



Board Report

SAMPRA's Legal and Governance Structure

SAMPRA is a non-profit company registered in South Africa, with company number 2000/028009/08. SAMPRA is a collective management organisation (“CMO”) accredited to administer Needletime Right on behalf of copyright owners (record companies) and performers (recording artists). SAMPRA’s accreditation is in terms of section 3(1)(c) of the Regulations on the Establishment of Collecting Societies in the Music Industry, 2006 (“the Regulations”).

SAMPRA’s Memorandum of Incorporation (“the MOI”) states that SAMPRA has two chambers, the Copyright Owners’ Chamber and the Performers’ Chamber. SAMPRA, therefore, has responsibilities to its members (record companies and performers who meet the membership criteria under SAMPRA’s MOI) and right holders who are not members but have a direct legal relationship with SAMPRA.

SAMPRA has a Board of Directors that oversees all aspects of the company’s business, including its budget, licensing and operating policies. The Board of Directors has 14 directors, with six directors from each chamber, the Independent Chairman of the Board, and the Chief Executive Officer.

Certain of SAMPRA’s powers and responsibilities are delegated to three board committees, which are:

- the Finance and Distribution Committee - tasked with reviewing and setting SAMPRA’s revenue and costs budget, prior to ratification by the SAMPRA Board, as well as reviewing and approving proposed distributions of royalties;
- the Remunerations Committee – tasked with reviewing employee and executive remuneration; and

- the Risk and Governance Committee - tasked with overseeing and approving SAMPRA's risk management practices to assist the board in overseeing that the executive team has identified and assessed all the risks that SAMPRA faces and has established a risk management infrastructure capable of addressing those risks.

Interim Board: 1 January to 21 September 2017

Copyright Owners' Chamber:

- Siphso Dlamini;
- Tracy Fraser;
- Sean Watson;
- Dharam Sewraj;
- Thobela Dlamini; and
- Andrew Mitchley.

Performers' Chamber:

- Nicholas Matzukis
- Abe Sibiyha;
- Ernie Smith;
- Pfanani Lishivha;
- Loyiso Bala; and
- Joe Niemand.

Members of the Board of Directors: Effective 21 September 2017

Independent Chairman: Advocate Joel Baloyi.

Copyright Owners' Chamber:

- Siphon Dlamini;
- Tracy Fraser;
- Sean Watson;
- Julita Kok;
- Andrew Mitchley; and
- Charles Kuhn.

Performers' Chamber:

- Nicholas Matzukis (stepped down during the reporting period);
- Anniki Maswanganye;
- Mbongeni Ndlovu;
- Ernie Smith;
- Loyiso Bala; and
- Joe Niemand.

Chief Executive Officer: Pfanani Lishivha: Effective 1 October 2017

Company Strategy

SAMPRA's strategy serves as the roadmap for our key activities during the year and helps us focus on our strategic objectives. Our key focus areas in 2017 were:

- CMO representing copyright owners and performers jointly;
- Reciprocal Agreements;
- Lobbying for Legislative Reform;
- Stakeholder Management; and
- Maximising Net Distributable Income.

CMO Representing Copyright Owners and Performers Jointly

The integration of SAMPRA's copyright owners' and performers' chambers was completed in September 2017 when POSA ceased to be a Needletime CMO that administered Needletime Rights only on behalf of performers, and its functions were taken over by SAMPRA. SAMPRA became a CMO administering Needletime Rights on behalf of both copyright owners and performers.

Reciprocal Agreements and Foreign Income

As at 31 December 2017, SAMPRA had nine (9) international representation agreements with international CMOs. SAMPRA also received an international royalty payment, for the first, from CPRA, the Japanese CMO.

Lobbying for Legislative Reform

In 2017, SAMPRA continued to lobby the dti to ratify the Rome Convention as well as the WIPO Performances and Phonograms Treaty ("WPPT"). SAMPRA also worked with other CMOs and industry bodies, under the umbrella organisation called the Copyright Alliance, to lobby for favourable legislative reform.

