COMPASS

Annual Report 2012

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CEO's Message

The year 2012 is marked by *Gangnam Style* which set fire to the charts, globally, including Singapore. Korean singer Psy led the charge with his unlikely hit through YouTube and the social media.
Previously, no one really seriously thought the idea that one could achieve success and stardom through self-promotion was possible. The Internet has indeed profoundly disrupted many traditional industry practices. Many music writers and artistes can more easily negotiate the system and take greater control of their own careers.

The growth in digital music sales has slowed down. Instead subscription services such as Spotify and Deezer, free video streaming on YouTube and customized Internet radio stations are growing much faster than music downloading. Royalties for music writers and the average recording artists from these digital media exploitations are still insignificant at the moment. As a result, second-tier acts are struggling to find ways to make a living from their music.
It is therefore critical for COMPASS to continuing do well in the traditional areas of licensing public performance rights to help our members in midst of transition. We did not disappoint last year.

FINANCIAL RESULTS

Revenue
2012 was COMPASS' 20th consecutive year of growth and another year in which it beats the GDP growth of 1.5% with overall revenue chalking up a reasonable growth rate of 6.6%.
Revenues from the local market increased by some 3.8% bolstered up by the settlement of the licensing fees with Singapore Airlines. At the same time overseas revenue continued on an upward trend with 20 per cent growth.

Licence renewals of existing establishments recorded a drop of some 8.5 per cent partially owing to the long weekend holidays before year end when many payments are due. Another reason is the gradual slowdown of the economy in the last quarter.

New licences also dipped by 27 per cent dragged down by the sluggish economy.
Once-off live performance permits continued trending upwards exceedingly $3 million in collection. This is clearly the only sector in the music industry that is doing exceedingly well.

There was a breakthrough in the negotiation with Singapore Airlines following the termination of the previous agreement. The sum of $1.715 million comprises royalty payments for two years, 2011 and 2012.

Licence revenue from New Media took a slight dip of 13 per cent as all major publishers withdrew from the Joint Licence scheme administered by COMPASS.

Revenues from broadcast mediums and cable TV, accounting for the largest share of the turnover, breached the $6 million mark, although there was a slight dip compared with last year's which comprised a significant amount of backdated royalties.

Revenues from mechanical and print rights royalties registered a material increase to $70,000 from rock bottom in the previous year.

Income from investing the cash flows recorded a positive growth of 180 percent owing to better investment returns from bonds.

The Council approved the purchase of the property located at 60 Paya Lebar Road #12-43 to #12-50, Paya Lebar Square for the amount of $11,800,000 plus the stamp duty and GST applicable. The investment is to meet the future needs for larger office space.

Expenditure
Productivity growth continued to help lower the administrative overhead costs which dropped further by half percentage point to 11.9% at about $2.3 million.

Net Distributable Income
The net amount available for distribution for the year will increase to almost $17.5 million, about 7.1 % more than prior year. Members and affiliated societies will continue to enjoy increased annual royalties from COMPASS since 1993.

ACTIVITIES

Licensing Activities
There were only a few of complaints from clients which are to be expected given the large and diverse clientele. Complaints were dealt with fairly and transparently.

With IPOS being the facilitator, the Collective Management Organisations (CMOs), representing different interest groups in the administration of copyright licences, have come together to establish a Code of Conduct, with the objective of creating and maintaining a self-regulatory framework that enhances transparency and accountability to both copyright owners and their licensees.

The Code of Conduct sets out the principles and standards of services for CMOs, which ensures that public has access to information about the type of rights, the role and function of CMOs, information with regards to licence fees, and efficient, fair and low cost procedures to handle complaints and resolve disputes. The CMOs are also required to abide by the standards set out pertaining to corporate governance and financial accountability.

An independent code reviewer has been appointed to audit the participating CMOs on a regular basis to ensure compliance starting in 2013. A Joint Committee, chaired by COMPASS CEO, was established to implement the industry's Code of Conduct.

All existing licensees were duly informed of the CPI increase in the all the relevant tariffs with a letter setting out the reasons for the increase (average about 12%) but as a goodwill gesture the increase will be deferred for a year. Legally all annual licence contracts have a clause explicitly incorporating CPI adjustments. No complaints have been received so far.

