Australasian Mechanical Copyright Owners Society Limited
and its controlled entity
ABN 78 001 678 851

Annual Financial Report
30 June 2014

Directors' report
For the year ended 30 June 2014

The directors present their report together with the consolidated financial statements of Australasian Mechanical Copyright Owners Society Limited (the "Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entity, for the financial year ended 30 June 2014 and the independent auditor's report thereon.

Directors

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

Ian James – Chair of the Board

Non-executive Director since 1988 and Chairman of the Board

Ian has been the Managing Director of Mushroom Music Pty Limited since 1986. He is also Deputy Chairman of the Australasian Performing Right Association Limited and a Director of the Australasian Music Publishers Association Limited.

Ian has a Bachelor of Commerce (Applied Psychology) from the University of New South Wales and was employed by the Australasian Performing Right Association Limited from 1976 to 1986 in several management positions. He was recently appointed as the Adjunct Professor at the Victoria University College of Business.

Robert Aird

Non-executive Director since 1986

Robert is 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.

He is also a Director of the Australasian Music Publishers Association Limited and a Director of the Australasian Performing Right Association Limited.

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

David Albert

Non-executive Director since 2010

David is the CEO of the Albert Group and the Managing Director of J.Albert & Son, the music and entertainment business founded in 1885 by Jacques Albert. David is the fifth generation Albert to work in the family business. David holds an MBA from the Macquarie Graduate School of Management, is the co-chair of Nordoff Robbins Music Therapy Australia and is a Director of the Australasian Music Publishers Association Limited and the Australasian Mechanical Copyright Owners Society Limited. He is also a Director of the Australasian Music Publishers Association Limited and the Australasian Performing Right Association Limited.

Directors' report (continued)

Marianna Annas
Non-executive Director since 2011

Marianna is an experienced music lawyer formerly at Simpsons Solicitors and has also held senior legal and business affairs roles at major record labels and music publishers, including BMG Australia and BMG Music Publishing, BMG Entertainment in New York and EMI Music Australia.

Marianna is currently Head of ABC Music Publishing and a Director of the Australasian Music Publishers Association Limited. Marianna has degrees in arts and law from the University of New South Wales.

Mark Callaghan
Non-executive Director 2009 – June 2014

Mark is the Managing Director of Music Sales Pty Limited. Prior to commencing with Music Sales in July 2010, Mark was General Manager of Australasian Music Publishers Association Limited for 3 years, having previously held the positions of General Manager of Shock Music Publishing, A&R Manager at Festival Records and Professional Manager at Sony/ATV Music Publishing. Mark holds a degree in design from the University of Queensland and is currently an Adjunct Professor at the Queensland University of Technology Creative Industries and Innovation Centre. An APRA writer member since 1981, Mark continues to compose and perform music regularly.

Matthew Capper
Non-executive Director since 2005

Matthew is the Managing Director of Warner/Chappell Music Australia Pty Ltd. He is also a Director of Chappell & Co (Australia) Pty Ltd, Wallaby Music Pty Ltd, Warner/Chappell Pty Ltd, Australasian Performing Right Association Limited and is a Director and Chairman of the Australasian Music Publishers Association Limited.

Matthew Donlevy – Deputy Chair
Non-executive Director since 1991

Matthew is the Managing Director of Peermusic Pty Limited, Southern Music Publishing Co (Australasia) Pty Limited and Frankdon Music Pty Limited. Matthew is also a Director of the Australasian Music Publishers Association Limited and Minder Music Australia Pty Ltd. Matthew's previous appointments include Professional Manager of ATV Northern Songs and Castle Music.

Directors' report (continued)

Peter Hebbes AM
Non-executive Director since 2002

Peter is Managing Director of Hebbes Music Group Pty. Ltd. and Eaton Music (Australia) Pty Ltd and a director of CAS Music Australia. He is a Director of the Australasian Music Publishers Association Limited (AMCOS) and a past Director and Deputy Chairman of the Australasian Performing Right Association Limited (APRA). In the past he has served on the board of the Music Industry Advisory Council (MIAC), the Australian Music Centre (AMC) and the Australasian Music Performance Committee (AMPCOM). In addition, Peter is a past National Director and Chairman of Variety "t*he children's charity*", he is also the co-founder and trustee of The Golden Stave Foundation and a past board member of Nordoff Robbins Music Therapy Australia.

