. This also speaks to innovation, which is one of our strategic pillars. We aim to be a dynamic and future-oriented organisation that understands members' wants and needs while being responsive to the trends that drive growth in the music industry.

The Board also took a resolution that SAMRO must charge an application fee to those who join the organisation for the first time to assist with the administrative burden of processing new applications.

PROTECTING AND PROMOTING THE VALUE OF COPYRIGHT

As the Copyright Amendment Bill (CAB) currently sits before parliament, we continue to lobby policymakers to help our members retain the exclusive rights to their works. The proposal to introduce the overly broad Hybrid Fair Use provision did not involve adequate public consultation nor was it subjected to a proper Social Economic Impact Assessment Study. It also does not deal with the threat of Artificial Intelligence to copyright holders. As a result, we are faced with a David and Goliath dilemma as large entities seek to undermine the intellectual property of creatives. Not everyone has the means to use a litigious process to fight for their rights.

The passing of the CAB will have a dire impact on the earning potential of CMOs and their members, including emerging creators. It remains a key risk for SAMRO and its members as this may hinder our ability to create more value for our members. As SAMRO, we continue to invest in advocacy and educational opportunities to create more awareness about the impact this Bill will have on the economic well-being of creators across South Africa.

When South Africa hosted the 15th BRICS Summit, we focused on collaborating with other BRICS nations to improve copyright laws in music. We believe that by uniting and strengthening copyright laws, we can create a more favourable environment for musicians across the BRICS nations.

BUILDING AN ETHICAL ORGANISATION

Ethics and good governance are of utmost importance to us at SAMRO. We embarked on a forensic investigation into irregular payments of undocumented works, which has resulted in the registration of criminal cases of fraud against certain members and possible former employees. We are determined to ensure that those found guilty are

brought to justice and held accountable for their actions. One of the promises that I made when I took over the chairpersonship of SAMRO was that as a Board, we shall leave no stone unturned.

We want to clean our house and start building a culture of ethics and accountability. This goes beyond the internal controls, audits, and delegation of authority already in place. We want our members and employees to act as whistle-blowers in protecting our common assets. We all know that it is not the company that commits the fraud; it is the individual. Individuals are harming SAMRO's reputation and our members' ability to receive what is rightfully theirs. We will continue creating awareness about ethical behaviour and having sessions to agree on how we live our values.

We partnered with law enforcement agencies to ensure that those individuals who have colluded in unethical behaviour will face legal consequences. We've also looked at the revision of the members' Code of Conduct and sections that needed to be revised, and already, a number of workshops were held in various provinces, and members were requested to give their input.

In continuing to strengthen governance, we have appointed PwC as our internal auditors, and they have already started to excavate, digging deeper into many issues.

I humbly implore you to pray for us as we navigate this critical juncture in our organisation's history. The path we are embarking upon demands individuals of unwavering integrity, profound wisdom, and divine intervention.

“THE ULTIMATE MEASURE OF A PERSON IS NOT WHERE THEY STAND IN MOMENTS OF CONVENIENCE AND COMFORT, BUT WHERE THEY STAND IN TIMES OF CHALLENGE AND CONTROVERSY.”
- MARTIN LUTHER KING, JR.

BOARD CHANGES

This financial year also saw a number of director resignations: Mr Mandrew Mnguni, Mr David Alexander, both publisher representatives, and Mr Philip Miller, Dr Siphon Sithole, composer members' representatives, and the sad passing of Ms Gloria Bosman. We were looking forward to Gloria Bosman's contribution, based on her engagement at the first and, unfortunately, last Board meeting.

We have been looking into amending the SAMRO MOI to increase the number of independent non-executive directors on the Board to a maximum of four. We certainly require additional skills in ICT governance as the organisation is now faced with many challenges that demand stronger ICT governance.

OUTLOOK

We are positive about the next phase and SAMRO's ability to increase distributions. The post-COVID trajectory is accelerating, leading to more social gatherings and live music events. We are targeting licensing opportunities, particularly from schools, municipalities, and private establishments.

We also seek to enhance our partnership with the government to unearth more earnings and growth opportunities for creators across South Africa. We want our members to be enriched economically by all the good efforts that we do. Our members must feel the benefits in their pockets.

As we undertake this ethical journey, let us remember that it is not only our individual actions that will shape the future of SAMRO, but also the power of our collective intent. We will tap into a wellspring of courage, discernment, and resilience that will enable us to overcome the obstacles that lie ahead.

APPRECIATION

In closing, I would like to express my gratitude to all our members, who have given us this privilege and opportunity to serve, and the Board members, the independent non-executive directors, who have embraced the meaning that we have to do what is not easy but what is right to build the organisation.

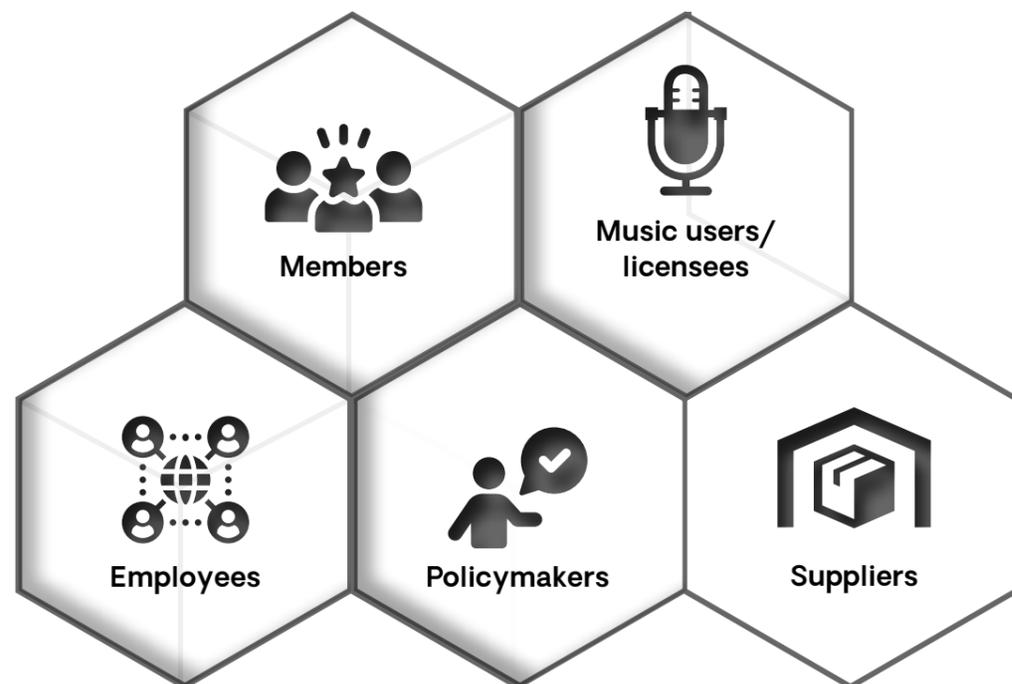
The delivery of the vision to be a leading and most-admired CMO in Africa is now in all our hands. Special thanks to our CEO Annabell Lebethe, COO Mpho Mofikoe, new CFO Leanne Thomas, and the entire Management team for their dedication and commitment. Together, we have achieved the necessary, the possible, and now, the impossible. Enkosi


Nicholas Maweni
Chairperson of SAMRO

Our stakeholders

As a membership organisation, SAMRO is by nature stakeholder-centric. We care about the wellbeing and sustainability of our members, and ensure that our network of relationships continues to serve member interests.

OUR STAKEHOLDER UNIVERSE



Members

SAMRO represents 148 919 composer and publisher members in Africa and over five million composers and authors worldwide. Elected members grew by 4% and 32 associate members were promoted to full membership during the year. SAMRO has 889 full, 23 524 associate and 124 506 prospective members. With an average member age of 45 years, SAMRO is driving the acquisition of youth to sustain the business. We engage them through a variety of channels and means, including contact centres, our website, helpdesk and social media. Members are invited to the AGM where they can ask questions and elect new Board members.



Employees

SAMRO has 139 permanent and 27 contract employees across eight departments with our head office at SAMRO House in Braamfontein, Johannesburg. 53.6% of employees are members of the Communication Workers Union (CWU). No labour unrest was experienced during this financial year.



Music users/licenseses

SAMRO has 56 080 users who are licensed to play music as part of their business activities. This includes music played in public settings by businesses such as promoters, pubs, mobile DJs, clubs, restaurants, shopping malls, and live music venues. Licensees also include government departments, municipalities, the public broadcaster and radio stations, as well as private television broadcasters and cinemas, that play music publicly, whether for commercial or non-commercial purposes.



Policymakers and industry

SAMRO maintains relationships with music industry players, legislative entities, government and other institutions that strengthen our position as the music rights champion. These include entities that administer other rights, such as SAMPRO, CAPASSO and DALRO. We also engage with the Cultural and Creative Industries Federation of South Africa, Music Creators South Africa, Business and Arts South Africa and the National Arts Council and more.



Suppliers

SAMRO contracts with information technology and systems providers, banks, investment managers and professional services firms to support the effective administration of members' services.

We are fighting for your rights

SAMRO has consistently advocated for fair copyright legislation and has been pushing for appropriate changes to the Copyright Amendment Bill since its introduction. The Bill will have a negative impact on our members' and SAMRO's ability to earn royalties. As such, we have gone to great lengths to ensure members' voices are heard throughout the legislative process. We joined lobby efforts and made several submissions. This included membership of the Copyright Coalition of South Africa (CCSA), Partners Against Piracy (PAP) and joining the Cultural and Creative Industries Federation of South Africa (CCIFSA) protest in August 2023. Despite these initiatives, the Bill was passed by the National Council of Provinces (NCOP) in September 2023 and submitted to the National Assembly for concurrence.

Given that the legislative process had advanced this far, prospects for change are not good. We anticipate that the Constitutional Court will be our only remaining option to protect members' interests.



VALUE ADDED STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

SAMRO created and distributed financial value of R691 million in 2023 (2022: R585 million).

Music royalty distribution increased by 22.2% or R100.5 million to R552.8 million (2022: R452.3 million). Value was distributed in the form of royalties, retirement annuity and funeral benefits, and other social and cultural allocations.

Payments to employees in the form of salaries, wages and benefits increased by 17.6% to R107.5 million from R91.4 million. This represented 15.6% of the total value distributed.

	GROUP	
	2023 R'000	2022 R'000
Revenue generated		
Music and royalties	593 689	514 915
Administration and other fees	8 712	7 939
Cost of generating revenue	(58 516)	(9 254)
Value added	543 885	513 600
Income from investments	59 227	19 104
Distribution adjustment	87 734	52 008
Total value created	690 846	584 712
Value distributed to members		
Music royalty distributions	552 844	452 332
SRAF and members' funeral benefit	12 992	14 776
Corporate social investment allocation	12 992	2 607
Value distributed to employees		
Salaries, wages and benefits	107 532	91 429
Value distributed to providers of capital		
Finance costs	-	-
Value distributed to government		
Taxation charge	1 429	1 529
Reinvested in the group		
Depreciation and amortisation of capital items	10 827	20 213
Transferred to reserves	-	-
Retained earnings	(7 770)	1 826
Total distributed	690 846	584 712

Our operating context

From a global perspective, the world is an exciting place for songwriters, lyricists and other creators, as new ways of creating and sharing emerge. Streaming services, gaming and digital platforms offer rapidly growing earnings. On the other hand, artificial intelligence (AI) is seen by many as a threat to their livelihoods.

According to the latest CISAC Global Collections Report, published in October 2023, global collections increased by 26.7% in 2022. Live and public performance royalties increased by 69.9%. The digital collection trajectory continued a steep increase, with 33.5% more collected from this channel in 2022. For the first time, digital became the largest income source for creators, doubling its share over the past five years.

In South Africa, broadcasting remained the top income earner. However, growth was muted as the country faced serious economic and social challenges. In the past year, South Africa experienced load shedding that was worse than the last eight years combined. This has been driving operational cost for entertainment venues and establishments while increasing risks for their patrons or guests related to security, health and safety.

