

South African Recording Rights Association Limited (Limited by Guarantee)
(Registration number 1963/001301/09)
Financial statements
for the year ended December 31, 2008

Meintjes, Retief & Partners
Chartered Accountants (S.A.)
Registered Auditor
Issued December 4, 2009

South African Recording Rights Association Limited (Limited by Guarantee)

(Registration number 1963/001301/09)

Financial Statements for the year ended December 31, 2008

General Information

Country of incorporation and domicile	South Africa
Directors	Mr S Selota Mr M E Malesa Dt T P M Masemola Mr R F Masevhe Mr G D Gilfillan Mr L T Luthuli
Registered office	606 Heerengracht 87 De Korte Street BRAAMFONTEIN 2001
Business address	606 Heerengracht 87 De Korte Street BRAAMFONTEIN 2001
Postal address	P O Box 31091 BRAAMFONTEIN 2017
Bankers	First National Bank of South Africa Limited
Auditors	Meintjes, Retief & Partners Chartered Accountants (S.A.) Registered Auditor
Company registration number	1963/001301/09

South African Recording Rights Association Limited (Limited by Guarantee)

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Financial Statements for the year ended December 31, 2008

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The reports and statements set out below comprise the financial statements presented to the members:

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The following supplementary information does not form part of the financial statements and is unaudited:

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MEINTJES, RETIEF & VENNOTE/PARTNERS

GEOKTROOIEERDE REKENMEESTERS/CHARTERED ACCOUNTANTS

DATUM/DATE

U VERW./YOUR REF.

ONS VERW./OUR REF.

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Independent Auditor's Report

To the members of South African Recording Rights Association Limited (Limited by Guarantee)

We have audited the financial statements of South African Recording Rights Association Limited (Limited by Guarantee), which comprise the balance sheet as at December 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 5 to 13.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa, 1973. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

Subject to the significance of the the following Emphasis of Matter, and the possible effect thereof, in our opinion, the financial statements present fairly, in all material respects, the financial position of South African Recording Rights Association Limited (Limited by Guarantee) as at December 31, 2008, and its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa, 1973.

Emphasis of Matter

We draw attention to the notes in the directors' report on going concern and the granting by the High Court of an order of liquidation of the company .

Supplementary Information

Without qualifying our opinion, we draw your attention to the fact that the supplementary information set out on page 14 does not form part of the financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.


Meintjes, Retief & Partners
Registered Auditor

December 4, 2009

South African Recording Rights Association Limited (Limited by Guarantee)

(Registration number 1963/001301/09)

Financial Statements for the year ended December 31, 2008

Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa, 1973, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

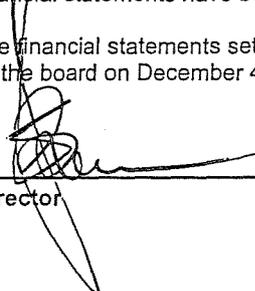
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company 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 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's cash flow forecast for the year to December 31, 2009 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 3.

The financial statements set out on pages 5 to 14, which have been prepared on the going concern basis, were approved by the board on December 4, 2009 and were signed on its behalf by:



Director

South African Recording Rights Association Limited (Limited by Guarantee)

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Financial Statements for the year ended December 31, 2008

Directors' Report

The directors submit their report for the year ended December 31, 2008.

1. Review of activities

Main business and operations

The principal activities of your company during the accounting period were the protection, enhancement and enforcement of the members' copyrights and the collection and distribution of royalties emanating therefrom.

In accordance with advice obtained by your Board from various legal and accounting experts, the financial statements are prepared in a format the Board believes complies with the Sarral constitution which format was approved in principle by the accounting experts. The format is also consistent with that used by a similar type of company in the Music Industry.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependant on a number of factors. The most significant of these is that the directors continue to generate royalty income for the ongoing operations of the company

3. Post balance sheet events

The application for the liquidation of the company has been granted by the High Court but the Board is in the process of appealing against the order. Other claims against the company are being opposed and negotiated.

4. Non-current assets

There have been no major changes in the nature of non-current assets during the year under review nor were there any changes in the policy relating to their use.

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Financial Statements for the year ended December 31, 2008

Balance Sheet

Figures in Rand	Note(s)	2008	2007
Assets			
Non-Current Assets			
Property, plant and equipment	2	680,833	644,048
Current Assets			
Trade and other receivables		219,125	160,278
Cash and cash equivalents		299,415	931,686
		518,540	1,091,964
Total Assets		1,199,373	1,736,012
Equity and Liabilities			
Equity			
Retained income		618,837	966,711
Liabilities			
Current Liabilities			
Trade and other payables		580,536	728,894
Bank overdraft		-	40,407
		580,536	769,301
Total Equity and Liabilities		1,199,373	1,736,012

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Financial Statements for the year ended December 31, 2008

