

AFRICA'S NUMBER ONE NEIGHBOURING RIGHTS COLLECTIVE MANAGEMENT ORGANISATION



# ANNUAL REVIEW 2019

**SAMPRA**  
south african music performance rights association

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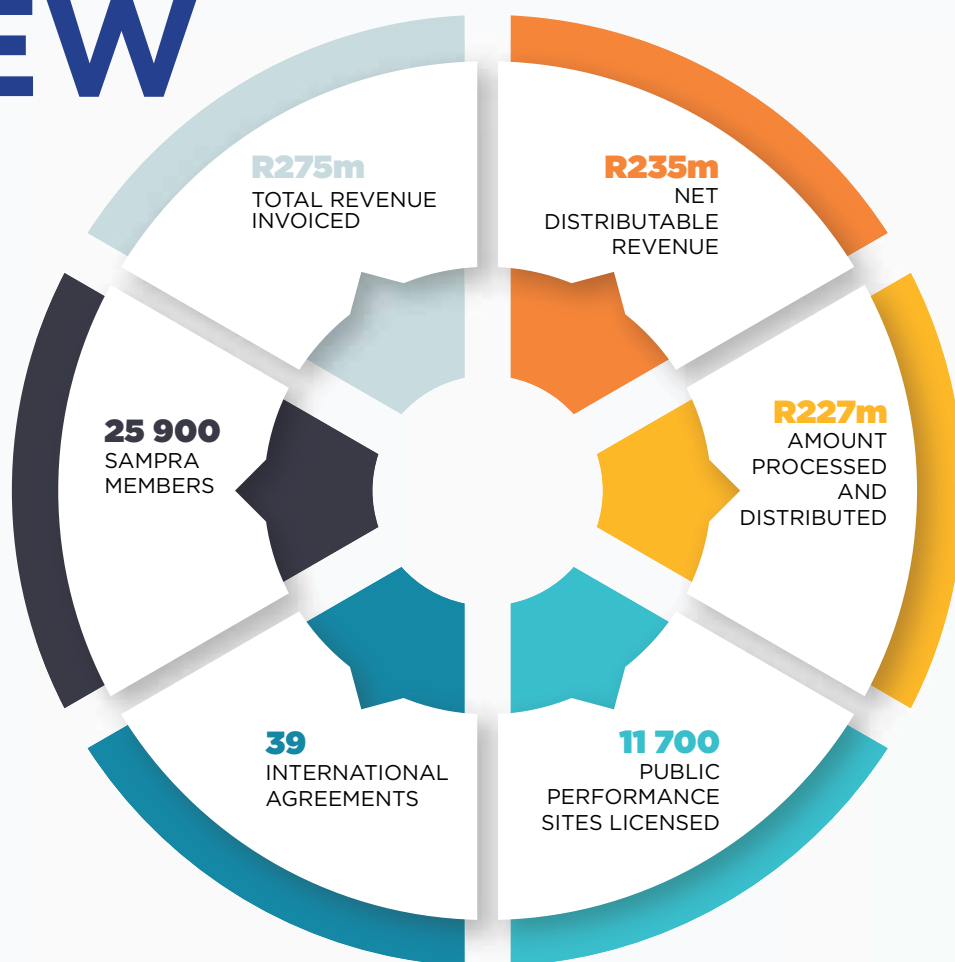
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**SA Top 50 Tracks 2019**

# ANNUAL REVIEW 2019

SAMPRA was founded in 2007, and it administers Neighbouring Rights on behalf of recording artists and record companies jointly.

We licence recorded music in South Africa for broadcast and public performance. Through digital monitoring of recorded music by broadcasting licensees, as well as playlists received from large retailers, we ensure that royalties are paid to deserving recording artists and record companies.





# CHAIRMAN'S STATEMENT



SAMPRA is an accredited Neighbouring rights CMO whose main objectives are:

- the licensing, to various categories of licensees, of sound recordings (the copyright of which vests with record companies);
- the collection of license fees from licensed music users; and
- the processing and distribution of royalties to record companies that are members of SAMPRA (50%), as well as the performers that performed in those sound recordings (50%).

But since SAMPRA is also a caring CMO, a decision was taken in 2019 to establish the SAMPRA Development Fund ("the SAMPRA Foundation") for the benefit of performers and small, medium, and micro record companies that are members of SAMPRA. The SAMPRA Foundation will be responsible for SAMPRA's Corporate Social Investment (CSI) through the support for the music industry in a number of areas including the funeral benefit and retirement annuity schemes for SAMPRA's full performer members, training, continuous professional development, music production, touring, and sponsorships.

The establishment of the SAMPRA Foundation is in line with Regulation 8 (5) (c) of the Establishment of Collecting Societies in the Music Industry, 2006, which states that 'a collecting society may provide in its distribution plan, that with approval of the highest executive organ of the society, a portion of the proceeds may be set aside of the promotion of the creative arts, culture and for welfare purposes (including pension benefits) of performing artists. Such portion shall not exceed 10% of the amount to be distributed in any one year.'

The SAMPRA Foundation's main objective is, therefore, contribution to the development of performers and SMME record companies that are members of SAMPRA. Through the SAMPRA Foundation, SAMPRA aims to contribute to the personal development and growth of performers, as well as the development and growth of so-called one man owned record labels, the owners of whom are typically both copyright owner and performer members of SAMPRA. Performers and small, medium and micro record companies will receive financial and other forms of support in the areas of training, continuous

professional development, music production, touring and sponsorships.

This strategic investment by SAMPRA is expected to result in artist and music development that will contribute towards:

- economic growth;
- music tourism;
- promotion of South African music abroad;
- attracting and retaining talent and investment in the music and related industries; and
- cultural development and artistic growth.

The SAMPRA Foundation's training and development program will focus on training opportunities in terms of the business of music, to enable beneficiaries to identify and drive sustainable music entities, and for performers to advance their talent as brands. Aspects related to the music business include, but not limited to:

- the basics of music copyright and related rights;
- contract negotiations;
- music publishing;
- sub-publishing agreements;
- recording deals;
- licensing deals;
- business management and financial management;

- marketing management; and
- staging of live performances in the 4IR era.

The SAMPRA Retirement Annuity aims to provide some cushion for performers when they retire by providing for retirement benefits, while the SAMPRA Funeral Benefit Scheme will contribute towards the costs of a funeral for performers that are full members of SAMPRA, as well as their spouse and minor children. Both the funeral benefit scheme and retirement annuity will not require any contribution from qualifying performers given that they will be funded as a percentage of distribution administration.

The SAMPRA Foundation will be launched in the second half of 2020.

These are exciting times for SAMPRA members.



**Dumisani Motsamai**  
Chairman



# CEO'S STATEMENT



2019 was SAMPRA's bumper year. It was the year we felt was the beginning of many bumper years to follow. It was the year we reaped the fruits of our toil.

In 2019, we:

- increased our total revenue, from **R199.8m** in 2018, to **R275m**;
- increased our distributable amount, from **R162m** in 2018, to **R186m**;
- eliminated the distribution backlog by processing and paying the 2017 and 2018 royalties;
- processed and distributed **R227m** to right holders;
- launched a mobile App that allows applicants to apply for membership, as well as allowing members to register their works; and
- expanded our international footprint.

Just as we thought that nothing could stand in our way towards more bumper harvests, a huge cloud blanketed the entire planet with the spread of COVID-19 from January 2020.

