

APRA AMCOS

Year in Review
2014-2015





A MESSAGE FROM CEO BRETT COTTLE AM

Financial 15 has been an extremely positive year for APRA AMCOS in the face of continuing upheaval in the music industry and deterioration in the economic outlook and business confidence in Australia generally. Of particular note have been the significant growth in foreign royalty earnings for Australian and New Zealand songwriters over the course of the year, and the strong financial performance of our New Zealand operation, with our joint licensing venture with the NZ recording industry, OneMusic, as the centrepiece.

Key financial statistics for the year are as follows:

- Domestic performing right revenue: up 5.6% to \$195m
- Foreign performing right revenue: up 26% to \$34m
- Reproduction right revenue: up 2% to \$68m
- Group revenue (excluding management fees): up 6.4% to \$300.84m
- Group operating expenses (including amortisation): up 3.2% to \$38.2m
- Group expense ratio: reduced from 12.7% to 12.4%
- Net distributable revenue: up 6.9% to \$262.7m
- Two historic benchmarks reached during the year: Group gross revenue surpassing \$300m and APRA stand-alone net distributable revenue surpassing \$200m (having doubled over the past decade)

APRA

In Australia, the cornerstone of growth during the year was the transformation of the digital market from one based on downloads to one centred on subscription streaming services. In Financial 14 downloads accounted for nearly half of digital licensing revenue. In 15 they accounted for less than a third of digital revenue and in the year ahead they will comprise less than a quarter of a revenue pool that will have grown from \$15m pa to more than \$24m pa in two years. Perhaps the biggest news on the digital front during the past year was the launch, in June, of Apple Music, Apple's music subscription service. Our licensing arrangements were completed with Apple shortly before the close of the financial year.

The low returns for individual writers and copyright owners generally deriving from streaming services are often blamed on

inadequate or comparatively inequitable royalty rates. In fact, royalty rates for writers and publishers are considerably higher than they ever were for "old" media and are rapidly evolving to positions of equity and reasonableness. The true underpinnings of derisory returns from these services are two-fold: a lack of critical mass in consumer take-up and the huge volume and diversity of content "consumed" within the ecosystems of these services. By our calculations, consumer take-up of music streaming services needs to increase four-fold within Australia and NZ to bring writers and publishers to an income position equivalent to that which was obtained before the steep decline in the record business.

Somewhat overlooked in most commentary on the music industry is the fact that video on demand – in both its manifestations (a la carte and subscription) – has, over the past year, become a major factor in the film and TV market in Australia and New Zealand, and will undoubtedly be an increasingly important source of growth in music performing royalties in the years ahead. Satisfactory licensing arrangements are in place with all key players.

Offsetting the above growth factors was a decline in Australian public performance licensing revenue during the year under review (in the order of \$4m) arising from an important change in business and accounting practice. In past years it has been APRA's general practice to charge and book annual licence fees at the beginning of the year to which the licence relates. Towards the end of 2014 we introduced quarterly billing cycles to most licensees, with the result that during Financial 15 and Financial 16, a reduced portion of total licence fees will be taken into account. A return to full-year take-up of annual licence fees will effectively occur in Financial 17.

As noted, our New Zealand operation has performed with great distinction during the past year. Total revenue generated in NZ in fact increased by 28.5%, to NZ\$31.1m – an outstanding result which accounted for more than half of total domestic growth during the year. One Music – the fully integrated joint licensing operation with the NZ recording industry – continued to drive the strong performance, with overall revenue from public performance licensing more than doubling to NZ\$12m, and APRA members' share of that figure increasing by more than 20%.

APRA members' performing right export earnings reached an unprecedented level during the year, growing by 26% to \$34m. This is an incredible and singular achievement by our writers and their business partner publishers. The huge international success enjoyed by Sia, Lorde, Gotye, AC/DC, Vance Joy and so on was mirrored by many, many other writers in a variety of musical genres, and is a direct reflection of the rapid internationalisation of our business. Nashville is becoming as important as Melbourne to our members just as London is becoming as important as Auckland. This phenomenon will dramatically alter the management of our business and the provision of services to members in the years ahead.

AMCOS

Despite the continuing decline in traditional sources of mechanical royalty income – our estimate of total annual mechanical royalty revenue from sales of physical product in Australia/NZ is \$16.5m compared with an equivalent figure of \$40m a decade ago – AMCOS revenue grew by 2% during the 15 Financial year.

By far the biggest market factor in the current commercial landscape for AMCOS is the shift from digital downloads to music subscription services, with the major concern being cannibalisation of the former by the latter. In fact, although the take-up of streaming subscriptions is occurring at a fairly rapid rate (our figures show, as we go to press, that there are approximately a million such subscribers in Australia and NZ), and a decline in digital download revenue is certainly occurring (currently at about 10% pa), it appears that there will be room for both kinds of services and that the ownership model of music consumption will persist for some time yet. Overall, AMCOS' revenue from digital services increased marginally, by 3.7% to \$28.8m, during the year.

In the other key sectors of AMCOS' business, while declines occurred in physical product (noted above – down 23% for the year) and production music licensing, significant growth was achieved in Educational licensing (up 23% to \$10.2m – now the third largest source of AMCOS revenue), broadcast mechanicals (up 5.2% to \$15.3m) and B2B licensing (up nearly 10% to \$5m).

EXPENSES

Group operating costs for the year were up, as noted above, by 3.2% to \$38.2m. Although APRA and AMCOS operations are effectively fully merged, costs are allocated separately to the APRA and AMCOS revenue streams according to employee workloads across the company, which are monitored and surveyed annually.

Key factors impacting on costs during the year were as follows:

- The implementation of a general licensee audit program for public performance licensees – adding \$123k to costs;
- The implementation of music recognition technology (MRT) to our armoury of distribution data sources – adding \$100k to costs;
- An increase of 4.6% in our total wage and salary bill – taking it to \$22m;
- A 20% increase in our NZ office costs – directly attributable to the process of growing our revenue (in the event, by 28%) through the full implementation of OneMusic;
- The non-recurrence of our past costs associated with the GRD project (saving approximately \$620k year on year);
- The commencement of our major system replacement project – CLEF – referred to below.

In July 2014, after an extensive period of due diligence, the APRA and AMCOS Boards committed the organisations to a major project involving the replacement of existing computer systems. Microsoft AX and CRM systems were selected as core components of the new system, and the consulting firm Accenture was engaged as the systems integrator, along with its sister joint Microsoft venture, Avanade. We are now over a year into the project and well advanced in the build phase. The new system is scheduled to go live in mid-2016 and will modernise our business across the board and provide the springboard for major business change. The project represents a major, but essential, investment of approximately \$25m, with core components to be amortised over 4 to 10 years. 75% of costs will be borne by APRA and 25% by AMCOS, in accordance with the general comparative schedules of operating costs. In Financial 15 costs expensed in the project totalled \$975k (including amortisation), but these costs were offset by a reduction in IT project costs elsewhere of \$929k. When the project goes live and amortisation of full capital expenditure begins, the investment will add about 1% to our annual costs, before efficiencies and revenue gains are taken into account.

RIGHTS DISAGGREGATION

There is an international push on the part of some rights holders to withdraw their digital rights from collective administration, and one significant publisher has notified APRA AMCOS of its intention to do so in respect of Australia/NZ, at least in relation to global digital services. APRA AMCOS respect and accept the right of individual rights owners to organise their business affairs as they

see fit, but assert that a rational decision to withdraw rights should be based on sound principles of establishing benefits to all in the value chain – from writers to music users.

Where market failure occurs in the administration of copyright – as it does in many parts of the world – APRA AMCOS believes that new multi-territory systems should and must be found, and indeed we are leading the way in that regard in relation to the licensing of rights into Asia. In our view, the questions to be asked are: is the current system broken, or can the current system be made substantially more effective, efficient, transparent and user-friendly? If the answer to either part of the question is yes, then there is a case for direct multi-territory licensing.

REGULATORY ISSUES

On-line infringement continues to be a major threat to the sustainability of Australia's and New Zealand's content industries. Users of illegal sources of music no longer have available the excuse of lack of access to affordable on-line content. When it comes to music, Australian and New Zealand consumers have unprecedented access – for free if they choose – to the world's repertoire of music. Ignorance, and a wilful disregard and disrespect for those who create and make music – combine, however, to continuously hinder the growth in licensed services necessary to give writers and artists a decent living.

During the year the Australian Government, to its credit, introduced into the Copyright Act so-called “site blocking” provisions enabling copyright owners to apply to the Court for orders blocking access to illegal or ‘pirate’ sites. As we go to press the first of those legal applications is being prepared.

MEMBER SERVICES

The core business of APRA AMCOS is, of course, to grant licences for the use of music, collect the related royalties and then distribute those royalties as quickly and efficiently as possible. The Boards and Management of the organisations regard it as fundamentally important that equal weighting be given in resource allocation and planning to both the royalty collection side of the business and the royalty distribution side of the business. This philosophy is certainly reflected in our planning and design of the new system referred to above, CLEF, which will provide the platform for us to launch, in 2016, a monthly distribution cycle for member payments to replace the existing quarterly cycle, along with complete and immediate transparency for member accounts and data analytics.

During the past year our Writer Services portal launched and our Publisher Services portal will launch in 2016.

Royalties paid for the year through to 30 June 2015 totalled \$260.5m for the group, an increase of 6.45% on the previous year.

As noted, APRA distributable royalties increased by 8% to exceed \$200m for the first time, while AMCOS distributable royalties increased by 2.5% to \$62.1m.

Key distribution-related metrics appear elsewhere in this report, but of particular note are the continuing rise in both the number of musical works figuring in the year's distributions – from 917,687 to 1,011,262 – and the significant rise in the number of our writer members now earning royalties from overseas sources.

THE YEAR AHEAD

As we go to press with this report the new financial year is of course well advanced, and it seems slightly redundant to talk about our plans for the year, which are well into execution stage. Nevertheless, we have clear and vital goals to be achieved – most importantly, the completion and deployment of our new core system and the completion of new licensing arrangements with a number of key digital service providers.

But in addition to our business plans, perhaps the most important development that we see in many manifestations at the moment is the one that we are most excited about: a new and rapidly emerging level of direct and two-way engagement with our members. Driven by many factors, not least the diminution of other institutions and support services upon which writer/musicians have traditionally relied, the development is most welcome and perhaps most in evidence in the fact that we have a field of 20 writer members contesting two available Board positions this year – an unprecedented number.

And finally, mention of two individuals who have had a remarkable impact on APRA's history. Mike Perjanik steps down from Board responsibilities this year, after 30 years on the Board, 25 of them in the Chair – a truly extraordinary achievement. To Mike, our undying gratitude and best wishes. And sadly, news reached us shortly before these comments were written, of John Sturman's death. John was APRA CEO from the mid nineteen sixties until the end of the eighties. He strode the copyright and music industries in Australia like a colossus, and our responsibility is to continuously build and improve on the terrific organisation that he and his colleagues left to us.

- Brett Cottle

KEY HIGHLIGHTS



APRA AMCOS achieves more than

\$300 million

in gross revenue for the first time



More than

126,000

businesses are licensed
across Australia and
New Zealand



songwriters, composers and
music publishers paid by
APRA AMCOS representing

1,011,262

unique songs and
compositions



in net distributable revenue
achieved by APRA AMCOS

\$262.7 million



85,987

APRA members
(+4.9% year on year)




15,138

AMCOS members
(+10.9% year on year)



1,148

Aboriginal & Torres Strait
Islander members
(+8.7% year on year)

A photograph of Ria Hall, a woman with curly brown hair, wearing a black and white patterned dress and a gold necklace. She is seated at a piano, looking down at the keys. The background is blurred, showing other people and a warm, indoor setting. The image is overlaid with several semi-transparent, curved grey lines that sweep across the frame from the top left towards the bottom right.