Stakeholder Engagement

SAMPRA has, during the period under review, built and solidified relationships with, amongst others, the Registrar of Copyright, the dti, the National Association of Broadcasters (“the NAB”), individual radio broadcasters, retailers, local CMOs, and international CMOs and agencies.

Maximising Net Distributable Income

The distributable income for the period under review is **R97 504 976.83**.

Financial Summary

Broadcast Revenue

The nett broadcast revenue for the year under review is **R42 795 752.98 (2016: R98 548 084.62)**. The invoiced amount for the year in review was **R60 063 991, 78**. Of this amount, **R17 268 238.80** had to be recognised under the 2016 financial because in terms of International Financial Reporting Standards (“IFRS”) revenue is only recognised as and when it becomes due and payable. As a result of the recognition criteria mentioned above, there was a net effect of a decline of 57% in broadcast revenue.

Communication to the Public

Communication-to-the public revenue is generated from the licensing and invoicing of music users, other than radio broadcasters, that use sound recordings to add value to their business. Invoiced amount, less negotiated trade discounts, reflects an 11% growth year-on-year. Invoiced amount for the year in review **R62 302 473.71 (2016: R56 311 949.27)**.

Communication to the Public licence fees are invoiced annually in advance. As mentioned above, in terms of IFRS, revenue is only recognised as and when it becomes due and payable, therefore **R24 988 738.59 (2016: R29 924 051.21)** accounted for in 2016, was recognised in 2017. **R27 625 915.86 (2016: R24 678 306.76)** is revenue that was received in advance but will only be recognised in the 2018 financial year. The result is a 3% year-on-year decline for the year in review.

International Revenue

International revenue is collected on behalf of SAMPRA’s performer members through SAMPRA’s network of agreements with CMOs in other countries. In 2017, we received our very first international income from CPRA, the Japanese CMO, and the amount received was R661.79.

Right Revenue Collected

The rights revenue collected during 2017 are shown below:

Category of Rights	2017 Revenue Collected (R)	2016 Revenue Collected (R)
Communication-to-the Public	65 433 308.98	68 702 030.20
Broadcast	104 475 668.12	34 548 289.58
International	661.79	Not Applicable
Reinstatement of Licensees	124 012.62	Not Applicable

Non-Royalty Income

Non-royalty income is derived from distributable amounts held in long and short-term investment accounts. The amount earned in 2017 was **R23 923 551.12 (2016: R16 131 091.79)**. This represents a 48% increase year-on-year.

Cost-to-Income Ratio

In terms of Section 6(2) of the Regulations, SAMPRA is required to distribute at least 80% of revenue collected to rights-holders and not retain more than 20% of said revenue. Over 80% of revenue collected was declared as distributable income and the total admin costs amounted to 22.18% for the year in review. This was mainly due to the reorganisation of SAMPRA becoming a CMO representing both copyright owners and performers jointly and taking over the functions previously performed by POSA.

Distributable Amount

The amount available for the 2017 distribution is **R97 504 976.83 (2016: R169 556 373.97)**.

Business Review

Broadcast

Outstanding licensing agreements with a number of commercial radio broadcasters were satisfactorily concluded.

We started collaborating with radio broadcasters on efforts aimed at developing and growing the South African radio broadcasting and music industries.

Communication-to-the Public

2017 saw an eleven percent growth in communication-to-the public licences fees. This strong performance was achieved due a number of reasons, including building and consolidating relationships with licensees and other music users that had not yet been licensed.

Our aim is to build awareness of the value of music to businesses, as well as ensuring that at least 90% of music users are licensed and invoiced in the next five years.

International

International collections will be a growing revenue stream going forward. SAMPRA's Stakeholder Relations department also deals with the building and maintenance of relationships with international CMOs, as well as active collection of international revenues through the conclusion of reciprocal agreements with other CMOs around the world. This means that SAMPRA's performer members can receive royalties when their recorded performances are used in the territories with which SAMPRA has reciprocal agreements.

In 2017, we received our first international income from CPRA, the Japanese CMO.

As at 31 December 2017, SAMPRA had nine (9) international representation with international CMOs.