In 2006 Peter was appointed as a member in the General Division of the Order of Australia (AM) in recognition of his contribution to the Australian music industry and his extensive charity work.

Steve McPherson
Non-executive Director since August 2012

Steve is the manager of Hillsong Music Publishing and SHOUT! Music Publishing in Australia and has extensive experience as a performer, producer, songwriter and music publisher. Steve is honoured to work with world renowned song writers and producers achieving Grammy awards, multiple ASCAP and BMI awards in the USA and many other achievements across the globe. Steve has close to 20 years experience in music publishing and copyright administration. Steve also serves on the Board of Advisors to Christian Copyright Licensing International - both in the Asia Pacific region and in the USA and is a Director of Australasian Music Publishers Association Limited.

Simon Moor
Non-executive Director since November 2013

Simon Moor is the Managing Director of Kobalt Music Group for Australia and New Zealand. As Managing Director, Simon is responsible for Kobalt's publishing, label services, and neighbouring rights businesses. In 2012 Simon established Kobalt Label Services and Kobalt Neighbouring Rights in Australia and New Zealand. Simon is currently a non-executive director of the Australasian Music Publishers Association Limited, and a Peer Assessor for the Australia Council.

Previous to Kobalt, Simon started his music career at Mushroom Music as an A&R scout after completing a Bachelor Degree in Economics. Following this Simon worked for Sony Music from 1998 to 2003, both as Product Manager and then A&R Manager. Simon then accepted the role as Head of A&R for EMI Records where he was from 2003 to 2010, before being appointed Head of A&R for Sony/ATV Music Publishing.

Directors' report (continued)

Damian Trotter
Non-executive Director since 1995

Damian is the Managing Director of Sony/ATV Music Publishing and a former Chairman of the Australasian Mechanical Copyright Owners Society Limited. Damian is also a Director of the Australasian Music Publishers Association Limited and the Australasian Performing Right Association Limited.

After joining CBS Records in 1981, he held various positions including Local Artist Marketing Manager and National Promotions Manager. In 1990 he was appointed General Manager of East West Records before returning to Sony in 1991 to take up his current position.

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 Director since 2000

Philip is Chairman of Origin Music Group and Chairman of the Sago Group. He graduated with a Bachelor of Business degree from the University of Technology in 1980. Philip is a Fellow of Chartered Accountants Australia and New Zealand, a Member of the Financial Services Institute of Australasia, the Australian Institute of Company Directors and a Member of the Australian Institute of Management. He has previously served as a Director and Honorary Treasurer of the Craft Council of New South Wales. He was in practice as a Chartered Accountant, Auditor and Tax Agent from 1980 – 1998 and is also a Director of the Australasian Music Publishers Association Limited and Australasian Performing Right Association Limited and the foundation for Life Sciences, a charity doing research and treatment in the area of youth mental health.

Company secretary

Jonathan Carter
Since 2010

Jonathan Carter is General Counsel and Company Secretary of the Australasian Mechanical Copyright Owners Society Limited and Australasian Performing Right Association Limited, managing the legal affairs of both organisations.

After being admitted to practise in 2001, Jonathan was appointed associate to the Honourable Justice Heerey of the Federal Court of Australia, who at that time was Chair of the Court's intellectual property law panel. Jonathan worked in the intellectual property group of national law firm Allens Arthur Robinson, before taking in-house legal and management roles at Sony Music Entertainment Australia and then EMI Music Australia.

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

Directors' report (continued)

Directors' meetings

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

Directors	Board Meetings		Audit & Governance Committee		Print Music & Education Committee		Membership & Distribution Committee		Systems Development Committee		Joint Operational Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Robert Aird	6	6					5	5				
David Albert	5	6	6	6					7	7		
Marianna Annas	6	6			2	2	4	5				
Mark Callaghan	6	6	5	6	2	2					2	2
Matthew Capper	6	6	5	6					6	7		
Matthew Donlevy	6	6					5	5				
Peter Hebbes	6	6					2	5				
Ian James (Chair)	5	6	6	6					5	7		
Steve McPherson	4	6			1	2	3	5				
Simon Moor=	4	4			1	1	3	3				
Damian Trotter	4	6	4	6							1	2
Philip Walker	6	6	5	6					6	7	1*	

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

* The director attended meetings of this committee as an alternative director
= Simon Moor elected at AGM 17/11/2013

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 26 and forms part of the Directors Report for the financial year ended 30 June 2014.