**Ria Hall,
APRA AMCOS member and ambassador**



25.4%

increase in overseas
APRA royalties to
\$34,008,059

5.6%

increase in domestic
royalties to
\$195,343,063



\$979,825

invested in

194

music industry projects
via APRA Music Grants



13.08%

APRA Expense to
Revenue Ratio

Defining what's important to APRA AMCOS and our stakeholders

As part of our commitment to the Global Reporting Initiative for sustainability, we've identified our key values and commitments as an organisation.

We value:

- **Collaboration** - diversity is vital. Whether our opinions, views, talents or skills complement or contrast, we collaborate with those who share our purpose and passion.
- **Respect** - our respect for music runs deep. It keeps us transparent, open, and honest. We're working towards a future where everyone respects music for both its emotional and financial value.
- **Skill** - we combine talent, knowledge and intuition with a commercial sensibility. We do what no one else can: copyright can be complex, yet we make it simple.
- **Imagination** - we don't just admire imagination, we use it within our business every day: it makes life interesting.
Imagination + action = innovation.

We're committed to:

- **Providing superior service**
- **Ensuring maximum benefits to our rights holders**
- **Investing in our community**
- **Looking after our people**
- **Developing our business**

The key performance indicators under these commitments have been defined as our 'Material Aspects' for the purpose of sustainability reporting. We believe that if these Material Aspects are managed well, we can maintain a successful and sustainable business.

OUR REPORTING APPROACH

Providing superior service

Working with our music customers to strengthen the value of music

Upholding our relationships with affiliate societies

Managing our disputes and complaints effectively

Ensuring maximum benefits to our rights holders

Growing our revenue

Keeping our costs down

Distributing royalties more frequently

Investing in our community

Supporting and nurturing the talent of our rights holders

Servicing the music industry through grants and other external initiatives

Looking after our people

Attracting and retaining talent

Providing our staff with programs for continued employability and career progression

Developing our business

Aligning our technology with our business needs to remain agile and astute

OUR COMMUNITY

MUSIC CREATORS

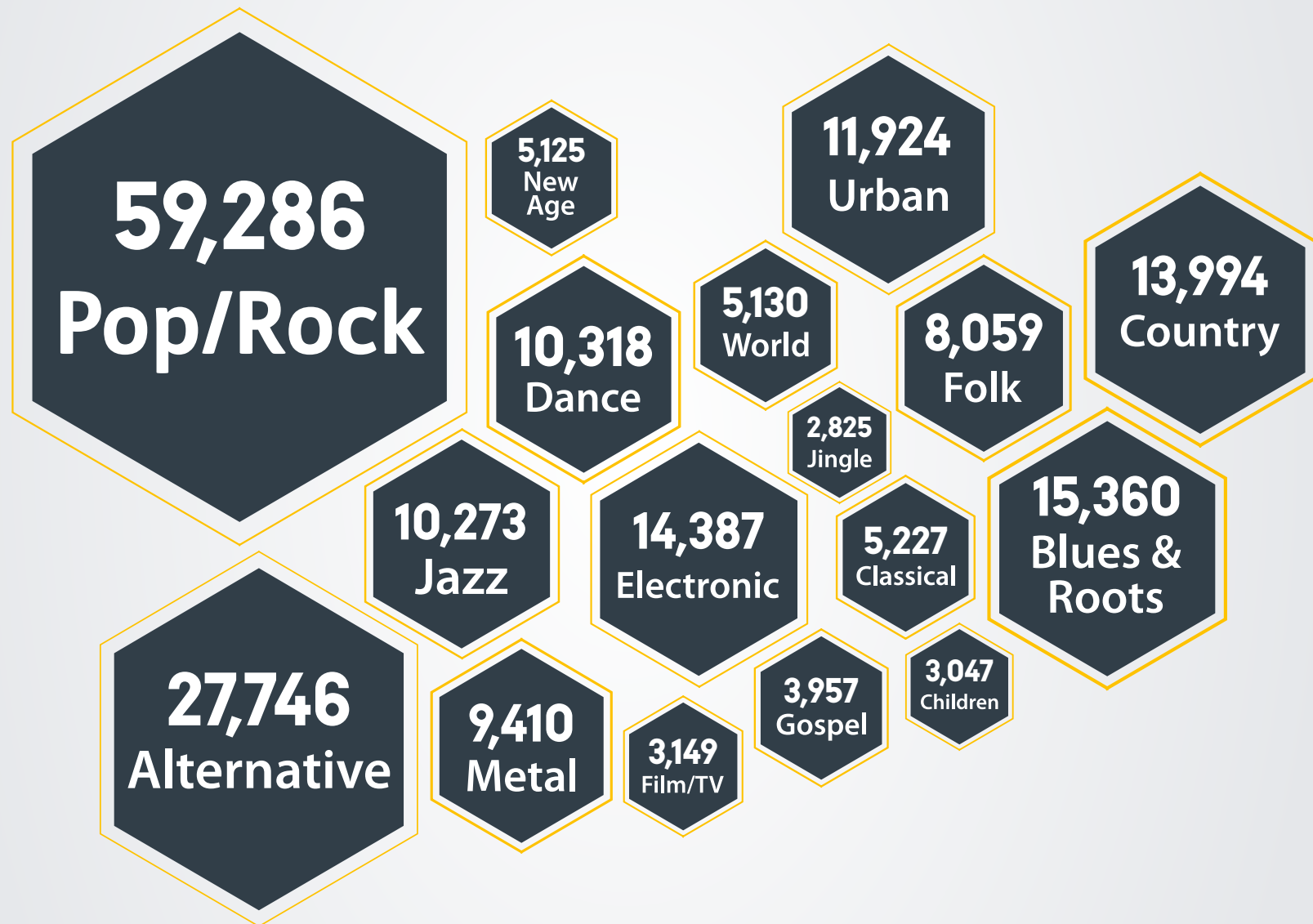


25.4%

increase in overseas royalties
collected for Australian and
New Zealand members to

\$34,008,059 million

Australian and New Zealand APRA writer members by genre

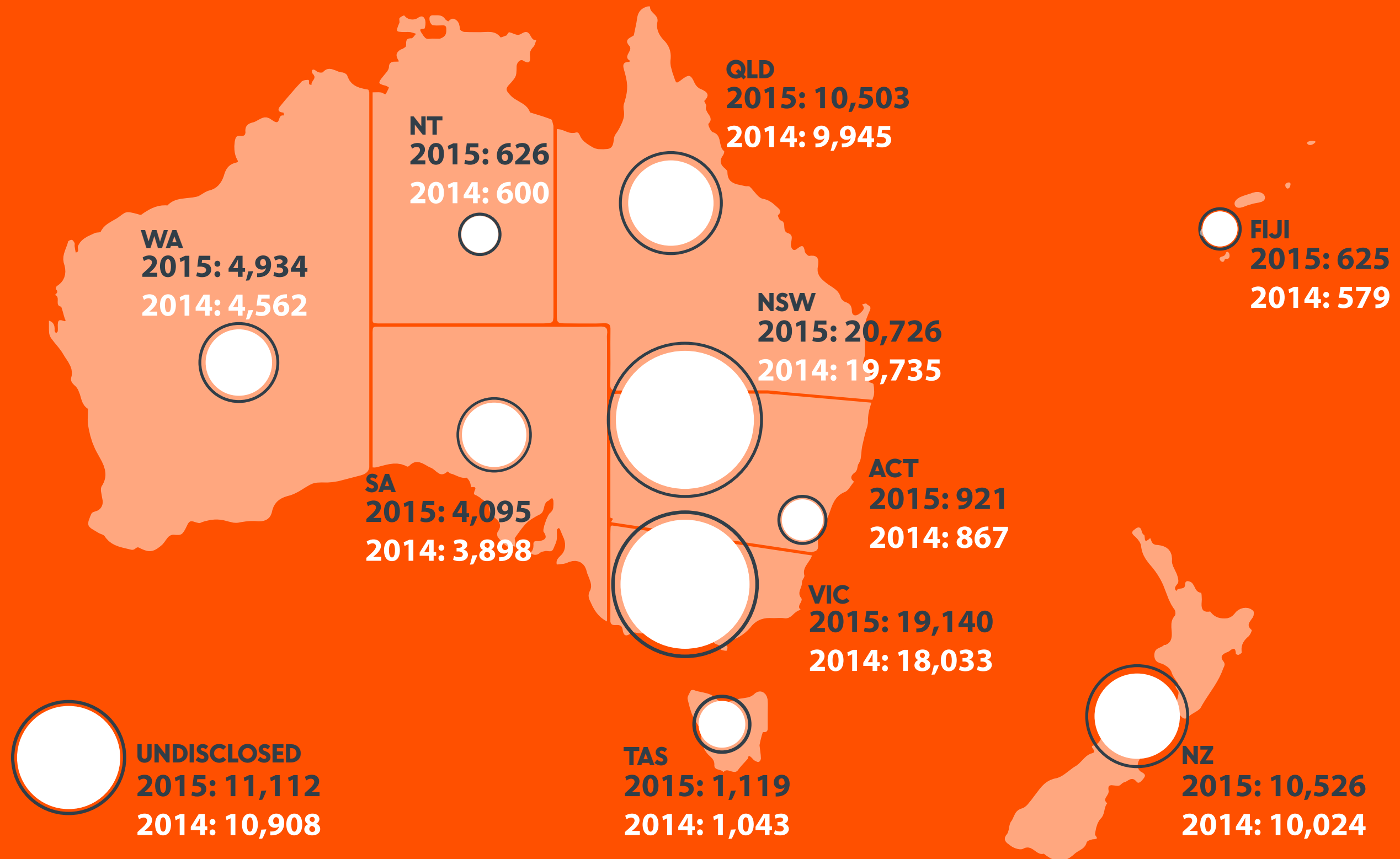


Members can choose more than one genre

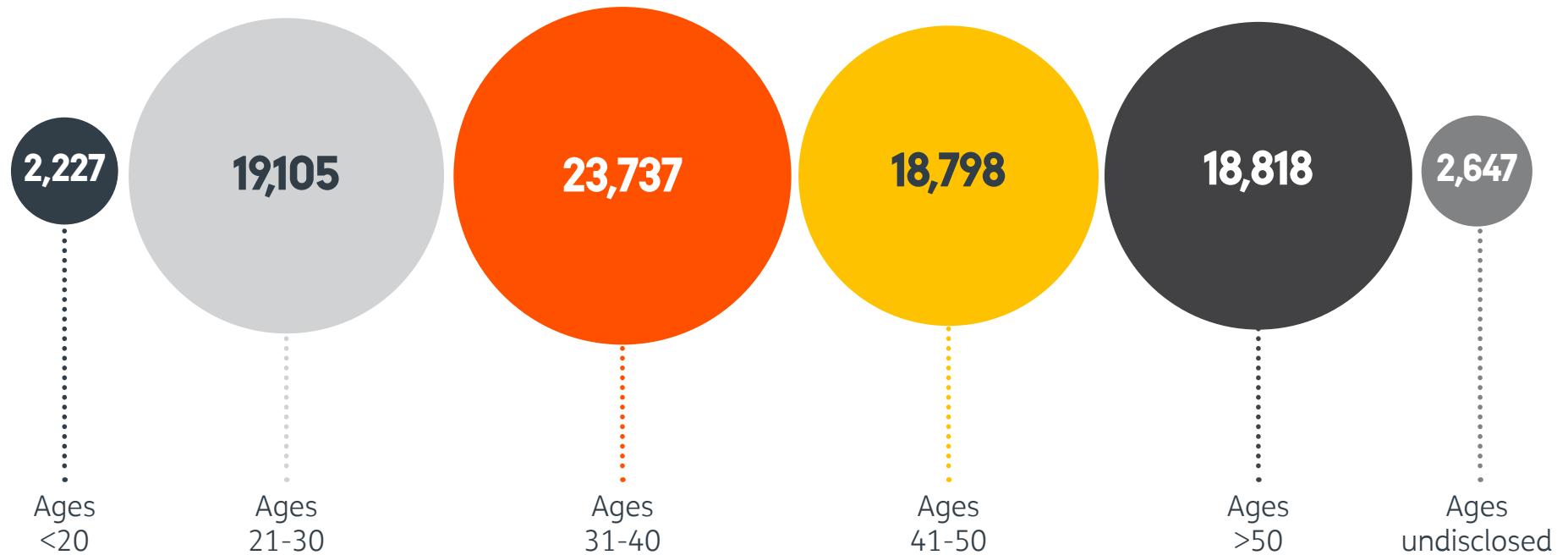


**Penelope Austin and M-Phazes performance
at the 2015 APRA Music Awards**

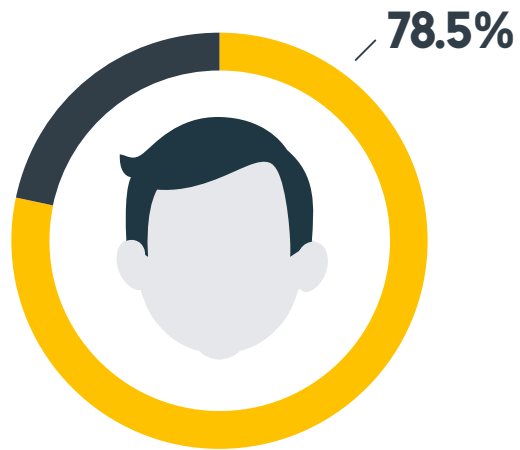
Australian and New Zealand APRA writer members by location