Membership
New members continued to be admitted. The membership strength as at 31st December 2012 is 1597 members. This represents an increase of 118 members during the year. Breakdown of the members are as follow:-

	Writer	Publisher
Associate	1097	46
Full	429	25
Total	1526	71

MEMBER AND PUBLC RELATIONS ACTIVITIES

COMPASS Awards

17th COMPASS Awards was held successfully on 8 July 2012, and was reported in major papers. The event venue moved to Marina Bay Sands for the first time. This year, guests and members were encouraged to select their seats via updates on COMPASS facebook. Many members have feedback to applaud this new arrangement. Survey also shows strong and positive feedback for the music performances. The Guest of Honour was Ms Grace Fu, Senior Minister of State, Ministry of Information, Communications and the Arts & Ministry of the Environment and Water Resources

Lyric Writing Class

COMPASS continues to collaborate with Confucius Institute to organize Chinese Pop Lyric Writing Class Advanced Level in 2013. The class is supported by Universal Music Publishing who provided music pieces for students' assignments.

Song Improvement Workshop

The series of song improvement workshop continue to receive good respond with all available slots taken up. A year end show case were organised on 23 Dec at the Library@Esplanade. The showcase provided a stage for the past participants to present the improved versions of their songs. Panel of experts who have been with us throughout the series were there to judge their 'new' works, and it was heartening for all of us to see that many of the participants have shown marked improvement in their crafts.

In addition to the judges' scores, polls were also conducted amongst the audience to select their favourite songs. The scores were added up and prizes were given in the categories of the Top Three Songs, Best Improvement, and Best Showmanship.

COMPASS Corporate Video

A video was produced to introduce the concept of copyrights as well as the role of COMPASS. To deliver the messages effectively, animations were used to illustrate the complex concepts of copyrights, interspersed with video clips of COMPASS events and testimonials from established songwriters.
The corporate video will be used for COMPASS organised, or sponsored events, as well as on COMPASS' website. http://www.youtube.com/watch?v=jDebsZu6kio

Dollah Kassim Charity Cup 2012

COMPASS worked with Perkamus to co-organise the soccer competition. Funds were raised in support of the Singapore Children's Society (SCS). The qualifying matches and grand final enjoyed strong showings of spectators. One of the highlights of the Cup was the friendly match between Celebrity Team (featuring selection of players from the participating teams) and the Parliament House Team which comprise of Minister, Members of Parliaments as well as Ambassador of Poland. The Minister and MPs enjoyed themselves, and were impressed with the efforts put into organising the event.

Others

COMPASS also participated actively in social and charitable events. In addition to the DKCC 2012 where funds were raised for the SCS, we have also helped coordinate and provided artistes for the Lutheran Community Care Services Ltd 10th Anniversary Charity Gala where Deputy Prime Minister, Teo Chee Hean was the Guest-of-Honour.

SPONSORSHIPS

In year 2012, COMPASS lent our support to many meaningful music events and projects. Total sponsorship for the year amount to S$210,103 compared with S$159,600 in 2011, a significant increase of 32 per cent.

DISTRIBUTION

Regular distributions were timely carried out without any delays. This year, the distribution of backdated royalties for StarHub, in addition to ad hoc distributions for KOD and New Media, have been done to ensure minimum delay.

ISO 9000 Certification

Our ISO certification was renewed and following external audit on 11 February 2012. The next audit will take place in early February 2013. COMPASS remains the only collective society in Asia to have achieved ISO 9000 status.

Overall COMPASS has a reasonably good year with a growth rate of 6.6% despite a sluggish economy and recorded a historical low cost-to-revenue ratio of 11.7%. The revenue and expenditure targets were met. The reputation and trust are what drive COMPASS forward with public image and confidence in the organisation remained strong backed by stringent corporate governance practices and proper checks and balances. Relationships with relevant government agencies and the political establishment nurtured over the years remained good although more effort is needed to engage the younger political leaders. With the support of the Board and its membership, COMPASS should be able to reach its next milestone of exceeding $20 million in revenue.