CMO	Territory	Member Type	Agreement Type
AIE	Spain	Performers	Bilateral
CPRA	Japan	Performers	Bilateral
CNR	Cyprus	Performers	Bilateral
COSON	Nigeria	Performers & Copyright Owners	Bilateral
ITS'RIGHT	Italy	Performers	Bilateral
PPL	United Kingdom	Performers	Bilateral
NUOVOIMAIE	Italy	Performers	Unilateral
SAMI	Sweden	Performers	Bilateral
SENA	Netherlands	Performers	Bilateral
STOART	Poland	Performers	Bilateral

Membership Services

SAMPRA's membership continued to grow as we registered over 100 performers on average each month. As at 31 December 2017, total membership stood at 4 007 copyright owners and 11 826 performers.

SAMPRA is committed to delivering a first class customer service experience. A Stakeholder Relations department was established to deal with, amongst others, member recruitment and retention, rights holder tracing, royalty payment, member engagement, works notification, banking details update, undocumented works clearance, and query resolution.

SAMPRA also worked hard on improving the quality of data. Over 15 000 updates to performer line-up information of recordings were made. This enabled SAMPRA to pay outstanding royalties to members.

Stakeholder Relations

SAMPRA understands that its well-being is linked to the health of the South African economy, and the well-being of music users. As part of efforts to build meaningful relations with stakeholders, relationships were built and solidified with the NAB, as well as individual commercial radio broadcasters. We also reached out to retailers and other music users that fall under the umbrella term of Communication-to-Public licensees.

Distributions

In terms of section 8(5) of the Regulations, SAMPRA is required to submit to the Registrar the distribution plan for approval before any distribution is done. SAMPRA received the Registrar's approval of the 2014 Distribution Plan in July 2017.

As per SAMPRA's MOI, 50% of the royalties was allocated to copyright owners whose sound recordings were used by licensed music users, while the other 50% was allocated to performers whose recorded performances were performed by licensed music users.

The 2014 royalties were processed and paid in September 2017.

Marketing and Branding

SAMPRA attended and supported events on a national and international basis. We spread awareness and image of SAMPRA. Events attended included, amongst others, the WIPO Conference in Tshwane, the SAMAs, Moshito Music Exhibition, efforts aimed at launching a CMO in Lesotho, and anti-piracy events in Polokwane, Tshwane, Ekurhuleni, Johannesburg, and Port Elizabeth.

We also participated in workshops around the country for recording artists, to help answer any queries.

The website was revamped to make it user-friendly, and to give it a new look and feel.

Technology

In 2017, SAMPRA's performer system was given the thumbs up by SCAPR to allow SAMPRA to become an active member of the International Performer Database ("the IPD"). This is where various CMOs that are members of SCAPR are able to exchange data online, and are able to view performer mandates and membership.

Being a member of the IPD has allowed SAMPRA's performer members to join the international community of performers. Each SAMPRA performer member that has earned royalties has now been assigned one unique international identifier, known as the International Performer Number ("the IPN"). The IPN has enabled us to exchange data with international CMOs and to receive payment from them in a reliable way.

Human Resources

This is one of the critical parts of our company strategy. We seek to focus on staff retention, staff development, and to drive positive performance and behaviour across the organisation.

Employee Engagement

Employee engagement improved and impacted positively on SAMPRA. Employee engagement has led to improved productivity, as well as quality and customer satisfaction.

Regular CEO communication meetings took place to inform staff on the direction SAMPRA was taking, as well as the company's overall performance. Furthermore, the business strategy for 2018 was communicated to all staff, and all departmental heads got involved in the development of the operational strategy.

Relocation to Braamfontein

Staff were actively involved in the relocation of offices from Randburg to Braamfontein. Management pulled all stops to make the relocation as comfortable as possible. Management also introduced flexi hours in order to allow employees to adjust to the impact of traffic.

Staff Development

Employees were assisted with their development during the period under review through a combination of company sponsored courses and on the job training.

Reward and Recognition

This has become part of SAMPRA's overall strategy. The employee reward and recognition program was developed and launched with a view to driving productive behaviour and supporting performance management system.

Salary Parity

A salary parity exercise was undertaken to ensure equitable remuneration of employees.