Income Statement

Figures in Rand	Note(s)	2008	2007
Royalties	3	9,521,606	8,727,281
Operating expenses		(4,541,150)	(5,049,931)
Operating profit		4,980,456	3,677,350
Investment revenue	4	56,400	161,433
Finance costs		(14)	-
Available for distribution		5,036,842	3,838,783
Distribution : Royalties (less commission)		(5,384,716)	(6,824,386)
(Excess) distribution for the year		(347,874)	(2,985,603)

South African Recording Rights Association Limited (Limited by Guarantee)

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Financial Statements for the year ended December 31, 2008

Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Balance at January 1, 2007	3,952,314	3,952,314
Changes in equity		
(Excess) distribution for the year	(2,985,603)	(2,985,603)
Total changes	(2,985,603)	(2,985,603)
Balance at January 1, 2008	966,711	966,711
Changes in equity		
(Excess) distribution for the year	(347,874)	(347,874)
Total changes	(347,874)	(347,874)
Balance at December 31, 2008	618,837	618,837

Note(s)

South African Recording Rights Association Limited (Limited by Guarantee)

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Financial Statements for the year ended December 31, 2008

Cash Flow Statement

Figures in Rand	Note(s)	2008	2007
Cash flows from operating activities			
Cash generated from operations	7	4,854,946	3,469,837
Interest income		56,400	161,433
Finance costs		(14)	-
Disbursements		(5,384,716)	(6,824,386)
Net cash from operating activities		(473,384)	(3,193,116)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(118,480)	(53,184)
Total cash movement for the year		(591,864)	(3,246,300)
Cash at the beginning of the year		891,279	4,137,579
Total cash at end of the year		299,415	891,279

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Financial Statements for the year ended December 31, 2008

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and the Companies Act of South Africa, 1973. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Item	Rate
Furniture and fixtures	10%
Office equipment	15%
Computer software	10%

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

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

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

1.2 Financial instruments

Initial recognition and measurement

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments

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Accounting Policies

1.2 Financial instruments (continued)

that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

1.3 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue comprises of royalties collected, interest received and other income. Royalties and other income are recognised in profit or loss.

Interest is recognised, in profit or loss, using the effective interest rate method.

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Notes to the Financial Statements

Figures in Rand 2008 2007

2. Property, plant and equipment

	2008			2007		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Furniture and fixtures	153,166	(69,550)	83,616	104,403	(65,011)	39,392
Office equipment	565,203	(265,733)	299,470	499,745	(221,979)	277,766
Computer software	473,214	(175,467)	297,747	468,955	(142,065)	326,890
Total	1,191,583	(510,750)	680,833	1,073,103	(429,055)	644,048

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Depreciation	Total
Furniture and fixtures	39,392	48,763	(4,539)	83,616
Office equipment	277,766	65,458	(43,754)	299,470
Computer software	326,890	4,259	(33,402)	297,747
	644,048	118,480	(81,695)	680,833

3. Revenue

Royalty income	9,521,606	8,727,281
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4. Investment revenue

Interest revenue		
Bank	56,400	161,433

5. Taxation

No provision has been made for 2008 tax as the company has no taxable income.

6. Auditors' remuneration

Fees	65,432	59,420
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7. Cash generated from operations

Profit before taxation	5,036,842	3,838,783
Adjustments for:		
Depreciation and amortisation	81,695	84,720
Interest received	(56,400)	(161,433)
Finance costs	14	-
Changes in working capital:		
Trade and other receivables	(58,847)	26,900
Trade and other payables	(148,358)	(319,133)
	4,854,946	3,469,837

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Notes to the Financial Statements

Figures in Rand	2008	2007
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8. Directors' emoluments

Executive

2008	Emoluments	Total
For services as directors	18,000	18,000
2007	Emoluments	Total
For services as directors	39,600	39,600

South African Recording Rights Association Limited (Limited by Guarantee)

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Detailed Income statement

Figures in Rand	Note(s)	2008	2007
Revenue			
Royalty income		9,521,606	8,727,281
Other income			
Interest received	4	56,400	161,433
Operating expenses			
Advertising		2,881	7,790
Auditors remuneration	6	65,432	59,420
Bank charges		27,016	22,973
Computer expenses		310,122	434,122
Consulting and professional fees		58,382	40,327
Communication costs		269,582	358,714
Depreciation, amortisation and impairments		81,695	84,720
Employee costs and associated expenditure		2,209,350	1,813,122
Hire		154,545	143,515
Insurance		18,007	52,374
Legal expenses		443,590	751,396
Members' funeral scheme		216,125	235,773
Other administration fees		-	346,724
Rent and maintenance		305,410	242,147
Printing and stationery		30,755	46,969
Repairs and maintenance		1,211	5,993
Subscriptions		11,597	15,266
Travelling expenses		335,450	388,586
		4,541,150	5,049,931
Operating profit		5,036,856	3,838,783
Finance costs		(14)	-
Available for distribution		5,036,842	3,838,783
Royalties (less commission)		(5,384,716)	(6,824,386)
(Excess) distribution for the year		(347,874)	(2,985,603)