Principal activities

The Company was incorporated on the nineteenth day of April 1979, as a company limited by guarantee, and commenced business on 1 January 1980.

The principal activities of the Company during the course of the financial year were the collection of fees in respect of the licensing of the reproduction in recorded form (as defined under the Copyright Act 1968) of music. The licensing functions were assumed by the Australasian Performing Right Association Ltd from 1 July 1997.

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.

Directors' report (continued)

Review and results of operations

The operating profit/(loss) after tax derived during the year by the consolidated entity and the Company were as follows:

	Consolidated		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Licence fees billed during the year	67,471	68,492	61,704	63,624
Movement in amounts owing to members but unpaid during the year	(1,001)	(2,626)	(378)	(2,087)
Amounts paid	(59,547)	(59,847)	(54,910)	(56,021)
Net revenue	6,923	6,019	6,416	5,516
Other revenue				
Management and accounting services income	100	99	79	81
Finance income	1,449	1,688	1,255	1,532
	8,472	7,806	7,750	7,129
Operating expenses	(8,472)	(7,806)	(7,750)	(7,129)
Operating profit/(loss)	-	-	-	-
Income tax benefit/(expense)	-	-	-	-
Operating profit/(loss) after income tax	-	-	-	-

Objectives

AMCOS 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.

AMCOS 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.

Our strategic priorities for 2015 remain the same: service, transparency and equitable return 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 commissions 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 APRA, across the 2015 year.

Directors' report (continued)

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 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 as they apply to the consolidated entity.

Likely developments

The consolidated entity will continue to pursue its policy of licensing the reproduction in recorded form of music and the collection of those fees.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event 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.

Indemnification and insurance of officers

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.

Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums of $19,408 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.

Members' liability

The guarantee of members in the event of the winding up of the Company is $20 for each member. At 30 June 2014 membership of the Company comprised 13,530 Full Members (2013: 12,265), resulting in a total guarantee of $270,600 (2013: $245,300).

Directors' report (continued)

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest one thousand dollars, unless otherwise stated.

Dated at Sydney this 25th day of September 2014.
Signed in accordance with a resolution of the directors:

Ian James
Director

Directors' declaration

1. In the opinion of the directors of Australasian Mechanical Copyright Owners Society Limited:
   (a) the financial statements and notes, set out on pages 29 to 52 are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2014 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.

2. The directors draw attention to Note 2(a) in the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Sydney this 25th day of September 2014.

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Ian James
Director

Corporate Governance Statement

Australasian Mechanical Copyright Owners Society Limited's ('AMCOS', 'the Company') corporate governance framework, policies and practices as at 20 February 2014 are described below. These corporate governance principles also apply to AMCOS's subsidiary company AMCOS New Zealand Limited.

Framework and practices

AMCOS is a non-profit company incorporated in New South Wales with liability limited by guarantee. It was formed in 1979 to provide for Australia a centralised means of :

- Granting licences to those wishing to reproduce in recorded form musical works and associated literary works (music); and
- Distributing royalties received pursuant to such licences to music composers, publishers and songwriters, that is, its members.

AMCOS seeks to protect its members' rights and to administer those rights in the most effective and efficient manner possible.

AMCOS's strategic priorities for 2014 financial year remain the same: to secure an equitable level of payments for music creators and their publishers, provide the strongest defence possible of their rights and the best customer service for both our members and our licensees.

In pursuing these objectives AMCOS also seeks to operate within a framework of corporate governance that provides a clear, consistent and transparent set of principles and accountability by which the Board and Management agree to be bound in the discharge of their Duties. These principles are contained in this Corporate Governance Statement which supplements AMCOS's Constitution (Memorandum & Articles of Association) and the members' input (Assignment of Right) agreements. The Corporate Governance Statement is itself supplemented by the Collecting Societies' Code of Conduct and AMCOS's Distribution Rules and Practices. The Corporate Governance Statement also recognises that, whilst the Company is principally acting for the benefit of its members, it has obligations towards other parties including its licensees, its employees and the public.

This statement and a range of documents referred to in it are available on the Company's website at http://www.apra-amcos.com.au/about/corporatedocs.aspx. This website is regularly updated and contains copies and summaries of principles and policies referred to in this statement including financial statements, reports on the Collecting Societies' Code of Conduct, diversity and sustainability practices and outcomes.

