Australasian Performing Right Association Limited
(a company limited by guarantee) and its controlled entity
ABN 42 000 016 099

Annual Financial Report
30 June 2020

Directors' report
For the year ended 30 June 2020

The Directors present their report together with the financial statements of the consolidated entity, being the Australasian Performing Right Association Limited (Company) and its controlled entity, for the financial year ended 30 June and the independent auditor's report thereon.

Directors

The Directors of the Company at any time during or since the financial year are:

Jenny Morris OAM, MNZM

Non-executive Writer Director since 1995 and Chair of the Board

A writer member of APRA since 1983, Jenny has been a music writer, performer and recording artist since 1980 with three top 5 and four top 20 singles in Australia and similar success in New Zealand. Jenny has recorded nine albums gaining gold, platinum and multi-platinum status in the process and won back to back ARIA awards for best female vocalist. Jenny was inducted into the NZ Music Hall of Fame in 2018.

Jenny is also a non-executive director and passionate supporter of Nordoff Robbins Music Therapy Australia. Jenny presents their biennial 'Art of Music' gala event, which raises significant and much needed funds for the charity.

Bob Aird

Non-executive Publisher Director from 1989 to 2019

Bob recently retired from his position as Managing Director of Universal Music Publishing Pty Limited, Universal Music Publishing Group Pty Ltd, Universal/MCA Publishing Pty Limited, Essex Music of Australia Pty Limited and Cromwell Music of Australia Pty Limited which he held for 16 years. Bob stood down from the Board in 2019.

He was also a non-executive director of the Australasian Music Publishers Association Limited (AMPAL) and a non-executive director and past chairman of the Australasian Mechanical Copyright Owners Society Limited (AMCOS).

He previously held management positions at Polygram Records and was Managing Director of Rondor Music (Australia) Pty Ltd when it was an independent company.

Marianna Annas

Non-executive Publisher Director from 2016 to 2020

An experienced music lawyer and formerly at Simpsons Solicitors, Marianna has held senior legal and business affairs roles at major record labels and music publishers including BMG Australia, BMG New York and EMI Music Australia. She was Head of ABC Music Publishing until January 2020. She is currently Vice President, Commercial & Creative at Universal Music Publishing (UMP). In January 2020 Marianna stood down as a non-executive director of APRA and was appointed Alternate Director for Andrew Jenkins, UMP.

Marianna has presented at many music industry forums including Music Australia, Fuse Festival, Big Sound, WAMi, AWME, musicNSW, Bondi Wave, AIM and Fast Forward.

She holds degrees in Arts and Law from the University of New South Wales.

Amanda Brown

Non-executive Writer Director since 2015

Amanda is a screen composer, songwriter and APRA writer member of 25 years. Amanda has composed music for film and television since 2000 and before that enjoyed a career as a multi-instrumentalist in several bands, most notably The Go-Betweens. She has worked with artists including R.E.M, Silverchair, The Vines, Youth Group, The Church, The Reels, David Bridie, Halfway, The Apartments and Wendy Matthews. Amanda has a passionate interest in the encouragement and promotion of women in music and the rights of screen composers.

Matthew Capper

Non-executive Publisher Director since 2007

Matthew is the Managing Director of Warner Chappell Music Australia Pty Ltd – one of the world's leading music publishing companies. They represent writers from Cole Porter and the Gershwins, through Led Zeppelin and Madonna, to Morgan Evans, Kendrick Lamar, and Lizzo. Locally, the company represents the rights of Little River Band, Australian Crawl, and Real Life, amongst others.

Matthew commenced his career at Festival Music Publishing in 1999 and was appointed Administration Manager after only two years at the company. He joined Warner Chappell in 2003 and was made head of the company in 2004. He is a non-executive director, and the Deputy Chair of the Australasian Mechanical Copyright Owners Society (AMCOS), and is a non-executive director and the Chair of the Australasian Music Publishers' Association Limited (AMPAL).

Brendan Gallagher

Non-executive Writer Director since November 2014

ARIA award winner Brendan Gallagher has long maintained a comprehensive career as an independent artist in the Australian music industry - singer, songwriter, composer, author & performer.

Producer of over thirty albums in as many years, more than half as an artist. The long-time front man and founding member of Karma County, since 2006 he's produced and released seven solo albums and maintains an active live performance schedule in Australia and Europe.

Brendan has scored feature films, documentaries and for TV. He is the author of international best seller The Open Tuning Chord Book For Guitar, first published in 1994. He has played guitar on recordings for artists like David Bowie, Jimmy Little and Kylie Minogue.

Brendan is an Executive Councillor on the International Council of Music Creators, Vice Chair of the Asia Pacific Music Creators Alliance, Chair of APRA's Membership and Distribution Board Sub-Committee, and a member of APRA's Awards & Music Grants Sub-Committee. Brendan graduated from UTS with a BA Communication in 1988 and teaches part time in their music department.

Jaime Gough

Non-executive Publisher Director since November 2020

Jaime is Managing Director of independent music publisher Native Tongue Music Publishing, overseeing offices in Melbourne, Sydney and Auckland. He is also a non-executive Director of the Australasian Mechanical Copyright Owners Society Limited (AMCOS) and the Australasian Music Publishers' Association Limited (AMPAL).

Jaime has a double Bachelor of Business degree (Marketing & Management - Monash University), and worked in artist management at Mayday Management and music licensing at Mana Music before joining Native Tongue in 2005.

Jaime has served on the board for non-profit youth music organization The Push, and is a co-owner of independent record label, Best & Fairest.

Ian James OAM

Non-executive Publisher Director since 1991 and Deputy Chair of the Board

Ian was Managing Director of Mushroom Music Pty Limited from 1986 to 2018 and now acts as Senior Consultant. He is also a non-executive director of the Australasian Mechanical Copyright Owners Society Limited (AMCOS) and the Australasian Music Publishers' Association Limited (AMPAL).

Ian has a Bachelor of Commerce (Applied Psychology) from the University of New South Wales and was employed by the APRA from 1976 to 1986 in several management positions. He was appointed as the Adjunct Professor at the Victoria University College of Business in 2014, the Board of the International Confederation of Music Publishers (ICMP) in 2016 and the Board of the Independent Music Publishers Forum (IMPF) in 2018.

