

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**(Registration number 1995/002100/08)**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

Mazars  
Registered Auditor  
Issued 12 November 2011

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**General Information**

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<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Community Radio Broadcaster
<b>Directors</b>	R J Arends (Chairman) J N Papenfus V C Davids J B Gardner E West T E Bosch J Vos S Noone
<b>Registered office</b>	Mazars House Rialto Road Grand Moorings Precinct Century City 7441
<b>Business address</b>	Artscape Theatre Centre D F Malan Street Foreshore Cape Town 8001
<b>Auditors</b>	Mazars Registered Auditor
<b>Company registration number</b>	1995/002100/08

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
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The reports and statements set out below comprise the annual financial statements presented to the members:

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINE MUSIC RADIO (NON-PROFIT COMPANY)**

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### **Report on Financial Statements**

We have audited the annual financial statements of Fine Music Radio (Non-Profit Company), which comprise the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 6 to 21.

### **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. 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.

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINE MUSIC RADIO (NON-PROFIT COMPANY) (continued)**

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### **Qualification**

A large amount of the company's income comprises receipts from voluntary subscriptions and donations. In common with similar organisations, it is not possible to implement systems of controls over such voluntary income, which can be relied upon for the purpose of our audit, and as a consequence there were no satisfactory auditing procedures which we could perform to obtain reasonable assurance that all such voluntary income was properly recorded. Consequently, we were unable to satisfy ourselves as to the completeness and accuracy of the accounting records of such voluntary income.

### **Opinion**

In our opinion, except for the possible effects of the matter described in the Qualification paragraph, the annual financial statements present fairly, in all material respects, the financial position of the Fine Music Radio (Non-Profit Company) as at 30 June 2011, and its financial performance and 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.

### **Supplementary information**

Without further qualifying our opinion, we draw attention to the fact that the supplementary information set out on pages 22 to 23 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

### **Report on Other Legal and Regulatory Requirements**

Without further qualifying our opinion, we draw attention to the fact that with written consent of the members, we have performed certain secretarial duties.

**MAZARS**  
**Partner: Stiaan Colyn**  
**Registered Auditor**  
**12 November 2011**  
**Cape Town**

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Directors' Responsibilities and Approval**

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The directors are required in terms of the Companies Act of South Africa, 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual 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 annual financial statements.

The annual 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 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 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 annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 3 to 4.

The annual financial statements set out on pages 6 to 21, which have been prepared on the going concern basis and supplementary information set out on pages 22 to 23, were approved by the board on 12 November 2011 and were signed on their behalf by:

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**Director**

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**Director**

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Directors' Report**

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The directors submit their report for the year ended 30 June 2011.

**1. Review of activities**

**Main business and operations**

The company carries on the business of a community radio broadcaster. The company operates principally in the Cape Peninsula.

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

**2. Going concern**

The annual 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.

**3. Events after reporting period**

The directors are not aware of any matter or circumstance arising since the end of the financial year that would have an impact on the annual financial statements.

**4. Non-current assets**

There were no major changes in the nature of the non-current assets of the company during the year under review.

**5. Directors**

The directors of the company during the year and to the date of this report are as follows:

Name	Changes
R J Arends (Chairman)	
J N Papenfus	
V C Davids	
J B Gardner	
S R Bruinders	Resigned December 2010
E West	
T E Bosch	
J Vos	
S Noone	
R J R Reed	Resigned 06 November 2010
P S Tikolo	Resigned June 2011

**6. Secretary**

The company had no secretary during the year.

**7. Auditors**

Mazars will continue in office in accordance with section 90(6) of the Companies Act.