BOARD OF DIRECTORS

(1 January 2012 – 31 December 2012)

Writer Directors 作家董事

Mr. Chang Kwai Ming
(Chairman: Special Elected Director representing serious/classical music genre)

Prof. Jeremy Monteiro

Mr. Mohamed Noor Bin Mohamed Yusofe aka Yusnor Ef
(Chairman: Special Elected Director representing Malay music genre)

Dr. Liang Wern Fook

Mr. Eddino Abdul Hadi

Mr. Melvin Stuart Ferdinands

BOARD OF DIRECTORS

CEO & Director
总裁兼董事
Dr. Edmund Lam

Independent Director
独立董事
Mr. Choo Thiam Siew

Publisher Directors 出版商董事

Mr. Billy Koh
of Touch Music Publishing

Mr Andrew Wong
of Forward Music Publishing

Ms Sharon Chua
of Song Music Publishing

Composition of Standing Committees 2012

The standing Committees are formed to help guide and propose recommendations to the Council on areas under their respective charge.

Management Committee
管理委员会

Terms of Reference

1. To oversee the appointment of senior management and their remuneration packages.

2. To review and endorse recommendations proposed by the CEO on major staff matters such as annual wage increment, performance bonus, welfare benefits.

3. To review and endorse recommendations proposed by the CEO on annual budget and major expenditures.

Chairman Chang Kwai Ming

Members Jeremy Ian Monteiro
Yusnor Ef
Melvin Stuart Ferdinands

Public & Member Relations Committee
会员与公共关系委员会

1. To help enhance the public image of COMPASS through directing various activities, such as song-writing competitions, public musical events, newsletters and event sponsorships.

2. To advise and oversee the preparation and implementation of major events such as the annual COMPASS Awards.

3. To review and make recommendations on applications for music scholarships.

4. To review and recommend membership applications.

5. To review and make recommendations on matters relating to Members' welfare benefits.

Chairman Jeremy Ian Monteiro

Members Chang Kwai Ming
Liang Wern Fook
Yusnor Ef
Billy Koh
(Touch Music Publishing)

Licensing & Distribution Committee
税收与分派制度委员会

1. To review and make recommendations on proposed changes to the distribution rules.

2. To review and make recommendations on major licensing matters, referred by the CEO & Directors.

3. To review and propose follow-up actions on complaints and disputes involving Members and Licensees that could not be resolved at management level.

Chairman Melvin Stuart Ferdinands

Members Chang Kwai Ming
Andrew Wong
(Forward Music Publishing)
Sharon Chua
(Sony Music Publishing)

17th COMPASS AWARDS PRESENTATION

Marina Bay Sands Convention Centre, Sands Grand Ballroom (Level 5)

08 July 2012, 7.00pm
2011年7月10日

Guest of Honour:

Ms Grace Fu, Senior Minister of State
Ministry of Information, Communications and The Arts
Ministry of The Environment and Water Resources

Top Local English Pop Song
最佳本地英语流行歌曲
Lagu Pop Inggeris Tempatan Terbaik

Song Title: **You & Me**

By: **Dick Lee 李迪文 (Composer)**
Olivia Ong 王俪婷 (Lyricist)

Top Local Chinese Pop Song
最佳本地中文流行歌曲 / Lagu Pop China Tempatan Terbaik

Song Title: 记得 **Ji De**

By: **JJ Lin 林俊杰 (Composer)**

Top Local Malay Pop Song
最佳本地马来语流行歌曲 / Lagu Pop Melayu Tempatan Terbaik

Song Title: **Angguk Angguk Geleng Geleng**

By: **Mohamid Shahid Bin Isahak (Composer)**
Samsolnahar Bin Sibengat (Lyricist)