Andrew Jenkins

Non-executive Publisher Director since 2019

Andrew is President, Australia and Asia Pacific Region, for Universal Music Publishing Group (UMPG). He is responsible for UMPG's activities in Australasia, Asia, Africa and the Middle East, as well as for global society and industry matters.

Andrew joined Polygram in the UK in 1981, rising to General Manager and Senior Director at Polydor Records. In 1993, Andrew moved to BMG Music Publishing and served as President of International. He has been responsible for the Australian offices of both BMG Music Publishing and subsequently Universal Music Publishing from 1993 until today and is married to an Australian singer-songwriter. He was the architect for both Universal Music Publishing's pan-European licensing deal with SACEM and pan-Asian licensing deal with APRA AMCOS.

Andrew has worked with artists such the Bee Gees, Tom Waits, The Cure, Van Morrison, Freddie Mercury, Andrew Lloyd Webber, Alanis Morissette, Pete Townshend and Iron Maiden to name a few.

He is a currently a non-executive direction of the Australasian Mechanical Copyright Owners Society Limited (AMCOS) and the Australasian Music Publishers' Association Limited (AMPAL), former Chairman of the International Confederation of Music Publishers (ICMP) and also a founding board member of the International Music Publishers Association (IMPA).

After a life spent in the music business, Andrew is passionate about the rights of songwriters and those who invest in their talent.

Chris Neal
Non-executive Writer Director since 2000

A Writer member of APRA since 1972, Chris is a songwriter and screen composer with feature film and TV drama credits spanning 40 years and including such titles as *Turtle Beach, Bodyline, Farscape, Emerald City* and *The Shiralee*.

Chris was a founding member and past president of the Australian Guild of Screen Composers (AGSC) and a representative for the interests of composer colleagues since 1987. Chris was a member of the film industry lobby group informing the Broadcasting Tribunal drafting of Standard TPS 14 which guaranteed the place of Australian music in local content regulation for commercial television.

Bic Runga
Non-executive Writer Director since 2019

Since the release of her first single Drive in 1996 – a top ten hit when she was just twenty – Bic has been awarded almost every musical honour in New Zealand, including the prestigious APRA Silver Scroll song writing award. Bic has won the most Tuis (New Zealand Music Awards) by any individual, ever (twenty). She has won Best Female Vocalist four times and Best Producer three times. Bic's debut album Drive was certified seven times platinum and featured the enormous hit Sway. The follow up in Beautiful Collision in 2002 was certified an incredible eleven times platinum and featured the hits Get Some Sleep, Something Good and Listening for the weather.

Her songs have featured in film soundtracks and her records have been released around the world. She has won loyal followings in Europe, Asia and North America.

In January 2006, The Queen made Runga a member of the New Zealand Order of Merit for services to music. In 2016 she was the recipient of the Legacy award at the New Zealand Music Awards and was inducted in to the New Zealand Music hall of fame.

Damian Trotter
Non-executive Publisher Director since 2000

Damian is the Managing Director of Sony/ATV Music Publishing and a non-executive director and former Chairman of the Australasian Mechanical Copyright Owners Society Limited (AMCOS) and the Australasian Music Publishers Association Limited (AMPAL).

After joining CBS Records in 1981, he held various positions including Local Artist A&R/Marketing Manager and National Promotions Manager. After a brief stint at Warner Music in 1990 as General Manager of East West Records, he returned to Sony to head up the re-started publishing company in 1992.

Following the merger of Sony/ATV Music Publishing with EMI Music Publishing in 2012, Damian was appointed Managing Director of both companies.

Philip Walker
Non-executive Publisher Director since 2012

Philip is founder of Origin Music Group, has a Bachelor of Business degree (UTS), is a Fellow of Chartered Accountants Australia and New Zealand, and is a member of the Financial Services Institute of Australasia, Australian Institute of Company Directors and the Australian Institute of Management. Philip was in practice as a Chartered Accountant, Auditor and Tax Agent from 1980 – 1998 and is also a non-executive director of the Australasian Music Publishers' Association Limited (AMPAL) and the Australasian Mechanical Copyright Owners Society (AMCOS). Not for profit work includes being Chair of the Antony Kidman Foundation, a charity doing research and treatment in youth mental health; and Vice Chair of the Bouddi Foundation for the Arts supporting young people in the arts.

Philip has spent over 40 years in the entertainment business: agent, artist manager, international concert promoter (Frank Sinatra, The Supremes, and B.B. King), professional advisor and more than 30 years as a music publisher. He has worked with acts from Billy Thorpe and Ross Wilson through to Lior, Megan Washington and Gotye; across most genres from pop (Basics and Cooking on Three Burners), country (Smoky Dawson), jazz (James Morrison), film & Television and theatrical rights, including Pricilla, Shout!, Strictly Ballroom, Rogers and Hammerstein and Andrew Lloyd Webber….and much more.

Nigel Westlake
Non-executive Writer Director from 2008 to 2019

Nigel's career, spanning four decades, began as a clarinettist touring Australia and the world with many ensembles. He began composing from 1980, receiving offers to write for radio, theatre, circus, TV and film. His movie credits include Ali's wedding, Paper planes, Miss Potter, Babe, Babe II, Children of the revolution, The Nugget and the IMAX films Antarctica, Imagine, Solarmax and The edge. His television credits include documentaries, telemovies, news themes and station idents.

He writes extensively for the concert hall, receiving commissions to write for orchestras, ensembles and soloists. Nigel has received many awards including 2 Arias, 15 AGSC / APRA awards, across both classical and screen categories, the Paul Lown Orchestral Prize, The Limelight Award & the Gold Medal for "Best Original Music" at the New York International Radio Festival.

In 2004 he was awarded the HC Coombs Creative Arts Fellowship at the Australian National University & holds an honorary Doctorate in Music, awarded by the University of New South Wales in 2012. He has conducted all the major symphony orchestras in Australia & made his US conducting debut in 2016 at the Lincoln Centre with the New York Philharmonic.