Corporate Governance Statement (continued)

Board of Directors

Role and responsibilities of the Board

The Board's primary role is the enhancement of member remuneration from the licensing of the reproduction in recorded form of right holders' musical works. The Board has a collective responsibility for directing the business activities of AMCOS to the benefit of its members.

The key responsibilities of the Board include:

- approving the strategic direction of AMCOS by establishing with management the financial and other key corporate objectives of the Company;
- the adoption and periodic review of AMCOS's strategic plan, annual budgets, financial statements and royalty distributions including monitoring financial performance against forecast and prior periods;
- the review and adoption of the annual Directors' Report and financial statements ensuring compliance with accounting standards;
- dealing with the allocation of monies in accordance with the Constitution (Article 88) and in particular determining the methods of entitlement to royalty distributions;
- monitoring the effectiveness of risk management by AMCOS Management including satisfying itself through regular reporting and review that appropriate internal control mechanisms are in place and are being implemented;
- maintaining ongoing communication with AMCOS's external auditor and where appropriate regulatory authorities, to provide reasonable assurance of compliance with all regulatory requirements;
- selecting, appointing and terminating the external auditor subject to the approval of members at the annual general meeting;
- reviewing the evaluation of the external auditor's performance and ongoing independence, undertaken by the Board's Audit and Governance Committee;
- reviewing the social, ethical and environmental impact of AMCOS's activities, setting standards and monitoring compliance with AMCOS's sustainability policies and practices;
- the appointment of the Chief Executive Officer and determination of his or her remuneration and performance criteria;
- the endorsement of Senior Management appointments;
- reviewing succession plans for the Chief Executive Officer and Senior Management;
- the admission of members and endorsement of changes in membership status;
- monitoring compliance with the Collecting Societies' Code of Conduct; and
- monitoring Work, Health and Safety issues by regularly reviewing WH&S reporting and related information.

The Board may from time to time delegate functions to Board committees but at all times ensuring the Board committees report on all relevant matters including decisions made which are then endorsed by the Board.

Corporate Governance Statement (continued)

To assist in the execution of its responsibilities the Board has established an Audit and Governance Committee, a Membership and Distribution Committee, a Print Music and Education Committee and a Systems Development Committee. These committees have written mandates and operating procedures which are reviewed on a regular basis. The Board has also established a framework for the management of the Company including a system of internal control and the establishment of appropriate ethical standards. The Board has delegated responsibility for the operation and administration of the Company to the Chief Executive Officer and Senior Management. Responsibilities are delineated by formal authority delegations.

The Board carries out its responsibilities through regular meetings with the Chief Executive Officer and other senior members of management including the Company Secretary and Chief Financial Officer.

Board size and composition

The Board is comprised of twelve full members elected by the membership for renewable three-year terms.

All members of the Board are non-executive.

The Board when filling a casual vacancy considers the mix of skills and the diversity of Board members when assessing the composition of the Board. The Board assesses existing and potential directors' skills to ensure they have appropriate industry expertise in the Company's business activities.

Board Meetings

The number and dates of meetings of the full Board are normally determined at the first meeting after the Annual General Meeting of the Company. The Board currently holds six scheduled meetings each year. This does not preclude the calling of an additional meeting at any time should a particular subject require urgent consideration.

Directors are required to:

- devote time to attending Board and Committee meetings and reading Board papers;
- make contributions to decision making;
- maintain confidentiality in relation to Board discussions, papers and deliberations;
- act in the interests of the Company at large; and
- be prepared to represent the Company at all times

All Directors are normally expected to attend meetings in person but in special circumstances attendance may be made by video or teleconference.

Board committees set their own timetables for meetings according to need.

Minutes of all Board and Committee meetings are kept by the Company Secretary and circulated to directors before the next meeting.

The agenda for meetings is prepared in conjunction with the Chair, Chief Executive Officer and Company Secretary. Standing items include the Chief Executive Officer's report, financial reports, strategic matters, governance and compliance. Board and Committee papers are circulated in advance of the meeting.

Corporate Governance Statement (continued)

The Chief Executive Officer, Chief Financial Officer and General Counsel are expected to attend Board Meetings and make presentations to Board as required. In addition, other senior managers are expected to regularly attend Board meetings and to present reports directly to the Board on matters related to their areas of the Company's activity. Directors have other opportunities, including visits to business offices, for contact with a wider group of employees.