The country is also experiencing increasing levels of extreme weather events, damaging infrastructure and causing further social loss, often limiting access to transport. This again affects consumers' ability to

visit establishments and workers or artists finding it difficult to arrange to get to and from venues.

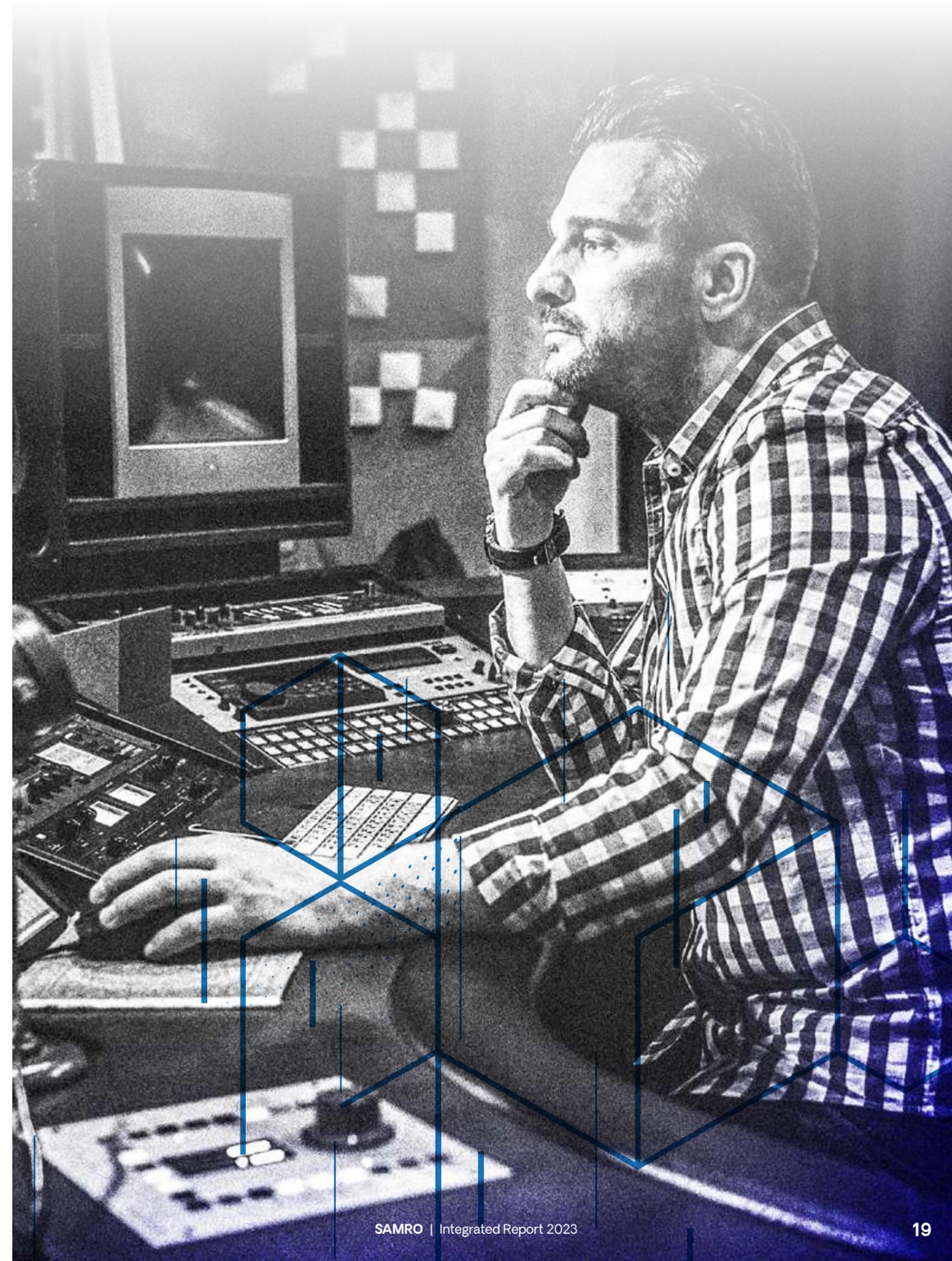
High inflation is forcing cash-strapped consumers to prioritise their budgets, leaving little for entertainment expenses.

THE REGULATORY ENVIRONMENT

SAMRO is committed to being a responsible corporate citizen, including complying with all required legislation in South Africa. Our first adherence is to the Constitution of South Africa as it provides the legal foundation and sets out citizen rights and duties that we support.

SAMRO has been subject to the Copyright Act, of 1978, which is set to be replaced once the Copyright Amendment Bill is approved by Parliament. This could impact the accreditation of collecting societies and fair use of copyright work, open licences and more. Read more about the Bill's status and SAMRO's participation in the legal process on page 15.

In these circumstances, SAMRO is a beacon of light for its stability, distribution track record and continued services to members. Read more on page 48 about how we manage the risks that our organisation is facing. We also believe that our strategy remains relevant and drives resilient performance despite a demanding outlook for the short to medium term.



Our strategy

Our strategy is anchored in three pillars that are supported by five goals to drive sustainable performance and a member-centric experience.

SAMRO's strategy was developed in 2018 and is reviewed annually by the Board. The new leadership team will re-evaluate our strategy in the next financial year.

OPTIMISATION OF THE BUSINESS MODEL

We continue to assess the SAMRO business model to identify improvement areas and potential efficiency gains. This includes automating systems and processes that contribute to cost savings that can have a positive impact on member distributions. Negotiating favourable tariffs is crucial to ensure we derive sufficient licensing revenue from our licensees.

DIVERSIFICATION

We continue exploring additional member-centric service and value creation opportunities. This entails working with strategic partners to increase licensing and collection in other African territories. Expanded services will generate additional revenue and could potentially contribute to lower costs.

INNOVATION

This pillar drives change that enables SAMRO to effectively compete in the market and industry of the future. It aims to improve our understanding of members' wants and needs. We consistently monitor trends like digitalisation to craft an appropriate response and deliver increasing value.

Strategic goals	Progress in 2023
Increase revenue	<p>We continue to work towards our R1 billion revenue target. To achieve this, we are:</p> <ul style="list-style-type: none"> Increasing our pool of licensed users, including digital users Reviewing tariffs for existing licensees to ensure these are appropriate and all agreements are up to date. Improving collections to reduce bad debts Improving credit control to maximise cash available for distribution <p>Read more about our revenue and financial performance in the CEO report from page 22.</p>
Improve systems and processes	<p>We launched an office at the Durban PlayHouse to address the need for physical service support and improved service level and answer rates in all touchpoint channels. The development of a core system is underway with the licence function going live in November 2023. Based on implementation challenges for member services and distribution, the Board decided to terminate the external development contract and continue the work with our own team. Read more about improving our systems in the CEO report from page 22.</p> <p>We optimised our performance management process this year to align to the organisational performance parameters. Employees completed the contracting and the appraisal process. Based on the performance feedback and scores, a short-term incentive was awarded to 98% of employees. 26% of employees achieved their stretch targets. The short-term incentive scheme was approved by the Board in line with the requirements of the remuneration policy. Where performance was below expectations, steps have been taken to address this.</p> <p>We reintroduced employee excellence awards, with the winner packages including cash vouchers and breakfast with our new CEO.</p> <p>We also implemented an electronic policy attestation initiative to drive internal compliance. A staggered number of policies are released on an online platform with employees required to go through the policy and confirm that they have read and understood the contents. Management receives completion reports.</p>
Cost management	<p>We commenced with the development of an online cue sheet system to automate the upload from users. This will ensure more accurate and quicker distributions while saving costs associated with manual data and chasing cue sheet submissions.</p> <p>Cost management initiatives implemented over the past few years are delivering results. SAMRO achieved the lowest cost-to-income ratio in more than ten years in 2023. Read more in the financial review from page 25.</p>
Improve reputation	<p>The new SAMRO website was successfully launched in May 2023. We continued to strengthen our relations with our members as our key stakeholders. We have improved our communication with our members with the launch of a new website and our member-centric corporate social investment initiatives.</p> <p>We have also initiated a forensics investigation into unethical behaviour in the organisation in relation to royalty claims and distributions.</p> <p>We maintained a cordial and constructive relationship with CWU shop stewards and their respective members and experienced no strikes. We include union representatives in change management initiatives and proactively communicate strategic decisions and challenges. We approach CWU as a valued organised labour partner for SAMRO.</p>
Consolidate music industry	<p>We partner with organisations and support projects in the music industry where we share common goals.</p> <p>Read more about joint lobbying on the Copyright Amendment Bill on page 15.</p> <p>Read more about collaboration through CSI on page 30.</p>

Chief Executive Officer's Report

Annabell Lebethé



In 2023, the music business fully emerged from the COVID-19 pandemic and embraced the rise of digital innovation. This has supported SAMRO in growing its multiple revenue streams and empowering our members.

This is my inaugural report as SAMRO CEO and the start of an exciting journey. I am stepping into a big pair of shoes as SAMRO's previous CEO, Mark Rosin, remains such a key figure in the music industry. It has been an honour to take over from someone so well respected.

SAMRO is the leading CMO in Africa and is recognised and respected globally. The organisation has a long legacy of looking after members' interests and this role is becoming even more crucial as we face disruptions ranging from AI and a new copyright regime should the proposed amendments to the Copyright Amendment Bill assent to law.

A GLOBAL NETWORK

SAMRO continues to strengthen relationships with stakeholders globally. We have reciprocal agreements with 83 international societies, thus representing 5 million members globally. This also creates a foreign

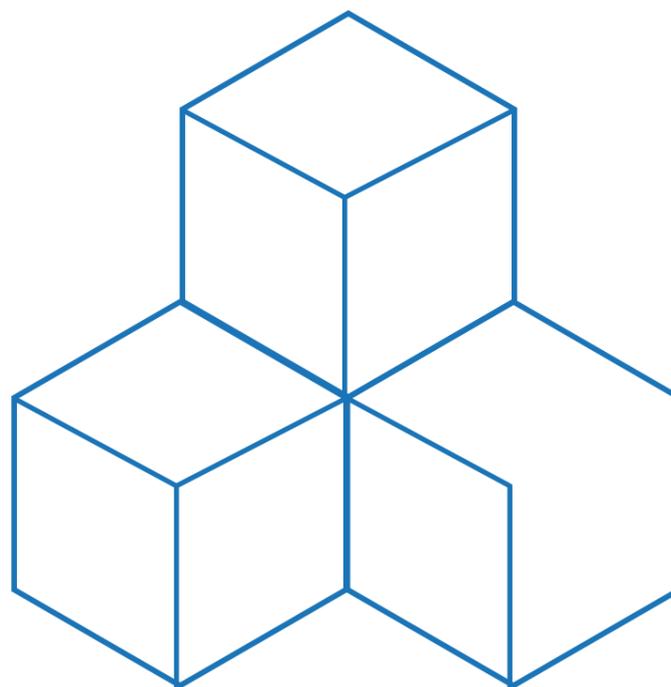
income stream for SAMRO members that diversifies revenue, and this year, benefited from a weak exchange rate. Read more about foreign income in the financial review on page 25.

SAMRO is one of two countries in Africa with a seat on the CISAC Board. This is a valuable platform to influence policy globally and work with fellow Directors to strengthen the work of the international federation and its members. For example, CISAC published an open letter to policymakers on AI, calling for global solutions to ensure AI companies remunerate artists, performers and human creators whose works are exploited. This is a global call to action for government and policy makers and we support the adoption of the seven principles to protect the rights of creators globally, regulate text and data mining, and promote transparency.

Through CISAC we also have access to valuable research, for example on global collection trends that enable us to benchmark SAMRO's performance and identify areas for improvement.

OUR SOUTH AFRICAN CONTEXT

The most important development for SAMRO and our members this year, has been the passing of the Copyright Amendment Bill by the NCOP in September 2023. We remain deeply concerned about the consequences of the proposed amendments for members and in particular, the introduction of the fair use principle, which is a substantive change to the current fair dealing principle. Read more about our engagements in this regard on page 15.