Jonathan Zwartz

Non-executive Writer Director since 2019

Jonathan Zwartz is a multiple award winning musician, screen composer, curator and live music advocate. He has released three albums under his own name with the most recent being awarded an ARIA in best jazz album category. He has toured nationally with Vince Jones, Katie Noonan, Dami Im, Jade MacRae, Pharoah Sanders, Mark Murphy, Johnny Griffin, Mike Nock, Bernie McGann, Lionel Loueke and the Vampires.

He is a staunch advocate of Australian music, curating and co-producing a ten part series for ABC TV entitled 'The Pulse' and is an active campaigner for greater exposure of Australian music in mainstream media.

He was a member of the Sydney City Council 'Live Music Taskforce' that has been instrumental in effecting a review of Sydney's lock out laws. He is a co-director of the Starfish Club, a monthly community music concert now in its 21st year, featuring artists such as Don Walker, Leah Flanagan, and Tim Rogers.

After studying at the NSW Conservatorium he lived in the US for a year before returning to complete a Masters Degree at ANU. He recently completed a grad dip in screen composition (AFTRS) and has composed music for documentaries including 'Backtrack Boys', 'Ka-Ching, a Pokies Nation' and 'Richard Leplastrier, Framing the View'.

Company secretary

Jonathan Carter

Company Secretary since 18 November 2010

Jonathan Carter is Head of the Legal and Corporate Services Division and Company Secretary of the Company and the Australasian Mechanical Copyright Owners Society Limited.

After being admitted to legal practise in 2001, Jonathan was Associate to a Judge of the Federal Court of Australia. He then worked in the intellectual property group of national law firm Allens, before taking in-house legal and management roles at Sony Music Australia and EMI Music Australia. Jonathan sits on the Screenrights Board, the Legal Committee of CISAC, the Steering Committee of Music Rights Australia and Ethics Committee of Genea Ltd.

Jonathan has degrees in arts and law with double first class honours from the University of Sydney.

Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year 2019/2020 are:

Directors	Board Meetings		Audit & Governance Committee		Joint Audit & Governance Committee		Membership & Distribution Committee		Awards & Grants Committee	
	A	B	A	B	A	B	A	B	A	B
Bob Aird	3	3	3	3	3	3			3	3
Marianna Annas	4	4					1	1	2	3
Amanda Brown	8	8	3	3	3	3	4	5	2	3
Matthew Capper	8	8	3	3	5	6	4	5		
Brendan Gallagher	8	8					4	5	6	7
Jaime Gough	4	4			6	6			3	3
Ian James	8	8			5	6	4	2	4	4
Andrew Jenkins	5	5					1	2		
Jenny Morris (Chair)+	8	8	6	6	6	6	5	5	7	7
Chris Neal	8	8	4	6	4	6				
Bic Runga	4	5					2	2		
Damian Trotter	8	8			6	6			7	7
Nigel Westlake	2	3							3	3
Philip Walker	8	8	6	6	6	6				
Jonathan Zwartz	5	5							4	4

A Number of meetings attended
B Number of meetings held during the time the director held office during the year
\+ Jenny Morris attends all Committee meetings where possible

Notes

- All meetings were held via videoconference from March 2020 onwards
- Bob Aird stood down from the Board in November 2019
- Nigel Westlake stood down from the Board in November 2019
- Andrew Jenkins was appointed to the Board in November 2019
- Bic Runga was appointed to the Board in November 2019
- Jonathan Zwartz was appointed to the Board in November 2019
- Marianna Annas stood down from the Board in January 2020. She was appointed as an Alternate Director in February 2020 and attends Membership & Distribution Committee meetings as an alternate for Andrew Jenkins
- Jaime Gough was appointed to the Board to fill the casual vacancy in February

Lead Auditors Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 13 and forms part of the Directors' Report for the financial year ended 30 June 2020.

Principal activities

The principal activities of the consolidated entity were the licensing of the public performance and communication of music under its control and the collection of fees in consequence.
There were no significant changes in the nature of activities of the consolidated entity during the year.

State of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

Review and results of operations

The net operating income for the year attributable to the members of the Australasian Performing Right Association Limited was:

	2020 $'000	2019 $'000
Television, Radio, Public Performance and Digital revenue	289,133	303,070
Management services	12,790	11,881
Interest from other parties	929	1,685
Profit from the sale of non-current assets	15	2,141
Other income	178	363
Domestic revenue	303,045	319,140
Distributions received from affiliated societies	53,026	45,785
Operating income	356,071	364,925
Operating expenses for the year	(52,084)	(43,732)
System development related expenses	(1,605)	(4,260)
Expenses of administering AMCOS mandate	(12,247)	(12,289)
Income tax expense attributable to net operating revenue	(8)	-
Net operating income after income tax	290,127	304,644
Less: Royalties paid and payable to members and affiliated societies	(290,127)	(304,644)
Retained profits at the end of the financial year	-	-

System development related expenses are comprised of payments to the contracted integrator not increasing the benefit of the system to be delivered, expensed to profit or loss in the reported year. Section 5.2 provides details of personnel expenses within total system development related expenses.

Objectives

APRA is focused on building a strong, financially viable business - a business continuing to deliver benefits to both consumers and creators of music and one that is connected with the community and industry that sustains us.

APRA actively contributes to public policy development and debate on issues that affect our members and licensees and in the coming year we will continue our work with politicians on both sides of government with a focus on the creator's rights of innovation, economic and cultural wealth. We will participate heavily in the review of copyright law as it applies to the 'Digital Economy'.

Our strategic priorities for 2021 remain the same: service, transparency and equitable returns for our members - simplifying and streamlining our services will continue to be high on the agenda.
Our core objectives continue to include:

- Delivering increased royalty distributions to members by way of growing our revenue base on the one hand and continuing to seek operational efficiencies to reduce administration costs charged to members on the other;
- Ensuring compliance with the collecting societies Code of Conduct in all facets of our business; and
- Remaining connected to our members through our planned program of events in conjunction with AMCOS, across the 2021 year.