The Board may, where it considers appropriate, convene a meeting without the attendance of the Chief Executive Officer or other management.

Chair

The Chair and Deputy Chair are elected by the full Board at the first meeting following the Annual General Meeting. The tenure of both Chair and Deputy Chair is until the close of the Annual General Meeting following their election, normally one year.

The Chair, or in their absence, the Deputy Chair, will:

- conduct Board meetings in a manner conducive to the participation of all Directors;
- seek to provide clear directions as to the Board's expectations of management;
- be the major point of contact between the Board and the Chief Executive Officer;
- be kept regularly and fully informed by the Chief Executive Officer on all operational matters which may be of relevance and/or interest to the Board; and
- review regularly with the Chief Executive Officer and such other senior managers as the Chief Executive Officer recommends, progress on major projects and significant issues facing the Company.

The Chair and either of, the Deputy Chair or the Chair of the Audit and Governance Committee regularly review and approve the Chief Executive Officer's expenses.

Management

The role of Management is to:

- develop and implement systems which will achieve the Company's strategic objectives;
- manage the day-to-day business operations of the Company; and
- advise the Board, with the assistance of such external professional advisors as required, on matters requiring deliberation or decision-making by the Board.

Corporate Governance Statement (continued)

The Chief Executive Officer

The Chief Executive Officer is appointed by and reports to the Board. The Chief Executive Officer is responsible for ensuring the most efficient allocation of resources in achieving the strategic objectives set by the Board.

The role of the Chief Executive Officer includes:

- leadership of the Management team in the day-to-day management of AMCOS's operations;
- recruiting Senior Management, subject to endorsement by the Board, determining their remuneration and performance criteria;
- supervising the preparation of the strategic objectives and annual budgets;
- ensuring systems and controls exist to allow for the delegation of responsibilities and for the proper flow of information within management; and
- representing the Company at meetings with Government, CISAC (The International Confederation of Societies of Authors and Composers), collecting societies and trade associations with which the Company has business interests.

The Chief Executive Officer and the Chief Financial Officer review and approve the Senior Managers' expenses in accordance with the Levels of Delegated Authority approved by the Audit and Governance Committee.

The Company Secretary

The Company Secretary is appointed by the Chief Executive Officer, subject to endorsement by the Board as required by the Constitution. The Company Secretary reports to the Chief Executive Officer.

The Company Secretary is responsible for:

- ensuring that the Board complies with the Company's constitution and governance framework and its statutory obligations to regulators;
- ensuring that Board members are provided with appropriate notices of an papers relating to the Board and Committee meetings; and
- organising the Company's annual general meeting and the election of Directors.

Senior Management

All appointments of Senior Management are made by the Chief Executive Officer and endorsed by the Board.

Senior Management provide annual written confirmation of compliance with the Company's policies.

Formal appraisals are conducted at least annually for all employees including Senior Management. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of co-operation and constructive dialogue with employees and Senior Management. A formal succession plan is also in place to ensure competent and knowledgeable employees fill senior positions when retirements or resignations occur.

Corporate Governance Statement (continued)

At the time of appointment all employees are required to sign an employment agreement which requires the employee to provide confidentiality undertakings in respect of all information gained through their employment, such information is to remain confidential at all times, both while they are an employee of the Company and thereafter.

A review of Senior Management's remuneration and performance criteria is made by the Audit and Governance Committee during its review of individual expense categories in the annual Budget approval process.

Employees will be reimbursed for expenses properly incurred in the performance of Company duties. The use of Company credit cards for private purposes is not permitted.

Director remuneration

The total sum of Directors' remuneration is determined by a simple resolution of members at the Company's Annual General Meeting. The sum is divided between Directors at the discretion of the Board. The Board may ask that a review be undertaken by outside experts to assist in a recommendation on the total remuneration payable to Directors.

Directors will also be reimbursed for reasonable costs incurred in attending Board, Committee and other events requiring their presence. Business class is considered appropriate for international air travel and economy class for domestic air travel, subject to protocols determined from time to time by the Audit and Governance Committee and approved by the Board.

Director education

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning the performance of directors. Directors also have the opportunity to visit Company offices and meet with management to gain a better understanding of business operations.

Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to Company information

The Board has the right on its own behalf or for individual Directors to take independent professional advice, including legal advice, at AMCOS's cost on matters relating to the Company's business and to assist them in carrying out their responsibilities.