This pandemic, that has led to almost every country in the world being in a lockdown, has affected economies around the world. South Africa went into a lockdown in March 2020. At the beginning of the second quarter, it was clear that our revenue was already negatively affected by the lockdown and that the second and third quarters would be disastrous.

The music industry has been in dire straits due to the cancellation of live concerts and gigs, as a result of COVID-19. To add salt to injury, March and April are live music events months in South Africa. This is the time, outside of the festive season, for record companies and recording artists to earn much needed revenue through live performances. But the pandemic hit South Africa at the time when the industry was gearing itself for numerous live events in March and April 2020.

Much as the pandemic has taught all companies around the globe that working from

home is feasible and practical, it has also forced the music industry to fully embrace the benefits brought about by the Fourth Industrial Revolution ("4IR"). The live music scene has gone digital with the streaming of live performances.

4IR technologies provide opportunities for businesses within the music industry to:

- invent new business models;
- re-think their relationships with customers;
- expand their scope;
- venture into new areas; and
- collaborate with technology companies.

The industry has an opportunity to unlock new revenue streams for right holders, as well as developing new skills. We, therefore, call on record companies and recording artists to invest in 4IR technologies to expose and promote live music to new and wider audiences through virtual reality and augmented reality gigs, and utilisation of holographic technology.

SAMPRA is Africa's Number 1 CMO. We are the torchbearer and trailblazer in music rights administration. We are also the pioneer in research and innovation for the benefit of the music industry. It is this commitment that saw us launching the first functional CMO Mobile App in Africa in November 2018. More is still to come as far as innovation and the utilisation of 4IR technology are concerned.

**Pfanani Lishivha**  
Chief Executive Officer



# **COMPANY STRATEGY**

**SAMPRA's eight key focus areas in 2019 were:**

- Grow the Revenue;
- Conclude More Reciprocal Agreements and Boost Foreign Income;
- Reduce the Cost of Doing Business;
- Maximise Net Distributable Income;
- Maximise Pay-out of Outstanding Distributions;
- Efficient and Correct Distribution of Royalties;
- Stakeholder Management; and
- Lobby for Legislative Reform.

**01**

**Grow the Revenue**

We grew our revenue from **R200m** in 2018 to **R275m** in 2019.



**02**

**Conclude More International Agreements**

We increased the number of international agreements with sister CMOs and performers' agents from **sixteen (16)** in 2018, to **thirty-nine (39)** in 2019.



**03**

**Reduce the Cost of Doing Business**

The cost-to-income ratio was reduced from **17.10%** in 2018, to **14.5%** in 2019.



**04**

**Maximise Net Distributable Income**

Our distributable revenue grew from **R162.1m** in 2018, to **R235m** in 2019.



**06**

**Efficient and Correct Distribution of Royalties**

We successfully processed the 2017 and 2018 Distributions.



**05**

**Maximise the Pay-Out of Outstanding Distributions**

We processed and paid **R227m** of royalties to our members and international sister CMOs and agents with whom we have concluded bilateral and unilateral agreements.



**07**

**Stakeholder Management**

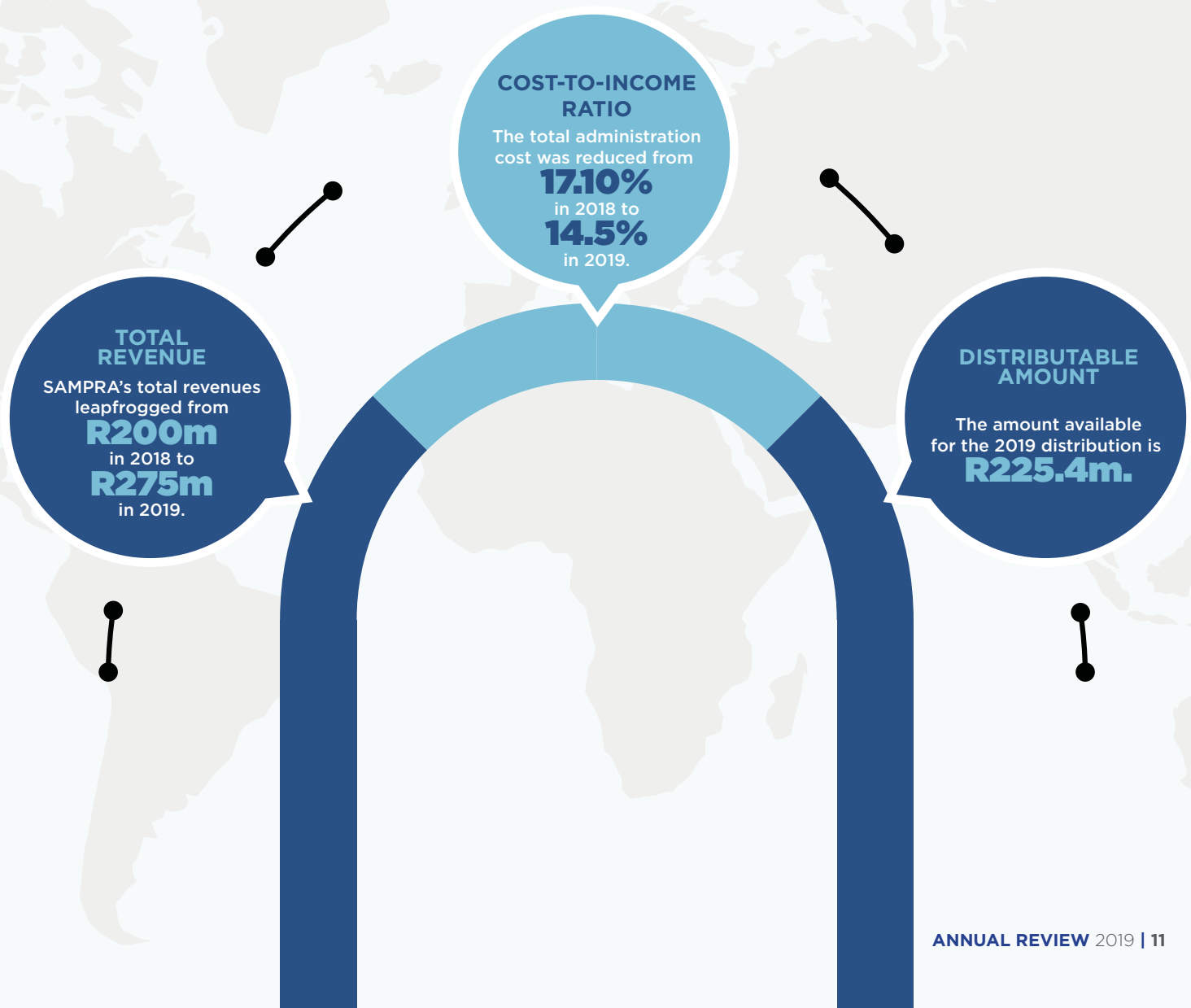
We continued to build and solidify our relationships with our members, licensees, sister CMOs, government, and other stakeholders.



We also improved our service offering to our members and prospective members, amongst others, launching a functional mobile app that allows applicants to apply for membership online, as well as allowing members to register their works online.



# **FINANCIAL SUMMARY**





# **BUSINESS REVIEW**



## Stakeholder Management

We understand that our well-being and continued existence are linked to the health of the South African economy, the well-being of music users in South Africa, and healthy relations with international sister CMOs. We increased the number of international agreements, bilateral and unilateral agreements, from 22 to 39.