Australian and New Zealand APRA writer members by age

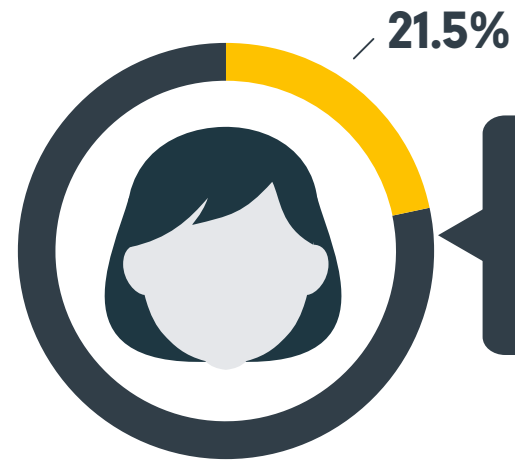


APRA writer members by gender



66,585

Male



**3.8% increase in
female APRA
writer members**

18,235

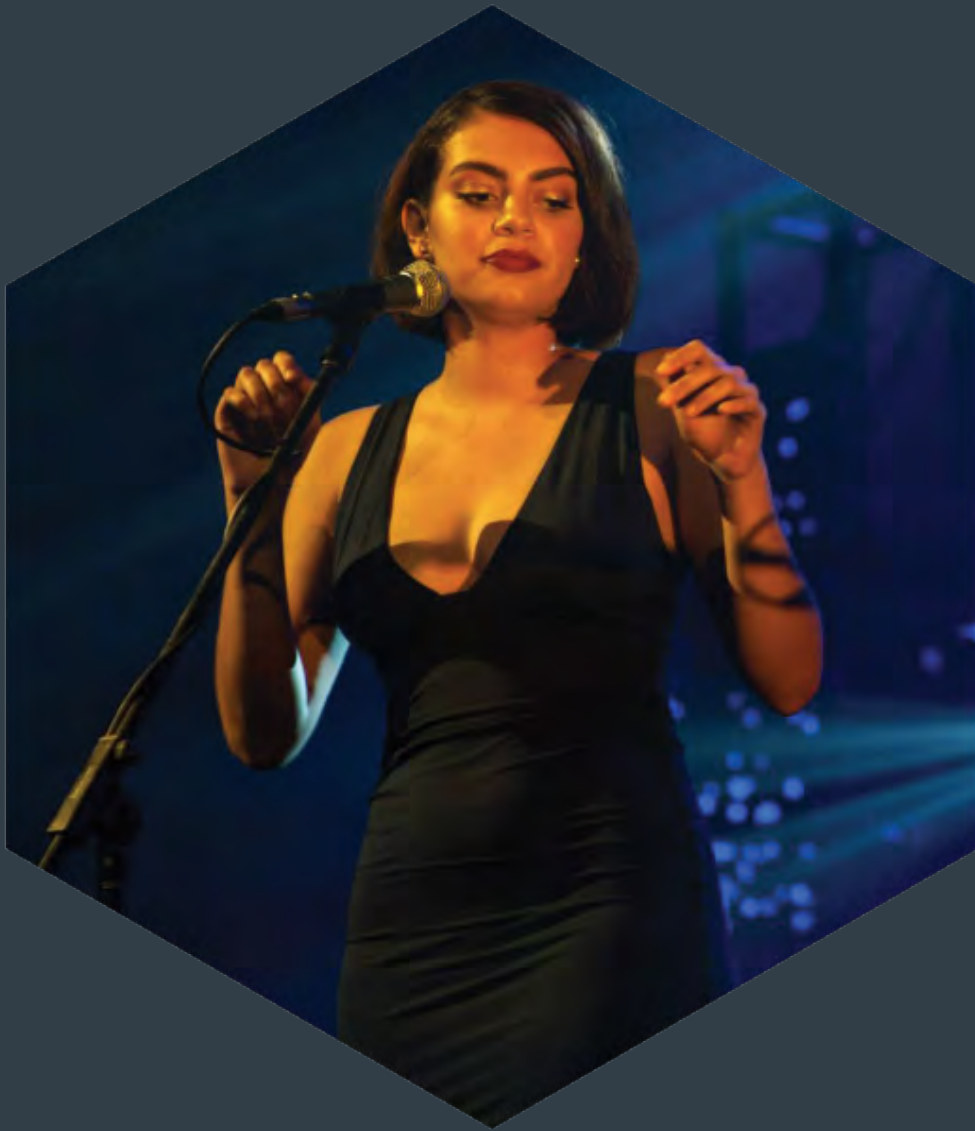
Female

Undisclosed: **512**

APRA AMCOS



Lorde presents the Silver Scroll
to Tami Neilson



APRA Award Series

We are proud to celebrate the success of our members across genres through our suite of Awards. Richard Gill OAM received the Distinguished Services to Australian Music Award at the **2014 Art Music Awards** in August for his contribution to music education. While the **2014 Screen Music Awards** saw esteemed film composer Cezary Skubiszewski take home three awards. Records were broken at the **2015 APRA Music Awards**, with APRA member Sia Furler winning Songwriter of the Year for the third time in a row. Her song 'Chandelier' was also voted Song of the Year. In New Zealand, Tami and Joshua Neilson took home the **2014 APRA Silver Scroll** for their song 'Walk (Back To Your Arms)'.

“I am honoured to be the recipient of the Ted Albert Award. I worked with Ted for 20 years and admired him greatly for his sense of fairness and his absolute passion for Australian music. He gave me my start in the industry and encouraged me through every aspect of my career. After his passing I was asked back to Alberts and honoured to be able to continue my dream career with the company for a further 20+ years!”

Fifa Riccobono, recipient of the 2015 Ted Albert Award for Outstanding Services to Australian Music



Public Performance Licensing

Cash Flow Consciousness

Given the positive impact periodic payment options have had on the cash flow and budgeting of the fitness and nightclub industries, in February we extended quarterly invoicing to the majority of our music customers – clients with an annual public performance invoice of \$500 or more. Now 65% of APRA AMCOS music customers are being invoiced quarterly.



Made By Music

“... creating a point of difference, a creative, boutique and intimate experience, will put us on the music map. We’re doing our thing to keep Aussie music live and give these artists somewhere to play.

Steve Doessel, Owner, Flow Bar

Flow Bar, a café in a NSW coastal town, has woven live music into every fabric of their business with our **Unlimited Music Licence**. Owners Steve Doessel and David Craig are self-confessed lovers of live music. Their bar/beach house/café/restaurant hosts live music every Friday and Sunday and up to six sold-out ticketed events throughout the year.

Spotlight On New Zealand

OneMusic

This year, public performance licensing revenue in New Zealand grew by 89% to \$12.6 million thanks to OneMusic. A joint initiative of APRA AMCOS NZ and Recorded Music NZ, OneMusic provides a single licensing solution for music and recordings in New Zealand. This year, the organisation has gone from strength to strength. We've redefined our relationships with music customers, industry representatives, government and the media. Now OneMusic is seen as a more modern, customer-focused and responsive music licensing solution. OneMusic, in collaboration with the record industry, has provided a platform for revenue growth for both RMNZ and APRA AMCOS New Zealand.

The logo for OneMusic, featuring the word "OneMusic" in a bold, dark blue sans-serif font. The number "1" is stylized and colored a lighter blue, positioned between the "e" and "M".

OneMusic



“We like to play our part and have a positive effect on everyone that comes into contact with our business and that goes for music artists as well. If we are contributing to the music scene then we hope that will come back to us in the long run.”

Tim Guy, Head of Operations, Boardertown,
OneMusic NZ licensee



4.8%

increase in traditional
broadcasting revenue to

\$109.2 million

Digital & Recorded Licensing

Joining music services and consumers

The overall revenue for Digital & Recorded Licensing increased by 15% year-on-year. Our revenue mix from recorded media continues its long-term shift from physical ownership to digital rental. This trend has seen significant growth from music subscription services, up 106%, at the expense of continuing declines in both CD and digital download sales. As a result, in New Zealand, we saw annual streaming revenue surpass digital sales revenue for the first time.

This year saw us renegotiate licence agreements with a number of online music services, which reflect the ongoing revaluation of music in the digital arena. Two new services entered the market, Samsung MILK and Apple Music. We believe we will see further growth across a number of streaming services on the back of increased marketing spend, increased branding collaboration and bundling music with other services.

The education sector has increased in revenue by 20% and now generates \$14 million in revenue. We continue to work with relevant peak bodies with a focus on our communication to provide guidance on our licences.

We have embarked on reviewing various sectors throughout the year. The Federal and State Government has been one such focus and after an educative process a number of licences have been secured. Another such sector is Community Groups. A survey conducted in collaboration with Music Rights Australia was implemented across the sector in order to better understand the way in which community groups use music and offer support where necessary.



23%

increase in AMCOS
educational revenue to

\$10.2 million

Media Licensing

Video On Demand Subscriptions – a promising new market

Media Licensing generated \$135 million in revenue across APRA AMCOS, increasing by 5.64%.

Radio and television continued to perform strongly, increasing by 7.7% to \$125.2 million. In particular, the subscription television sector reaped the benefits of strong long-term licences, growing nearly 18%. On the new media front, licences for general websites increased by almost 19% to \$5.4 million.

Subscriptions to Video On Demand (VOD) services took off in Australia and New Zealand this year, increasing by almost 16% to over \$3.2 million. While still in its infancy, this emerging market looks to be a promising addition to our revenue mix. Early indications are that this sector will complement the transactional VOD market, rather than be a direct competitor.

Airlines too posted strong gains, up 34% on 2014 revenue, again reflecting the benefits of strong long-term licensing arrangements. With licence fees being based on a per passenger tariff, it now better reflects the value of music within in-flight entertainment services.

The only downturn was in the cinema sector, which decreased by just over 1% to \$4.5 million. This reflects a market that is crowded when it comes to audio-visual entertainment. However, early indications for FY16 are that this sector will bounce back, with a great roster of new movies hitting cinemas recently.



6,500

licences issued for events
and productions in Australia
and New Zealand



International

International revenue has grown from strength to strength this year, indicating the popularity and clout of our members' music overseas. Total revenue increased by 25% (\$6.9 million) to \$34.0 million, despite a strong Australian dollar early in the financial year. Our Pan Asia licensing project has also continued to expand, with agreements now secured in 15 countries. Since July 2013, we've established a simple, one-stop shop for multi-territory licensing schemes for music use online. This covers the largest number of Asian territories for the largest possible repertoire of musical works.