Top Local Soundtrack
最佳本地配乐 / *Soundtrack* tempatan terbaik

Song Title: **Tao Shu The Warrior Boy**

Soundtrack of **Tao Shu The Warrior Boy**

By: **Hashim Suhaimi (Composer)**

5. Top Local Serious Music
最佳本地严肃音乐 / Muzik Serius Tempatan Terbaik

Song Title: **Chinese Past**

By: **Phoon Yew Tien** 潘耀田

6. Top Local Instrumental Contemporary
最佳本地现代乐曲 / Muzik Tempatan Bersifat Alatan Terbaik

Song Title: **Light In The Dark**

By: **Chester Tan** 陈元熙

7. Top Local Songwriter of the Year
最佳本地歌曲创作人 / Penggubah Tempatan Terbaik

Recipient: **JJ Lin** 林俊杰

8. COMPASS Young Songwriter of the Year
最佳本地青年歌曲创作人 / Penggubah Muda Terbaik

Recipient: **Derrick Tham** 谭志华

9. Top Local Publisher of the Year
最佳本地音乐出版商 / Penerbit Tempatan Terbaik

Recipient: **Touch Music Publishing Pte Ltd** 大石音乐

10. Top Publisher (Overall) of the Year
最佳音乐出版商 / Penerbit Keseluruhan Terbaik

Recipient: **Universal Music Publishing** 环球音乐

11. Top Local Artiste of the Year
最佳本地歌手 / Artis Tempatan Terbaik

Recipient: **JJ Lin 林俊杰**

12. Patron of Singapore Music Writers Award
本地音乐推动奖

Recipient: **Poh Choon Ann 傅春安**

13. Wings of Excellence Award
海外成就奖 / Anugerah Sayap Kecemerlangan

Recipient: **Kenn C 蔡体林**

14. Artistic Excellence Award
卓越才艺奖 / Anugerah Artistik Cemerlang

Recipient:
1. **Mel & Joe**
2. **Tanya Chua 蔡健雅**

15. Meritorious Award
卓越贡献奖 / Anugerah Meritorious

Recipient: **Kamali Hudi**

16. Lifetime Achievement Award
终身成就奖

Recipient: **Lee Yuk Chuan 李煜传**

Song Improvement Workshop

Venue: LIBRARY@ESPLANADE

Series 5 – 10



Dollah Kassim Charity Cup

Venue: ITE College East

Qualifying round: 7 & 21 October 2012, 4 & 25 November 2012
Final: 2 December 2012



Sponsorships

1	Ngee Ann Polytechnic - Book Prize	$	200
2	Singapore Polytechnic - Book Prize	$	300
3	Perkamus - Perkamus Activities 2012	$	40,000
4	Metro Philharmonic Society - Ocean of Songs 2012	$	2,000
5	Melo Art Choir - Concert “Chen San Wu Niang”(陈三五娘)	$	2,000
6	NTU Cultural Activities Club - Impressario 2012	$	1,500
7	Mediacorp Suria - Bandstand Elektra	$	10,000
8	IPOS - World IP Day 2012 "Spectacular“	$	10,000
9	Tan Chang Ren Productions - Xin Yao 30th Anniversary Celebration Concert	$	5,000
10	Elaine Lam - Production of Original Musical Works - A Little Jazz	$	3,000
11	Mediacorp Radio - ABU Song Festival	$	35,000
12	Mediacorp Suria - Anugerah V	$	10,000
13	Musician Society of Singapore - Musician Society of Singapore Anniversary Concert	$	2,000
14	Lutheran Community Care Services Ltd - LCCS 10th Anniversary Charity Gala	$	15,000
15	Belcanto Philharmonic Society - Professor Koh, Ms Zhao and Friends Musical Concert	$	2,000

16	National Theatre Club - To Sir, With Love – In Memory of Samuel Ting Chu San	$	5,000
17	SPH Chinese Choir - XinYao Choir Concert	$	10,000
18	New Horizon Music Society - A Fishing Village Far Away	$	1,000
19	Choral Association of S'pore - Songs of Joy 2012	$	2,000
20	Song Lovers Choral Society - Song Lovers Choral Society 60th Anniversary	$	2,000
21	Sin Kwok Toong - Songbook Compilation	$	2,000
22	Music & Movement - Republic of Pop's New Year's Eve Show	$	15,000
23	Jeremy Monteiro - London Jazz Festival/ Jazz Workshop at South Bank Performing Arts Centre	$	5,000
24	Bevlyn Khoo - Production of Original Musical Works - The Person I've Known1	$	3,000
25	Hillary Francis - Production of Original Musical Works - Charity Peace Album	$	5,000
26	University of London - SIM-UOL Music Festival	$	3,000
27	NUS King Edward Hall - 15th XQRJ	$	3,000
28	Echo Philharmonic Society - Echo Philharmonic Society 15th Anniversary Concert	$	2,000
29	Faith Acts - FaithActs Charity Golf	$	2,000
30	SSO - World Premiere of Bernard Tan's Guitar Concerto	$	10,000
31	Juliet Pang - Production of Original Musical Works -White Noise	$	2,103

Financial Statement

(For the Year ended 2012)

- Directors' Report
- Statement by Directors
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- Statement of Cash Flows
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Composers and Authors Society of Singapore Limited
Registration Number: 198701730Z
(A Company Limited by Guarantee)

Annual Report
Year ended 31 December 2012

Directors' report

On behalf of all the directors of Composers and Authors Society of Singapore Limited, we are pleased to submit this annual report to the members together with the audited financial statements for the financial year ended .