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Statement of Financial Position**

<b>Figures in Rand</b>	<b>Notes</b>	<b>2011</b>	<b>2010</b>
<b>Assets</b>			
<b>Non-Current Assets</b>			
Equipment	3	68,689	72,892
Deferred tax	4	262,495	251,845
		<u>331,184</u>	<u>324,737</u>
<b>Current Assets</b>			
Other financial assets	5	446,035	501,086
Trade and other receivables	6	393,545	526,151
Cash and cash equivalents	7	267,036	206,940
		<u>1,106,616</u>	<u>1,234,177</u>
<b>Total Assets</b>		<u><b>1,437,800</b></u>	<u><b>1,558,914</b></u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Retained income		<u>603,843</u>	<u>621,030</u>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
VAT and Taxation - contingent liability	8	<u>463,367</u>	<u>463,367</u>
<b>Current Liabilities</b>			
Trade and other payables	9	<u>370,590</u>	<u>474,517</u>
<b>Total Liabilities</b>		<u><b>833,957</b></u>	<u><b>937,884</b></u>
<b>Total Equity and Liabilities</b>		<u><b>1,437,800</b></u>	<u><b>1,558,914</b></u>

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Statement of Comprehensive Income**

<b>Figures in Rand</b>	<b>Notes</b>	<b>2011</b>	<b>2010</b>
Revenue	10	2,698,352	2,234,575
Other income		-	-
Operating expenses		(2,774,315)	(2,352,043)
<b>Operating loss</b>	11	<b>(75,963)</b>	<b>(117,468)</b>
Investment revenue	12	35,511	48,237
Fair value adjustments	13	12,616	(8,746)
Finance costs	14	-	(239)
<b>Loss before taxation</b>		<b>(27,836)</b>	<b>(78,216)</b>
Taxation	15	10,649	20,611
<b>Loss for the year</b>		<b>(17,187)</b>	<b>(57,605)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss</b>		<b>(17,187)</b>	<b>(57,605)</b>

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Statement of Changes in Equity**

<b>Figures in Rand</b>	<b>Retained income</b>	<b>Total equity</b>
<b>Balance at 01 July 2009</b>	<b>678,635</b>	<b>678,635</b>
Changes in equity		
Total comprehensive loss for the year	(57,605)	(57,605)
Total changes	(57,605)	(57,605)
<b>Balance at 01 July 2010</b>	<b>621,030</b>	<b>621,030</b>
Changes in equity		
Total comprehensive loss for the year	(17,187)	(17,187)
Total changes	(17,187)	(17,187)
<b>Balance at 30 June 2011</b>	<b>603,843</b>	<b>603,843</b>

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Statement of Cash Flows**

<b>Figures in Rand</b>	<b>Notes</b>	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>			
Cash used in operations	17	(16,484)	(200,005)
Interest income		35,511	48,237
Finance costs		-	(239)
<b>Net cash from operating activities</b>		<b>19,027</b>	<b>(152,007)</b>
<b>Cash flows from investing activities</b>			
Purchase of equipment	3	(26,598)	(14,502)
Movement in other financial assets		67,667	55,642
<b>Net cash from investing activities</b>		<b>41,069</b>	<b>41,140</b>
<b>Total cash movement for the year</b>		<b>60,096</b>	<b>(110,867)</b>
Cash at the beginning of the year		206,940	317,807
<b>Total cash at end of the year</b>	7	<b>267,036</b>	<b>206,940</b>

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Accounting Policies**

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**1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost and fair value bases of accounting. Those categories to which the fair value basis of accounting has been applied are indicated in the individual accounting policy notes below.

The principal accounting policies are set out below. These accounting policies are consistent with the previous year.

**1.1 Equipment**

Equipment is initially measured at cost. The cost of equipment includes amounts incurred initially to acquire or construct an item of 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 equipment, the carrying amount of the replaced part is derecognised.

Equipment is carried at cost less accumulated depreciation and any impairment losses.

Equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of equipment have been assessed as follows:

<b>Item</b>	<b>Average useful life</b>
Furniture and fixtures	5 years
Broadcasting equipment	5 years
Computer software	2 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

**1.2 Financial instruments**

**Initial recognition and measurement**

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

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.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

**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 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.

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Accounting Policies**

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**1.2 Financial instruments (continued)**

**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 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.

**Available for sale financial assets**

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in the income statement.