Likely developments

The consolidated entity will continue licensing the public performance and communication of music under its control and the collection of fees in consequence.
Further information about likely developments in the operations of the consolidated entity and the expected results of these operations in future financial years has not been included in the report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Events subsequent to balance date

The COVID-19 pandemic continues to see many businesses closed or operating at reduced capacity for the foreseeable future. These trading conditions imposed on our licensees will continue to have a negative impact to licence fee revenue across the year ended June 2021 as music consumption is reduced as a result.

There were no other items, transactions or events of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Environmental regulation

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements which apply to the consolidated entity.

Indemnification and insurance of officers

Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums of $39,301 in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former officers, including executive officers of the Company. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The insurance policies outlined above do not contain details of the premiums paid in respect of individual officers of the Company.

Indemnification

Since the end of the previous financial year the Company has not indemnified or made a relevant agreement for indemnifying against a liability, any person who is or has been, an officer or auditor of the Company.

Members' guarantee

The Company is limited by guarantee. Every member of the Company has a liability to contribute towards any deficiencies in the event of the winding up of the Company, to the extent of twenty dollars per member. At 30 June 2020 the Company had 108,092 (2019: 103,637) members, resulting in a total guarantee of $2,161,840 (2019: $2,072,740).

Rounding off

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument amounts in the financial report and Directors' report have been rounded off to the nearest one thousand dollars, unless otherwise stated.

Dated at Sydney, on 24 September 2020.

Signed in accordance with a resolution of the Directors:

J Morris

I J James

Directors' declaration

In the opinion of the Directors of the Australasian Performing Right Association Limited (Company):

(a) the financial statements and accompanying information are in accordance with the Corporations Act, 2001, including:
   (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2020 and of their performance, for the financial year ended on that date; and
   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated at Sydney on 24 September 2020.

J Morris

I J James

Corporate governance statement

The Company's corporate governance framework, policies and practices can be read at http://apraamcos.com.au/about-us/governance-and-policy/apra-amcos-corporate-docs/.

These corporate governance principles also apply to APRA's subsidiary company APRA New Zealand Limited.

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Australasian Performing Right Association Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Australasian Performing Right Association Limited for the financial year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Cameron Slapp

Partner

Sydney

24 September 2020

KPMG

Independent Auditor's Report

To the members of Australasian Performing Right Association Limited

Opinion

We have audited the ***Financial Report*** of Australasian Performing Right Association Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Consolidated Entity***'s financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2020
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Consolidated Entity*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Consolidated Entity in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Australasian Performing Right Association Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Consolidated Entity and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Consolidated Entity and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Cameron Slapp

Partner

Sydney

24 September 2020

Contents

Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Section	2020 $'000	2019 $'000
Revenue from rendering of services	2.1	354,949	360,736
Other income		1,122	4,189
		356,071	364,925
Expenses			
Royalties paid and payable		(290,127)	(304,644)
Information services		(14,537)	(12,568)
Administration and finance		(12,439)	(10,828)
Mechanical rights		(12,247)	(12,289)
Licensing		(12,158)	(9,619)
Member services		(6,541)	(5,856)
Distribution		(4,672)	(5,120)
International services		(2,040)	(1,870)
Corporate services		(1,302)	(2,131)
Profit before income tax		8	-
Income tax expense	2.3	(8)	-
Profit for the year		-	-
Other comprehensive income		-	-
Total comprehensive income for the year		-	-

Consolidated statement of financial position
As at 30 June 2020

	Section	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents		38,089	26,506
Cash on deposit		16,113	46,088
Trade and other receivables	3.5	79,270	84,423
Total current assets		133,472	157,017
Non-current assets			
Property, plant and equipment	3.1	27,408	22,163
Intangible assets	3.4	26,824	15,845
Right-of-use assets	2.6	766	-
Total non-current assets		54,998	38,008
Total assets		188,470	195,025
Current liabilities			
Trade and other payables	3.6	24,875	13,996
Royalties payable	2.2	157,032	174,947
Employee benefits	5.1	5,238	5,308
Lease liability	2.6	227	-
Total current liabilities		187,372	194,251
Non-current liabilities			
Employee benefits	5.1	525	774
Lease liability	2.6	573	-
Total non-current liabilities		1,098	774
Total liabilities		188,470	195,025
Net assets		-	-
Members' equity			
Retained earnings		-	-

Consolidated statement of changes in equity
For the year ended 30 June 2020

	2020 $'000	2019 $'000
Retained earnings and total equity		
Balance at 1 July	-	-
Total comprehensive income for the year	-	-
Balance at 30 June	-	-

APRA's purpose is to license the use of music and to return to its members all of those fees less the administration costs associated with its operations. APRA does not retain members' funds and as such equity balances are not held.

Consolidated statement of cash flows
For the year ended 30 June 2020

	Section	2020 $'000	2019 $'000
Cash flows from operating activities			
Cash receipts in the course of operations		387,924	382,255
Royalties paid		(319,551)	(291,425)
Cash paid to suppliers and employees		(68,123)	(76,036)
Interest received		929	1,685
Income taxes paid		(8)	-
Net cash provided by operating activities	2.5	1,171	16,479
Cash flows from investing activities			
Payments for property, plant and equipment		(6,662)	(962)
Payments for intangible assets		(12,621)	(3,441)
Net proceeds from sale of non-current assets		15	2,504
Decrease/(increase) in cash on deposit		29,975	(38,023)
Net cash provided by/(used in) investing activities		10,707	(39,922)
Cash flows from financing activities			
Payment of lease liabilities	2.6	(222)	-
Net cash used in financing activities		(222)	-
Net increase/(decrease) in cash held		11,656	(23,443)
Cash at the beginning of the financial year		26,506	49,741
Effect of exchange rate fluctuations on cash held		(73)	208
Cash at the end of the financial year		38,089	26,506

1. About this report

1.1 Reporting entity

The Company is a not for profit company domiciled in Australia. The address of the Company's registered office is 16 Mountain Street, Ultimo, New South Wales, 2007. The consolidated financial statements for the year ended 30 June 2020 comprise the Company and its subsidiary APRA New Zealand Limited (the 'consolidated entity').

The Company's controlled entity is the wholly owned subsidiary APRA New Zealand Limited, a company incorporated in New Zealand.