Directors

The directors in office at the date of this report are as follows:

Chang Kwai Ming
Mohd Noor Bin Mohd Yusofe
Jeremy Ian Monteiro
Melvin Stuart Ferdinands
Chua Khah Suan
Liang Wern Fook
Lam Kin Hong Edmund
Billy Koh Whuan Liang
Choo Thiam Siew @ Ang Thiam Siew
Wong Fai
Eddino Bin Abdul Hadi (Appointed on 28 June 2012)

Directors' interests

As the Company is a company limited by guarantee and has no share capital, the statutory information required to be disclosed by the directors under Section 201(6)(g) and Section 201(12) of the Companies Act, Chapter 50 does not apply.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in note 14 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share options

As the Company is a company limited by guarantee and has no share capital, the statutory information required to be disclosed under Section 201(12) of the Companies Act, Chapter 50 does not apply.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Chang Kwai Ming
Director

Lam Kin Hong Edmund
Director

29 MAY 2013

Statement by Directors

In our opinion:

(a) the financial statements set out on pages FS1 to FS16 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2012 and the results and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Chang Kwai Ming
Director

Lam Kin Hong Edmund
Director

29 MAY 2013

KPMG LLP
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Independent auditors' report

(A Company Limited by Guarantee)

Report on the financial statements

We have audited the accompanying financial statements of (the Company), which comprise the statement of financial position as at , the statement of comprehensive income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS16.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards.

Management has acknowledged that its responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditor's 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 of financial statements that give a true and fair view 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 are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Company as at 31 December 2012 and the results and cash flows of the Company for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore

29 MAY 2013

Statement of financial position
As at 31 December 2012

	Note	2012 $	2011 $
Assets			
Property, plant and equipment	5	4,330,634	1,698,532
Financial assets	6	3,759,000	4,545,097
Non-current assets		8,089,634	6,243,629
Financial assets	6	1,537,597	–
Other receivables	7	527,850	275,490
Cash and cash equivalents	8	36,241,088	34,722,556
Current assets		38,306,535	34,998,046
Total assets		46,396,169	41,241,675
Funds attributable to members			
Reserve fund	9	6,043	6,043
Retained surplus		285,336	263,993
Total funds		291,379	270,036
Liabilities			
Trade and other payables	10	46,104,790	40,971,639
Current liabilities/Total liabilities		46,104,790	40,971,639
Total equity and liabilities		46,396,169	41,241,675

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income
As at 31 December 2012

	Note	2012 $	2011 $
Revenue	11	19,954,224	18,538,002
Other income		533,450	332,766
Depreciation of property, plant and equipment		(72,708)	(70,809)
Operating expenses		(2,270,838)	(2,347,532)
Royalty distribution to members		(18,122,785)	(16,429,655)
Surplus from operations before tax	12	21,343	22,772
Tax credit	13	–	2,711
Surplus for the year/Total comprehensive income for the year		21,343	25,483
Retained surplus brought forward		263,993	238,510
Retained surplus carried forward		285,336	263,993

No separate statement of changes in equity has been prepared as the total comprehensive income for the year would be the only component of this statement.

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
Year ended 31 December 2012

	2012 $	2011 $
Cash flows from operating activities		
Surplus from operations before tax	21,343	22,772
Adjustments for:		
Depreciation of property, plant and equipment	72,708	70,809
Interest income	(528,450)	(327,766)
Royalty distribution to members	18,122,785	16,429,655
	17,688,386	16,195,470
Change in other receivables	(139,912)	114,558
Change in royalty distribution paid	(13,182,523)	(12,477,807)
Change in trade and other payables	192,889	100,223
Cash generated from operating activities	4,558,840	3,932,444
Taxes refund	–	850
Net cash from operating activities	4,558,840	3,933,294
Cash flows from investing activities		
Interest received	416,002	192,834
Payment for acquisition of property, plant and equipment	(2,704,810)	(18,979)
Proceeds from disposal of financial assets	–	500,000
Purchase of financial assets	(751,500)	(3,545,097)
Net cash used in investing activities	(3,040,308)	(2,871,242)
Cash flows from financing activity		
Repayment of finance lease liabilities	–	(10,645)
Net cash used in financing activity	–	(10,645)
Net increase in cash and cash equivalents	1,518,532	1,051,407
Cash and cash equivalents at 1 January	34,722,556	33,671,149
Cash and cash equivalents at 31 December	36,241,088	34,722,556

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on .