We solidified our relationship with the National Association of Broadcasters, the Retailers' Association, the Department of Communications, and the Department of Trade and Industry.



01

### Membership

SAMPRA's membership grew from 20 683 in 2018 to 25 352 in 2019. This figure is made up of 5 356 registered copyright owners (4 757 in 2018), and 19 996 performers (15 926 in 2018).

We are committed to delivering a first-class customer service experience. It is in this spirit that we continued to recruit rightsholders, ensured that members that had earned royalties were paid, ensured that undocumented works were registered, and ensured the speedy resolution of queries.

02



03

### Revenue

The nett broadcast revenue for the year under review is R73.5m, while the nett communication-to-the public revenue for 2019 is R158.6m.

Total invoiced amount is R275m.

04



## Non-Royalty Income

Non-royalty income is derived from distributable amounts held in long and short-term investment accounts. The amount earned in 2019 is R42.8m (2018: R32.7m).

## Distributable Amount

The amount available for the 2019 distribution is R225.4m (2018: R162.1m).

05

### 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 was reduced from 17.1% in 2018 to 14.5% in 2019.

06



07

### Distributions

SAMPRA processed the 2017 and 2018 Distributions in 2019. A total of R227m in royalties was processed and paid to members and sister CMOs during the period under review.



### International Relations

As at 31 December 2019, SAMPRA had thirty-nine (39) international representation, of which twenty-three (23) bilateral and unilateral agreements were with the following CMOs that are members of SCAPR:

	CMO	Territory	Member Type	Agreement Type
1	ABRAMUS	Brazil	Performers	Bilateral
2	ACTRA PRS	Canada	Performers	Unilateral
3	ADAMI	France	Performers	Bilateral
4	AIE	Spain	Performers	Bilateral
5	ARTISTI	Canada	Performers	Unilateral
6	CPRA	Japan	Performers	Bilateral
7	GCA	Georgia	Performers	Bilateral
8	GDA	Portugal	Performers	Bilateral
9	GVL	Germany	Performers	Bilateral
10	HUZIP	Croatia	Performers	Bilateral
11	ISRA	India	Performers	Bilateral
12	ITS'RIGHT	Italy	Performers	Bilateral
13	MROC	Canada	Performers	Bilateral
14	NOUVOIMAIE	Italy	Performers	Unilateral
15	PI	Serbia	Performers	Bilateral
16	PLAYRIGHT	Belgium	Performers	Bilateral
17	PPL	UK	Performers	Bilateral
18	RAAP	Ireland	Performers	Unilateral
19	SAMI	Sweden	Performers	Bilateral
20	SENA	The Netherlands	Performers	Bilateral
21	STOART	Poland	Performers	Bilateral
22	UBC	Brazil	Performer	Unilateral
23	VOIS	Russia	Performer	Bilateral



# AUDITORS' REPORT

South African Music Performance Rights Association NPC  
(Registration number 2000/028009/08)  
Trading as SAMPRA  
Annual financial statements  
for the year ended 31 December 2019

South African Music Performance Rights Association NPC  
 (Registration number: 2000/028009/08)  
 Trading as SAMPRA  
 Annual Financial Statements for the year ended 31 December 2019

## General Information

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Collective management of neighbouring rights in music
<b>Independent Chairman of the board</b>	D Motsamai
<b>Chief Executive Officer</b>	P Lishivha
<b>Composition of board</b>	<b>Copyright Owners' Chamber</b> SS Dlamini AG Mitchley SRJ Watson R Cowling (Appointed 20 September 2019) A Mafokate (Appointed 20 September 2019) D Sewraj (Appointed 20 September 2019)

**Performers' Chamber**  
 EJ Smith  
 S Mohapi (Appointed 20 September 2019)  
 B Mtambo (Appointed 20 September 2019)  
 T Riziki (Appointed 20 September 2019)  
 F Tshabalala (Appointed 20 September 2019)  
 C Cruse-Kingsburgh (Appointed 20 September 2019)

## Statutory directors

D Motsamai (Chairperson) (Appointed 7 June 2019)  
 JJ Baloyi (Chairperson) (Resigned 7 June 2019)  
 TC Fraser (Resigned 20 September 2019) \*  
 J Kok (Resigned 20 September 2019) \*  
 CP Kuhn (Resigned 20 September 2019) \*  
 MA Maswanganye (Resigned 20 September 2019) \*  
 MR Ndlovu (Resigned 20 September 2019) \*  
 P Lishivha  
 AG Mitchley  
 SRJ Watson  
 SS Dlamini  
 EJ Smith  
 S Mohapi (Appointed 20 September 2019)  
 B Mtambo (Appointed 20 September 2019)  
 T Riziki (Appointed 20 September 2019)  
 F Tshabalala (Appointed 20 September 2019)  
 C Cruse-Kingsburgh (Appointed 20 September 2019)  
 A Mafokate (Appointed 20 September 2019)  
 R Cowling (Appointed 20 September 2019)  
 D Sewraj (Appointed 20 September 2019)  
 \* Resigned as he/she was not re-elected at the company's AGM

South African Music Performance Rights Association NPC  
(Registration number: 2000/028009/08)  
Trading as SAMPRA  
Annual Financial Statements for the year ended 31 December 2019

**General Information**

<b>Registered office</b>	20 De Korte Street Braamfontein 2000
<b>Postal address</b>	P.O. Box 31600 Randburg 2125
<b>Bankers</b>	Standard Bank Limited
<b>Auditors</b>	PricewaterhouseCoopers Inc. Chartered Accountants (SA)
<b>Secretary</b>	Ntsietso Mokitimi-Makhofola
<b>Company registration number</b>	2000/028009/08
<b>Level of assurance</b>	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act, No. 71 of 2008.
<b>Preparer</b>	The annual financial statements were independently compiled by: M Maritz
<b>Issued</b>	29 May 2020

South African Music Performance Rights Association NPC  
(Registration number: 2000/028009/08)  
Trading as SAMPRA  
Annual Financial Statements for the year ended 31 December 2019

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

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South African Music Performance Rights Association NPC  
(Registration number: 2000/028009/08)  
Trading as SAMPRA  
Annual Financial Statements for the year ended 31 December 2019

### Directors' Responsibilities and Approval

The directors are required by the Companies Act, No. 71 of 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 the International Financial Reporting Standard for Small and Medium-sized Entities, the external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set 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 have reviewed the company's cash flow forecast for the year to 31 December 2020 and, in the light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing 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 page 8.

The annual financial statements set out on pages 5 to 28, which have been prepared on the going concern basis, were approved by the directors on 29 May 2020 and were signed on its behalf by:

#### Approval of annual financial statements

  
\_\_\_\_\_  
Chief Executive Officer  
\_\_\_\_\_  
Chairman



South African Music Performance Rights Association NPC  
(Registration number: 2000/028009/08)  
Trading as SAMPRA  
Annual Financial Statements for the year ended 31 December 2019

## Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of South African Music Performance Rights Association NPC ("SAMPRA") for the year ended 31 December 2019.

### 1. Nature of business

SAMPRA was incorporated in South Africa with interests in the collective management of neighbouring rights in music. The company operates in South Africa.

There have been no material changes to the nature of the company's business from the prior year.