Individual Directors may obtain independent legal advice on issues of actual or potential conflict of interest at the Company's cost, subject to the prior approval of the Chair.

All Directors have access to advice from senior internal legal advisors including the Company's General Counsel.

The Directors have unrestricted access to the Company records and all related information and receive regular detailed financial and operational reports from Senior Management. The Chair and other Directors regularly consult with the Chief Executive Officer, Chief Financial Officer and other senior executives, and may consult with and request additional information from, any of AMCOS's employees.

Corporate Governance Statement (continued)

Board committees

The Board has appointed the following Committees:

- Audit and Governance
- Membership and Distribution
- Print Music and Education
- Systems Development

The Audit and Governance Committee's responsibilities are to:

- review the Corporate Governance Statement
- oversee the integrity of the financial statements and financial reporting systems
- liaise with the external auditors in their annual audit of the financial statements
- review internal control framework and business risks assessment
- monitor the ethical standards for AMCOS
- oversee compliance with the Collecting Societies' Code of Conduct

The Membership and Distribution Committee's responsibilities are to:

- review the Distribution Rules and Practices, including changes and enhancements
- review and assess member complaints
- review the status of unidentified and dispute accounts
- review significant disputes between members
- determine allocations from the unlogged performance pool
- review and assess the AMCOS rights mandate and the opt out categories

The Print Music and Education Committee's responsibilities are to:

- review Print Music and Education licensing schemes including changes and enhancements
- supervise and direct major negotiations with licensees in relation to the contexts of print music and education

The Systems Development Committee's responsibilities are to:

- oversee the development of appropriate technology strategies for the Company
- review the capital expenditure budget for technology systems
- monitor implementation programs for new technology projects

Each Committee meets regularly and as required. Each Committee appoints its own Chair and reports to the full Board at the ensuing Board meeting.

All Committee decisions require the endorsement of the Board before implementation.

Corporate Governance Statement (continued)

Ethical decision making and accountability

Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of AMCOS. AMCOS is a good corporate citizen and complies with the letter and the spirit of the law and the Collecting Societies' Code of Conduct, whenever it does business.

The expected standards of behaviour by directors, managers and employees to members, licensees and colleagues are set out in the Company's Code of Conduct available on the website at www.apraamcos.com.au. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

Collecting Societies Code of Conduct

In July 2002, the Company, along with the other Australian copyright collecting societies, adopted a voluntary Code of Conduct. As a signatory to the code, AMCOS affirms its commitment to uphold the following standards:

- to treat all members and licensees fairly, honestly, impartially and courteously;
- to make membership open to all eligible rights owners or controllers of relevant copyrights;
- to be transparent in dealings with members;
- to maintain a clear, accessible distribution policy;
- to offer licensees plain English licences and clear information about licences; and
- to set fair and reasonable licence fees that take into account the value of the copyright material and how it will be used.

Mr Jim Burchett QC, a former Federal Court Judge and Copyright Tribunal President, was the independent Code Reviewer monitoring and reporting on the Societies' compliance with the Code each year until he passed away in September 2012. The Hon K.E.Lindgren AM, QC, was appointed Code Reviewer in November 2012 and completed the report for the years ended 30 June 2012 and 30 June 2013.

The Code Reviewer's report is posted each year, once it is released and is available, on AMCOS's website www.apraamcos.com.au.

Conflicts of interest

Directors are expected to observe the highest standards of ethical behaviour. Directors owe fiduciary duties to AMCOS, including the duties of loyalty, diligence and confidentiality.

Whilst directors represent particular members of AMCOS, their duty is to act at all times in the best interests of the Company, that is, in the best interests of all the members of the Company.

Corporate Governance Statement (continued)

Directors may not make an improper use of their position by:

- the use of information obtained or a business opportunity to gain a personal advantage or benefit which belongs to the Company;
- being a party to a business transaction with the Company or a related entity without the full knowledge and approval of the Board; and
- allowing conflicts of interest to arise without advising the Board of the circumstances.

The Corporations Act 2001 prevents a director with a material personal interest in a matter from voting on the matter at a Board meeting or being present while the matter is discussed. Although this restriction does not apply where the directors resolve that the interest should not disqualify the director from voting or being present, AMCOS's policy is to adopt the general rule in the Corporations Act, so that a director who has a material personal interest in a matter does not receive the relevant Board papers, is not present at the meeting whilst the item is considered and does not vote on the matter.