1 Domicile and activities

(the "Company") is incorporated in the Republic of Singapore as a company limited by guarantee. The address of the Company's registered office is 37 Craig Road, Singapore 089675.

The principal activities of the Company are those relating to the licensing of public performances and broadcast use of music under its control.

2 Company limited by guarantee

The Company does not have a share capital. It is limited by guarantee, the liability of each of the 1,414 members as at (: 1,291) being an amount not exceeding $10.

3 Basis of preparation

3.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are measured at fair value.

3.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information are presented in Singapore dollars, unless otherwise stated.

3.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:
- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land and building	-	50 years
Renovations	-	7 years
Furniture, fittings and office equipment	-	7 years
Motor vehicles	-	7 years
Computer equipment	-	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

4.2 Financial instruments

Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: held-to-maturity financial assets and loans and receivables.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments that are not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

Held-to-maturity financial assets comprise debt securities.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise other receivables and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and bank deposits.

Non-derivative financial liabilities

The Company initially recognises all financial liabilities on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

4.3 Leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

4.4 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a *pro rata basis.*

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.5 Employee benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

4.6 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4.7 Revenue recognition

Revenue from licence and permit fees are recognised in accordance with the substance of the agreement. In some cases, licence fee to be received is contingent on the occurrence of a future event. Such revenue is recognised when recovery of the consideration is probable and the amount of revenue can be measured reliably.

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

4.8 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January , and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company.

5. Property, plant and equipment

	Leasehold land and building $	**Renovations $**	**Furniture, fittings and office equipment $**	**Motor vehicles $**	**Computer equipment $**	**Total $**
Cost						
At 1 January 2011	3,292,345	281,020	103,066	97,188	182,542	3,956,161
Additions	–	–	2,304	–	16,675	18,979
At 31 December 2011	3,292,345	281,020	105,370	97,188	199,217	3,975,140
Additions	2,670,800	–	1,240	–	32,770	2,704,810
At 31 December 2012	5,963,145	281,020	106,610	97,188	231,987	6,679,950
Accumulated depreciation and impairment losses						
At 1 January 2011	1,750,425	250,467	56,376	6,941	141,590	2,205,799
Charge for the year	19,760	8,285	11,486	13,884	17,394	70,809
At 31 December 2011	1,770,185	258,752	67,862	20,825	158,984	2,276,608
Charge for the year	19,760	8,285	12,162	13,884	18,617	72,708
At 31 December 2012	1,789,945	267,037	80,024	34,709	177,601	2,349,316
Carrying amounts						
At 1 January 2011	1,541,920	30,553	46,690	90,247	40,952	1,750,362
At 31 December 2011	1,522,160	22,268	37,508	76,363	40,233	1,698,532
At 31 December 2012	4,173,200	13,983	26,586	62,479	54,386	4,330,634

6 Financial assets

	2012 $	2011 $
Non-current financial assets		
Held-to-maturity investments	3,759,000	4,545,097
Current financial assets		
Held-to-maturity investments	1,537,597	–
	5,296,597	4,545,097

Held-to-maturity investments have stated interest rates of 3.0% to 5.9% (: 3.0% to 5.9%) and mature in 1 to 7 years.

The Company's exposure to interest rate risk related to financial assets is disclosed in note 16.

7 Other receivables

	2012 $	2011 $
Deposits	2,530	2,530
Prepayments	268,971	135,920
Interest receivable	249,488	137,040
Others	6,861	–
	527,850	275,490

The Company's exposure to credit risk related to other receivables is disclosed in note 16.