21%

increase in APRA revenue for
Digital Music Services to

\$18.9 million

OUR COMMUNITY

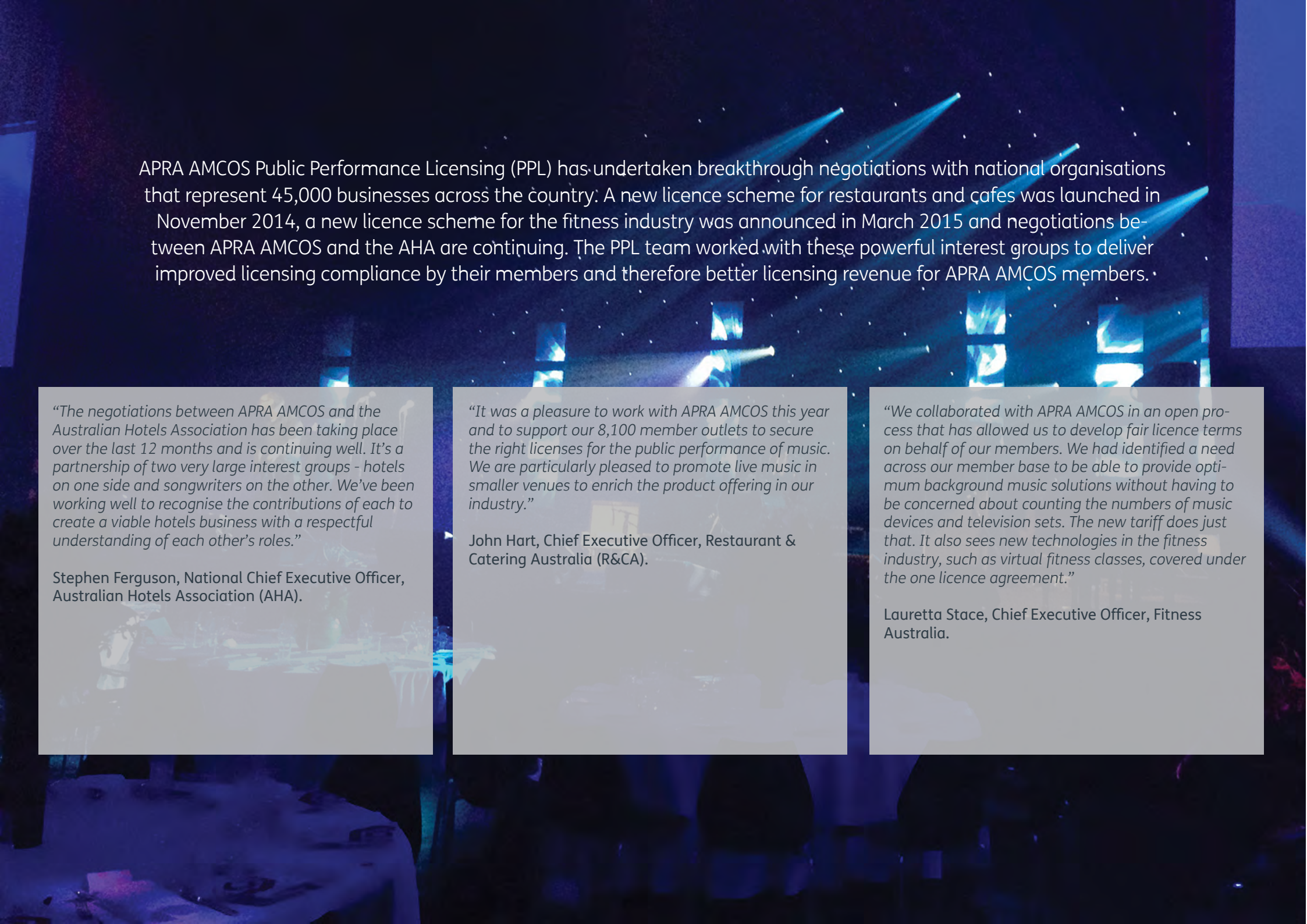
COMMUNITY ENGAGEMENT

Our commitment to developing opportunities for our community of music creators and customers is stronger than ever. We've nurtured relationships with numerous sectors of the music industry, providing education and inspiration to our members, while consulting with various industry associations to ensure our customers understand the value of music and the associated cost of doing business.



Supporting Music Creators

This year we continued our regular suite of events to educate, inform and inspire, hosting 159 that were attended by more than 7,400 APRA AMCOS members. Our 'Connecting Members' meetings and educational workshops provided the opportunity for members to meet and network with fellow songwriters and staff in their local communities, as well as learn about APRA AMCOS and how to make the most of their membership. Our 'Songwriter Speaks' event series continued to be a favourite among members this year, with well-established songwriters sharing the secrets behind their creative process and the stories behind their songs.



APRA AMCOS Public Performance Licensing (PPL) has undertaken breakthrough negotiations with national organisations that represent 45,000 businesses across the country. A new licence scheme for restaurants and cafes was launched in November 2014, a new licence scheme for the fitness industry was announced in March 2015 and negotiations between APRA AMCOS and the AHA are continuing. The PPL team worked with these powerful interest groups to deliver improved licensing compliance by their members and therefore better licensing revenue for APRA AMCOS members.

"The negotiations between APRA AMCOS and the Australian Hotels Association has been taking place over the last 12 months and is continuing well. It's a partnership of two very large interest groups - hotels on one side and songwriters on the other. We've been working well to recognise the contributions of each to create a viable hotels business with a respectful understanding of each other's roles."

Stephen Ferguson, National Chief Executive Officer, Australian Hotels Association (AHA).

"It was a pleasure to work with APRA AMCOS this year and to support our 8,100 member outlets to secure the right licenses for the public performance of music. We are particularly pleased to promote live music in smaller venues to enrich the product offering in our industry."

John Hart, Chief Executive Officer, Restaurant & Catering Australia (R&CA).

"We collaborated with APRA AMCOS in an open process that has allowed us to develop fair licence terms on behalf of our members. We had identified a need across our member base to be able to provide optimum background music solutions without having to be concerned about counting the numbers of music devices and television sets. The new tariff does just that. It also sees new technologies in the fitness industry, such as virtual fitness classes, covered under the one licence agreement."

Lauretta Stace, Chief Executive Officer, Fitness Australia.

In New Zealand, after the implementation of the new joint OneMusic licence schemes, a major relicensing project (relicensing around 12,000 premises) has been completed. Constructive, meaningful partnerships with industry organisations proved vital in this major undertaking.



“The new OneMusic Licence schemes are a vast improvement. We support anything that means compliance issues don’t get in the way of business. The new OneMusic licence means our members can get a music licence quickly and easily and we’re very happy APRA and PPNZ have heard us on this issue.”

Marisa Bidois, Chief Executive of The Restaurant Association

“OneMusic means fewer businesses will be accidentally operating outside of the law. Not everyone has known they needed two music licences and indeed sometimes it seemed over the top to be charged twice to play music. In our discussions with OneMusic we’ve had a look at how much our members will be paying now based on the OneMusic calculations and it seems reasonable”

John Albertson, CEO of the New Zealand Retailers Association

New Zealand Children's Music Awards & MusicBox

APRA AMCOS NZ launched the Children's Music Awards in 2008 to highlight and support the New Zealand songwriters that write for our nation's children. With the ongoing support of New Zealand's most popular children's TV show What Now, the awards have gone from strength to strength. Alongside the Awards, we have campaigned other organisations to support this genre, seeing the return of the Recorded Music NZ 'Tui' for Best Children's Album in 2013, an award that had not be given out since 2003. In 2015, Government agency NZ On Air came on board to provide the winner of the APRA Best Children's Song Award a special grant of \$10,000.

To further encourage the genre, APRA AMCOS NZ have produced MusicBox since 2013. MusicBox is a promotional album created annually, celebrating the top songs entering into the Awards. Available as a free download for a limited time, and produced as a CD for the nation's libraries and play centres.





Songwriter Speaks

In February 2015, Adelaide members were treated to an exceptional Songwriter Speaks with one of Australia's most iconic songwriters - Archie Roach. The attendance rate was outstanding and more than half the audience were women. One member said in their feedback survey:

"I actually got really emotional hearing some of Archie's story and songs,"

**"I wasn't expecting to be so overwhelmed...
I feel very privileged to have been able to
be there!"**

Grants to grow the music industry

Each year the APRA board sets aside 1.75% of distributable revenue to invest in projects and organisations that support our members and their music careers. Over the past year, we invested \$979,825 in grants to support more than 190 programs. The most successful category was Skill Development closely followed by Education, reflecting APRA AMCOS' commitment to engaging strongly in this area.

A first-time grant recipient this year was the Ensemble Offspring that received funding to support their inaugural Hatched Academy. The program nurtures new talent in contemporary classical music by providing mentoring sessions and workshops for up-and-coming composers, providing them with the skills and creative inspiration to write new music.





ATSI Music Office

APRA AMCOS is committed to listening and responding to the needs of Aboriginal and Torres Strait Islander (ATSI) music creators. This year, our ATSI Music Office implemented professional development opportunities, education programs, advocacy and partnerships with the wider music industry that saw ATSI APRA AMCOS membership grow by 8.7%.

The 30th anniversary of the Barunga Festival was a standout event on the ATSI cultural calendar this year. This festival is part of the SongCycles Inbound Program which immerses mainstream music industry representatives into the diversity of ATSI culture and provides insight into the challenges of these communities. Maggie Collins, Adrian Basso and Jonathan Holloway experienced the memorable event this year.

“The chance to see a wide range of music performed on traditional land in a rural community was a true honour... it’s a “festival” in the true community context - of music, sport, food, culture, medicine and creative pursuits,”

Jonathan Holloway, Director of the Melbourne International Festival



Made By Music

Charity Support

We have made significant charitable donations to Nordoff-Robbins Music Therapy and Support Act Limited as well as the New Zealand Music Foundation. We are proud to have a longstanding relationship with these music-focused charities that use music to enrich the lives of Australians and New Zealanders in need. A key achievement this year came from our Vanda & Young Songwriting Competition that raised \$170,000 for Nordoff-Robbins Music Therapy. We were also proud to support 'Bandwagon' last year, the most ambitious fundraising campaign in Support Act's history. APRA AMCOS, as well as many of our members, Ambassadors and staff, 'got on the bandwagon' and helped Support Act raise \$140,000.

GOVERNMENT AND INTERNATIONAL

APRA AMCOS takes a broad and strategic approach to government and international relations. Key in all conversations is APRA AMCOS' role in advocating for creators' rights and the cultural and economic value of those rights. Our partnerships with government have enjoyed countless success stories this year and we've played an active role in policy developments across government portfolios.

SongMakers

Our **SongMakers** mentoring program, a joint initiative with the Federal Government, has brought APRA AMCOS Ambassadors into 50 secondary schools to foster songwriting collaborations, teach technical skills in music production and educate students on intellectual property. This year, Akosita Masima (Year 10) and Year 12 students Alexander Sunia, Junior Papalii and Nathan Edwards from Sydney's Campbelltown Performing Arts High School co-wrote 'Live How You Wanna' with help from APRA AMCOS Ambassadors Robert Conley and Rai Thistlethwayte. The catchy creation stood out from more than 200 songs and was chosen as part of the United Nation's World IP Day.



“It was a great experience, not only for me but also for my friends, to make music with industry professionals and share it with a broad audience. Working with Rai and Rob was amazing – it was the first time we have had the opportunity to record our own track and we all learned a lot about the process of producing our own music.”

Student songwriter Junior Papalii on SongMakers

SongHubs

SongHubs is an APRA AMCOS initiative supported by the Federal Government that partners established APRA AMCOS songwriters with renowned international songwriters, artists and producers. The program focuses on exposing Australian APRA AMCOS members to international co-writing opportunities, to bring new songs to international and local markets.

