



SOUTH AFRICAN RECORDING RIGHTS ASSOCIATION LIMITED (LIMITED BY GUARANTEE)

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2006

Country of incorporation	:	South Africa
Directors	:	Mr. S Selota Mr. M E Malesa Dr. 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
Attorneys	:	Routledge Modise Attorneys
Auditors	:	Meintjes, Retief and Partners Registered Accountants and Auditors
Company Registration	:	1963/001301/09



SOUTH AFRICAN RECORDING RIGHTS ASSOCIATION LIMITED (LIMITED BY GUARANTEE)

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2006

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

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The following supplementary schedules do not form part of the financial statements, and are unaudited.

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Declaration of Company Secretary

I declare that, to the best of my knowledge, for the year ended 31 December 2006, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



Company Secretary
14 June 2007



MEINTJES, RETIEF & VENNOTE/PARTNERS

GEOKTROOIEERDE REKENMEESTERS/CHARTERED ACCOUNTANTS

DATUM/DATE

14 June 2007

U VERW. /YOUR REF.

ONS VERW. /OUR REF.

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PRAKTYK NR. /PRACTICE NO.: 915440A

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SOUTH AFRICAN RECORDING RIGHTS LIMITED (LIMITED BY GUARANTEE)

We have audited the accompanying financial statements of South African Recording Rights Limited (Limited by Guarantee), which comprise the directors' report, balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

MANAGEMENTS RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is 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 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with South African Standards of Generally Accepted Accounting Practice. 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 any misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessment, 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

In our opinion the financial statements present fairly, in all material respects, the financial position of the company as of 31 December 2006, and of 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 of 1973.

Vennote/Partners: P.J.E. MEINTJES, J.P.O. RETIEF



EMPHASIS OF MATTER

We draw your attention to the note on going concern in the directors' statement of responsibility, as well as the note in the directors' report that there is an application pending for the liquidation of the company as well as various summonses and claims which are being defended by the company.

SUPPLEMENTARY INFORMATION

The supplementary schedules set out on page 13 do not form part of the annual financial statements and are presented as additional information. We have not audited these schedules and accordingly do not express an opinion on them.

**MEINTJES, RETIEF & PARTNERS
CHARTERED ACCOUNTANTS (SA)
REGISTERED AUDITORS**

**14 June 2007
FLORIDA**



SOUTH AFRICAN RECORDING RIGHTS ASSOCIATION LIMITED (LIMITED BY GUARANTEE)

ANNUAL FINANCIAL STATEMENTS - 31 DECEMBER 2006

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the South African Companies 1973, to maintain adequate accounting records and are responsible for the 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 of the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and based upon appropriate accounting policies consistently applied 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 company 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 highest critical standards are 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 minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior 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 control or loss 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 31 December 2006 and, in the light of this review and the current financial position, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statement which appear on pages 2 to 11 were approved by the Board on 14 June 2007 and signed on their behalf by:

Dr P M Masemola

Mr M E Malesa



SOUTH AFRICAN RECORDING RIGHTS ASSOCIATION LIMITED (LIMITED BY GUARANTEE)

REPORT OF THE DIRECTORS

For the year ended 31 December 2006

The directors present their report for the year ended 31 December 2006. This report forms part of the audited financial statements.

1. Business and operations

In accordance with advice obtained by your Board from various legal and accounting experts the financial statement are prepared in a format the Board believes complies with the SARRAL constitution which format was approved in principle by the accounting experts. This format is also consistent with that used by a similar type of company in the music industry.

2. Financial results

The results of the company and the state of its affairs are set out in the attached financial statements and do not, in our opinion, require further comments.

3. Fixed assets

There have been no major changes in the fixed assets during the period or any changes in the policy relating to their use.

4. Events subsequent to the year end

The application for liquidation of the company being brought by one of its members is being vigorously opposed by SARRAL. Other claims against the company are still being opposed and negotiated.

5. International Financial Reporting Standards

The Board has decided to adopt the principles of International Financial Reporting Standards (IFRS) from the 2007 financial year.



SOUTH AFRICAN RECORDING RIGHTS ASSOCIATION LIMITED (LIMITED BY GUARANTEE)

BALANCE SHEET

As at 31 December 2006

	2006 R	2005 R
ASSETS		
Non-Current Assets		
Fixed Assets	675 584	661 807
Current Assets		
Accounts Receivable	187 178	3 435 006
Cash on Call Deposit	3 051 836	3 235 005
Cash at Bank and Cash on Hand	1 085 743	55 113
TOTAL ASSETS	5 000 341	7 386 931
CAPITAL AND LIABILITIES		
Reserves		
Accumulated Funds	3 952 314	6 491 265
Current Liabilities		
Accounts payable	1 048 027	895 666
TOTAL EQUITY AND LIABILITIES	5 000 341	7 386 931



SOUTH AFRICAN RECORDING RIGHTS ASSOCIATION LIMITED (LIMITED BY GUARANTEE)

INCOME STATEMENT

As at 31 December 2006

	2006 R	2005 R
INCOME		
Revenue		
Royalties	11 943 079	13 287 006
Interest Received	208 660	297 163
	<hr/>	<hr/>
	12 151 739	13 584 169
Less Operating Expenditure	5 797 748	5 893 830
	<hr/>	<hr/>
	6 353 991	7 690 339
Less: Taxation	358 813	-
	<hr/>	<hr/>
Available for Distribution	5 995 178	7 690 339
Distribution	(8 534 129)	(6 836 889)
Royalties (less commission)	(8 534 129)	(6 836 889)
(Excess)/Surplus Distribution transferred to Accumulated Funds	(2 538 951)	853 450