The Company is limited by guarantee. Every member of the Company has a liability to contribute towards any deficiencies in the event of the winding up of the Company, to the extent of twenty dollars per member. At 30 June 2020 the Company had 108,092 (2019: 103,637) members, resulting in a total guarantee of $2,161,840 (2019: $2,072,740).

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

1.2 Basis of preparation

Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASB's) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The consolidated financial statements were authorised for issue by the Board of Directors on 24 September 2020.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis as the consolidated entity has no derivatives or financial instruments measured at fair value.

Principal activities

The principal activities of the consolidated entity were the licensing of the public performance and communication of music under its control and the collection of fees in consequence. APRA is a non-profit making entity.

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars which is the Company's functional currency.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument amounts in the financial report and Directors' report have been rounded off to the nearest one thousand dollars, unless otherwise stated.

Changes to significant accounting policies

(i) AASB 15 Revenue from Contracts with Customers

The consolidated entity applied AASB 15 *Revenue from contracts with customers* from 1 July 2019. In applying this accounting standard the following five steps were undertaken:

a) Identification of the contracts that exist with its various customers (licensees);
b) Identification of the performance obligations in those contracts;
c) Determining the transaction prices of contracts held with licensees;
d) Consideration of the allocation of transaction prices to the performance obligations in the contracts; and
e) Ensuring revenue is recognised when or as the consolidated entity satisfies its performance obligations.

Assessment of recognition

The consolidated entity enters into various contracts with customers, some of which transfer the underlying service at a point in time and others which transfer the underlying service over time. An assessment of revenue recognition by the consolidated entity sees that recognition reflect the requirements of AASB 15, resulting in no transition adjustment.

Changes to presentation

The presentation of some notes to the financial statements have been amended to disclose amounts of licence fee revenue earned during the year by revenue segment.

(ii) AASB 16 Leases

The consolidated entity has applied AASB 16 *Leases* using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under AASB 117 and AASB interpretation 4. The financial impact of changes is disclosed in section 2.6. The change to the accounting policy is disclosed in section 6.3(a).

2. Results for the year

2.1 Revenue and other income

Revenue from rendering of services

Revenue is measured based on the consideration specified in the contract with the customer. Licence fee revenue is recognised over time as the services are provided, where the licence is for access to the licensed materials. Licence fee revenue is recognised when the licence is granted, where the licence is for use of the licensed materials.

Interest income

Interest income is recognised in the Statement of profit or loss and other comprehensive income as it accrues, using the effective interest method.

	2020 $'000	2019 $'000
Licence fee revenue from:		
Digital service providers	111,265	94,822
Broadcasters	101,991	114,603
General businesses	71,791	89,642
International affiliates	53,026	45,785
Education providers	4,086	4,003
	342,159	348,855
Management services	12,790	11,881
Revenue from rendering of services	354,949	360,736

2.2 Royalty distributions and royalties payable

Distributable revenue of the consolidated entity comprises gross licence fees collected plus other income (including investment income earned on such fees), less administrative expenses. During the year distributable revenue was distributed on a quarterly basis with members receiving payment following the quarters ended 30 September, 31 December, 31 March and 30 June. Payments to affiliated societies are made one month after payments to members.

Distributions to members are made from separate pools based upon the source of revenue (for example, broadly from television, radio, concerts, other). A points system is used whereby credit points are attached to performances based on various criteria including duration and the use and time of broadcasting of the music.

Distributable revenue received which cannot be allocated to a specific pool, is apportioned to those pools, which in the Board's view most accurately reflect the music performed.

Royalty allocations are made to writer and publisher members and affiliated societies in accordance with the Company's rules. In the absence of specific notification of contractual agreement to the contrary, the shares of a musical work are allocated in accordance with the guidelines of the Distribution Rules.

Royalties payable are amounts to be distributed to members and affiliated societies in future periods and are recognised on the Statement of financial position.

	Consolidated	
	2020	2019
	$'000	$'000
Royalties owing to members and affiliated societies	157,032	174,947

2.3 Taxation

Under the "Tax Laws Amendment (2004 Measures No 6) Act 2005 Schedule 2 – Collecting Societies", the Company is tax exempt with respect to copyright income, and non-copyright income up to certain limits. The Company is no longer taxed on any copyright income it collects and holds on behalf of members, pending distribution to them. Amounts of non-copyright income above the prescribed limits are taxed at the top marginal tax rate for individuals (currently 45%). The Company is not taxed on non-copyright income to the extent that non-copyright income does not exceed the lesser of:

- 5% of the total amount of copyright income of the Company for the income year; and
- $5 million or such other amount as is prescribed by the regulations.

Non-copyright income did not exceed the prescribed limits in 2020 or 2019. The New Zealand subsidiary is taxed in accordance with the company tax law in New Zealand. The income tax paid in New Zealand in 2020 is $8,000 (2019: $nil).

2.4 Segment reporting

A segment is a distinguishable component of the Company or the consolidated entity that is engaged either in providing services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The consolidated entity derives the majority of its revenue from its principal activity of licensing the public performance and communication of music under its control and operates in the following major geographical segments:

	Australasia		Outside Australasia		Total	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue	301,923	314,951	53,026	45,785	354,949	360,736

Distributable revenue of the consolidated entity comprises gross licence fees collected plus investment income earned on such fees, less administrative expenses. As a result of this distribution policy, the net profit in each geographical segment is nil. Assets are held within Australasia.

The consolidated entity operates in one business segment, being the licensing of public performance and communication of music under its control.