### 2. Review of financial results and activities

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act, No. 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

SAMPRA's business and operations are subject to regulation by the Registrar of Copyright in terms of the Regulations on the Establishment of Collecting Societies in the Music ("the Regulations"), (published under GN 517 in GG 28894 on 1 June 2006).

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.

### 3. Distributions

The company, in terms of Regulation 8(1) of the Regulations, is required to distribute funds collected on behalf of its members at least every 12 months.

Distributions are done in compliance with an approved distribution plan by the Registrar of Copyright (CIPC).

In terms of Regulation 6(2) of the Regulations, SAMPRA is required to distribute at least 80% of the funds collected in a particular year.

The payment of the Distribution for the 2017 royalties (Radio Broadcast and Communication to the Public) that had been approved in December 2018 by the CIPC, was processed in June 2019. In August 2019, SAMPRA also processed a distribution payment for the Non Royalty Revenue ("NRR") for the period 2014 to 2017.

The Distribution Plan for the 2018 royalties was approved on the 9th of December and payment was processed on the 15th of December 2019.

SAMPRA intends to process the 2018 NRR distribution within the 1st half of the 2020 financial year.

### 4. 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. SAMPRA's future operations are largely dependent on the company's regulatory accreditation status as an accredited Collecting Society.

SAMPRA has been accredited to act as a Representative Collecting Society for five years commencing September 2019 in terms of section 9A of the Copyright Act 98, of 1978 and section 5(1)(b) of the Performer's Protection Act 11, of 1967. Accreditation No. RC 2014/00001.

## **Directors' Report**

### **5. Events after the reporting period**

The following circumstances have occurred after the reporting date and the date of approval of financial statements. This is a post balance sheet non-adjusting event.

On the 5th of March 2020, South Africa reported its first case of Corona Virus. The number of reported cases increased each day, and as a result there was a need to implement a nationwide lockdown. Post the nationwide lockdown a phased in approach was implemented in the reopening of the economy.

It is envisioned that the Coronavirus (COVID 19) pandemic will most likely have a negative impact in terms of a slowdown of the economy which could have a further negative impact on the provisioning for doubtful debts for the organisation, together with a likely decline in royalties revenue collected. However, due to the nature and operations of SAMPRA, it will not have a material impact in the long term.

Taking into consideration the nature and operations of SAMPRA, it does not rely heavily on human interaction. Revenue comprises of radio broadcast revenue and communication to the public revenue. Radio broadcasters continue to operate during the lockdown and as a result we do not expect a significant decrease from this revenue stream, though some reductions have been noticed as a result of reduced advertising revenue.

The impact has been particularly felt within the Communication to the Public sector, as the shutdown has resulted in most of SAMPRA's licensees closing their doors (restaurants, pubs etc.). This effectively means that they are not using music and enquiries have already started with regards to how SAMPRA licenses will be affected by this situation.

SAMPRA's management is considering extending the license periods for all affected licensees, in line with the lockdown period in order to generate goodwill and in the interest of fairness. Furthermore, it will have an impact on the renewals of the licenses and the new business revenue as compliance staff cannot go out and identify new businesses/customers.

The 2019 distribution will however not be impacted as limited human interaction is needed and the banks continue to operate. Furthermore, the decline in interest rates will have a negative impact on our Non-Royalty Revenue (Interest) collected. SAMPRA is, however, not able to produce a reliable estimate of the impact at this point.

### **6. Secretary**

The company secretary is Ntsietso Mokitimi-Makhofola.

### **7. Statement of disclosure to the company's auditors**

With respect to each person who is a director on the day that this report is approved:

- there is, so far as the person is aware, no relevant audit information of which the company's auditors are unaware; and
- the person has taken all the steps that he or she ought to have taken as a director to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **8. Auditors**

PricewaterhouseCoopers Inc. was appointed in office as auditors for the company for 2019.

South African Music Performance Rights Association NPC  
(Registration number: 2000/028009/08)  
Trading as SAMPRA  
Annual Financial Statements for the year ended 31 December 2019

## Directors' Report

### 9. Directors

The Directors in office at the date of this report is as follows:

#### Independent Chairperson of the Board

D Motsamai

#### Chief Executive Officer

P Lishivha

#### Copyright Owners' Chamber

SS Dlamini

AG Mitchley

SRJ Watson

R Cowling (Appointed 20 September 2019)

A Mafokate (Appointed 20 September 2019)

D Sewraj (Appointed 20 September 2019)

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R Cowling (Appointed 20 September 2019)

D Sewraj (Appointed 20 September 2019)

\* Resigned as he/she was not re-elected at the company's AGM



## Independent auditor's report

To the Members of South African Music Performance Rights Association NPC

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### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of South African Music Performance Rights Association NPC (the Company) as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

### What we have audited

South African Music Performance Rights Association NPC's financial statements set out on pages 11 to 26 comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the accounting policies; and
- the notes to the annual financial statements.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

### Independence

We are independent of the Company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards

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PricewaterhouseCoopers Inc., 32 Jones Close, Leopard Park, Mahikeng, 2735, P O Box 4618, Mmabatho, 2735  
T: +27 (0) 18 386 4700, F: +27 (0) 18 386 4800, [www.pwc.co.za](http://www.pwc.co.za)

Chief Executive Officer: L S Machaba  
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.  
Reg. no. 1998/012055/21, VAT reg.no. 4950174882.



Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including *International Independence Standards*) respectively.

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#### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the document titled "South African Music Performance Rights Association NPC (Registration number 2000/028009/08) Trading as SAMPRA Annual Financial Statements for the year ended 31 December 2019", which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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#### *Responsibilities of the directors for the financial statements*

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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#### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the



aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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A handwritten signature in dark ink, appearing to read "Andrew Dale".

PricewaterhouseCoopers Inc.

Director: Andrew Dale

Registered Auditor

Mafikeng

29 May 2020

South African Music Performance Rights Association NPC  
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**Statement of Financial Position as at 31 December 2019**

	Notes	2019 R	2018 R
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables	2	25 086 665	24 678 612
Current tax receivable		4 615 417	3 207 777
Cash and cash equivalents	3	554 329 325	486 596 250
Loan to related party	4	4 000	10 000
		<u>584 035 407</u>	<u>514 492 639</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	5	1 546 629	1 204 359
Intangible assets	6	972 678	779 446
		<u>2 519 307</u>	<u>1 983 805</u>
<b>Total Assets</b>		<u>586 554 714</u>	<u>516 476 444</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	176 785 327	157 340 802
Other financial liabilities	11	325 709 819	329 065 879
Deferred income	12	26 324 589	28 021 990
Provisions	9	5 110 056	2 047 773
Other Development fund Liability	27	52 624 923	-
		<u>586 554 714</u>	<u>516 476 444</u>
<b>Total Liabilities</b>		<u>586 554 714</u>	<u>516 476 444</u>

The accounting policies on pages 14 to 18 and the notes on pages 19 to 26 form an integral part of the annual financial statements.

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# Statement of Comprehensive Income

	Notes	2019 R	2018 R
Licence fees	13	232 305 433	162 879 405
Other income		3 524	16 977
Operating expenses		(40 050 789)	(33 446 566)
<b>Operating profit</b>	14	<b>192 258 168</b>	<b>129 449 816</b>
Investment revenue	15	42 839 821	32 726 762
Finance costs	16	(1 260)	(369)
<b>Distributable amount</b>		<b>235 096 729</b>	<b>162 176 209</b>
Distribution		(235 096 729)	(162 176 209)
<b>Amount retained</b>		<b>-</b>	<b>-</b>
<b>Surplus / retained</b>		<b>-</b>	<b>-</b>

The accounting policies on pages 14 to 18 and the notes on pages 19 to 26 form an integral part of the annual financial statements.