To date, 19 SongHubs have been held worldwide delivering over 200 new musical works, with almost 25% of the works commercially released or the subject of film and/or television synchronisation deals. Over the past 12 months 10 SongHubs songwriting camps were held in Sydney, Adelaide, Los Angeles, Nashville, Toronto, Mumbai, London and Ubud





"The main benefit of SongHubs is the relationships that develop, you tend to bond with the people you work with at these writing camps and that's one of the main reasons I enjoyed taking part. SongHubs allowed me to pick the brains of these master songwriters, learn their process and really be thrown in the deep end. Collaborating with people from all over the world really enriches the whole songwriting experience, it's almost like people from Europe have a different view to people from LA. The musical influences vary and it allows for a really creative session."

M-Phazes, Producer and APRA AMCOS member

This year CMJ in New York saw 59 Australian acts showcase their talents through Sounds Australia – the largest number ever to perform under the one united banner.



Sounds Australia

Sounds Australia, our music export initiative in partnership with the Federal Government, has supported an unprecedented number of Australian acts overseas this year. 261 bands, duos and solo acts performed at 33 showcase events produced by Sounds Australia. These all-Australian lineups put our members in front of some of the world's most influential bookers, buyers, agents, labels and promoters. Sounds Australia has also expanded its activities into diverse territories and specialised genres, from Music Matters in Singapore, MixRadio in Mumbai, through to Americana, WOMEX and Folk Alliance International.



**Microwave Jenny performs at
Fringe IGNITE**

Live Music Office

Established by the Federal Government, in partnership with APRA AMCOS, the Live Music Office was set up to review the impact of policy frameworks on the Australian live music sector to grow performance opportunities for Australian musicians. This year has seen the growth of grassroots policy developments. On a local government level, the cities of Sydney, Wollongong, Melbourne and Adelaide have tabled live music plans and strategies, as have Leichhardt and Marrickville Sydney Councils. The Live Music Office also implemented its 'Live and Local' pilot event for a second time, illustrating the cultural and economic benefits of hosting live music in local communities. Curated by APRA AMCOS Ambassador Louis Schoorl, Kings Cross IGNITE: Heat The Street! took place in November and saw 40 acts perform across 15 venues, breathing life into a historically vibrant area of Sydney.

Pictured: APRA AMCOS Ambassador Leah Flanagan performs at World Bar for Kings Cross IGNITE.



Starting Ground

APRA AMCOS successfully secured funding from the NSW Government for Starting Ground this year, a brand new program to develop the music careers of Aboriginal & Torres Strait Islander (ATSI) songwriters.

The funding will be provided through Arts NSW over three years to implement skills development workshops in regional areas, as well as mentoring and ongoing professional development for three ATSI artists. Having secured this initial funding, APRA AMCOS plans to engage more government funding partners over the next year to further develop the program.

Submissions to Government

Our government relationships have expanded to reach more diverse portfolios this year. APRA AMCOS senior management met with the Federal Attorney General, Federal and State Ministers for Arts, Communications, Education and Trade as well as the Shadow Attorney General, Ministers for Arts and Communications and key Independents.

APRA AMCOS also made formal submissions to the Harper Review on Australia's competition law and the Australian Joint Committee on Trade and Investment in relation to the benefits of Free Trade Agreements.

A key focus was The Copyright Amendment (Online Infringement) Bill 2015. APRA AMCOS was prominently involved in its development and consulted with government and industry extensively before the Bill was passed in June this year. Senior management and the CEO met with the Attorney-General's Department and Communications Department on numerous occasions, as well as participated in roundtable meetings between rights holders and ISPs.



**Korean Music Copyright Association
(KOMCA) visit to the APRA AMCOS
office in Sydney**

International Relations

Our International Department continues to do great work in the Asia Pacific, positioning APRA AMCOS as a regional leader in performing and mechanical rights collection. They have also improved their monitoring and revenue tracking in Europe and North America - our two major trading partners.

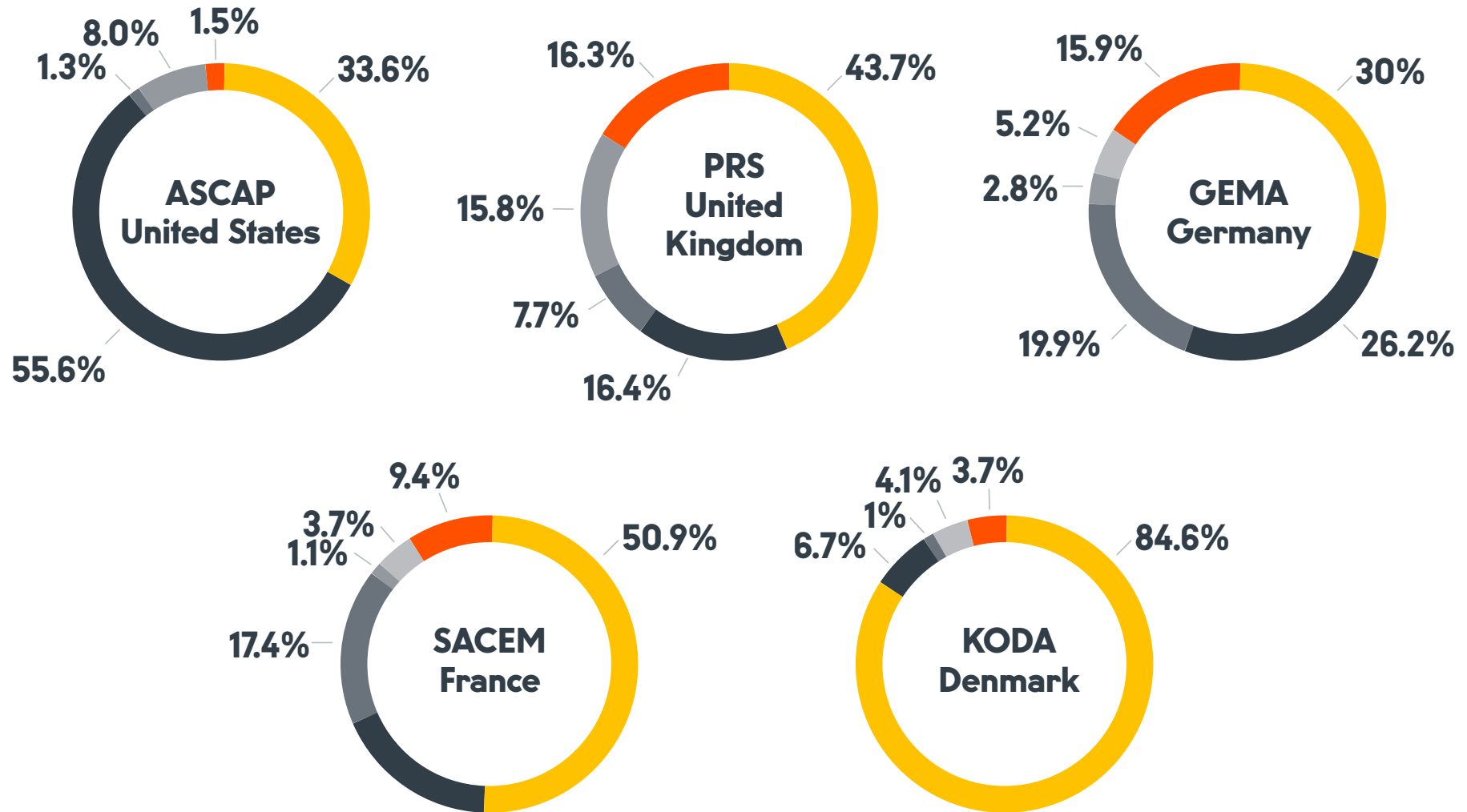
Scot Morris, our Director of International and Chair of CISAC's Asia Pacific Committee, has travelled to Brussels, Taiwan, China, Singapore, Tokyo, Vanuatu and the Philippines over the past year. This involved meeting with societies, governments, rights owners and users such as broadcasters and digital service providers (DSPs), as well as leading workshops and seminars on copyright.

Key highlights include hosting a visit by the CEO and Head of International of UK music collecting society, PRS for Music, to discuss current international issues and trends in music licensing and collective management.

The International Department also hosted a week-long training visit to APRA by twenty-two senior managers from the Korean music collecting society, KOMCA.

International Revenue by Source

Top 5 Collecting Societies



Television



Radio



Live



Downloads



Streaming

All other

The background of the entire page is a photograph of a dimly lit event space, likely a restaurant or lounge. Several round tables are visible, covered with white cloths and set with glassware and plates. In the background, there is a stage area with blue spotlights and a large screen displaying a bright image. The overall atmosphere is sophisticated and modern.

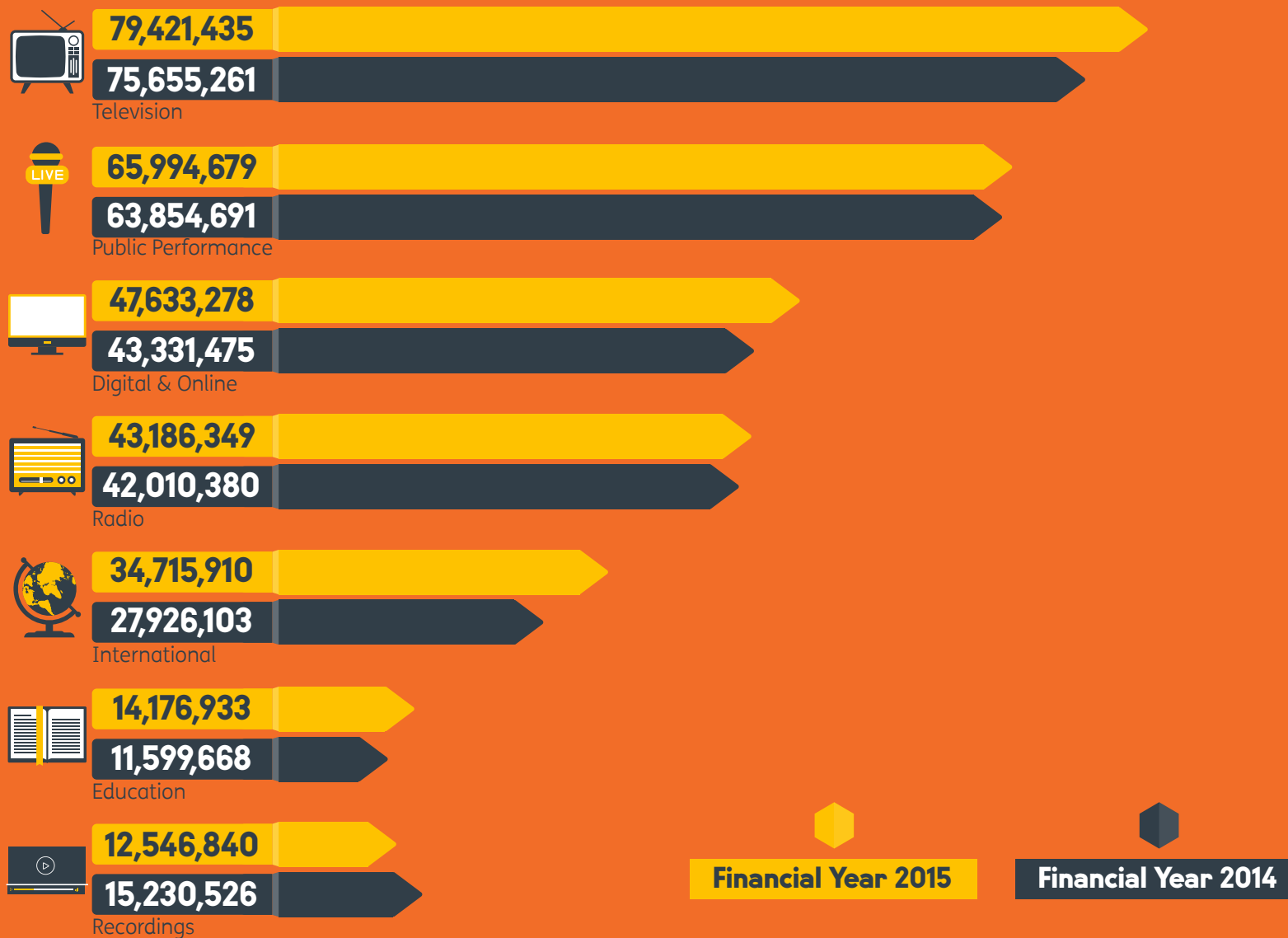
Made By Music

“It was an amazing experience. Everything I had ever wanted to do, I got the opportunity to do it. To work with people who are so good at their craft was amazing talent development. It has definitely changed the way I approach things. I hadn’t done a lot of co-writing or writing for other artists before and now I’m really motivated by seeing how well it worked and what came out of it.”