**1.3 Tax**

**Current tax assets and liabilities**

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

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

**Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Accounting Policies**

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### **1.3 Tax (continued)**

#### **Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income,
- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

### **1.4 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### **Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

### **1.5 Impairment of assets**

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

### **1.6 Provisions and contingencies**

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Contingent liabilities are recognised to the extent that they meet the recognition criteria above, and are disclosed in a note to the annual financial statements.

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Accounting Policies**

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**1.7 Revenue**

The company earns revenue from advertising services rendered, subscriptions and donations received.

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 end of the reporting period. 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 end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Annual subscription fees are recognised as revenue when earned.

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

**1.8 Borrowing costs**

All borrowing costs are recognised as an expense in the period in which they are incurred.

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Notes to the Annual Financial Statements**

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**2. New Standards and Interpretations**

**2.1 Standards and interpretations effective and adopted**

There has been no significant impact on the adoption of standards and interpretations that are effective for the current financial year that are relevant to its operations.

**2.2 Standards and interpretations not yet effective or relevant**

The company has considered all other statements and interpretations issued but not yet effective, as not currently relevant to the company's annual financial statements.

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Notes to the Annual Financial Statements**

**Figures in Rand** **2011** **2010**

**3. Equipment**

	2011			2010		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	75,692	(75,674)	18	75,692	(75,674)	18
Broadcasting equipment	509,792	(443,997)	65,795	486,444	(414,451)	71,993
Computer software	15,594	(12,718)	2,876	12,344	(11,463)	881
<b>Total</b>	<b>601,078</b>	<b>(532,389)</b>	<b>68,689</b>	<b>574,480</b>	<b>(501,588)</b>	<b>72,892</b>

**Reconciliation of equipment - 2011**

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	18	-	-	18
Broadcasting equipment	71,993	23,348	(29,546)	65,795
Computer software	881	3,250	(1,255)	2,876
	<b>72,892</b>	<b>26,598</b>	<b>(30,801)</b>	<b>68,689</b>

**Reconciliation of equipment - 2010**

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	262	-	(244)	18
Broadcasting equipment	88,697	12,742	(29,446)	71,993
Computer software	225	1,760	(1,104)	881
	<b>89,184</b>	<b>14,502</b>	<b>(30,794)</b>	<b>72,892</b>

**4. Deferred tax**

**Deferred tax asset**

Tax losses available to set off against future taxable income	165,761	132,638
Capital allowances for tax purposes	(5)	(5)
Provisions	18,908	36,888
Revenue received in advance	69,785	67,697
Fair value adjustment	11,095	14,627
Prepayments	(3,049)	-
	<b>262,495</b>	<b>251,845</b>

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Notes to the Annual Financial Statements**

Figures in Rand	2011	2010
<b>5. Other financial assets</b>		
<b>Available-for-sale</b>		
RMB Income Fund	446,035	501,086
<b>Current assets</b>		
Available-for-sale	446,035	501,086

**Fair values of other financial assets**

The fair value of other financial assets is determined using market-related rates.

**Credit quality of other financial assets**

Other financial assets are held with banks with high credit quality.

**6. Trade and other receivables**

Trade receivables	311,839	446,392
Prepayments	10,891	-
Other receivables	70,815	79,759
	<b>393,545</b>	<b>526,151</b>

**Credit quality of trade and other receivables**

Management has assessed the recoverability of trade debtors as high.

**Fair value of trade and other receivables**

Trade and other receivables are carried at amortised cost, with fair value being approximated by such carrying value.

**Trade and other receivables past due but not impaired**

Trade and other receivables which are less than 4 months past due are not considered to be impaired. At 30 June 2011, R 151,192 (2010: R 314,918) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	59,822	63,413
2 months past due	20,082	69,640
3 months past due	14,079	110,311
4 months past due	57,209	71,554
	<b>151,192</b>	<b>314,918</b>

**Trade and other receivables impaired**

As of 30 June 2011, trade and other receivables of R 25,698 (2010: R 5,900) were impaired and provided for.