SOUTH AFRICAN RECORDING RIGHTS ASSOCIATION LIMITED (LIMITED BY GUARANTEE)

STATEMENT OF CHANGES IN EQUITY

As at 31 December 2006

	2006 R	2005 R
Accumulated funds		
Opening Balance	6 491 265	5 637 815
(Excess)/Surplus Distribution in current period	(2 538 951)	853 450
Surplus Retained in Company	<u>3 952 314</u>	<u>6 491 265</u>

CASH FLOW STATEMENT

For the year ended 31 December 2006

	Notes	2006 R	2005 R
Cash flows from operating activities		944 605	(2 071 110)
Cash utilized in operating activities	8 - 1	1 094 758	(2 363 316)
Interest received		208 660	297 163
Interest paid		-	(4 957)
Taxation		(358 813)	-
Cash flow from investing activities			
Expenditure to maintain operating capacity		(97 144)	(56 335)
Fixed assets acquired		<u>847 461</u>	<u>(2 127 445)</u>
Decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		<u>3 290 118</u>	<u>5 417 563</u>
Cash and cash equivalents at end of the year		<u>4 137 579</u>	<u>3 290 118</u>



SOUTH AFRICAN RECORDING RIGHTS ASSOCIATION LIMITED (LIMITED BY GUARANTEE)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. Basis of preparation

The financial statements are prepared in accordance with South African Statement of Generally Accepted Accounting Practice.

1.1 Revenue recognition

Revenue comprises: royalties collected, interest received and other income.

1.2 Fixed assets

All fixed assets are initially recorded at cost and adjusted for any impairment in value.

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of fixed assets are as follows:

- Furniture and fittings 10%
- Office equipment 15%
- Computer equipment 10%

1.3 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables, and trade creditors.

2. Fixed assets

	Cost/Valuation	2006 Accumulated Depreciation	Carrying value	Cost/Valuation	2005 Accumulated Depreciation	Carrying value
Owned assets						
Furniture and fittings	128 326	57 169	71 157	128 326	49 263	79 063
Office equipment	472 324	214 137	258 187	375 180	177 148	198 032
Computer Software	452 903	106 663	346 240	452 903	68 191	384 712
	1 053 553	377 969	675 584	956 409	294 602	661 807

The carrying amounts of fixed assets can be reconciled as follows:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
2006					
<i>Owned assets</i>					
Furniture and fittings	79 063	-	-	(7 906)	71 157
Office Equipment	198 032	97 144	-	(36 989)	258 187
Computer software	384 712	-	-	(38 472)	346 240
	661 807	97 144	-	(83 367)	675 584



SOUTH AFRICAN RECORDING RIGHTS ASSOCIATION LIMITED (LIMITED BY GUARANTEE)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. Directors' Emoluments

Emoluments Received

Directors-executive

- Fringe benefits	-	-
- Bonuses and salaries	-	-
Directors-non-executive		
- For services as directors	42 900	80 400
	<u>42 900</u>	<u>80 400</u>

4. Interest received

Interest Income

- interest received	208 660	297 163
	<u>208 660</u>	<u>297 163</u>

5. Taxation

No provision has been made for 2006 taxation as the company did not have any taxable income (2005 - no taxable income)

6. Contingent liabilities

Various claims lodged against the company are being contested and negotiated and in one case a counter claim was lodged by the company. The directors are unable to estimate the possible loss in the event of the claims being valid.

7. Commitments

Future hire charges	337 514	82 754
	<u>337 514</u>	<u>82 754</u>



SOUTH AFRICAN RECORDING RIGHTS ASSOCIATION LIMITED (LIMITED BY GUARANTEE)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2006

8. Notes to the cash flow statement

8.1 Cash utilized in operating capacity

Net (Loss) / surplus	(2 180 138)	853 450
Adjustments for:		
Impairment losses	83 367	83 207
Interest received	(208 660)	(297 163)
Finance costs	-	4 957
	<u>(2 305 431)</u>	<u>644 451</u>
Movements in working capital		
Decrease in accounts receivable	3 247 828	(3 226 817)
Increase in accounts payable	152 361	219 050
	<u>1 094 758</u>	<u>(2 363 316)</u>



SOUTH AFRICAN RECORDING RIGHTS ASSOCIATION LIMITED (LIMITED BY GUARANTEE)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2006

	NOTES	2006 R	2005 R
Expenditure		5 797 748	5 893 830
Advertising and Promotions		1 800	49 959
Bank Charges		24 696	15 258
Communication Costs		221 129	228 476
Auditors' Remuneration		53 722	47 542
Computer Expenses		503 657	1 159 494
Consulting Fees		300 398	392 484
Depreciation		83 367	83 207
Directors' Emoluments	3	42 900	80 400
Donations		-	2 000
Forensic Costs		1 017 450	-
Hire Charges		164 462	114 446
Insurance		43 852	32 748
Interest		-	4 957
Legal Fees		766 121	1 095 581
Members' Funeral Scheme		246 301	235 681
Office Equipment Maintenance		5 316	8 971
Other Administration Costs		370 472	86 611
Rent and Maintenance		208 819	202 172
Printing and Stationery		12 302	89 181
Staff Costs and Associated Expenditure		1 555 636	1 887 649
Subscriptions		5 249	5 119
Travelling Expenses		170 099	71 894