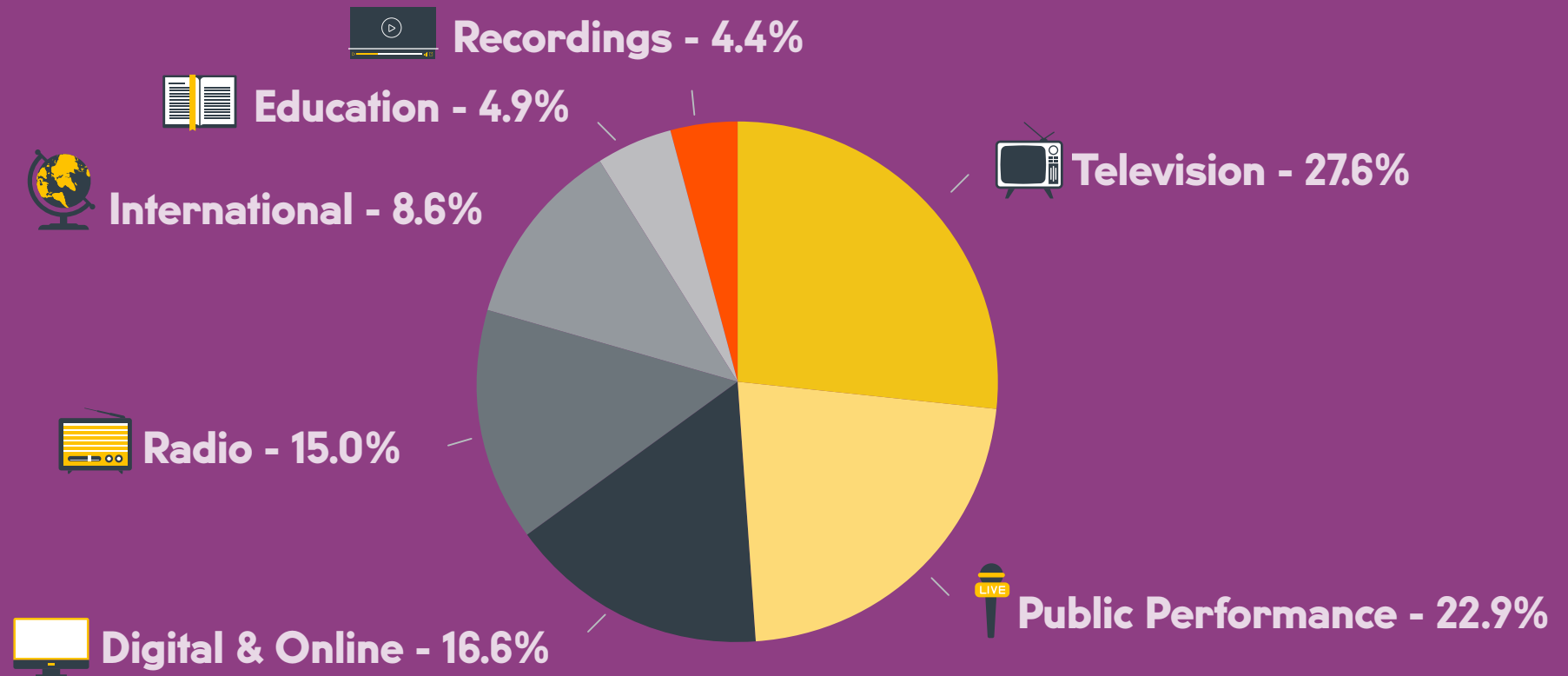
Sonia De Pellegrin

At just 17 years of age, Sonia de Pellegrin has grown from a school student participating in SongMakers, to a promising up-and-coming songwriter. At 50 Songs in 5 Days, an offshoot of our SongHubs program, she co-wrote three songs including East’s successful single ‘The Alley’. She also met producer Nathan Eshman at the songwriting camp, who is now mentoring her through her debut EP.

GROUP LICENCE FEES BY SECTOR

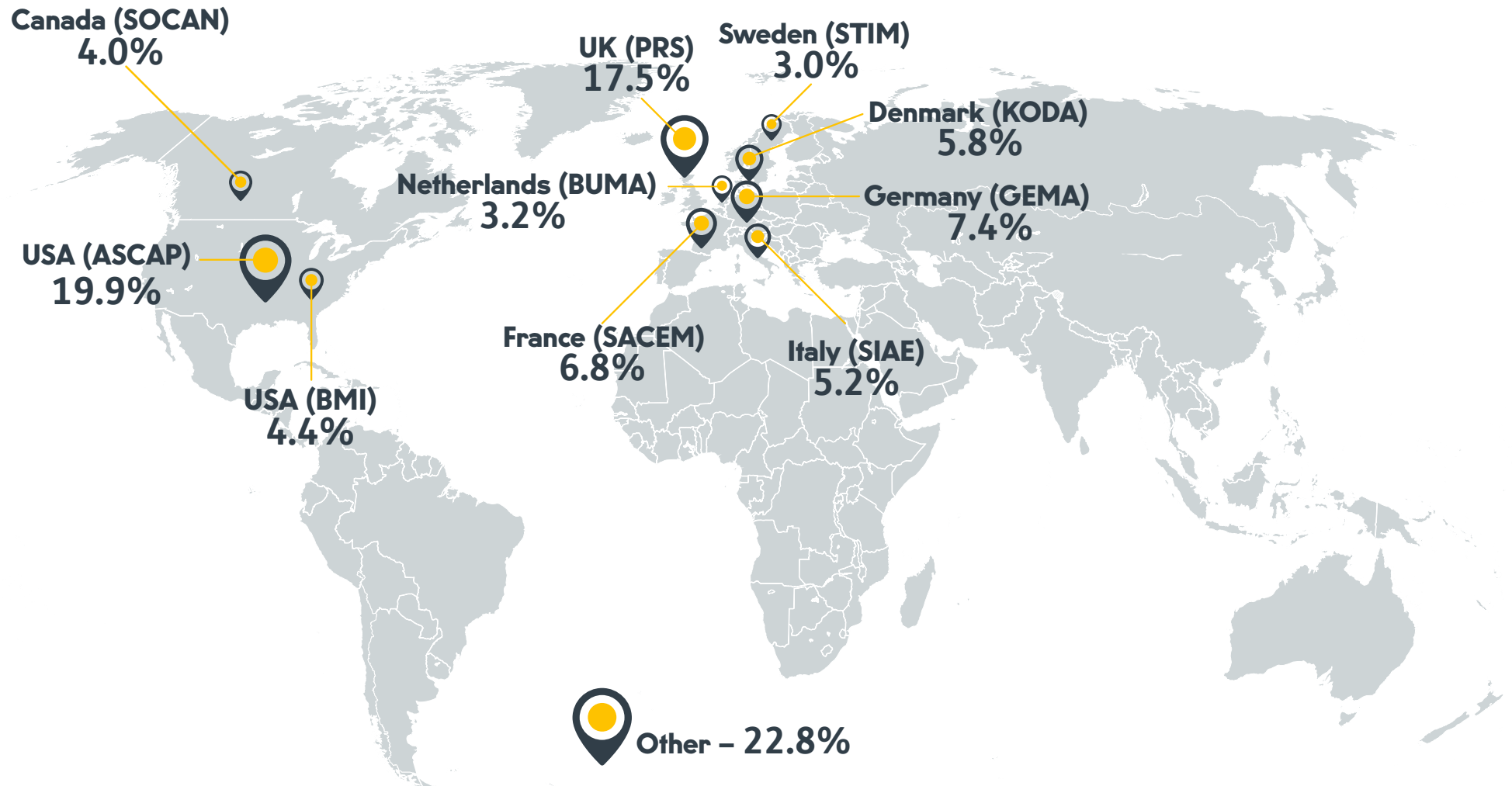


2015 GROUP LICENCE FEES BY SECTOR



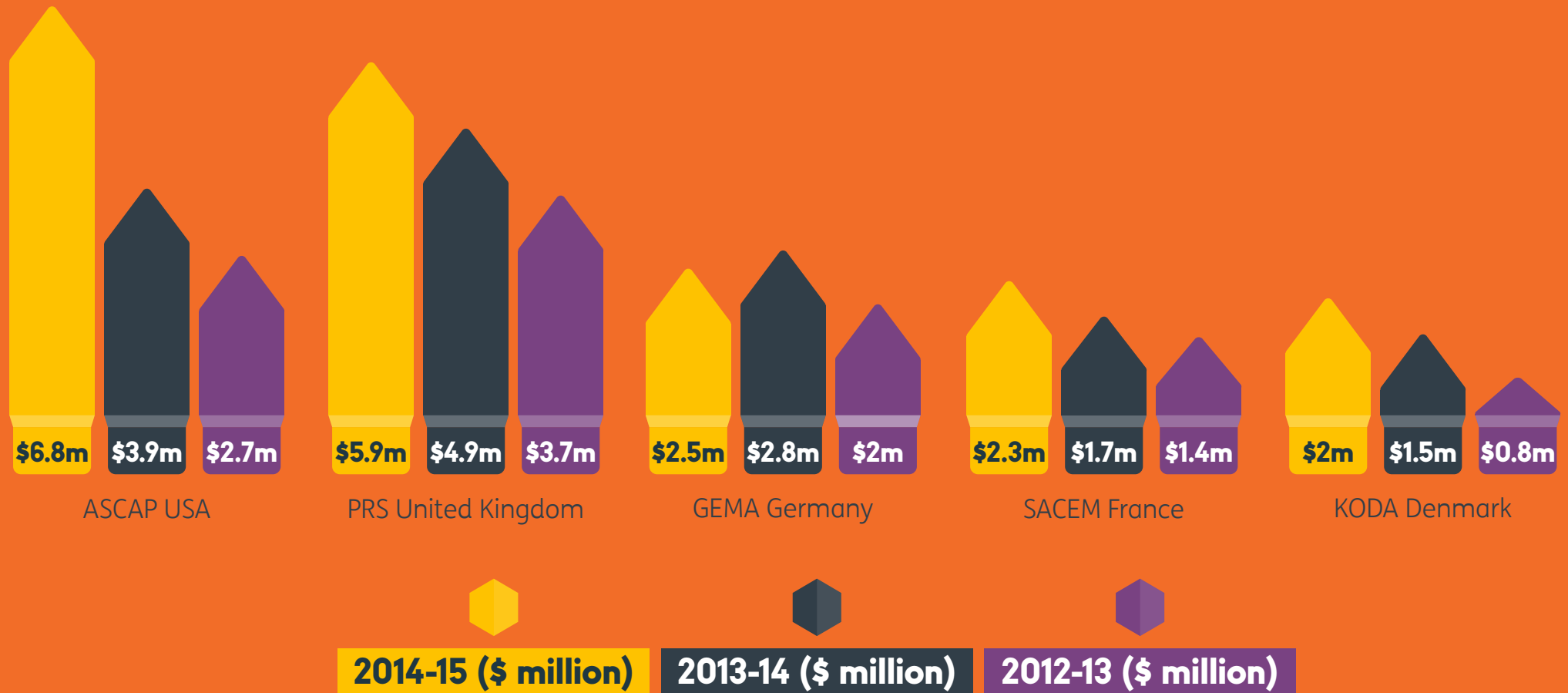
INTERNATIONAL REVENUE BY REGION

In the last year, for the first time more than ten societies have remitted over \$1million to APRA AMCOS. These percentages represent each society's share of total international revenue received.