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Notes to the Annual Financial Statements**

Figures in Rand	2011	2010
<b>7. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	5,025	3,077
Bank balances	262,011	203,863
	<u>267,036</u>	<u>206,940</u>

**Credit quality of cash and cash equivalents**

Cash reserves are held with major banks with high credit quality.

**8. VAT and Taxation - contingent liability**

Contingent liability	<u>463,367</u>	<u>463,367</u>
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During the period from June 1995 to September 1999 the company was charged for certain services totaling R2,367,165 rendered by the Durgood, van der Westhuizen and O'Leary Consortium (previously Six Street Studios (Pty) Ltd). Up to 30 June 2003 the company has reimbursed the Consortium to the extent of R1,149,191. After detailed investigation by the Board and on the basis of supporting legal opinion, the claim by the Consortium was reversed as a prior year adjustment during the year ended 30 June 2001 in view of the fundamental error in recognising the full amount of the claim in prior years.

There remains a dispute over the balance of the alleged claim amounting to R1,217,974. On 14 August 2001 the Consortium issued summons against the company for immediate repayment of R132,000 of the alleged balance outstanding. The directors have instructed the company's attorneys to vigorously oppose the Consortium's claim. Until such time as the dispute over repayment of any or all of the remaining balance is resolved, the directors have decided to reverse the alleged claim and to disclose these details as a contingent liability in these financial statements.

When the dispute is resolved it is the directors' opinion that expenditure previously allowed for tax purposes will be reversed and a liability for VAT and normal taxation amounting to R143,884 (2010: R143,884) and R319,483 (2010: R319,483) respectively will arise.

**9. Trade and other payables**

Trade payables	15,234	62,514
Subscriptions received in advance	249,233	241,776
VAT	47,283	44,909
Accrued leave pay	45,611	92,318
Accrued bonus	-	33,000
Sundry accruals	13,229	-
	<u>370,590</u>	<u>474,517</u>

**Fair value of trade and other payables**

Trade and other payables are carried at amortised cost, with the fair value being approximated by such carrying value.

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Notes to the Annual Financial Statements**

Figures in Rand	2011	2010
<b>10. Revenue</b>		
Donations received	77,976	151,932
Advertising income	2,138,805	1,623,674
Subscriptions received	481,571	458,969
	<u>2,698,352</u>	<u>2,234,575</u>
<b>11. Operating loss</b>		
Operating loss for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Premises		
• Contractual amounts	<u>196,026</u>	<u>179,296</u>
Depreciation	30,801	30,794
Employee costs	<u>1,143,143</u>	<u>1,146,817</u>
<b>12. Investment revenue</b>		
<b>Interest revenue</b>		
Bank and short term deposits	<u>35,511</u>	<u>48,237</u>
<b>13. Fair value adjustments</b>		
Other financial assets	<u>12,616</u>	<u>(8,746)</u>
<b>14. Finance costs</b>		
Bank	<u>-</u>	<u>239</u>
<b>15. Taxation</b>		
<b>Major components of the tax income</b>		
<b>Deferred</b>		
Originating and reversing temporary differences	(10,649)	(20,611)
	<u>(10,649)</u>	<u>(20,611)</u>
<b>Reconciliation of the tax expense</b>		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	(28.00)%	(28.00)%
Disallowable charges	2.03 %	1.65 %
	<u>(25.97)%</u>	<u>(26.35)%</u>

No provision has been made for 2011 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R 592,003 (2010: R 473,707).

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Notes to the Annual Financial Statements**

Figures in Rand	2011	2010
<b>16. Auditors' remuneration</b>		
Fees	24,568	22,000
<b>17. Cash used in operations</b>		
Loss before taxation	(27,836)	(78,216)
<b>Adjustments for:</b>		
Depreciation and amortisation	30,801	30,794
Interest received	(35,511)	(48,237)
Finance costs	-	239
Fair value adjustments	(12,616)	8,746
<b>Changes in working capital:</b>		
Trade and other receivables	132,605	(175,598)
Trade and other payables	(103,927)	62,267
	<b>(16,484)</b>	<b>(200,005)</b>