2.5 Reconciliation of cash

For the purpose of the Statement of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the Statement of cash flow is reconciled to the related items in the Statement of financial position as follows:

Reconciliation of profit after income tax to net cash provided by operating activities

	2020 $'000	2019 $'000
Profit after income tax	-	-
Adjustments for:		
(Profit)/loss on sale of non-current assets	(15)	(2,141)
Depreciation	1,371	1,139
Amortisation of intangibles	1,642	298
Depreciation of right-of-use assets	203	-
Finance costs on right-of-use assets	53	-
Net cash provided by operating activities before change in assets and liabilities	3,254	(704)
Change in assets and liabilities:		
Decrease/(increase) in trade and other receivables	4,886	(5,908)
Increase/(decrease) in trade and other payables	10,914	(1,673)
(Decrease)/increase in royalties payable	(17,568)	23,889
(Decrease)/increase in employee benefits	(315)	875
Net cash provided by operating activities	1,171	16,479

2.6 Leases

Policy applicable from 1 July 2019
At inception of a contract, the consolidated entity assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the consolidated entity assesses whether:

a) The contract involves the use of an identified asset.

b) The consolidated entity has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
c) The consolidated entity has the right to direct the asset.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the consolidated entity allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The consolidated entity recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Generally, the consolidated entity uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:
a) Fixed payments, including in-substance fixed payments;
b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) Amounts expected to be payable under a residual value guarantee.

The exercise price under a purchase option that the consolidated entity is reasonably certain to exercise, lease payments in an optional renewal period if the consolidated entity is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the consolidated entity is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the consolidated entity's estimate of the amount expected to be payable under a residual value guarantee, or if the consolidated entity changes its assessment of whether it will exercise a purchase, extension or termination option.

Amounts recognised in the Consolidated statement of financial position on transition

	2020 $'000	2019 $'000
Right-of-use asset	664	-
Lease liability	664	-

Right-of-use asset

	2020 $'000	2019 $'000
Balance at 1 July	664	-
Acquisitions	305	-
Depreciation charge for the year	(203)	-
Balance at 30 June	766	-

Lease liabilities

Maturity Analysis - undiscounted cash flows

	2020 $'000	2019 $'000
Less than one year	275	-
One to five years	395	-
More than 5 years	248	-
Undiscounted lease liabilities at 30 June	918	-

Lease liabilities included in the Consolidated statement of financial position

	2020 $'000	2019 $'000
Current	227	-
Non-current	573	-
Total lease liabilities at 30 June	800	-

Amounts recognised in the Consolidated statement of profit or loss and other comprehensive income

	2020 $'000	2019 $'000
Interest on lease liabilities	53	-
Depreciation on right-of-use assets	203	-
Expenses relating to short-term leases	157	-

Amounts recognised in the Consolidated statement of cash flows

	2020 $'000	2019 $'000
Cash outflow for leases of right-of-use assets	222	-
Cash outflow for short-term leases	161	-

3. Members' assets

3.1 Property, plant and equipment

Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "Other income" or "Administration and finance expenses" in the Statement of profit or loss and other comprehensive income.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the consolidated entity. Ongoing repairs and maintenance is expensed as incurred.

Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Land is not depreciated. Items of property, plant and equipment are depreciated from the date they are ready for use.

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

- Buildings 100 years
- Plant and equipment 2-8 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

	Land $'000	Buildings $'000	Plant & Equipment $'000	Total $'000
Cost				
Balance as at 1 July 2018	7,306	14,477	13,007	34,790
Acquisitions	-	-	962	962
Disposals	(124)	(330)	(576)	(1,030)
Effect of movements in foreign exchange	32	55	27	114
Balance as at 30 June 2019	7,214	14,202	13,420	34,836
Balance as at 1 July 2019	7,214	14,202	13,420	34,836
Acquisitions	-	4,162	2,500	6,662
Disposals	-	-	(255)	(255)
Effect of movements in foreign exchange	(17)	(29)	(14)	(60)
Balance as at 30 June 2020	7,197	18,335	15,651	41,183
Depreciation				
Balance as at 1 July 2018	-	(1,432)	(10,744)	(12,176)
Depreciation charge for the year	-	(144)	(975)	(1,119)
Disposals	-	72	576	648
Effect of movements in foreign exchange	-	(5)	(21)	(26)
Balance as at 30 June 2019	-	(1,509)	(11,164)	(12,673)
Balance as at 1 July 2019	-	(1,509)	(11,164)	(12,673)
Depreciation charge for the year	-	(141)	(1,230)	(1,371)
Disposals	-	-	255	255
Effect of movements in foreign exchange	-	3	11	14
Balance as at 30 June 2020	-	(1,647)	(12,128)	(13,775)
Carrying amounts				
At 1 July 2018	7,306	13,045	2,263	22,614
At 30 June 2019	7,214	12,693	2,256	22,163
At 1 July 2019	7,214	12,693	2,256	22,163
At 30 June 2020	7,197	16,688	3,523	27,408

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3.2 Capital expenditure commitments

The consolidated entity had no commitments for capital expenditure as at 30 June 2020 (2019: $nil).

3.3 Impairment of assets

Financial assets
A financial asset (including receivables) not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Trade receivables are measured at amortised cost and are subject to impairment. Impairment losses are recognised in profit or loss and reflected in an allowance account against trade receivables. An impairment loss in respect of specific trade receivables is calculated as the difference between its carrying amount and the present value of the estimated future cash flows. In addition lifetime expected credit losses (ECLs) are assessed collectively in groups that share similar credit risk characteristics.

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

The consolidated entity's trade and other receivables at the reporting date reflect the trading conditions imposed on various licensees businesses due to the COVID-19 pandemic. This is reflected in both the ageing and impairment provision.

	2020 $'000	2019 $'000
Not past due	59,400	53,349
Past due 0-30 days	4,961	15,169
Past due 31-120 days	15,579	4,232
Past due 121 days and greater	8,121	4,069
	88,061	76,819
Impairment provision	(13,422)	(588)
AMCOS management fee	3,212	5,633
	77,851	81,864

The consolidated entity recognises the growth in past due amounts greater than 31 days due to a significant change in the business conditions of our clients under COVID-19 restrictions. Whilst these balances are high comparative to last year, a commercial decision not to pursue outstanding balances from affected clients was enacted. The consolidated entity has reviewed this growth in past due amounts by industry segment and on that basis has provided for impairment against those relevant balances.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2020 $'000	2019 $'000
Balance at 1 July	(588)	(566)
Impairment loss recognised	(13,422)	(588)
Provision reversed in the year	588	566
Balance as at 30 June	(13,422)	(588)

Non-financial assets
An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units or CGUs). Depreciable assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

3.4 Intangible assets

Intangible assets relates to computer software acquired or self-constructed by the consolidated entity which have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are 3 to 5 years.