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## Statement of Cash Flows

	Notes	2019 R	2018 R
<b>Cash flows from operating activities</b>			
Cash generated from operations	19	26 295 333	51 123 814
Interest income		42 839 821	32 726 762
Finance costs		(1 260)	(369)
<b>Net cash from operating activities</b>		<b>69 133 894</b>	<b>83 850 207</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(808 138)	(428 508)
Sale of property, plant and equipment	5	1 914	21 999
Purchase of other intangible assets	6	(600 595)	(794 685)
Movement in loans to related parties		6 000	45 715
Sale of investment		-	4 249 188
<b>Net cash from investing activities</b>		<b>(1 400 819)</b>	<b>3 093 709</b>
<b>Total cash movement for the year</b>		<b>67 733 075</b>	<b>86 943 916</b>
Cash at the beginning of the year		486 596 250	399 652 334
<b>Total cash at end of the year</b>	3	<b>554 329 325</b>	<b>486 596 250</b>

The accounting policies on pages 14 to 18 and the notes on pages 19 to 26 form an integral part of the annual financial statements.

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## **Accounting Policies**

### **General information**

South African Music Performance Rights Association NPC is a company incorporated and domiciled in South Africa.

#### **1. Basis of preparation and summary of significant accounting policies**

South African Music Performance Rights Association NPC is a company incorporated in South Africa. The address of its registered office and principal place of business is 20 De Korte Street, Braamfontein, 2000. SAMPRA's principal activities are the licensing of music users, collection of license fees and the distribution of royalties to members.

The annual financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

##### **1.1 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

##### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

##### **Financial assets measured at cost and amortised cost**

The company assesses its financial assets measured at cost and amortised cost for impairment at each reporting date. In determining whether an impairment loss should be recorded in the profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for financial assets measured at cost and amortised cost is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting period that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### **Provision for consultancy fees**

The provision for consultancy fees includes a provision raised by management for payments to be made to K Lister. The value of payments will depend on the outcome of uncertain events and the provision raised is based on a management estimate.

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## **Accounting Policies**

### **1.1 Significant judgements and sources of estimation uncertainty (continued)**

#### **Taxation**

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

#### **Useful lives of property, plant and equipment**

The company reviews the estimated useful lives of property, plant and equipment when changing circumstances indicate that they may have changed since the most recent reporting date.

#### **Statutory and regulatory framework**

The company assesses statutory and regulatory matters affecting its operations as they arise and again at year-end. These matters are assessed in conjunction with legal opinion, where management deem it necessary.

### **1.2 Financial instruments**

When a financial asset or financial liability is recognised initially, it is measured at the transaction price (including transaction costs) unless the arrangement constitutes, in effect, a financing transaction.

#### **Financial instruments at amortised cost**

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

#### **Financial instruments at cost**

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably without undue cost or effort are measured at cost less impairment.

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## **Accounting Policies**

### **1.2 Financial instruments (continued)**

#### **Initial measurement**

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

#### **Trade receivables**

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as a current liability on the statement of financial position.

#### **Trade Payables**

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest rate method.

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into Rand using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

#### **Loans to(from) group companies**

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

### **1.3 Property, plant and equipment**

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one period.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

## Accounting Policies

### 1.3 Property, plant and equipment (continued)

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 years
Office equipment	Straight line	6 years
IT equipment	Straight line	3 years
Leasehold improvements	Straight line	3 years

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

### 1.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

### 1.5 Impairment of non-financial assets

The company assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

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## Accounting Policies

### 1.6 Investments

Investments comprises units in an income fund (unit trust) and are carried at fair value through profit and loss. Fair value is calculated by reference to related redemption price as quoted by the institution concerned.

### 1.7 Provisions and contingencies

Provisions are recognised when:

- the company has an obligation at the reporting date as a result of a past event;
- it is probable that the company will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

Contingent assets and contingent liabilities are not recognised.

Provisions are not recognised for future operating losses.

### 1.8 Deferred income

Deferred income is recognised for amounts received from customers that relate to future financial periods.

### 1.9 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the company's activities. Revenue is shown net of sales/value-added tax, returns, rebates and discounts.

Revenue income includes licence fees charged for: "Radio Broadcasting" and "Communicating to the Public" based on recordings that are broadcast, diffused or communicated to the public.

Radio Broadcast revenue is recognised in the period in which they are incurred. Radio Broadcast revenue can only be invoiced once the tariff parameters can be reliably ascertained and verified and the amount of revenue can thus be measured reliably.

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.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

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

### 1.10 Borrowing costs

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

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## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>2. Trade and other receivables</b>		
Trade receivables	34 842 400	32 875 695
Provision for impairment	(9 810 862)	(8 218 780)
	<u>25 031 538</u>	<u>24 656 915</u>
Prepaid expenses	41 545	9 106
Deposits	13 582	12 591
	<u>25 086 665</u>	<u>24 678 612</u>

## 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	651	1 169
Bank balances	16 770 515	12 377 802
Short term deposits	537 558 159	474 217 279
	<u>554 329 325</u>	<u>486 596 250</u>

Standard Bank of South Africa Limited has provided a credit card facility to the company in the amount of R 120 000, which expires on 31 October 2023.

## 4. Loan to related party

### Associates

Performers' Organisation of South Africa (POSA)	<u>4 000</u>	<u>10 000</u>
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This loan is unsecured, interest free and have no fixed terms of repayment.

## 5. Property, plant and equipment

	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	827 150	(393 035)	434 115	656 088	(288 023)	368 065
Office equipment	607 021	(267 430)	339 591	394 759	(206 364)	188 395
IT equipment	2 631 099	(2 204 804)	426 295	2 335 804	(1 951 719)	384 085
Leasehold improvements	480 877	(134 249)	346 628	365 237	(101 423)	263 814
<b>Total</b>	<b>4 546 147</b>	<b>(2 999 518)</b>	<b>1 546 629</b>	<b>3 751 888</b>	<b>(2 547 529)</b>	<b>1 204 359</b>

### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Closing balance
Furniture and fixtures	368 065	171 062	(105 012)	434 115
Office equipment	188 395	220 860	(69 664)	339 591
IT equipment	384 085	300 576	(258 366)	426 295
Leasehold improvements	263 814	115 640	(32 826)	346 628
	<u>1 204 359</u>	<u>808 138</u>	<u>(465 868)</u>	<u>1 546 629</u>

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## Notes to the Annual Financial Statements

2019  
R

2018  
R

### 5. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	327 110	129 570	-	(88 615)	368 065
Office equipment	196 837	48 024	-	(56 466)	188 395
IT equipment	433 083	249 226	(6 704)	(291 520)	384 085
Leasehold improvements	333 192	1 688	-	(71 066)	263 814
	<b>1 290 222</b>	<b>428 508</b>	<b>(6 704)</b>	<b>(507 667)</b>	<b>1 204 359</b>

### 6. Intangible assets

	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	2 383 900	(1 411 222)	972 678	1 783 306	(1 003 860)	779 446

#### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	779 446	600 595	(407 363)	972 678

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	290 869	794 685	(306 108)	779 446