**18. Financial assets by category**

The accounting policies for financial instruments have been applied to the line items below:

**2011**

	Loans and receivables	Available-for- sale	Total
Other financial assets	-	446,035	446,035
Trade and other receivables	382,654	-	382,654
Cash and cash equivalents	267,036	-	267,036
	<b>649,690</b>	<b>446,035</b>	<b>1,095,725</b>

**2010**

	Loans and receivables	Available-for- sale	Total
Other financial assets	-	501,086	501,086
Trade and other receivables	526,151	-	526,151
Cash and cash equivalents	206,940	-	206,940
	<b>733,091</b>	<b>501,086</b>	<b>1,234,177</b>

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
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Figures in Rand	2011	2010
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**19. Financial liabilities by category**

The accounting policies for financial instruments have been applied to the line items below:

**2011**

	Financial liabilities at amortised cost	Total
Trade and other payables	74,074	74,074

**2010**

	Financial liabilities at amortised cost	Total
Trade and other payables	187,832	187,832

**20. Risk management**

**Capital risk management**

The company's short-term objective of capital management is to enable it to continue as a going concern. Over the longer term the company aims to optimise its debt to equity ratio.

**Liquidity risk**

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	74,074	-	-	-
At 30 June 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	187,832	-	-	-

**Interest rate risk**

The company's income and operating cash flows from interest are dependant on changes in market interest rates.

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis.

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
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**Detailed Income Statement**

<b>Figures in Rand</b>	<b>2011</b>	<b>2010</b>
<b>Revenue</b>		
Advertising	2,138,805	1,623,674
Donations received	77,976	151,932
Subscriptions received	481,571	458,969
	<u><b>2,698,352</b></u>	<u><b>2,234,575</b></u>
<b>Gross profit</b>	<b>2,698,352</b>	<b>2,234,575</b>
<b>Other income</b>		
Interest received	35,511	48,237
	<u><b>35,511</b></u>	<u><b>48,237</b></u>
<b>Expenses (Refer to page 23)</b>	<b>(2,774,315)</b>	<b>(2,352,043)</b>
<b>Operating loss</b>	<b>(40,452)</b>	<b>(69,231)</b>
Finance costs	-	(239)
Fair value adjustments	12,616	(8,746)
	<u><b>12,616</b></u>	<u><b>(8,985)</b></u>
<b>Loss before taxation</b>	<b>(27,836)</b>	<b>(78,216)</b>
Taxation	10,649	20,611
<b>Loss for the year</b>	<u><b>(17,187)</b></u>	<u><b>(57,605)</b></u>

**FINE MUSIC RADIO (NON-PROFIT COMPANY)**  
**Annual Financial Statements for the year ended 30 June 2011**  
**Detailed Income Statement**

<b>Figures in Rand</b>	<b>2011</b>	<b>2010</b>
<b>Operating expenses</b>		
Accounting fees	59,800	57,026
Advertising and marketing	70,872	25,552
Auditors remuneration	24,568	22,000
Bad debts	10,043	6,752
Bank charges	21,131	16,755
Catering and canteen	17,207	10,182
Consulting fees	5,576	419
Depreciation	30,801	30,794
Employee costs	1,143,143	1,146,817
Entertainment	8,602	10,454
Equipment under R2,000	2,741	8,580
Insurance	9,605	9,171
Lease rentals on operating lease	196,026	179,296
Magazines - publishing costs	36,842	38,648
News fees	113,323	101,294
Office expenses	18,666	17,064
Printing and stationery	42,349	37,222
Production costs	193,854	99,836
Provision for bad debts	19,798	5,900
Repairs and maintenance	53,780	51,978
Samro royalties	59,688	46,117
Secretarial fees	3,375	6,700
Subscriptions	9,259	7,500
Telephone and fax	76,516	82,149
Training	-	420
Transmitter fees	517,128	315,712
Travel - local	29,622	17,705
	<b><u>2,774,315</u></b>	<b><u>2,352,043</u></b>