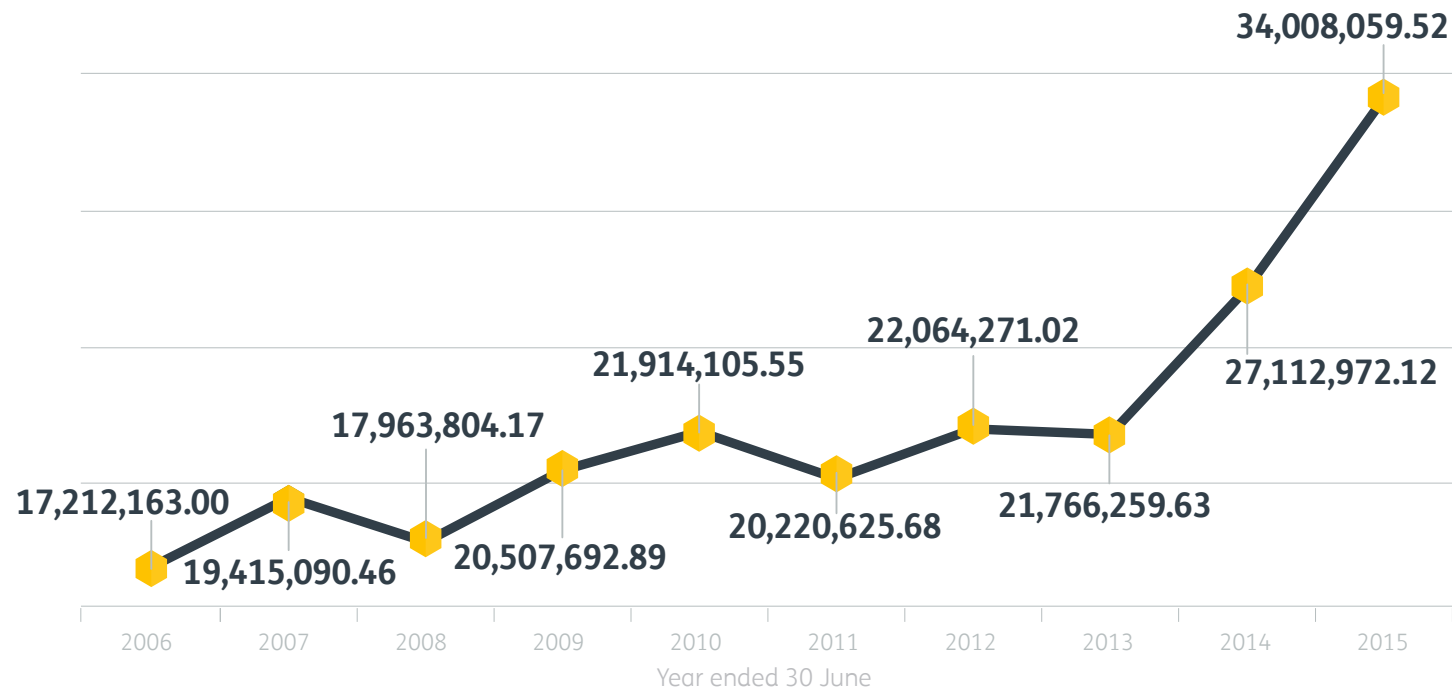
INTERNATIONAL REVENUE BY SOURCE

TOP FIVE COLLECTION SOCIETIES



APRA INTERNATIONAL REVENUE

10 YEAR COMPARISON



We pay our members as frequently as possible and are currently investing in new technologies that will transform the way we do business, with a view to distributing royalties on a monthly basis.

**\$259.2 million paid to APRA AMCOS
members and affiliates (+1.2%)**



Over the past year, we improved the way royalties for subscription television are analysed and distributed in a number of ways:

We are now analysing a broad range of channels for distributions, rather than being restricted to music, movie and entertainment channels only. Audience ratings are now taken into account when calculating revenue for each channel. Previously this was based on music content only. Pass-through channels were included in the distribution for the first time (i.e. direct-to-home channels that do not have any local programming or interstitials inserted by the local pay TV operators).

A great deal of work is also being done to harmonise our distribution rules and practices for both APRA and AMCOS, with a view to easing the transition to the Copyright Licensing Enterprise Facility (CLEF). These changes, when implemented in the new system, will both streamline the operation of CLEF and remove any systemic anomalies that currently exist between our distribution practices.

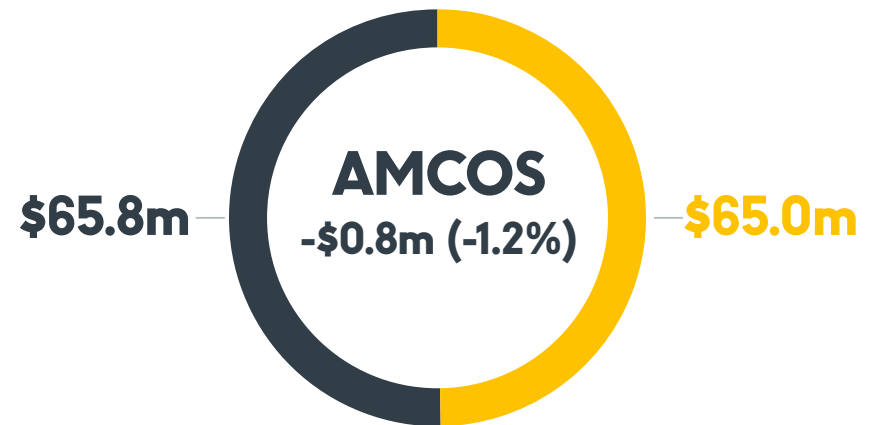
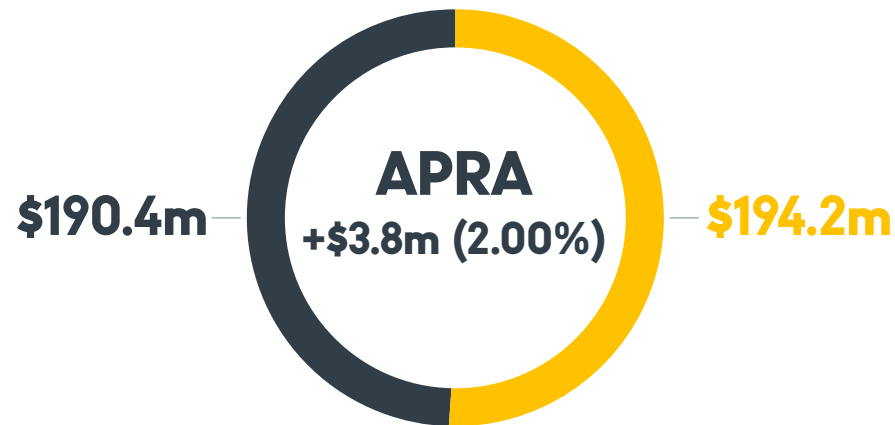
PAYMENTS TO APRA AMCOS MEMBERS AND AFFILIATES



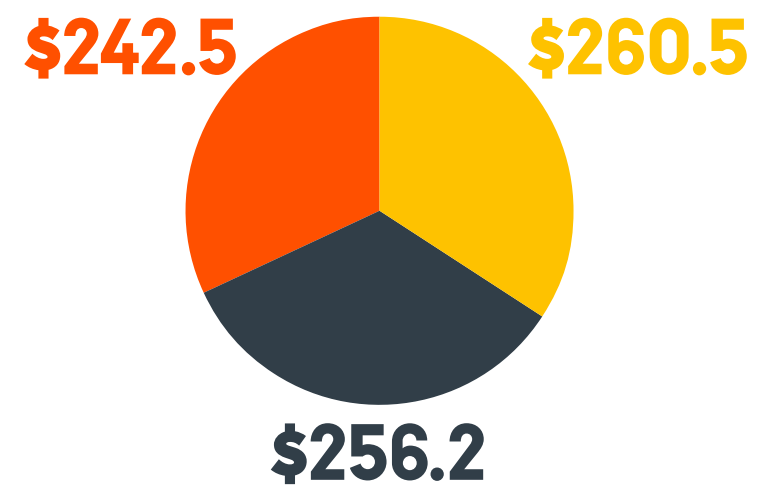
30 June 2015



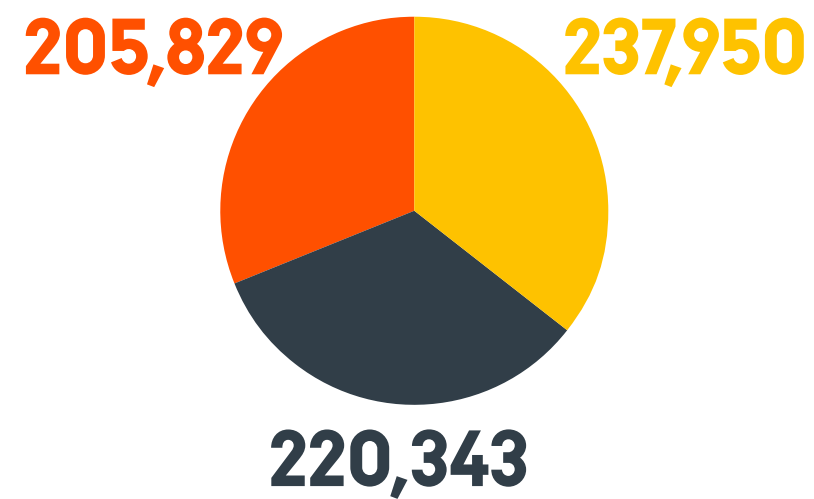
30 June 2014



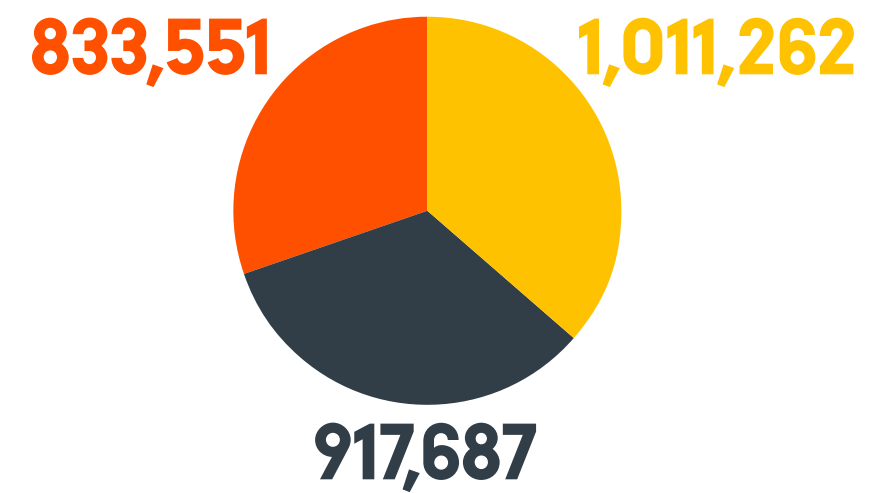
Amount paid to writers and publishers (\$ million)



Number of writers and publishers that earned an APRA royalty



Number of works included in all distributions paid during the FY



2015 FY



2014 FY



2013 FY

A black and white photograph of a person with long hair, wearing a dark jacket over a light shirt, playing an acoustic guitar. They are standing in front of a wall with a sign that reads 'CHINESE MENU'. The image is slightly blurred and has a vintage feel.

Made By Music

"Live Performance Return payments provide the funds to keep touring, register a car or fund a new guitar case. I lodge mine every year and last year I bought a 68' Gibson J200 and managed to finalise my studio album recording with the cheque."