8 Cash and cash equivalents

	2012 $	2011 $
Cash at banks and in hand	15,241,088	11,722,556
Fixed deposits with banks	21,000,000	23,000,000
	36,241,088	34,722,556

Fixed deposits mature within 3 (: 12) months after year end.

The Company's exposure to interest rate risk related to cash and cash equivalents is disclosed in note 16.

9 Reserve fund

The reserve fund comprises amounts set aside by the Board of Directors for computerisation of the operations of the Company and other contingencies.

10 Trade and other payables

	2012 $	2011 $
Royalties due to members	45,263,743	40,323,481
Accrued operating expenses	167,450	72,700
Other payables	673,597	575,458
	46,104,790	40,971,639

The amounts due to members are unsecured, interest-free and repayable on demand.

The Company's exposure to liquidity risk related to trade and other payables is disclosed in note 16.

11 Revenue

Revenue represents the licence and permit fees received, less refund of licence fees.

12 Surplus from operations before tax

The following items have been included in arriving at surplus from operations before tax:

	2012 $	2011 $
Other income		
Interest income:		
- fixed deposits	313,593	265,963
- debt securities	214,857	61,803
Others	5,000	5,000
	533,450	332,766
Staff costs		
Wages and salaries	1,650,608	1,570,513
Contributions to defined contribution plans	135,271	122,917
Other staff related costs	51,486	46,123
	1,837,365	1,739,553
Others		
Directors' fees	21,000	25,000
Operating lease expense	10,788	10,788

13 Tax credit

	2012 $	2011 $
Current tax expense		
Over provision in prior years	–	(2,711)

Reconciliation of effective tax rate

	2012 $	2011 $
Surplus from operations before tax	21,343	22,772
Tax using the Singapore tax rate of 17%	3,628	3,871
Tax incentive	(27,368)	(79,468)
Non-deductible expenses	7,323	6,433
Deferred tax assets not recognised	16,417	69,164
Over provision in prior years	–	(2,711)
	–	(2,711)

The following temporary differences have not been recognised:

	2012 $	2011 $
Deductible temporary differences	(275,520)	(167,877)
Unutilised capital allowances	367,831	422,630
Unutilised tax losses	437,266	492,292
	529,577	747,045

The unutilised capital allowances and unutilised tax losses may be available for carry forward and set off against future taxable profits subject to arrangement with the tax authority and compliance with the provision of the Income Tax Act, Chapter 134. The deductible temporary differences, unutilised capital allowances and unutilised tax losses do not expire under current tax legislation.

Deferred taxable assets have not been recognised in respect of these items because it is not probable that future profit will be available against which the Company can utilise the benefits.

14 Related parties

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors and managers are considered as key management personnel of the Company.

	2012 $	2011 $
Short-term employee benefits	799,899	743,585

Other related party transactions

Other than those disclosed above, there were no other significant transactions with related parties.

15 Commitments

Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	2012 $	2011 $
Property, plant and equipment	o/s	–

Operating lease commitments

The Company leases certain of its office equipment under non-cancellable operating lease with lease terms of 5 years.

At reporting date, the Company has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2012 $	2011 $
Within one year	10,788	10,788
Between one and five years	19,620	29,509
	30,408	40,297

16 Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- interest rate risk
- foreign currency risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Company, as and when they fall due.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The Company limits its exposure to credit risks by investing only in liquid debt securities and only with counterparties that either have at least an acceptable credit rating based on rating agency ratings or in sound financial position. Management actively monitors credit ratings and the financial position of the counterparties, given that the Company only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Company did not have any held-to-maturity investments that were past due nor impaired at 31 December .

At the reporting date, there is no significant concentration of credit risk nor impairment on other receivables. The Company places its cash and cash equivalents with financial institutions of high credit rating. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.
The carrying amounts of trade and other payables and finance lease liabilities reflect the expected contractual undiscounted cash outflows which are expected to be settled within one year.

Interest rate risk

Profile

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	Carry amount	
	2012	2011
	$	$
Fixed rate instruments		
Financial assets	5,296,597	4,545,097

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Foreign currency risk

The Company is not exposed to foreign currency risk as all its balances as at reporting date are denominated in Singapore dollar.

Estimating fair values

The notional amounts of financial assets and liabilities with a maturity of less than one year (including other receivables, cash and cash equivalents, trade and other payables) are assumed to approximate their fair values.