As described in the chapter on our operating context, South Africans remain under pressure. SAMRO's strategic risks, set out on page 49, also highlights the negative impact of the macro-economic crisis and the extent to which this affects the creators and users of music.

Load shedding is compounding these issues. Imagine how difficult it must be for music creators to be constantly disrupted in their creative process, affecting the flow of work and their productivity. Many cannot afford equipment such as generators or invertors, leaving them without the means to produce for hours per day. The same applies to many establishments and venues, thus affecting the earning potential for all our clients or members.

Fortunately, we have been able to continue our support to a further 100 members through the SAMRO Music Creation Support Fund. Read more about the positive impact of the fund on page 32.

PERFORMANCE IN 2023

We are proud to look back on a year of record distributions, both in number and value. This includes the biggest royalty distribution in the Radio and General category ever. We have been able to increase this distribution from R131.6 million in 2019 to R148.8 million in 2023.

Another highlight was the distribution of R22.8 million in accumulated unclaimed royalties to members who had outdated or incorrect banking information. The project to track and trace members who needed to update their banking details commenced in April 2021 and delivered significant value for those members.

Distributions are the lifeblood for many members, their families and heirs. We call on all members to ensure that their personal details are updated, and their works are registered with SAMRO. In the same vein, we call on users to honour their agreements with SAMRO by submitting cue sheets and paying their licence fees. We want to ensure that SAMRO members receive the royalties they rightfully deserve.

We remain committed to a member-centric approach in our operations and engagement with stakeholders.

OPTIMISING OUR SYSTEMS AND SUPPORTING OUR PEOPLE

SAMRO relies on efficient, reliable and accurate internal systems to enable distributions, improve financial controls and enhance our member experience. In 2022 we commenced with a project to replace outdated core systems and modernise our operations. We made good progress with licensing and finance, but had to terminate the project for the core system, that is the distribution and member services modules of the system. Read more about the Board's decision in this regard in the financial review on page 27.

We plan to continue our system upgrades and replacement but will use internal resources. SAMRO has unique requirements, and we have the skills and experience to find custom solutions that will add more value in the long term. By doing this work ourselves, we can be more agile and responsive while owning and expanding our own intellectual property. We will be introducing new modules on an incremental basis.

Implementation challenges took their toll among our employees and several initiatives were launched to support them during this year. Nevertheless, we enjoyed more stability in our employee complement than in past years. This means we are successful in deliberately matching people to strategy. Read more about employee wellness support in the social impact chapter from page 28.

OUTLOOK

We want to keep improving our member service offering and your experience in dealing with SAMRO. This includes quicker turnaround times in responding to member queries. While fully committed to being member-centric, we also want to keep our costs low.

We will continue to develop and strengthen the internal team and ensure that there is integration between SAMRO as an organisation and its members. We also remain committed to lobby lawmakers and drive advocacy campaigns for fair copyright usage in South Africa.

SAMRO's most significant challenge is to attract the unlicensed. We developed the capability to enforce licensing and fee payment, but there is still revenue that is not being collected and users that are not part of our music-user net. This will always be our biggest risk, and most pressing driver to ensure long-term sustainability for SAMRO and our members.

Financial review

SAMRO increased distributions significantly in a year that was characterised by economic uncertainty and rising operating expenses

CHASING AN AMBITIOUS REVENUE TARGET

Total revenue increased by 15.3% to R593.7 million (2022: R514.9 million). Local licensing revenue makes up 95% of total revenue and increased by 15.9% to R568.2 million (2022: R490.4 million). Royalty income from affiliated societies increased by 4.1% to R25.5 million (2022: R24.5 million).

The Board has set an ambitious target of seeing SAMRO reach R1 billion in revenue in the medium term. We are gaining ground every year and are now well beyond pre-COVID group revenue levels.

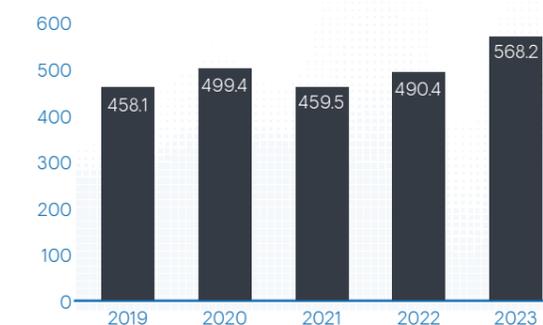
Total Company revenue (Rm)



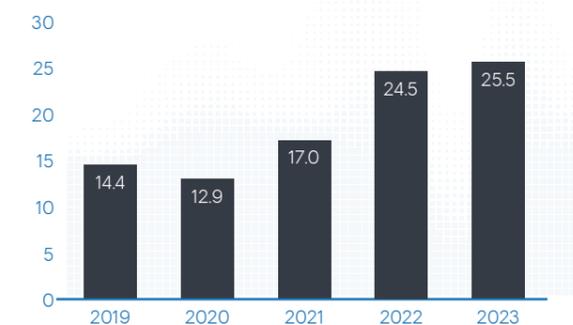
SAMRO's licensing revenue constitutes 89.1% of total income at the group level (2022: 94.4%).

We are making progress in diversifying our revenue streams, however, broadcast users such as the SABC, MultiChoice and eTV remain our most significant income contributors. I want to extend my appreciation, on behalf of our members, to all licensed music users, who choose to do the right thing in recognising the inherent value of music and complying with the law.

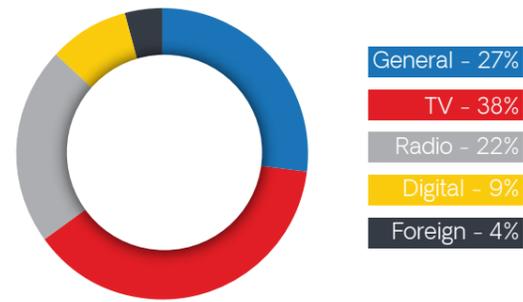
Local performing rights (licensing revenue) (Rm)



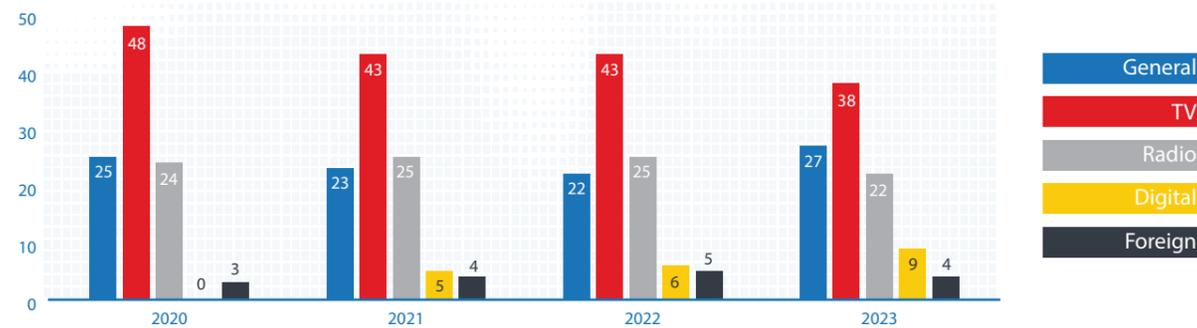
International rights (foreign royalty income) (Rm)



2023 licence and royalty income (%)



Licence and royalty income – 2020 to 2023 (%)



Over the past four years, we have seen significant growth in digital licensing income. Broadcasting is increasingly being replaced by on-demand video streaming services. During the 2023 financial year, revenue from digital increased by 89%. Digital licensing is an area of focus and further growth is expected in the next financial year.

General licensing includes various types of music users, including clubs, bars, malls, restaurants, and music venues that play music publicly. Fees are structured according to the nature of the business. During the year, we noted significant growth in new business, whereas renewals grew by 24.8% compared to 2022. We are pleased with this outcome as many of our licensees experienced financial difficulties due to high inflation and interest rates as well as the effects of loadshedding.

Foreign royalty income includes income generated from the use of SAMRO members' music in foreign countries. These royalties are collected by sister societies in the respective territories as per our bilateral agreements.

Foreign licence income constituted 4.3% of total revenue compared to 4.8% in 2022.

EXPENDITURE MANAGEMENT

Cost control remains one of our key focus areas. Total operational expenditure increased by 12.3% year on year, however, we managed to reduce the cost-to-income ratio from 29.5% (2022) to 25%. Our biggest cost-driver will always be employee costs, while other significant costs include amortisation of intangible assets, professional and consulting fees, IT costs, legal fees and investment management fees. During the year we incurred a material impairment loss of R11.5 million after the Board resolved to support Management's decision to discontinue development on the core (distribution and member services) system. We do expect costs to increase slightly as we design and implement the new core system during the next two financial years, after which the efficiencies and automation should result in significant cost savings.

We have had to manage credit control carefully in the current economic circumstances. Smaller licensees, who are generally less compliant than larger accounts, have come under enormous pressure. Despite this, the expected credit losses on trade receivables have been kept to a minimum.

At 25.0%, SAMRO's cost-to-income ratio is at its lowest level in more than ten years. Our performance in this regard is evidence of our commitment to create value for our members, as lower costs mean higher distributions. Our target is to bring the CTI% down to 20%.

Cost-to-income ratio (%)



The Group showed a loss of R7.7 million compared to a profit of R1.8 million in 2022.

The loss is driven by the reversal of accounting entries on consolidation. Further adjustments were made due to differences in the accounting treatment of the building on group level compared to how it is treated in the separate accounting records of SAMRO House (Pty) Ltd. In SAMRO House, the building is treated as investment property and on group level, the building is treated as owner-occupied.

DISTRIBUTIONS, CASH FLOW AND LIQUIDITY

Due to the significant increase in revenue and effective expenditure management, SAMRO was able to increase the distribution allocation by 22.2% to R552.8 million (2022: R452.3 million). See detail of distributions on page 4.

The Board balances a prudent approach to solvency and liquidity with the reality of members' financial needs in a year characterised by high inflation, high interest rates and fluctuations in the exchange rate. SAMRO has been well-positioned to weather these financial difficulties and remains in a sound financial position.

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, while the distribution in progress liability on our balance sheet is expected to decrease.

INVESTMENTS AND DISPOSALS

SAMRO's investment income increased by a healthy 124.9% to R43.0 million (2022: R19.1 million), as we benefited from high interest rates. While distribution payments are our priority, SAMRO does reserve excess funds due to distributions in progress (undocumented works). Investment earnings are used to increase distribution payments and/or reduce the cost-to-income ratio.

Following Board approval, SAMRO concluded the disposal of a portion of land and buildings on 26 January 2023 for R18.9 million.

CAPITAL EXPENDITURE AND IMPAIRMENTS

SAMRO is in the process of replacing the Microsoft Dynamics AX ERP system. Implementation of the new licensing and finance system is currently underway.

The investment in a new core system for member services and distributions did not meet SAMRO's development criteria or needs. The SAMRO Board took a resolution on 21 July 2023 to discontinue this project. This resulted in an impairment of R11.5 million. A new member services and distribution system will be developed in-house over the next two financial years.

SAMRO HOUSE

SAMRO House (Pty) Ltd is the wholly owned SAMRO subsidiary that owns the property, SAMRO Place, situated at 20 De Korte Street, Braamfontein.

SAMRO House rental income decreased by 3% year on year. After the COVID-19 pandemic it has been difficult to fill vacancies quickly. While this is improving in the new financial year, Management is implementing strategies that seek to optimise our rental space. Operating and administrative expenses increased after our return to the office in August 2022 with costs like cleaning, repairs and maintenance being the most significant. Diesel costs of R1.6 million were incurred as a result of load shedding during the 2023 financial year.

An additional stream of revenue has been sourced in the form of advertising on the building to supplement total income.

During the year SAMRO sold a portion of the land and buildings (the northern parking lot) belonging to SAMRO House. The property was sold for R18.9 million and a profit of R5.3 million was made on the sale.

SAMRO Management is currently embarking on various strategies to improve the financial performance, position and cash flow of SAMRO House.