### 7. Investments

#### Unit Trusts

Opening balance	-	4 249 188
Additions and disposals of investment	-	(4 249 188)
	<b>-</b>	<b>-</b>

### 8. Trade and other payables

Trade payables	167 170 747	150 117 870
Payments received in advance	1 460 671	1 730 253
VAT	5 052 577	1 820 796
Accrued leave pay	751 303	549 472
Accrued bonus	1 182 339	559 351
Other accrued expenses	1 089 695	2 485 065
Other payables	77 995	77 995
	<b>176 785 327</b>	<b>157 340 802</b>



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## Notes to the Annual Financial Statements

	2019 R	2018 R
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### 9. Provisions

#### Reconciliation of provisions - 2019

	Opening balance	Additions	Total
Provision for consultancy fees	2 047 773	3 062 283	5 110 056

#### Reconciliation of provisions - 2018

	Opening balance	Additions	Total
Provision for consultancy fees	1 896 473	151 300	2 047 773

In April 2011, the company entered into a consultancy agreement with Music Rights and Licensing, a company controlled by Keith Lister, whereby a range of executive, business and legal services would be provided to SAMPRA. The agreement also included that Music and Rights Licensing would receive an outcome-based fee at the end of the agreement, for which SAMPRA is providing.

### 10. Share capital

SAMPRA is a non-profit organisation with no share capital, limited by guarantee.

### 11. Other financial liabilities

#### At amortised cost

Available for distribution - cumulative interest on funds invested	133 456 435	101 913 141
2015 Distribution allowance excluding interest	-	488
2017 Distribution allowance excluding interest	-	95 422 006
2018 Distribution allowance excluding interest	-	131 730 244
2019 Distribution allowance excluding interest	192 253 384	-
	<b>325 709 819</b>	<b>329 065 879</b>

#### Reconciliation of other financial liabilities

Opening balance	329 065 879	364 719 513
Distributable amount	235 096 729	162 176 209
Distributions approved	(238 452 789)	(197 829 843)
	<b>325 709 819</b>	<b>329 065 879</b>

#### Current liabilities

At amortised cost	325 709 819	329 065 879
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Other financial liabilities represent the amounts still to be distributed in a royalty allocation process (Royalty Distribution Process). In compliance with the Collecting Society Regulations Section 8(1), SAMPRA is required to distribute at least once every year amounts collected by it. The timing of the distributions is dependent on approval of the Distribution Plan by CIPC.

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## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>12. Deferred income</b>		
License fees	26 324 589	28 021 990
Opening balance	28 021 990	22 282 435
Revenue recognised	(28 021 990)	(22 169 916)
Revenue invoiced in advance	34 946 315	32 041 490
Minus amounts invoiced in advance not yet received at year end	(8 621 726)	(4 132 019)
	<b>26 324 589</b>	<b>28 021 990</b>
<b>13. Revenue</b>		
Communication to the Public License Fees	144 207 512	80 991 435
Radio Broadcast License Fees	73 586 516	77 038 411
Interest received	14 406 159	4 584 664
Foreign income	105 246	264 895
	<b>232 305 433</b>	<b>162 879 405</b>
<b>The amount included in revenue are as follows:</b>		
Amount invoiced - Radio Broadcast Licence Fees	44 545 756	55 758 422
Plus: Pre 2014 Radio Broadcast Revenue	29 040 760	21 279 989
Plus: Amount invoiced - Communication to the Public Licence Fees	148 199 965	91 812 614
Less: Negotiated discount	(8 406)	(6 293 088)
Less: Income invoiced in advance	(34 946 315)	(32 041 490)
Plus: Vesting of prior period income invoiced in advance	32 154 008	27 513 397
Plus: Foreign income	105 246	264 897
Plus: Interest received	14 406 159	4 584 664
Less: Discount for cash	(822 012)	-
Less: Early settlement discount	(369 728)	-
	<b>232 305 433</b>	<b>162 879 405</b>
<b>14. Operating profit</b>		
Operating profit for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Premises		
• Contractual amounts	734 988	466 176
Equipment		
• Contractual amounts	42 269	29 520
	<b>777 257</b>	<b>495 696</b>
Profit on sale of property, plant and equipment	1 914	15 295
Depreciation on property, plant and equipment	873 231	813 775
Employee costs	21 885 007	17 712 085
Other professional fees	-	2 080 521
Discount allowed for cash	822 011	513 412

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## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>15. Investment revenue</b>		
<b>Finance income</b>		
Bank interest	41 432 181	32 726 762
Interest from overpayment to SARS	1 407 640	-
	<u>42 839 821</u>	<u>32 726 762</u>
<b>16. Finance costs</b>		
Bank	<u>1 260</u>	<u>369</u>
<b>17. Distributions</b>		
<b>Distribution</b>		
Distribution for the year recognised in statement of comprehensive income	<u>(235 096 729)</u>	<u>(162 176 209)</u>
<b>18. Taxation</b>		
<b>Major components of the tax expense</b>		
<b>Current taxation</b>		
South African normal tax - year	<u>-</u>	<u>-</u>
SAMPRA's distribution expense is calculated using retention funding for tax charges under sub regulation 6(2). No provision has been made for taxation as the company had no taxable income. The loss available for utilisation against future profits is R nil (2018: R nil).		
<b>19. Cash generated from operations</b>		
Distributable amount	235 096 729	162 176 209
<b>Adjustments for:</b>		
Depreciation and amortisation	873 231	813 775
Profit on sale of assets	(1 914)	(15 295)
Interest received	(42 839 821)	(32 726 762)
Finance costs	1 260	369
Distributions approved from other financial liabilities (note 11)	(238 452 789)	(197 829 843)
<b>Changes in working capital:</b>		
Trade and other receivables	(408 053)	580 022
Trade and other payables	19 444 525	112 385 784
Deferred income	(1 697 401)	5 739 555
Current tax receivable	(1 407 640)	-
Movement in provisions	3 062 283	-
Provision for Sampra Development Fund	52 624 923	-
	<u>26 295 333</u>	<u>51 123 814</u>

\*To improve the presentation of the cashflow to clearly distinguish cash flow from operations we have reclassified the movement from distributions processed to the be included as a movement in the reconciliation of cash generated from operations

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## Notes to the Annual Financial Statements

	2019 R	2018 R
<b>20. Tax refunded</b>		
Balance at beginning of the year	3 207 777	3 207 777
Interest receivable as per SARS	1 407 640	-
Balance at end of the year	<u>(4 615 417)</u>	<u>(3 207 777)</u>
	<u>-</u>	<u>-</u>

## 21. Related parties

Relationships  
Associates

Recording Industry of South Africa (RISA)  
Risa Audio Visual Licensing

**Related party balances and transactions with entities with control, joint control or significant influence over the company**

### Related party balances

**Loan accounts - Owing (to) by related parties**

POSA	4 000	10 000
------	-------	--------

This relates to POSA undocumented works royalty payments that have been processed by SAMPRA.

### Related party transactions

The entity had no related party transactions.

## 22. Directors' remuneration

### Non-executive

#### 2019

Directors' fees	Total
485 417	485 417

#### 2018

Directors' fees	Total
517 500	517 500

## 23. 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. SAMPRA's future operations are largely dependent on the company's regulatory accreditation status as an accredited Collecting Society.