	2020 $'000	2019 $'000
Computer software		
Cost		
Acquisitions	12,621	3,441
Disposals	(288)	-
Effect of movements in foreign exchange	(5)	-
Balance at 30 June	30,062	17,734

	2020 $'000	2019 $'000
Amortisation and Impairment Losses		
Balance at 1 July	(1,889)	(1,591)
Amortisation charge for the year	(1,642)	(298)
Disposals	288	-
Effect of movements in foreign exchange	5	-
Balance at 30 June	(3,238)	(1,889)

Carrying amounts	
At 1 July 2018	12,702
At 30 June 2019	15,845
At 1 July 2019	15,845
At 30 June 2020	26,824

3.5 Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses which are discussed in section 3.3. Trade debtors are normally settled within 60 days. The impairment losses accounted for in the current year reflect the trading conditions imposed on various licensees businesses due to the COVID-19 pandemic.

	2020 $'000	2019 $'000
Current		
Net trade and other receivables	74,639	76,231
Management fee receivable from AMCOS	3,212	5,633
Prepayments	1,419	2,559
	79,270	84,423

3.6 Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received whether or not billed to the Company or the consolidated entity. They are initially recognised at fair value, then at amortised cost. Trade accounts payable are normally settled within 60 days.

	2020	2019
	$'000	$'000
Trade creditors	13,226	6,132
Other creditors and accruals	2,367	4,138
Deferred income	9,282	3,726
	24,875	13,996

4. Risk management

4.1 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are described in section 4.3.

4.2 Going concern

As at 30 June 2020, consolidated current liabilities exceed consolidated current assets by $53,900,000 (2019: $37,234,000). The Directors believe it is appropriate to prepare the consolidated financial statements on a going concern basis as distributable amounts payable are disclosed as current liabilities as they are payable at call, however in practise a portion of this balance, which the Directors expect will exceed the deficiency above, will not be paid within the next twelve months.

4.3 Financial instruments

Recognition of non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, trade and other payables and royalties payable.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company or consolidated entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company or consolidated entity's contractual rights to the cash flows from the financial assets expire or if the Company or consolidated entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the ownership of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company or consolidated entity commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company or consolidated entity's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash on hand and at bank and short term deposits at call.

Accounting for interest income is discussed in section 2.1.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method less any impairment losses.

Financial risk management

Overview

The consolidated entity has exposure to the following risks from the use of financial instruments:

- credit risk;
- liquidity risk;
- market risk; and
- operational risk.

This note presents information about the consolidated entity’s exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included in this note.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors has established the Audit and Governance Committee which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the activities of the consolidated entity. The Company and its subsidiary through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Governance Committee oversees how management monitors compliance with the consolidated entity’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity.

Credit risk

Credit risk represents the loss that would be recognised if a customer or counterparty failed to perform their contractual obligations and arises principally from the consolidated entity’s receivables from licensees.

Trade receivables

The consolidated entity’s exposure to credit risk is influenced mainly by the individual characteristics of each licensee. Concentrations of credit risk are minimised by undertaking transactions with a large number of licensees and counterparties with no geographical concentration. Approximately 21% of the consolidated entity’s revenue base is attributable to general licensing where many licensee fees are invoiced at the beginning of the licence period, normally twelve months. The Audit and Governance Committee has established a credit policy under which defaulting licensees are pursued rigorously with the assistance of a collection agency. Further details in relation to the recognition of an expected credit loss provision are set out in section 3.3.

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its obligations as they fall due. The consolidated entity’s approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions, without incurring unacceptable losses or risking damage to the consolidated entity’s reputation.

Typically the consolidated entity ensures that it has sufficient cash on demand to meet expected member distributions and operational expenses for a period of 30 days, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The consolidated entity has additional deposits invested for short terms varying from 30-180 days.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the consolidated entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The currencies the consolidated entity is primarily exposed to, other than the respective functional currencies of the consolidated entity, are Euro, GBP and USD.

Interest rate risk

The consolidated entity is exposed to interest rate risk in relation to its cash equivalents and cash on deposit balances. The weighted average interest rate on cash equivalents and cash on deposit of $54,202,000 at 30 June 2020 was 0.84% (2019: $72,594,000 at 2.10%). It is the Company's policy not to hedge this exposure to interest rate risk.

Currency risk

The consolidated entity receives royalties from overseas affiliates in foreign currencies and operates a subsidiary in New Zealand. It is the consolidated entity's policy not to hedge this exposure to foreign exchange risk. The New Zealand entity is translated in accordance with the policy at section 1.2.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the consolidated entity's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The consolidated entity's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the consolidated entity's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each operative unit. This responsibility is supported by the development of overall consolidated entity standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with the consolidated entity standards is supported by periodic reviews undertaken by a governance committee of senior executives. The results of reviews are discussed with the management of the operational unit to which they relate.

Financial transactions

Credit risk

Exposure to credit risk

The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. The consolidated entity's maximum exposure to credit risk at the reporting date was:

	2020 $'000	2019 $'000
Net trade and other receivables	96,382	81,864
Cash, cash equivalents and cash on deposit	54,202	72,594
	150,584	154,458

Liquidity risk

The contractual maturities of financial liabilities, as represented by trade and other payables (section 3.6) and royalties payable (section 2.2), are all within one year. The carrying amount of these liabilities also represents the contractual cash flows.

Currency risk

Profile

The consolidated entity has exposure to foreign currency receivables at 30 June 2020: $420,910 (30 June 2019: $nil). The consolidated entity does not have significant exposure to foreign currency payables at 30 June 2020: $nil (30 June 2019: $nil). The consolidated entity has exposure to the New Zealand dollar due to its investment in the New Zealand subsidiary.

Sensitivity

A 10 percent strengthening or weakening of the Australian dollar against the New Zealand dollar at 30 June would not have increased/(decreased) the consolidated entity's equity at 30 June 2020 or 30 June 2019.