Our social impact

INTERNAL SOCIAL IMPACT: EMPLOYEES

SAMRO is a responsible employer and complies with all relevant South African employment and empowerment legislation

This was a year of change for our employees who had to deal with a leadership transition, new system implementation and the full-time return to the office. We started the new financial year with an employee engagement survey, the results of which had to be parked, due to the intensity of changes that followed afterwards. What is clear, however, is that our employees are experiencing change fatigue in a constantly evolving work environment.

We are mitigating this risk through the following interventions:

- We are encouraging more open and transparent communication to facilitate system change.
- We have defined the desired organisational culture that the SAMRO team wants.
- We initiated focused and goal-orientated interdepartmental huddle sessions.
- We arranged combined leadership and Management sessions focused on culture change with priorities around what we need to change for the benefit of the business and what we need to stop doing.
- We hosted interdepartmental training workshops to break the silos and enhance skills development.

Our culture and communication

We held our first Staff Indaba session in April 2023 with the theme: Crafting our organisational culture. Our focus was to create collective alignment around the SAMRO values and what they look like. We further delved into what is working well for employees. A positive response indicated that employees appreciate Management's efforts to build trust, improve morale and retain employees.

The second session was held in June 2023 and had a more educational approach. Our General Manager: Legal Services informed employees about changes to the Copyright Act and the basket of music rights managed by different collecting societies. The session also served to raise fraud risk awareness through whistle-blower training, including an overview of the procedure and contact details.

Further events are planned around departmental functions and getting to know the different aspects of our business.

OUR EMPLOYEE PROFILE

	2023		2022	
	Male	Female	Male	Female
Management, senior management and specialists	9	16	14	17
Non-union employees	14	45	23	47
Union employees*	33	49	23	40
Interns	9	13	9	14
Contractors**	6	21	8	14

* Excluding Management, senior management and specialist employees who are union members.

** There are contractors included in the categories above: Management, senior management and specialists, non-union employees and union employees.

SUPPORTING OUR EMPLOYEES THROUGH CHANGE

SAMRO started implementing new licensing and finance software this year, requiring significant shifts in organisational structure and culture. Our human resources team developed a framework to manage change across four pillars. This was facilitated by an external service provider who worked with departmental change champions to drive internal change.

Our core change team monitored timelines for technical deployment of system modules, risk registers across the pillars and provided Steering Committee reports. Bi-weekly huddle sessions were introduced to ensure alignment between deployment teams. The human resources team is currently drafting the training rollout plan for next year.

During the year, we relocated some teams within the building to solve bottlenecks and workflow challenges. In the process, we partnered with Discovery Wellness to facilitate team alignment and team dynamics sessions to address issues and support employees.

SKILLS DEVELOPMENT

To drive the creative economy, SAMRO employees have to be equipped to serve members with skill and efficiency. Our investment in skills development is focused on black* employees in support of B-BBEE.

CATEGORY	African Male	Coloured male	Indian Male	African Female	Coloured Female	Indian Female	White and Foreign	Disabled employees
Bursaries	232 737	0	0	194 298	0	90 854	28 590	0
Theory and work-based training	0	0	0	0	0	0	0	0
Postgrad professional	0	0	0	0	0	0	0	0
SETA learnership/ internships	135 100	31 200	31 500	405 300	0	0	0	0
Work integrated learning	35 771	0	0	0	10 753	0	0	10 753
Informal training	124 608	5 092	4 417	134 887	36 584	19 568	10 662	0
Related costs	17 485	20 600	0	13 301	0	3 905	2 630	0
Total spend	545 701	56 892	35 917	747 786	47 337	114 327	41 882	10 753

* We use the Employment Equity Act definition of black as a generic term that includes African, Coloured, Indian and Asian.

EMPLOYEE WELLNESS INITIATIVES

We relaunched our employee assistance programme in October 2023 to drive higher engagement with employees. In the past year, 43% of employees registered for the programme, which included the following wellbeing elements:

- Emotional
- Physical
- Financial
- Legal Support

We hosted the first in-person monthly financial educational session as well as the first pension fund information session.



33%

of Board members (executive and non-executive) are female

59%

of interns are female

57%

of general managers are female

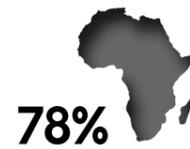
66%

of permanent employees are female

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

SAMRO achieved a level five B-BBEE contributor status in 2023. We continued to drive transformation initiatives broadly while also focusing on initiatives that can have a positive scorecard impact. This included a strong employment equity focus on recruitment and continued progress with converting interns to permanent employees.

Our procurement policy includes B-BBEE requirements, and the procurement team continued to drive improved supplier information submissions. We also have a process in place to drive enterprise and supplier development.



78%

of Board members are black

100%

of interns are black

71%

of general managers are black

93%

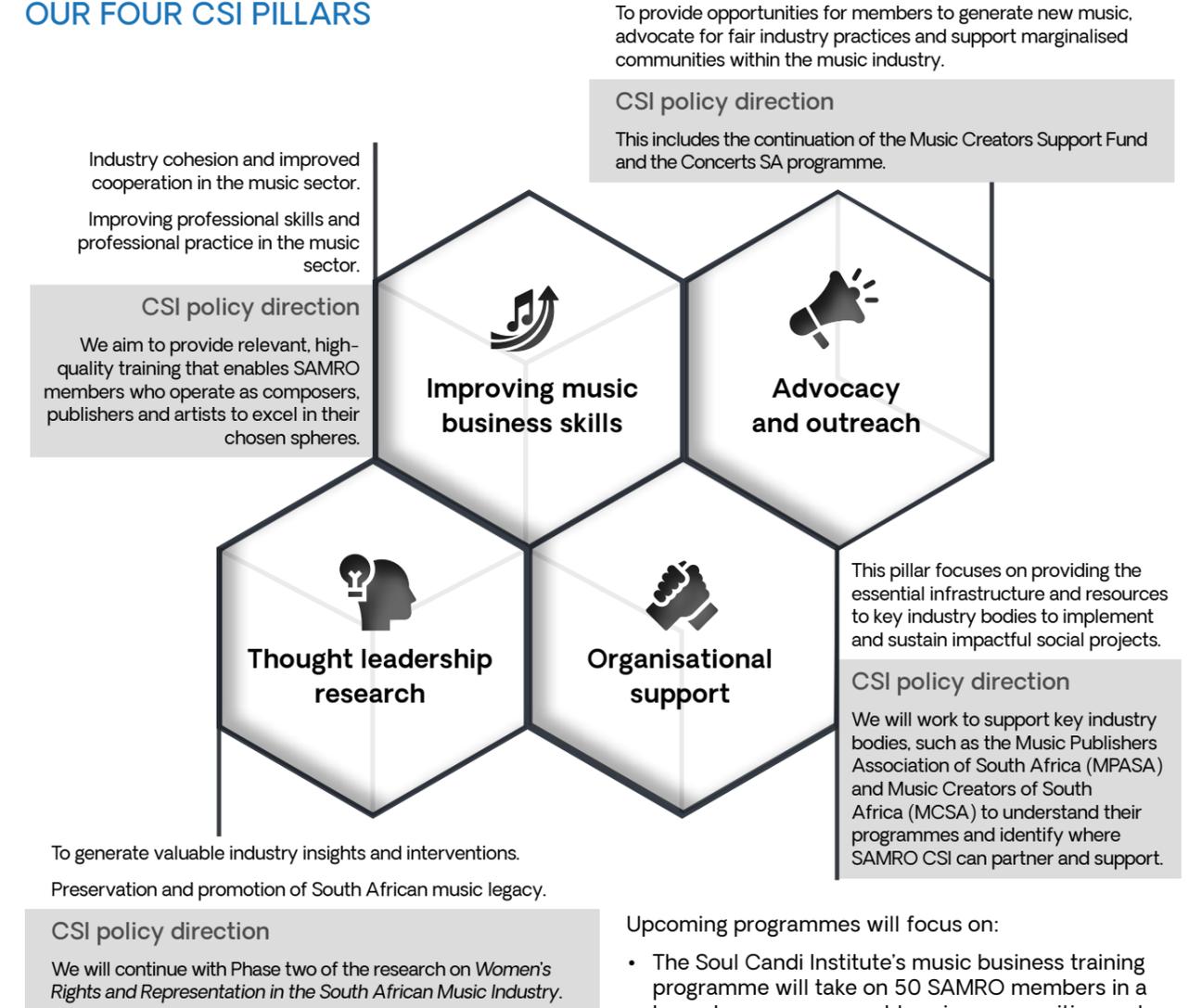
of permanent employees are black

EXTERNAL SOCIAL IMPACT: MEMBERS AND COMMUNITIES

Through our corporate social investment (CSI) we aim to spur creativity and productivity in the music industry by helping aspiring creators unlock learning and growth opportunities.

Following the closure of the SAMRO Foundation, the Board approved a new CSI strategy in 2021 to maximise our impact on members and the music industry at large. In 2023, we added a fourth pillar to our strategy: organisational support. We also created further capacity in our CSI team to be even more responsive to member needs. This year we focused on planning to ensure that we broaden the scope of future impact through priority areas that will allow us to reach more members.

OUR FOUR CSI PILLARS



PROGRESS IN 2023

Improving music business skills

We want to empower our members to grow their earnings sustainably. From member feedback, we know that they want to better understand their rights, their position in the value chain and how to navigate the industry as an entrepreneur. As such, we have made some structural changes to our programmes and will be more targeted in what they offer.

We researched, assessed and identified five suitable training and capacity-building programmes this year. We were careful in our evaluation of partners and decided to discontinue some previous projects. It is important to be responsive to the realities of our members, for example in terms of digital offerings.

By providing relevant, high-quality training, we will enable SAMRO members who operate as composers, publishers, and artists to excel in their chosen spheres.

Advocacy and outreach

The SAMRO Music Creation Support Fund (MCSF) was established in 2021 in response to the COVID-19 pandemic. The fund provides members with financial support to create and share their music with the rest of the world. Investing in our members and their creative projects contributes to the music industry's overall growth and enrichment.

The MCSF has been a key source of support for members in the past three years. The 2022 instalment offered 100 micro-grants with a maximum budget of R25 000 per member to support their professional music creation projects. In 2023, a further 100 grantees received funds for the creation of new works. Applications increased by 75% this year. 36% of the members who received grants are female (compared to 17% in the previous iteration)

A dedicated committee of independent adjudicators assessed the applications to ensure a fair evaluation process to create new musical works.

Since its inception, the MCSF grant has resulted in a cumulative allocation of R2.4 million.

We also continued our support of Concerts SA to drive growth in live music. Through Concerts SA we plan to amplify the impact of other key CSI programmes, including the MSCF.

We also supported composers and authors, who are associate or full members, through the SAMRO Funeral Benefit and Retirement Annuity Fund.

Thought leadership research

SAMRO completed the first phase of its research into *Women's Rights and Representation in the South African Music Industry in 2022*. The research was conducted by an independent research team and identified a persistence of patriarchal assumptions, power imbalances and harassment within the music industry, identifying that women neither feel safe nor equal in the sector. The second phase started in 2023 and aims to increase our understanding of gender parity through quantitative data and analysis.

Two new CSI projects will focus on legacy preservation. The first is a Nokhutela Dube research project and the second is a Legends Research and Recognition project.

In the next financial year, we also plan to host music industry roundtable dialogues.

Organisational support

The CSI team will work to support key industry bodies to understand their programmes and identify where SAMRO CSI can partner and support.

A new chapter for Concerts SA

This year marks the end of a decade of Concerts SA, a joint South African/Norwegian initiative working with musicians, promoters, venues and institutions. The project aimed to grow a viable live music circuit and develop audiences in South Africa and the region. Concerts SA received financial, administrative, and technical support from the Norwegian Ministry of Foreign Affairs and SAMRO. The Norwegian funding cycle ended in 2023.

Over the ten years, the project supported over 5 000 concerts at more than 870 venues throughout the region, creating more than 14 600 work opportunities for music professionals and technical crew, and reaching an audience of well over 1 million people.