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	2019 R	2018 R
<b>23. Going concern (continued)</b>		
SAMPRA has been accredited to act as a Representative Collecting Society for five years commencing September 2019 in terms of section 9A of the Copyright Act 98, of 1978 and section 5(1)(b) of the Performer's Protection Act 11, of 1967. Accreditation No. RC 2014/00001.		
<b>24. Commitments</b>		
<b>Operating leases – as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	672 003	388 926
- in third to fifth year inclusive	1 158 483	1 416 078
<b>Total future cash flows</b>	<b>1 830 486</b>	<b>1 805 004</b>

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of five years. No contingent rent is payable.

## 25. Contingencies

Following the accreditation of SAMPRA in 2007, SAMPRA engaged the broadcasters (represented by the National Association of broadcasters (NAB) on payment of licence fees. The parties failed to agree on a rate and the dispute was referred to the Copyright Tribunal. The dispute was resolved by the Supreme Court of Appeal on 14 March 2014. SAMPRA thereafter entered into discussions with the individual broadcasters on both pre-court ruling licence fees and current fees. SAMPRA has settled with almost all the broadcasters. SABC's discussions were protracted due to SABC applying an arbitrary allocation of licence fees between SAMPRA and IMPRA (which was not based on copyright ownership of music used) for the period April 2014 and March 2015. The matter is now before the courts. SABC owes SAMPRA licence fees for both pre and post Supreme Court ruling that is believed to be in excess of R100m.

## 26. Events after the reporting period

The following circumstances have occurred after the reporting date and the date of approval of financial statements. This is a post balance sheet non-adjusting event.

On the 5th of March 2020, South Africa reported its first case of Corona Virus. The number of reported cases increased each day, and as a result there was a need to implement a nationwide lockdown. Post the nationwide lockdown a phased in approach was implemented in the reopening of the economy.

It is envisioned that the Coronavirus (COVID 19) pandemic will most likely have a negative impact in terms of a slowdown of the economy which could have a further negative impact on the provisioning for doubtful debts for the organisation, together with a likely decline in royalties revenue collected. However, due to the nature and operations of SAMPRA, it will not have a material impact in the long term.

Taking into consideration the nature and operations of SAMPRA, it does not rely heavily on human interaction. Revenue comprises of radio broadcast revenue and communication to the public revenue. Radio broadcasters continue to operate during the lockdown and as a result we do not expect a significant decrease from this revenue stream, though some reductions have been noticed as a result of reduced advertising revenue.

The impact has been particularly felt within the Communication to the Public sector, as the shutdown has resulted in most of SAMPRA's licensees closing their doors (restaurants, pubs etc.). This effectively means that they are not using music and enquiries have already started with regards to how SAMPRA licenses will be affected by this situation.

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	2019	2018
	R	R

26. Events after the reporting period (continued)

SAMPRA's management is considering extending the license periods for all affected licensees, in line with the lockdown period in order to generate goodwill and in the interest of fairness. Furthermore, it will have an impact on the renewals of the licenses and the new business revenue as compliance staff cannot go out and identify new businesses/customers.

The 2019 distribution will however not be impacted as limited human interaction is needed and the banks continue to operate. Furthermore, the decline in interest rates will have a negative impact on our Non-Royalty Revenue (Interest) collected. SAMPRA is, however, not able to produce a reliable estimate of the impact at this point.

27. Other Development fund Liability

SAMPRA Development Fund	45 210 971	-
IT Infrastructure Development Fund	7 413 952	-
	<u>52 624 923</u>	<u>-</u>

Other Development Fund liabilities represent funds that were established for which there is an obligation to be used for the purposes stipulated below:

During the 2019 financial year, the board of SAMPRA, with the approval of CIPC, established the SAMPRA Development Fund. The purposes of the Fund's main objective is contributing to the development of recording artists that are members of SAMPRA, as well as start-up record labels owned by members of SAMPRA. The establishment of the Fund is in line with Regulation 8 (5) (c) of the Establishment of Collecting Societies in the Music Industry, 2006, which states that 'a collecting society may provide in its distribution plan, that with approval of the highest executive organ of the society, a portion of the proceeds may be set aside of the promotion of the creative arts, culture and for welfare purposes (including pension benefits) of performing artists. Such portion shall not exceed 10% of the amount to be distributed in any one year.' Furthermore, the Fund also includes a funeral benefit scheme and retirement annuity scheme for SAMPRA's performer members. The Fund has its own Board of Directors which will decide on an annual basis the total amount to be used in a specific year.

In addition to the SAMPRA Development Fund, the Board also approved for an overall IT system improvement in order to enable SAMPRA to fully utilise the benefits brought about by the 4th Industrial Revolution, to stay relevant, and to become more efficient in its processes.

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#### Detailed Income Statement

	Notes	2019 R	2018 R
<b>Revenue</b>			
Communication to the Public License Fee		144 207 512	80 991 435
Radio Broadcast License Fees		73 586 516	77 038 411
Interest received		14 406 159	4 584 664
Foreign income		105 246	264 895
	13	<u>232 305 433</u>	<u>162 879 405</u>
<b>Other income</b>			
Discount received		1 610	1 682
Investment revenue	15	42 839 821	32 726 762
Gains on disposal of assets		1 914	15 295
		<u>42 843 345</u>	<u>32 743 739</u>
<b>Expenses (Refer to page 28)</b>		<u>(40 050 789)</u>	<u>(33 446 566)</u>
<b>Operating profit</b>	14	<u>235 097 989</u>	<u>162 176 578</u>
Finance costs	16	(1 260)	(369)
<b>Distributable amount</b>		<u>235 096 729</u>	<u>162 176 209</u>
Distributions		(235 096 729)	(162 176 209)
<b>Amount retained</b>		<u>-</u>	<u>-</u>

The supplementary information presented does not form part of the annual financial statements and is unaudited

South African Music Performance Rights Association NPC  
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Annual Financial Statements for the year ended 31 December 2019

#### Detailed Income Statement

	Notes	2019 R	2018 R
<b>Operating expenses</b>			
Audit remuneration		500 785	527 616
Advertising		480 150	503 566
Bad debts		1 592 082	(521 165)
Bank charges		93 992	76 054
Conference fees		139 820	70 060
Consulting and professional fees		204 382	300 521
Consumables		10 907	15 344
Courier charges		70 022	29 633
Depreciation and amortisation		873 231	813 775
Discount allowed		-	513 412
Distribution expenses		1 020 000	943 125
Donations		3 500	-
Employee costs		21 885 007	17 712 085
Entertainment		39 853	55 785
IT expenses		508 367	377 290
Insurance		114 867	52 567
Lease rentals on operating lease		777 257	495 696
Legal expenses		468 872	3 139 732
Meeting costs		507 790	282 960
Member communication		6 830	88 097
Motor vehicle expenses		722 883	573 112
Non-administration fees		3 931 760	1 780 000
Other expenses		994 247	1 118 559
Payroll administration		51 704	37 037
Placement fees		76 791	9 909
Printing and stationery		202 574	279 205
Repairs and maintenance		79 185	77 309
SAMA Event fees		698 048	524 880
Scanning Project		225 611	100 166
Secretarial fees		168 254	75 195
Security		12 786	9 475
Software expenses		840 746	1 682 074
Staff welfare		156 497	51 049
Subscriptions		157 029	145 671
Licencing		56 585	-
Telephone and fax		410 551	313 544
Training		88 251	57 114
Travel - local		908 241	388 596
Travel - overseas		934 206	758 660
Utilities		37 126	(11 142)
		<b>40 050 789</b>	<b>33 446 566</b>

The supplementary information presented does not form part of the annual financial statements and is unaudited





# BOARD OF DIRECTORS



SAMPRA's Board of Directors oversees all aspects of the company's business, including its budget, licensing and operating policies. The Board of Directors has 14 directors, with six performer directors, six copyright owner directors, 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 distribution 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.