Adelaide songwriter and APRA AMCOS member, Kurna (Winner of the Emily Burrows Award, the Folk Alliance Youth Award 2015 and Best Acoustic Act at the Fowlers Live Music Awards)

6.9%

increase in APRA
consolidated net
distributable
revenue

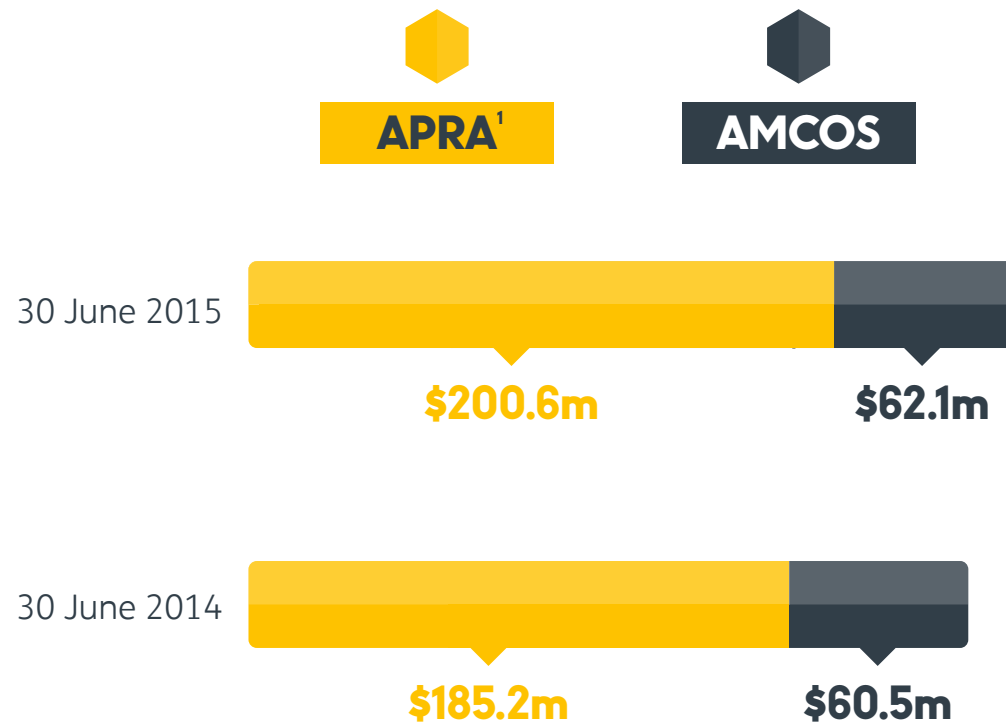
\$301 million

in gross revenue
achieved by APRA
AMCOS

\$3.0 million

increase in
payments to APRA
AMCOS members
and affiliates

NET DISTRIBUTABLE REVENUE



[1] APRA's net distributable income includes an amount of \$3.4 million, allocated for the collective benefit of all members, towards "promoting the use and/or recognition of works written by the Association's members". See Article 95 (a) (ii) of the APRA Constitution.

APRA EXPENSE TO REVENUE RATIO²

30 June 2015	30 June 2014	Change
13.08%	13.34%	-0.26%

[2] Expenses paid from the Music Grants program are excluded from the calculation of APRA's Expense to Revenue ratio.

We are agile, astute, fair and human

As a non-profit organisation, we pride ourselves on employing staff that are passionate about what they do. We foster the creativity and commitment of our people through a range of staff benefits. These include paid parental leave, programs to encourage higher education, leadership and skills development, mental health awareness, mentoring and in-house training programs.



Chris Neal
Writer Director
Ian James
Mushroom Music
Pty Ltd



Nigel Westlake
Writer Director
Brendan Gallagher
Writer Director



Bob Aird
Universal Music
Publishing Pty Ltd
Matthew Capper
Warner/Chappell Music
Australia Pty Ltd



Brett Cottle AM
CEO
Jenny Morris OAM
Chair
Writer Director



David Albert
J. Albert & Son



Mike Perjanik
Writer Director
Don McGlashan
Writer Director



Damian Trotter
Sony/ATV Music
Publishing
Philip Walker
Origin Music Group



Steve McPherson
Hillsong
Publishing

Peter Hebbes AM
Hebbes Music
Group

Brett Cottle AM
CEO

Marianna Annas
ABC Music
Publishing Pty Ltd

Bob Aird
Universal Music
Publishing Pty Ltd

Simon Moor
Kobalt Music
Group

David Albert
J. Albert & Son

Ian James
Chairman
Mushroom Music
Pty Ltd

Matthew Donlevy
Peer Music
Pty Ltd

Matthew Capper
Warner/Chappell Music
Australia Pty Ltd

Philip Walker
Origin
Music Group

Damian Trotter
Sony/ATV Music
Publishing

Philip Burn
Hal Leonard

APRA AMCOS employs 342 people
54% of our staff are female





“I love working for APRA AMCOS because I believe in the core of what we do - supporting songwriters and publishers in different ways that enables the creative process to make music that enriches people’s lives.

I work with some amazing people who are supportive, nurturing, creative and downright hilarious. The company understands the value of the people that work here and that without happy and content staff, none of this would work.”

-Gillian Dunn (Deputy Director, Publisher Services) has been with APRA AMCOS for 16 years.

**We're collaborative, consultative
and committed to improving our
systems and services**

We're investing in technology

Over the past year, APRA AMCOS commenced a core system replacement project to improve our service offering in the years ahead.

New writer portal

A new and improved writer member portal was developed and implemented to bring new functionality and streamlined processes to writer members.

Online Portal for Uploading Songs

The Online Portal for Uploading Songs (OPUS) went live for jingle members, allowing them to upload audio recordings of their works, as we invest in music recognition technology to improve the accuracy of royalties paid to members.

Our new business platform

Accenture Avanade was engaged to design and implement the Copyright Licensing Enterprise Facility (CLEF). It is anticipated that CLEF will transform the way we deliver our services and manage our business practices, data and systems.

Publisher platform

APRA AMCOS' publisher members currently transact with APRA AMCOS via a direct connection to our current system, therefore a new interface is required in the move to CLEF. Accenture will also undertake the work of creating a new web-based portal for publishers..



Member Consultation

We value the knowledge and opinions of our members and have developed a number of advisory groups to consult with key sectors of our membership. These groups met regularly over the year to discuss and advise on the best way to make changes to our systems and services.

Our Jingle Advisory Group (JAG) and Club Music Advisory Group (CMAG) investigated the use of music recognition technology, to improve the data that's used for royalty distributions. Staff also consulted with members on streamlining royalty distributions for live performances. The SongHubs Advisory Group (SHAG) was also created to inform the strategy and outcomes of SongHubs, our international co-writing initiative.

Alternative Dispute Resolution

This year, Resolution Pathways was successfully launched - a new, improved and independent Alternative Dispute Resolution facility for music creators and customers. Developed as part of our re-authorisation by the Australian Competition and Consumer Commission (ACCC), Resolution Pathways now provides our members and music customers with an effective way of resolving disagreements with each other and APRA AMCOS in a non-confrontational and independent way.

CLEF

Copyright Licensing
Enterprise Facility



APRA
AMCOS



“CLEF gives us the perfect opportunity to do some ‘spring cleaning’ of our whole organisation. It’s exciting to see it work - seeing the ideas that people have had over the last few years finally become a tangible reality... I’ve worked at a few organisations and I’ve found the people at APRA AMCOS are less self-serving, more cooperative and happier to come to work and try to do a good job.”

Derek Cameron, 2014 Employee of the Year, Distribution Subject Matter Expert in the CLEF Project Team.

APRA AMCOS Environmental Impact Statement

APRA AMCOS has always been conscious of its impact to the environment and is committed to managing its environmental footprint. Our Head Office in Sydney enforces strong Ecologically Sustainable Development (ESD) initiatives:

- displacement air-conditioning system with natural ventilation mode
- minimal artificial lighting and added control from motion sensors
- energy efficient lighting sources
- water-saving devices
- stormwater collection and re-use

Employees are encouraged to commit to energy efficient behaviours such as turning off monitors at the end of each working day. Our teleconferencing and video-conferencing facilities have helped to reduce the impact of flights. Our Head Office is also subjected to monitoring and reporting of our waste outputs.

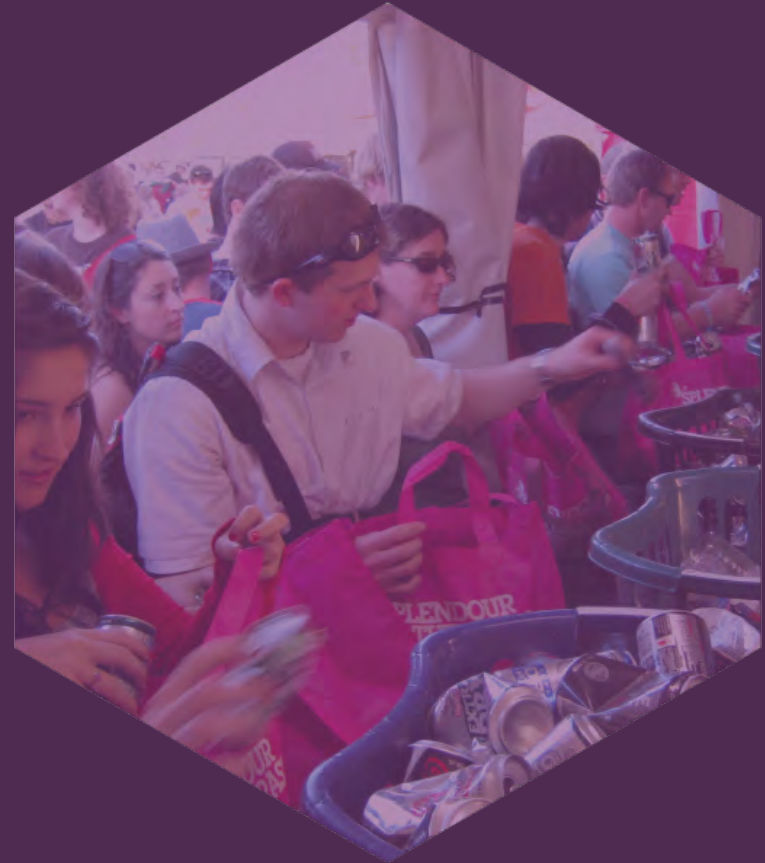


This year we pledged our support to Green Music Australia, an organisation committed to harnessing the cultural power of music and musicians, to lead the way to a greener world.

The APRA and AMCOS Boards approved a plan to diversify APRA AMCOS' investments to include financial institutions which provide zero support for fossil fuel producers, which has grown our investment base from two institutions to seven. Our policy directs that no more than 25% of investable funds be placed with any single financial institution, to ensure financial prudence. We're also harnessing our influence to encourage other music industry organisations to follow a similar path in support of Green Music Australia's many initiatives.

"If it's a cultural change we need, who better to help deliver it than musicians? We've been a part of every major movement for social change, from civil rights in the US, to feminism and Indigenous self-determination in Australia. If musicians can start the process of reducing our own impact on the planet, we can lead the way to a greener world."

Tim Hollo, Director of Green Music Australia.



GREENHOUSE GAS EMISSIONS

Our greenhouse gas emissions have been calculated as tonnes of carbon dioxide equivalent (tCO₂e).

The calculation of tCO₂e is used to accurately compare the emissions of various energy outputs.

The emissions factors used to calculate our tCO₂e for purchased electricity, purchased gas, waste to landfill and recyclable waste (paper and cardboard) have been extracted from the most up to date version of the Australian National Greenhouse Accounts (NGA) Factors, released in August 2015.

		2015	2014	2013
Scope 1 Direct Emissions	Staff car fuel consumption	79.4	85.4	89.9
Scope 2 Indirect Emissions	Purchased electricity	887.0	853.6	900.6
Scope 3 Other Indirect Emissions	Purchased gas	0.1	0.1	0.1
	Waste to landfill	217.1	191.7	210.2
	Recyclable waste (paper & cardboard)	265.4	257.0	272.6
	Staff taxi fares	30.0	37.5	41.2
	Business Flights	613.6	815.9	524.2
	TOTAL (tCO ₂ e)	2,092.5	2,241.1	2,038.9
	TOTAL (tCO ₂ e per FTE)	6.5	7.6	7.5
	FTE	321.0	295.0	272.0

BREAKDOWN OF WASTE

(tonnes)