SAMRO has committed to help sustain the project, offering support for its programmes, but we are aware that further investment is needed. As such we encourage other organisations to partner with us and Concerts SA to support our vibrant and unique music scene.

This year, Concerts SA supported the following:

- The fifth Digital Mobility Fund (DMF5), which ran from October 2022 to March 2023. The project created over 660 direct work opportunities for artists and technical crews in the live music sector. DMF5 supported 57 concerts in 46 venues, across six provinces.
- The Venue and Promoter Circuit Programme ran from April to September 2023. The live music events created 633 direct work opportunities for artists and technical crew through 128 concerts in 26 venues. The concerts were held across three provinces, reaching over 7 000 audience members.
- The Schools Programme was revitalised for the first time after the COVID-19 lockdowns. Our partner promoters hosted 15 concerts in schools across Gauteng, KwaZulu-Natal and the Western Cape, reaching approximately 11 109 children and employing 111 artists and technical crew.

SAMRO is proactively lobbying and fundraising for further financial support for Concerts SA.

IN TRIBUTE TO OUR MEMBERS WHO HAVE PASSED ON

Aaron Mkhize
Baulkile Ngema
Benjamin Beukes
Benjamin Jeremiah Koen
Caroline Kapentar
Constantinos Tsobanoglou
David James Leadbetter
Dennis Thomas Oosthuis
Eon Eugene Hart
Gerald Neville Watt
Gloria Nosikhumbuzo Bosman
Guillame Bernard Masters
Hugh George Wetmore
Itumeleng George Tladi
Jacobus Johannes Dew Botha
Jeffrey Bhutiki Nkosi
Joseph Norman Sangweni
Kiernan Jarryd Forbes
Latozi Mpahleni
Magamentombi Walter Kanyile
Malose Frans Manganye
Mandlankosi Moses Maphumulo
Manoko Mosima Nqopepe
Mbulelo Michael Mato
Mesuli Brian Majola
Michael Mwale

Mogamat Jusuf Lakay
Mosito Motshabi Kenneth
Mthandeni Mvelase
Mthetho Phillip Busane
Musa Manzini
Ndithini Mbali
Nkosinathi Hycinth Mpanza
Nomtandazo Vinolia Mkutu
Oscar Ehrensperger
Oupa John Mmanthokgo Sefoka
Paul Gabara
Philip Tahleho Tumane
Ralph Sizwe Phiri
Ramafure Isaac Joel Motale
Raymond Arthur Ellis
Richard Sintwa
Simpiwe Gqushani
Sipho Overeth Kaleni
Thabo Tsotetsi
Theodore Edward John Meiring
Thomas Oliver Hollamby
Vincent Mfanimpela Mthethwa
Warren Lloyd Retief
Wiseman Nofuya
Wiseman Tsambo
Zithobile Clement Khoza

FOREVER YOURS
IN MUSIC

Governance Report

OUR BOARD MEMBERS AT 30 JUNE 2023



Mr Nicholas Maweni (48)

Independent Chairperson
Appointed 1 July 2019



Mr Sisa Mayekiso (41)

Independent Vice-Chairperson
Appointed 17 September 2019



Dr Sibongile Vilakazi (41)

Independent Board member
Appointed 15 April 2020



Mr Ryan Hill (46)

Non-executive director
Re-appointed 11 December 2020



Mr Rowlin Naicker (45)

Non-executive director
Appointed 10 December 2021



Mr Tebogo Thekiso (42)

Non-executive director
Appointed 11 December 2020



Mr Gabriel le Roux (67)

Non-executive director
Appointed 10 December 2021

DETAILED BOARD MEMBER PROFILES ARE AVAILABLE ON OUR WEBSITE.

OUR EXECUTIVE TEAM



Ms Annabell Lebethe (47)
Chief Executive Officer
Appointed: 1 January 2023



Ms Leanne Thomas (42)
Chief Financial Officer
Appointed: 1 July 2023



Ms Mpho Mofikoe (47)
Chief Operating Officer
Appointed 1 November 2021

OUR MANAGEMENT TEAM



Clinton Hornett
General Manager: Distributions



Grace Khambane
General Manager: Human Resources



Mikateko Nethononda
General Manager: Member Services



Kgomotso Mosenogi
General Manager: Marketing and Communications



Karabo Senna
General Manager: Sales and Licensing



Mxolisi Zimu
General Manager: Information Technology



Chola Makgamathe
General Manager: Legal Services

Governance at SAMRO

The Board is committed to ethical leadership that drives decisions in the best interest of SAMRO and all our stakeholders. Members of the Board act in good faith and discharge their fiduciary duties with diligence and care.

The Board applies the principles set out in King IV and ensures its practices contribute to long-term sustainability and the desired governance outcomes for SAMRO.

The Board retains full and effective control over all the companies and entities in the group and assumes overall responsibility for SAMRO's compliance with applicable legislation and governance requirements.



SAMRO Board of Directors

The Board is responsible for the company's performance and delegates the implementation of the strategy to the CEO and the Exco.

Other specific responsibilities of the Board include:

- Evaluating the performance of the CEO and Board committees
- Setting a clearly defined communications policy to ensure transparent communication between the Board and key stakeholders
- Ensuring the accuracy of SAMRO's financial statements
- Monitoring operational performance and management
- Upholding high standards of ethics in line with the code of ethics
- Ensuring compliance with the policies and procedures applicable to the business
- Encouraging proactive engagement with key stakeholders
- Ensuring risk management and internal controls, policies and processes
- Increasing the value to members while maximising socio-economic benefits



Audit and Risk Committee

- Considers and reports on all matters relating to financial reporting and audit, internal controls and systems
- Identifies and quantifies the various risks facing the organisation.
- Initiates appropriate risk management methodologies to mitigate these risks
- Reviews Management's risk processes and outcomes, reports findings and recommends acceptance by the Board, as appropriate



Nominations, Human Resources and Remuneration Committee

- Nominates, recruits and appoints directors
- Makes recommendations to the Board on all new appointments
- Facilitates the Board evaluation process aimed at reviewing the balance and effectiveness of the Board and identifying skills needed and the individuals who might provide such skills in a fair and thorough manner
- Enforces the group's remuneration practices to ensure directors and senior managers are rewarded appropriately for their contributions



Social, Ethics and Governance Committee

- Monitors SAMRO's activities relating to any relevant legislation, other legal requirements and prevailing codes of best practice with respect to social and economic development and good corporate citizenship
- Advises the Board on all relevant aspects that may impact SAMRO's long-term sustainability
- Draws attention to Board matters within the mandate as required and reports to members at the AGM
- Attends to governance and member-related matters



Exco

Exco assists the CEO in the company's day-to-day running. The committee meets monthly, and the meetings are chaired by SAMRO's CEO. The committee acts on the following:

- Group performance: consolidated management accounts
- Strategy and structure implementation
- Legal issues
- Business segment updates
- Operational matters
- Governance and risk



BOARD COMPOSITION

According to the SAMRO memorandum of incorporation (MOI), the Board can have a minimum of four and a maximum of 14 members, with at least three independent Board members.

Current composition

	Maximum allowed per MOI	Number at 30 June 2023	% male	% female
Executive directors	2	2	0	100
Non-executive author directors	4	2	100	0
Non-executive publisher directors	4	2	100	0
Independent non-executive directors	3	3	66	33

Board members serve for a maximum of four years and a third of the Board members rotate annually. Board members are nominated and elected by full voting members of SAMRO. Read more about the different membership levels on page 9.

SAMRO appoints independent non-executive directors to:

- Bring in additional skills, experience and thought leadership
- Improve the Board's ability to recognise and deal with risks and opportunities
- Lift the quality and effectiveness of Board deliberations
- Bring knowledge and understanding of the regulatory environment
- Bring about independence to avoid bias in decision-making

MEETING ATTENDANCE

	SAMRO Board	Audit and Risk Committee	Nominations, Human Resources and Remuneration Committee	Social, Ethics and Governance Committee
Number of meetings held	6	5	4	4
Number of meetings attended				
David Alexander ¹	2	3	–	–
Ryan Hill	6	5	–	–
Annabell Lebethe ²	4	2	2	2
Gabriel le Roux	6	2	–	–
Nicholas Maweni	6	–	4	4
Sisa Mayekiso	6	4	–	–
Phillip Miller ³	1	1	–	–
Mandrew Mnguni ⁴	5	–	–	2
Rowlin Naicker	5	1	–	4
Mark Rosin ⁵	2	3	2	2
John Scullion ⁶	5	5	2	2
Sipho Sithole ⁷	2	3	2	–
Tebogo Thekisho	5	–	–	3
Leanne Thomas ⁸	1	1	–	–
Sibongile Vilakazi	5	–	4	4

¹ Resigned 5 December 2022

² Appointed 1 January 2023

³ Resigned 9 December 2022

⁴ Resigned 20 April 2023

⁵ Resigned 31 December 2022

⁶ Resigned 28 April 2023

⁷ Resigned 28 December 2022

⁸ Appointed 1 July 2023

Gloria Bosman was appointed on 1 January 2023 but passed away on 14 March 2023.

The Board is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference and the MOI for the year.

ROLES AND RESPONSIBILITIES

The Board is responsible for determining strategic direction and exercises prudent control of SAMRO's affairs.

The Board serves as the focal point and custodian of corporate governance and leads in terms of strategy, policy and planning. It provides oversight in terms of performance which relies on management reporting and disclosure.

The Board appoints the CEO and evaluates his/her performance annually against agreed performance measures and targets. The Board is also responsible for succession planning for the CEO position and provides input regarding senior management appointments and remuneration.

The Board annually reviews and approves a delegation of authority framework and implements a formal governance framework in respect of SAMRO and its subsidiaries. There is a clear division of responsibilities between the executive team responsible for the running of SAMRO's business and the leadership of the Board, with not one individual having unfettered powers of decision-making.

The Board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

PROFESSIONAL CORPORATE GOVERNANCE SERVICES

SAMRO's group Company Secretary plays a pivotal role in the effective functioning of the Board. She ensures all directors have full and timely access to the information they need to perform their duties and obligations properly. She is responsible for the duties set out in section 88 of the Companies Act and for ensuring compliance with applicable laws and regulations. All directors have unlimited access to the group Company Secretary.

The group Company Secretary is not an executive director of SAMRO, nor is she related to or connected to any of the directors. The appointment and removal of the group Company Secretary is a matter for the Board as a whole. In addition to her role as group Company Secretary, she also serves as the executive responsible for governance, risk and compliance and reports to the CEO. The performance of the group Company Secretary is monitored by the CEO and is formally assessed by the Board annually.

The Board believes that the arrangements to access professional corporate governance services are effective.

COMMITTEE REPORTS

The committees are satisfied that they have each fulfilled their responsibilities according to their terms of reference.

Audit and Risk Committee

The SAMRO Audit and Risk Committee has an independent role with accountability to both the Board and members. The committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King IV, as well as additional responsibilities assigned by the Board. The responsibilities of the committee include:

Internal and external audit

- Recommends the appointment of the external auditors to the Board, approves their terms of engagement and fees and monitors their independence, objectivity and effectiveness
- Determines the nature and extent of any non-audit services which the external auditor may provide and preapproves any proposed contracts with the external auditors
- Recommends the appointment of the internal auditors, approves their terms of engagement and fees and monitors their independence, objectivity and effectiveness
- Reviews the company's internal and external assurance model
- Appraises the independence, expertise and objectivity of SizweNtsalubaGobodo Grant Thornton Inc as the external auditor, as well as approving the terms of engagement and the fees paid to SizweNtsalubaGobodo Grant Thornton Inc.
- Reviews progress on the three-year strategic internal audit plan and ensures coordination between the internal and external auditors
- Receives and reviews the internal audit report at each meeting of the committee as well as the annual assessment of internal financial controls
- Considers the major findings of internal investigations and Management's response
- Annually reviews the expertise, resources and experience of SAMRO's finance function

The external auditor has unrestricted access to the group's records and Management. The auditor furnishes a written report to the committee on significant findings arising from the annual audit and is able to raise matters of concern directly with the Chairperson of the committee.