**Members of the Board of Directors: 1 January 2019 to 31 December 2019**

**Independent Chairman:**

Advocate Joel Baloyi  
(resigned in August 2019)

Dumisani Motsamai (from September 2019).

**Copyright Owners' Chamber:**

**1 January to 20 September 2019**

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

**Elected at the AGM in September 2019**

- Sipho Dlamini;
- Sean Watson;
- Andrew Mitchley;
- Rob Cowling;
- Arthur Mafokate; and
- Dharam Sewraj.

**Performers' Chamber:**

**1 January to 20 September 2019**

- Ernie Smith;
- Gloria Bosman;
- Mbongeni Ndlovu;
- Siyanqoba Mthethwa;
- Anniki Maswanganye; and
- Victoria Sampson.

**Elected at the AGM in September 2019**

- Ernie Smith;
- Brenda Mtambo;
- Tresor Riziki (Tresor);
- Siphokazi Mohapi;
- Connell Cruise Kingsburgh; and
- Frederick Tshabalala (DJ Ganyani).

**Chief Executive Officer:**

Pfanani Lishivha.

# COPYRIGHT OWNERS DIRECTORS



**Siphon Dlamini**



**Sean Watson**



**Andrew Mitchley**



**Rob Cowling**



**Arthur Mafokate**



**Dharam Sewraj**

# PERFORMERS DIRECTORS



**Brenda Mtambo**



**Ernie Smith**



**Siphokazi Mohapi**



**Connell Cruise Kingsburgh**



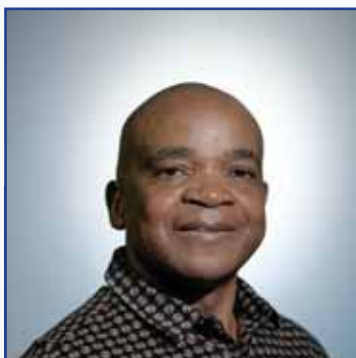
**Frederick Tshabalala**



**Tresor Riziki**



# EXECUTIVE MANAGEMENT TEAM



**Pfanani Lishivha**  
Chief Executive Officer



**Tiyani Maluleke**  
Chief Stakeholder Officer



**Ntsietso Mokitimi-Makhofola**  
Chief Revenue and  
Legal Officer



**Stuart Hope**  
Chief Technology Officer



**Dinga Feliti**  
Chief Human Resources Officer



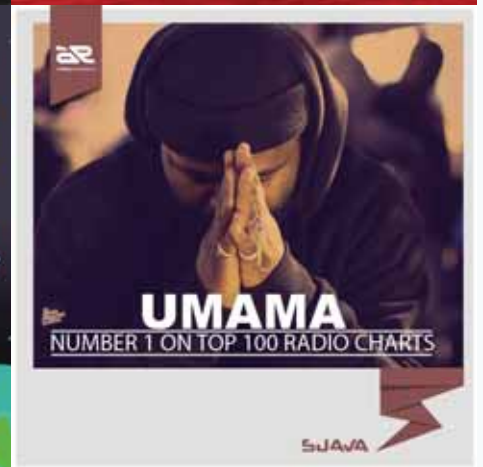
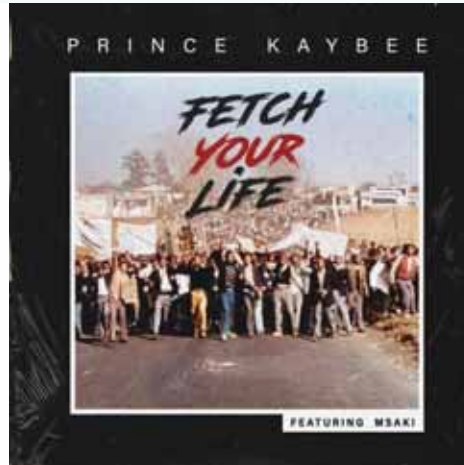
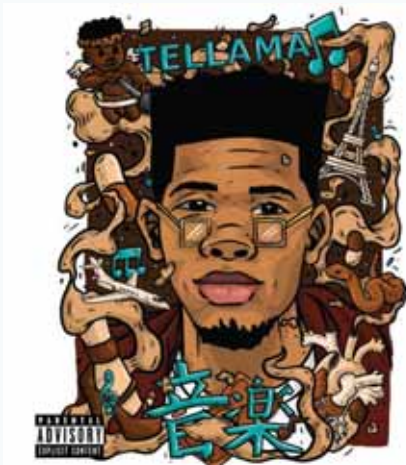
**Nkanyiso Bhengu**  
Chief Financial Officer





# **SAMPRA'S SOUTH AFRICAN TOP 50 PLAYED TRACKS 2019**

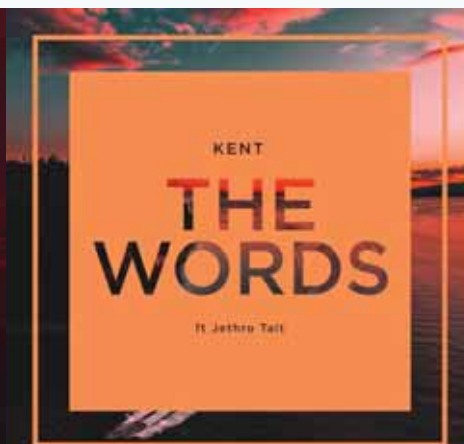




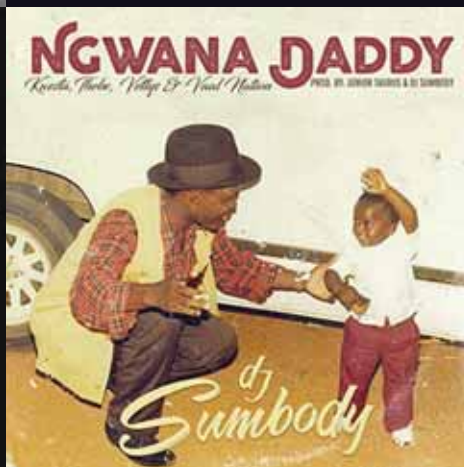




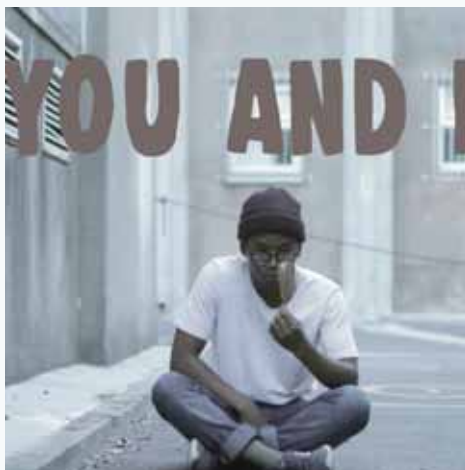


















AFRICA'S NUMBER ONE NEIGHBOURING RIGHTS COLLECTIVE MANAGEMENT ORGANISATION



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