Interest rate risk

Profile

At the reporting date the interest rate profile of the consolidated entity's interest-bearing financial instruments was:

	2020	2019
Fixed rate instruments		
Cash on deposit	16,113	46,088
	16,113	46,088

	2020 $'000	2019 $'000
Variable rate instruments		
Cash at bank	38,089	26,506

Financial transactions

Sensitivity analysis

If interest rates had changed by plus (or minus) 1% per annum from the interest rate at the year end, with all other variables held constant, the consolidated entity profit before income tax expense and royalty payments for the year would have been $380,890 higher/(lower) (2019: $265,060).

5. Employee remuneration

5.1 Employee benefits

Wages, salaries and annual leave

Liabilities for short-term employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date. These are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company and the consolidated entity expects to pay as at reporting date including related on-costs.

Long service leave

The provision for employee benefits to long service leave represents the amount of future benefit that employees have earned for their service in the current and prior periods.

Superannuation plan

The Company and its controlled entity contribute to various employee defined contribution superannuation funds. Contributions are charged to profit or loss as incurred.

	2020 $'000	2019 $'000
Current		
Liability for annual leave	2,407	2,460
Liability for long service leave	2,831	2,848
	5,238	5,308
Non-current		
Liability for long service leave	525	774

5.2 Personnel expenses

Profit before income tax expense has been arrived at after charging total personnel expenses of $41,678,000 (2019: $41,069,000).

Included in total personnel expenses are amounts that the consolidated entity contributes to defined contribution superannuation funds. The amount recognised as an expense for the financial year ended 30 June 2020 was $3,101,334 (2019: $2,947,593).

5.3 Related parties

Transactions with key management personnel

The consolidated entity provides remuneration to key management personnel. In addition contributions are made for key management personnel to defined contribution superannuation funds. Other than loans as noted below, the consolidated entity does not provide any other non-cash benefits to key management personnel.

Key management personnel compensation

The key management personnel compensation included in personnel expenses (see section 5.2) are as follows:

	2020 $'000	2019 $'000
Short term employee benefits	4,095	4,340
Post-employment benefits	304	283
Other long term benefits	15	39
	4,414	4,662

Loans to key management personnel

Details regarding the outstanding amounts of loans made, guaranteed or secured by any entity in the consolidated entity to key management personnel and their related parties are as follows:

	2020 $	2019 $
Loans to key management personnel - unsecured	21,605	38,289

This is a short term, variable rate loan which is repayable at call. The average interest rate charged during 2020 was 5.77% (2019: 5.77%). Interest is payable monthly.

Interest received on the loan to key management personnel totalled $2,051 (2019: $2,189) for the consolidated entity.

No amounts have been written down or recorded as allowances as the balances are considered fully recoverable.

Other key management personnel transactions

All directors who held office during the year, or their director related entities, are entitled to distributions calculated in accordance with the Distribution Rules, on the same terms and conditions as other members.

There were no other transactions between the Company or consolidated entity and directors or key management personnel.

Non key management personnel disclosures

The consolidated entity provides management services to the Australasian Mechanical Copyright Owners Society Limited and its controlled entity, and is reimbursed for these services. For details of revenue earned refer to section 2.1.

6. Other information

6.1 Parent entity disclosures

	2020 $'000	2019 $'000
Financial performance of the parent entity		
Result of parent entity	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Financial position of the parent entity at year end		
Current assets	120,425	139,916
Total assets	173,512	175,901
Current liabilities	172,414	175,127
Total liabilities	173,512	175,901
Total equity of the parent entity comprising of:		
Retained earnings	-	-
Reserves	-	-
Total equity	-	-

Parent entity capital commitments

As disclosed in section 3.2 the Parent entity had no commitments for capital expenditure as at 30 June 2020.

6.2 Foreign currency treatment

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions. Foreign exchange differences are recognised directly in equity.

6.3 New accounting standards and interpretations

(a) New accounting standards adopted in the current year

AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue. In accordance with the AASBs definition, the consolidated entity is a not-for-profit entity and therefore AASB 15 is effective for the consolidated entity from 1 July 2019. The consolidated entity has determined that the impact of AASB 15 is not material.

AASB 16 Leases

The consolidated entity applied AASB 16 *Leases* with the date of initial application of 1 July 2019. As a result the consolidated entity has changed its accounting policy for the lease contracts as described below. The consolidated entity applied AASB 16 modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as 1 July 2019. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the consolidated entity determined at contract inception whether an arrangement is or contains a lease under AASB 117. Under AASB 16, the consolidated entity assesses whether a contract is or contains a lease based on the definition of a lease, as explain in section 1.2.

On transition to AASB 16, the consolidated entity elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee

As a lessee, the consolidated entity previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the consolidated entity. Under AASB 16, the consolidated entity recognises right-of-use assets and lease liabilities for most leases – ie these leases are on the balance sheet.

The consolidated entity decided to apply recognition exemptions to short-term leases of office space. For leases of other assets, which were classified as operating leases under AASB 117, the consolidated entity recognised right-of-use assets and lease liabilities.

Leases classified as operating leases under AASB 117

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the consolidated entity's incremental borrowing rate. Right-of-use assets are measured at the carrying amount as if AASB 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of the initial application. The consolidated entity applied this approach to its leases of office space.

The consolidated entity used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

a) Applied a single discount rate to leases with similar characteristics.
b) Applied the exemption to not recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
c) Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
d) Used hindsight when determining the lease term if the contact contains options to extend or terminate the lease.

Impacts on financial statements
On transition to AASB 16, the consolidated entity recognised an additional $664,000 of right-of-use assets and $664,000 of lease liabilities.

When measuring lease liabilities, the consolidated entity discounted lease payments using its incremental borrowing rate of 6.85%.

(b) New accounting standards and interpretations not yet adopted

There are no new accounting standards or interpretations which are expected to have a material effect on the consolidated entity.

6.4 Auditor's remuneration

	2020 $	2019 $
Audit services:		
Auditors of the Company - KPMG		
Audit of financial reports	238,550	181,750
Other services:		
Auditors of the Company - KPMG		
Taxation services	138,661	125,750
Other services	4,800	4,600
	382,011	312,100