The audit partner in charge of the audit is rotated off the audit after five years. In terms of this policy, the current audit partner is in the fourth year of tenure. The group has received confirmation from the external auditor that the partners and employees responsible for the audit comply with all legal and professional requirements with regard to rotation and independence. The committee is satisfied that the external auditor is independent of the company.

The chairman of the committee attends all statutory member meetings to answer any questions on the committee's activities.

The committee appointed PwC to provide internal audit services following a process that commenced in March 2023.

During the external auditor's tenure, SAMRO made significant changes to the management of the organisation. Following the appointment of a new CEO in January 2023 and a new CFO in July 2023, the threat of familiarity between Management and the external auditors have been mitigated to a large extent.

Risk management

- Oversees the development and annual review of the risk management policy and plan
- Monitors implementation of the risk management policy and plan by means of risk management systems and processes
- Makes recommendations to the Board concerning the levels of risk tolerance and appetite
- Monitors that risks are managed within the levels of tolerance and appetite as approved by the Board
- Oversees that the risk management plan is widely disseminated throughout the company and integrated into SAMRO's day-to-day activities
- Ensures that risk management assessments are performed continuously
- Ensures that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks
- Ensures that Management considers and implements appropriate risk responses
- Ensures that continuous risk monitoring by Management takes place
- Expresses the committee's formal opinion to the Board on the effectiveness of the system and process of risk management
- Reviews reporting concerning risk management included in the integrated report

Reporting and disclosures

- Oversees integrated reporting including the annual financial statements, and has regard to all factors and risks that may impact the integrity of the integrated report, and recommends the integrated report to the Board for approval
- Reviews the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information

Internal controls and finance function

The committee considered the results of the formal documented review of the company's system of internal financial controls and risk management, including the design, implementation and effectiveness of the internal financial controls in place. The committee also assessed information and explanations given by Management and discussions with the external auditor on the results of the audit. Through this process, no material matter has come to the attention of the committee or the Board that has caused the directors to believe that the company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

The committee recommended the annual budget for the year ending 30 June 2024 to the Board for approval.

The committee is satisfied that the expertise and experience of the CFO is appropriate to meet the responsibilities of the position. This is based on the qualifications, levels of experience, continuing professional education and the Board's assessment of the financial knowledge of the CFO.

The committee is also satisfied with the appropriateness, expertise and adequacy of resources of the finance function and the experience of senior members of management responsible for the finance function.

Combined assurance

SAMRO has a combined assurance framework that informs the development of the annual Combined Assurance Plan (CAP), which is based on the annual risk assessment.

The combined assurance framework is shaped by a five-step process:

Identify role players	This includes the Audit and Risk Committee appointing a combined assurance champion from the executive team to oversee the process and to ensure cooperation.
Assess potential for combined assurance	This includes establishing a high-level understanding of who the assurance providers are for current risk exposures. First, second and third lines of assurance involves management-based assurance, risk and compliance-based assurance and independent assurance. While having the same objective, each line has its own unique roles and responsibilities. Careful coordination is essential to avoid unnecessary duplication of efforts while assuring that all significant risks are addressed appropriately.
Test coverage of assurance	Assurance cover is tested through interaction with recipients and an assessment of reports. This view on what is being done, and for what reasons, ensures coordination of efforts and eradicates duplication.
Risk focus	This includes a detailed gap analysis of current assurance services and what needs to be provided based on SAMRO's strategic and operational risk profiles. For this purpose, risk information is regularly and centrally maintained, based on risk severity which considers SAMRO's risk appetite and tolerance levels.
Combined assurance application	This requires stakeholder acceptance of the approach and respective responsibilities by identifying the recommended areas of assurance and articulating the nature of the assurance activities. SAMRO applies its discretion in defining extensive, moderate and inadequate assurance. The Executive Management and the Board ensure that both internal and external assurance providers are appropriately skilled and experienced to follow an adequate approach.

Auditor changes

An assessment was done on the external auditors following the 2021 audit. Another assessment will be done following the 2023 audit. The Audit and Risk Committee considers the independence of the external auditors, their performance and any relevant findings.

Human Resources, Nomination and Remuneration Committee

The committee has an independent role and is mandated by the Board to ensure:

- The Board has the appropriate composition to execute its duties effectively
- A formal succession planning plan exists to ensure that the Board, CEO and other executive appointments are in place and are aligned to SAMRO's policies
- Fair and responsible remuneration of directors, executives and other employees, including ensuring that all employee benefits are justified and correctly valued
- Appropriate human resource policies are developed and implemented
- An appropriate operating model and organisational structure exist to drive and implement SAMRO's strategy
- SAMRO has the right people with the requisite skills and competencies necessary to pursue the strategic objectives as set out by the Board, as well as ensuring harmonious relations between labour and Management

The committee is also responsible for developing a competitive human capital strategy to ensure SAMRO is able to attract, retain, and develop the best possible talent to support business performance. The objective is to create an organisational culture, structures and processes that seek to support the development of people and the optimisation of their potential.

The committee evaluates the performance of Board and committee members and recommends education, training and development, as it deems appropriate, to the Board, in respect of Board members.

Focus areas in the past year:

- Recruitment and appointment of new executives including CEO and CFO
- Relationship with CWU with no labour unrest experienced
- Broad-based black economic empowerment compliance with a level 5 B-BBEE contributor status achieved

Planned focus areas for the next year:

- Succession planning and implementation
- Offering more employee value propositions
- Filling Board vacancies

Social, Ethics and Governance Committee

The committee has been mandated by the Board to provide oversight of social and economic development, including SAMRO's standing in terms of the goals and purposes of:

- The 10 principles set out in the United Nations Global Compact
- The Organisation for Economic Co-operation and Development recommendations regarding corruption
- The Employment Equity Act and the Broad-Based Black Economic Empowerment Act

The committee also provides oversight of good corporate citizenship, including SAMRO's:

- Promotion of equality, prevention of unfair discrimination, and reduction of corruption
- Contribution to the development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed
- Record of sponsorship, donations and charitable giving
- The environment, health and public safety, including the impact of SAMRO's activities and its products or services
- Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws

Read more about SAMRO's CSI activities on page 30.

The committee reports to members at the AGM on matters within its mandate.

The committee is further responsible for ensuring that ethics are managed in a way that supports the establishment of an ethical culture.

In terms of its governance oversight role, the committee makes recommendations to the Board on governance policies, practices and procedures relevant to non-profit organisations. It also reviews and approves changes to such policies recommended by Management.

Focus areas during the past year:

- Initiating a forensics investigation into unethical behaviour
- Marketing and communications, including a new website
- Corporate social investment initiatives
- Member services including better member experiences
- Membership reports including new members
- Distributions
- Legal services including updates on the Copyright Amendment Bill
- New policies including the revised advance policy
- Transformation with the focus on gender

Planned areas of future focus:

- Brand and reputation tracking
- Increasing revenue to enable higher member distributions
- SAMRO culture
- Improved member experiences

Organisational ethics in practice

Board members declare any conflicts of interest upfront at every Board or committee meeting.

We expect employees and members to uphold our values as set out on page 7.

SAMRO has a member code of conduct that sets out ethical behaviour expected from members. We also have an anti-fraud and corruption policy that directs the implementation of anti-fraud processes and systems to safeguard SAMRO.

The Risk Management Committee reviewed the SAMRO fraud response plan in June 2023 and will assist Management with enforcement responsibilities. The plan will serve as a management tool going forward, with quarterly reporting to the Audit and Risk Committee.

We encourage stakeholders to speak up if they believe something is wrong, whether it be misconduct, fraud, or illegal activity, or if they feel our standards are not being met. SAMRO has a whistleblowing channel operated by Whistle Blowers (Pty) Ltd, an independent service provider, that enables stakeholders to anonymously report fraud, criminal and unethical activity, and other irregularities in the workplace.

To report unethical activity, please call 0800 213 117.

An employee fraud awareness session was presented by Whistle Blowers in June 2023.

Read more about SAMRO's drive for high standards of ethics in the chairperson's report from page 10.

COMPLIANCE

The Board is responsible for monitoring compliance with applicable laws and regulations, rules, codes and standards applicable to SAMRO through the Audit and Risk Committee.

Management is responsible for implementing required mechanisms to identify and manage compliance through the implementation of an effective compliance framework and process, which forms an integral part of SAMRO's risk management process.

The Board is continually informed of changes in the relevant laws, rules, codes and standards to adequately discharge its duties in the best interest of SAMRO and with due care, skill and diligence.

Any material incidences of non-compliance are immediately reported to the Board by the group Company Secretary.

Compliance future focus areas

- Legal and regulatory compliance
- IT and cyber security
- Health and safety compliance
- Ethics and integrity
- Financial compliance
- Internal controls and audits
- Risk management



INFORMATION TECHNOLOGY GOVERNANCE

SAMRO's IT governance framework is aligned with business goals and drives our investment in IT and performance monitoring.

SAMRO's IT governance framework is a set of guidelines and practices that oversee the management and use of information technology within SAMRO. This framework aligns closely with the broader corporate governance framework to ensure that SAMRO IT resources are effectively and strategically managed in support of SAMRO's overall goals and objectives.

ACCOUNTABILITY AND RESPONSIBILITY

The responsibility for implementing IT Governance at SAMRO in accordance with this framework lies with the executive authority and Management. Effective IT Governance within SAMRO is achieved through various measures, including:

- Delegating responsibilities to executive and senior managers with decision-making authority.
- Employing suitable governance mechanisms.
- Aligning ICT objectives with business goals to realise business benefits and manage associated risks.
- Investing in ICT to enable the organisation to realise business value.
- Establishing appropriate business ownership of ICT projects.
- Providing the necessary capacity and capability in ICT to support business operations.
- Ensuring that ICT is continuously monitored and measured.

IT performance metrics are monitored to ensure that IT resources and initiatives deliver value, and risks are managed to avoid disruptions to organisational performance.

SAMRO's IT governance involves identifying and managing IT-related risks and considers a wide variety of stakeholder needs. It also ensures compliance with laws and regulations, such as data privacy, POPI and cybersecurity regulations. SAMRO's IT governance supports internal audit processes to evaluate the effectiveness of IT controls and compliance with IT policies and procedures.

IT POLICIES AND PROCEDURES

SAMRO's IT governance establishes policies and structures for effective information security, data management, and technology investments. This ensures that technology and information are managed in a way that aligns with best practices in corporate governance.

Three new IT governance policies were approved this year:

Change Management Policy

This policy serves as the cornerstone for defining the management, direction, and high-level objectives of IT change management and control at SAMRO. It recognises the interconnectedness between resources and applications and guides effective handling and communicating updates, maintenance, and regular releases to mitigate the inherent risks associated with the change management process.

Acceptable Use Policy

This policy promotes the efficient, ethical, and legal use of SAMRO's computer, telecommunication, and network resources. SAMRO offers Information and Communication Technology (ICT) services primarily for its business operations, specifically for the administration of Performing Rights on behalf of its members and licensing music users. These services also extend to reasonable personal use, within the confines of the SAMRO business environment.

Project Management Policy

This policy ensures that SAMRO attains its desired project objectives while mitigating the risks of project delays, cost overruns, and diminished value. This is achieved by enhancing communication and engagement with all project stakeholders. Ultimately, the project management policy aims to maximise the value and quality of project outputs.

The introduction of these IT policies represent a significant commitment to responsible technology management. SAMRO is taking proactive steps to ensure that its technology resources serve its purpose.

FOCUS AREAS IN THE PAST YEAR

- Ensuring that the IT strategy and initiatives are closely aligned with SAMRO's overall strategic objectives, and that IT investments support and enable the achievement of these objectives.
- Identifying, assessing, and managing IT-related risks, including cybersecurity threats, data breaches, and business continuity risks, to protect the organisation from potential disruptions.
- Addressing information security through measures such as access control, data encryption, network security, and security policies to safeguard sensitive data and IT systems.
- Managing data effectively, including data quality, data governance, data privacy, and compliance with data protection regulations, to ensure that data assets are used responsibly and provide value.
- Overseeing IT projects to ensure they are completed on time, within budget, and with the expected results. This includes project planning, risk management and project management methodologies.

FUTURE FOCUS AREAS

System replacement: This project aims to upgrade outdated infrastructure with a more efficient system capable of handling SAMRO's critical functions. The new IT system has to cater to the specific requirements and preferences of local and regional users.

Disaster recovery: Developing plans and strategies to ensure that IT systems and data can be restored in case of a disaster, minimising downtime and data loss. Developing a Disaster Recovery (DR) policy is crucial for operational continuity, risk mitigation, cybersecurity defence and data protection.

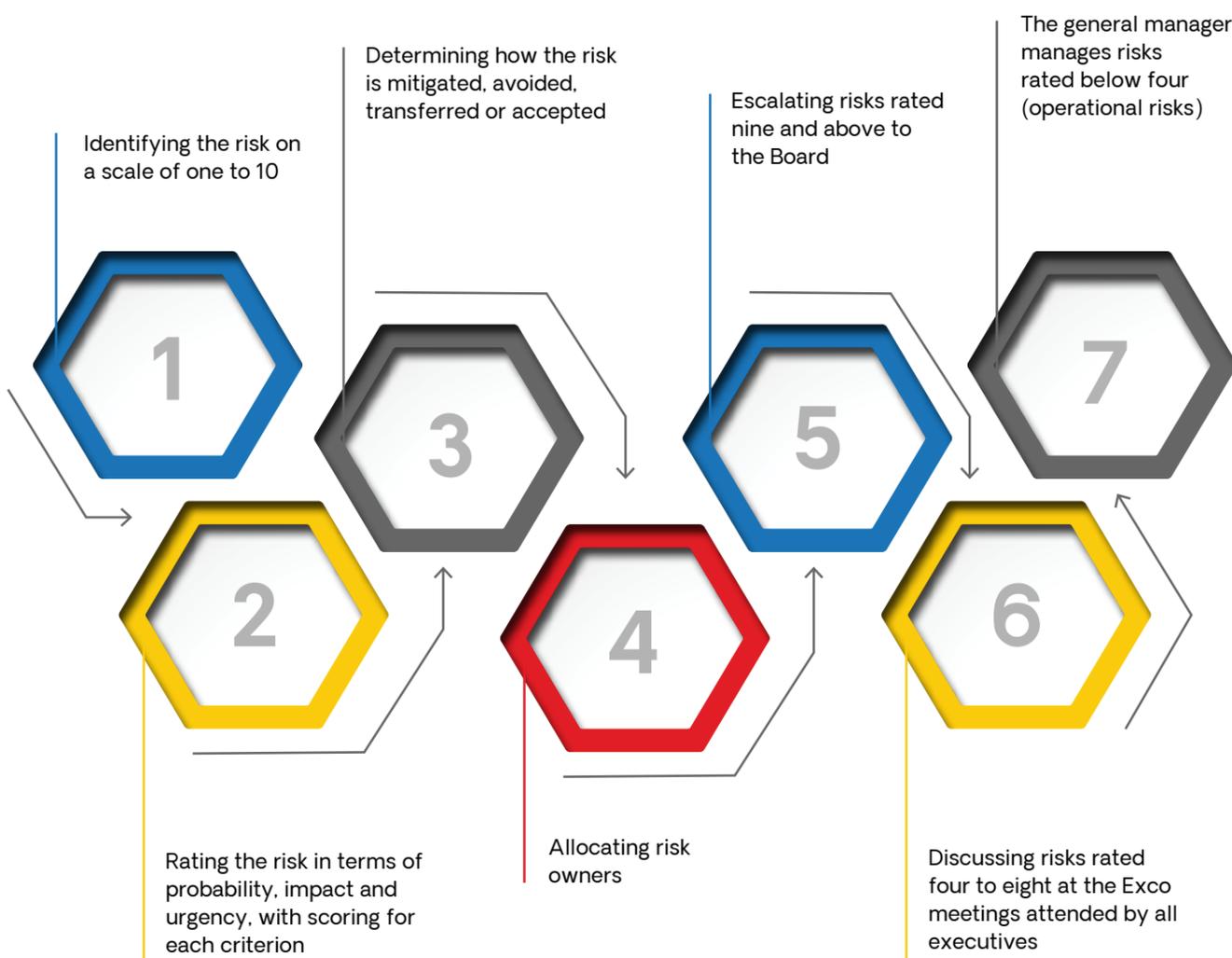


OUR RISK REPORT

SAMRO recognises that effective risk management is fundamental to achieving our strategic objectives as set out on page 7. As such, risk management is a strategic management tool that enables SAMRO to respond to its environment in an agile and effective way and lay a strong foundation for business success.

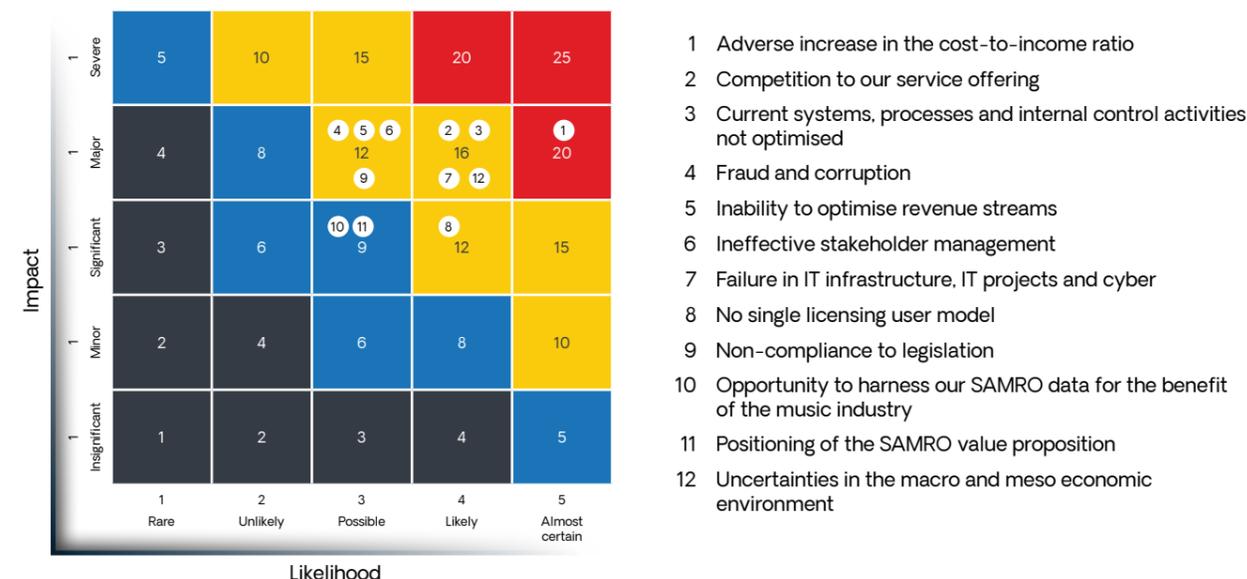
OUR RISK MANAGEMENT POLICY AND PROCESS

SAMRO's risk management framework and policy are designed to holistically address the company's risks. Management is required to identify, assess, reasonably manage and report on risks to the Audit and Risk Committee. To this end, management follows a risk process:



OUR RISK EXPOSURE HEATMAP

SAMRO's residual risk exposure heatmap depicting strategic risks and opportunities:



STRATEGIC RISKS

Risk and potential impact	Mitigation and responses
Failure to license music users can lead to copyright infringement, loss of revenue, reputational damage and may affect SAMRO's sustainability.	Although this risk is pertinent for CMOs around the world, it is mitigated differently according to legislative frameworks applicable to local jurisdictions. SAMRO is further challenged by B-BBEE requirements and an unfavourable legal framework in South Africa. We adopt collaborative and partnership-based licensing models in difficult market segments, for example municipalities. We enforce infringement action while ensuring our marketing investments create awareness and that our sales employees are well trained and able to drive licensing uptake.
A high cost-to-income ratio might result in accredited members leaving due to low distributions.	Costs are actively managed with oversight from the Audit and Risk Committee. This includes an effective bad debt monitoring process and the implementation of licensing business rules. The cost-to-income ratio is a key performance indicator considered in approving the budget and is supported by increased efforts to meet higher revenue targets as this will result in a lower ratio.
Ineffective credit control processes can lead to excessive levels of bad debt which can impact income negatively and lead to inadequate provision for bad debt.	We continuously review our credit control processes to ensure these are efficient and effective. This includes regular updates of contact details and collecting on current ageing status. All new customer credit profiles are checked. Debt that exceeds 90 days is immediately handed over to the legal department for collection, irrespective of the account level of the licensee. Credit controllers are actively performance managed and we use external collectors for old debt.
An IT infrastructure failure can result from the implementation of new core finance and licensing systems.	We have different levels of system implementation oversight and monitoring including a Project Steering Committee, the COO, legal department, senior management and external consultants. Implementation will be completed by the first quarter of 2024.

EMERGING RISKS

- The cost-of-living crisis will result in a gap between what employees expect in terms of remuneration and increases, and what SAMRO can afford. This might lead to acrimonious annual increase negotiations with labour unions.
- Political instability and service delivery pressure at South African municipalities are causing constant changes in leadership at local government level affecting priorities and the ability to pay licence fees.
- Economic pressure is impacting the number of new and existing licensees that SAMRO is able to secure, which puts distributions and value created for members at risk.
- Increasing natural disaster events are affecting access to public transport, health services and other public services, thereby impacting employees' livelihoods, wellbeing and ability to come to work.
- SAMRO is using a generator at its premises to mitigate load shedding, however, increasing levels of electricity supply interruptions mean that diesel costs exceed budget and solar-enabled facilities have to be investigated.
- Social cohesion in South Africa is at risk and requires entities such as SAMRO to intentionally speak to issues of diversity, for example through a 'Culture Indaba', formal and informal diversity training and team-building activities.
- The proliferation of illicit economic activity and South Africa's grey listing could affect SAMRO's bilateral relationships. SAMRO has to demonstrate its 'zero-tolerance' to fraud or suspected fraud.

OUR REMUNERATION REPORT

BACKGROUND STATEMENT

The Nomination, Human Resources and Remuneration Committee oversees remuneration and is responsible for a formal and transparent process to develop a remuneration policy for SAMRO, including setting a direction and approach to remuneration that aspires to fairness, responsibility and transparency, and promotes positive outcomes.

The committee also:

- Determines and approves general policy on strategic compensation issues
- Annually appraises the performance of the CEO
- Annually reviews and approves the remuneration packages of the most senior executives, including performance bonuses and increases, ensuring appropriateness and alignment with the remuneration policy
- Annually reviews the remuneration of non-executive directors

When making remuneration decisions, the committee considers consumer price index trends, human resources reports and policy requirements.

REMUNERATION POLICY

SAMRO has an integrated approach to remuneration linked to the group's strategy. SAMRO's remuneration strategy is structured to motivate employees to ensure sustainable value creation for members by executing the group's strategy.

SAMRO's remuneration policy and practices ensure alignment of the remuneration and incentives of executives and employees and the group's long-term business strategy. The remuneration policy and practices aim to reward superior performance.

The remuneration policy objectives include the need to:

- Promote superior performance
- Direct employees' energy towards key business goals
- Achieve the most effective returns for employee spend
- Have an overall credible remuneration policy

For executives and employees, SAMRO offers a cost-to-company remuneration package to provide flexibility in terms of structuring employee benefits according to individual employee needs. There is no difference in the way remuneration is structured for executives and other employees. KPIs are aligned to strategic goals and short term incentives apply across the Board.

Non-executive Board member fees are determined by a special resolution at an AGM in line with the SAMRO MOI. SAMRO directors' remuneration is reviewed annually against competitors and companies of similar size through an independent benchmarking process. Directors' remuneration is not directly related to SAMRO's performance.

Executives have five-year contracts with terms that are similar to that of other employees.

REMUNERATION IMPLEMENTATION REPORT

We disclose a summary of directors, executive and other senior management remuneration in note 15 of the summarised annual financial statements in this report. The detail is disclosed in the full set of annual financial statements that can be requested from the company secretary.

The Committee is satisfied that there were no policy exceptions during the year and that the remuneration policy achieved its stated objectives.



SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS



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 summary consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the summary consolidated annual financial statements satisfy the financial reporting standards with regards to form and content and present fairly the summary consolidated 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 summary consolidated 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 summary consolidated 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 summary consolidated annual financial statements set out on pages 59 to 71 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. NATURE OF BUSINESS

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

3. OPERATING AND FINANCIAL REVIEW

The financial results of the group and company are set out on pages 59 to 71.

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 its profits.

4. 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.

5. DIVIDEND

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

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)

Director's report continued

for the year ended 30 June 2023

Directors' interest in contracts

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

7. SECRETARY

The group's designated secretary is Luvivi Proprietary Limited.

8. INDEPENDENT AUDITORS

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

9. 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.



Noma Nkomo, on behalf of Luvivi Proprietary Limited

Company Secretary

Johannesburg

10 November 2023

Independent auditor's report on the summary consolidated financial statements

Statements of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2023

TO THE MEMBERS OF SOUTHERN AFRICAN MUSIC RIGHTS ORGANISATION NPC

Opinion

The summary consolidated financial statements, which comprise the summary consolidated balance sheet as at 30 June 2023, the summary consolidated income statement, summary consolidated statement of changes in equity and summary consolidated cash flow statement for the year then ended, and related notes, are derived from the audited separate and consolidated financial statements of Southern African Music Rights Organisation NPC for the year ended 30 June 2023.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the separate and consolidated audited financial statements, in accordance with (International Accounting Standards) IAS 34 and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Financial Statements

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

The Audited Financial Statements and our report thereon

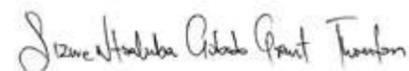
We expressed an unmodified audit opinion on the audited separate and consolidated financial statements in our report dated 14 November 2023.

Director's responsibility for the summary consolidated financial statements

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

Auditor's responsibilities

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



SizweNtsalubaGobodo Grant Thornton Inc.

Director: M Dwanya CA(SA)
Registered Auditor

Woodmead

14 November 2023

	NOTES	GROUP		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Revenue	9	599 691	520 634	593 689	514 915
Other income	10	2 710	2 220	7 532	7 023
Distribution expenses (Licence & 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)	12	21 059	3 722	15 736	3 722
Loss from operating activities	13	(137 075)	(67 798)	(130 733)	(71 126)
Royalty distributions/Undistributable income written back		87 734	52 008	87 734	52 008
Investment income	14	43 000	19 145	42 999	19 118
(Loss)/profit before tax		(6 341)	3 355	–	–
Income tax expense		(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		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

AS AT 30 JUNE 2023

	NOTES	GROUP		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
ASSETS					
Non-current assets					
Property, plant and equipment		103 232	98 182	8 303	8 451
Intangible assets		15 752	26 301	15 752	26 301
Investment in subsidiaries		–	–	174	174
Deferred tax assets		–	846	–	–
Investments	4	259 883	215 476	259 883	215 476
Loan to group company		–	–	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		82 603	70 041	94 212	81 745
Current tax assets		9 291	9 468	9 468	9 468
Cash and cash equivalents	5	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	6	–	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		23 973	16 313	1 650	1 611
Mark-to-market reserve		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		406	–	–	–
Post-employment medical benefits		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		58 902	44 728	57 613	43 234
Social and cultural obligations	7	45 068	33 461	45 068	33 461
Current portion of post-employment medical benefits		1 340	11 121	1 340	11 121
Distributions payable and in progress	8	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 Cash Flows

FOR THE YEAR ENDED 30 JUNE 2023

	NOTES	GROUP		COMPANY	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Net cash flows from operations		445 566	408 279	446 380	418 347
Income taxes paid		–	(55)	–	–
Royalty and social distributions to members and affiliated societies	8	(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		(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	16	–	(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		–	–	13 650	(825)
(Repayments on) loan from group company		–	–	–	(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	5	720 898	517 219	720 173	516 655

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2023

	COMPANY			
	Revaluation surplus R'000	Mark-to-market reserve R'000	(Accumulated loss)/retained income R'000	Total R'000
Balance at 1 July 2021	1 419	80 537	13 987	95 943
Changes in equity				
Revaluation of musical instruments	192	-	-	192
Fair value loss on investment through other comprehensive income	-	(614)	-	(614)
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				
Revaluation of paintings	39	-	-	39
Fair value gain on investment through other comprehensive income	-	20 302	-	20 302
Total comprehensive income	39	20 302	-	20 341
Balance at 30 June 2023	1 650	100 225	13 987	115 862

	GROUP			
	Revaluation surplus R'000	Mark-to-market reserve R'000	(Accumulated loss)/retained income R'000	Total R'000
Balance at 1 July 2021	5 708	80 537	(84 553)	1 692
Changes in equity				
Profit for the year	-	-	1 826	1 826
Revaluation of musical instruments and land and buildings	9 334	-	-	9 334
Fair value loss on investment through other comprehensive income	-	(614)	-	(614)
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)
Revaluation of paintings and land and buildings	7 660	-	-	7 660
Fair value gain on investment through other comprehensive income	-	20 302	-	20 302
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

Accounting Policies

FOR THE YEAR ENDED 30 JUNE 2023

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.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These summarised consolidated financial statements for the year ended 30 June 2023 have been extracted from the full set of audited consolidated annual financial statements for the year ended 30 June 2023, which have been prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa. The summarised consolidated financial statements have been prepared using the principles of IAS 34 "Interim Financial Reporting" and should be read in conjunction with the full set of audited consolidated annual financial statements. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Notes to the Summary Consolidated Financial Statements

FOR THE YEAR ENDED 30 JUNE 2023

3. CAPITAL EXPENDITURE INCURRED

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Property and equipment	2 062	2 031	2 062	2 031
Software development	7 766	6 232	7 766	6 232
	9 828	8 263	9 828	8 263

SAMRO is currently in the process of replacing the Dynamics 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.

Notes to the Summary Consolidated Financial Statements for the year ended 30 June 2023 continued

for the year ended 30 June 2023

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
3. CAPITAL EXPENDITURE INCURRED continued				
*Impairment – Software development	(11 522)	–	(11 522)	–
* 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.				
	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
4. INVESTMENTS				
At cost	125 074	117 466	125 074	117 466
Market revaluation	100 225	79 923	100 225	79 923
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
Financial assets at fair value through OCI and at fair value through profit/loss	259 883	215 476	259 883	215 476
5. 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

6. 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.

Notes to the Summary Consolidated Financial Statements for the year ended 30 June 2023 continued

for the year ended 30 June 2023

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
6. ASSETS CLASSIFIED AS HELD FOR SALE continued				
Non-current assets				
Property, plant and equipment	–	13 650	–	–
7. SOCIAL AND CULTURAL OBLIGATIONS				
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
7.1 Social Obligations				
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
7.2 Cultural obligations				
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

Notes to the Summary Consolidated Financial Statements for the year ended 30 June 2023 continued

for the year ended 30 June 2023

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
8. 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 (Licence & 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)
9. 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
10. 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
11. EMPLOYEE BENEFITS EXPENSE				
<i>Personnel costs form part of operating expenses (refer note 13) and include:</i>				
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

Notes to the Summary Consolidated Financial Statements for the year ended 30 June 2023 continued

for the year ended 30 June 2023

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
12. 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
13. 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 11	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
Auditors remuneration²				
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)/ ECL¹				
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 costs¹	11 522	–	11 522	–
** Refer note 3 for more detail				
Investment management fees¹	931	961	931	961
Social and Cultural expenses¹				
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 expenses² Included in Administration expenses³ Included in Administration expenses and in Operating expenses

Notes to the Summary Consolidated Financial Statements for the year ended 30 June 2023 continued

for the year ended 30 June 2023

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
14. 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
15. KEY MANAGEMENT EMOLUMENTS				
From the company and its controlled subsidiaries for:				
Directors				
Current emoluments				
– Non-executive directors' – fees	2 528	1 449	2 528	1 449
– Non-executive directors' – other	–	–	–	–
– Salaries	4 291	4 791	4 291	4 791
– Pension and medical contributions	–	–	–	–
– Bonuses and other fringe benefits	1 609	1 096	1 609	1 096
Total directors' current emoluments	8 428	7 336	8 428	7 336
Post-retirement benefits				
– Estimated post-retirement benefits	–	–	–	–
Total directors' emoluments	8 428	7 336	8 428	7 336
Paid by:				
– Company	8 428	7 336	8 428	7 336
– Subsidiaries	–	–	–	–
Total paid	8 428	7 336	8 428	7 336
Other key management				
Current emoluments				
– Salaries and bonuses	12 260	9 665	12 260	9 665
– Pension and medical aid contributions	1 460	1 227	1 460	1 227
– Other fringe benefits	76	136	76	136
Total other key management current emoluments	13 796	11 028	13 796	11 028
Post-retirement benefits				
– Estimated post-retirement benefits	31	(4)	31	(4)
Total other key management emoluments	13 827	11 024	13 827	11 024
Total key management emoluments	22 255	18 360	22 255	18 360

Notes to the Summary Consolidated Financial Statements for the year ended 30 June 2023 continued

for the year ended 30 June 2023

	GROUP		COMPANY	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
16. DISPOSAL OF CONTROLLED ENTITIES IN 2022 FINANCIAL YEAR				
16.1 Assets and liabilities over which control was lost				
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
16.2 Gain/(Loss) on disposal of subsidiaries				
Consideration received (Refer note 12)	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)
16.3 Net cash flow from disposal of subsidiaries				
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

* 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

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 18.

Notes to the Summary Consolidated Financial Statements for the year ended 30 June 2023 ^{continued}

for the year ended 30 June 2023

18. 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.

19. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

19.1 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.

Notes to the Summary Consolidated Financial Statements for the year ended 30 June 2023 ^{continued}

for the year ended 30 June 2023

19. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES ^{continued}

19.2 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.

Glossary

AGM	Annual general meeting
BBBEE/BEE	Broad-based black economic empowerment
CAB	Copyright Amendment Bill
CAPASSO	Composers, Authors and Publishers' Association
CISAC	The International Confederation of Societies of Authors and Composers
CMO	Collective management organisation
CSA	Concerts SA
CSI	Corporate social investment
CWU	Communications Workers Union
DALRO	Dramatic, Artistic and Literary Rights Organisation (Pty) Ltd
IFRS	International Financial Reporting Standards
IT	Information technology
King IV	King Report on Corporate Governance™ for South Africa, 2016
MCSA	Music Creators of South Africa
MOI	Memorandum of incorporation
MPASA	Music Publishers Association of South Africa
NGO	Non-governmental organisation
NPC	Non-profit company
SAMPRA	South African Music Performance Rights Association
SAMRO	Southern African Music Rights Organisation
SNG-GT	SizweNtsalubaGobodo Grant Thornton
SRAF	SAMRO Retirement Annuity Fund
VAT	Value added tax

Corporate information

Country of Incorporation and Domicile	South Africa
Registration Number	1961/002506/08
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
Registered Office	3rd Floor, SAMRO Place 20 De Korte Street Braamfontein Johannesburg 2001
Postal Address	P O Box 31609 Braamfontein Johannesburg 2017
Telephone	+27 712 8000
Facsimile	+27 86 674 4391
International	+27 11 712 8039
Hotline (during work hours)	+27 86 117 2676
Email	customerservices@samro.org.za
Website	www.samro.org.za
Facebook	SAMROSouthAfrica
Instagram	samromusic
X (formerly Twitter)	SAMROMusic
CEO	Annabell Lebethe
CFO	Leanne Thomas
Bankers	Standard Bank, ABSA Bank, Nedbank, Investec and First National Bank
Auditors	SizweNtsalubaGobodo Grant Thornton Inc.
Legal Advisors	Spoor and Fisher Webber Wentzel Terina Singh
Investment advisors	Investec Nedbank Wealth