Directors must give notice to the Board of any material personal interests. The notice must give details of the nature and extent of the interest and the relation of the interest to the affairs of AMCOS. The notice must be given at a Board meeting as soon as practicable after the director becomes aware of his or her interest in the matter. Disclosure can also be made by way of a standing notice given at a Board meeting.

AMCOS employees must avoid situations or transactions in which their personal interest could, or might be seen to, conflict with those of AMCOS. An employee must immediately disclose any potential or perceived conflict of interest to their manager.

An employee must not be involved in any other company or business in any capacity including but not limited to as a director, partner, employee, consultant or agent etc, whether paid or unpaid, if there is a possibility that their personal interests could conflict with those of AMCOS, unless they first get permission from their departmental director.

Financial reporting

Approach to financial reporting

AMCOS's approach to financial reporting is based upon the following core principles:

- The financial reports present a true and fair view;
- The accounting methods comply with applicable accounting rules and policies; and
- The external auditor is independent and serves the members' interests.

The Board, through the Audit and Governance Committee, monitors Australian and international developments relevant to these principles, and reviews AMCOS's practices accordingly.

The role of the Audit and Governance Committee has been documented in a Charter which is approved by the Board of Directors. In accordance with this Charter, all members of the Committee are non-executive directors. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company.

The Committee also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

Corporate Governance Statement (continued)

The members of the Committee are elected by the Board.

The external auditors, the Chief Executive Officer, Chief Financial Officer, General Counsel and Head of Revenue are invited to Committee meetings at the discretion of the Committee.

The Chief Executive Officer and the Chief Financial Officer provided assurance in writing to the Board that the financial records of the Company for the financial year have been properly maintained; and the Company's financial reports comply with Australian Accounting Standards and present a true and fair view, in all material respects, of the Company's financial condition and operational results. This statement is required annually.

The responsibilities of the Audit and Governance Committee include:

- approve the annual Budget including the review of individual expense categories and measure performance against Budget on a quarterly basis;
- reviewing financial reports and other information distributed externally;
- monitoring corporate risk assessment processes;
- reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified appropriate and prompt remedial action is taken by management;
- considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence;
- liaising with the external auditors and ensuring that the annual statutory audits are conducted in an effective manner;
- monitoring the establishment of an appropriate internal control framework and considering enhancements;
- monitoring the establishment of appropriate ethical standards;
- monitoring the procedures in place to ensure compliance with the Corporations Act, 2001 and any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission and financial institutions;
- reviewing reports on any major defalcations, fraud and theft from the Company;
- improving the quality of the accounting function; and
- reviewing the declaration from the Company Secretary on compliance with statutory responsibilities.

The Audit and Governance Committee reviews the performance of the external auditors on an annual basis and meets with them during the year to discuss the audit plan, the year-end audit and as required.

External auditor

The external auditor's principal responsibility is to the members of AMCOS and they remain independent at all times. The role of the external auditor is to provide an independent opinion that AMCOS's financial reports are true and fair and comply with applicable regulations.

The auditors may only be removed from office by the members at a general meeting.

Corporate Governance Statement (continued)

The Board is made aware of the extent of the auditors' duties and the scope of the work performed in a "Letter of Engagement" issued by the auditors annually. To avoid possible independence or conflict issues the use of the external audit firm for any non-audit services must be assessed and approved in accordance with the pre-approval process determined by the Audit and Governance Committee.

The auditor's remuneration is negotiated at the beginning of each financial year.

The auditors meet at least twice annually with the Audit and Governance Committee, with or without the presence of Senior Management as determined by the Chair of the Committee and at least once annually with the Board.

The auditors attend the annual general meeting to answer questions from members regarding the conduct of its audit, the audit report and financial statements and its independence. The auditors also attend all general meetings of members and act as scrutineers in the event of a ballot.

Risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Governance Committee which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board on its activities.
The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities.

Risk management policies are established to identify and analyse the risks faced by AMCOS, 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 AMCOS's activities. The system is based upon written procedures, policies, guidelines, job descriptions and organisational structures that provide an appropriate division of responsibility and the careful selection and training of qualified personnel.

The Company through its training and management standards and procedures aims 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 AMCOS's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

AMCOS is exposed to each of the following risks:

- credit risk - represents the loss that would be recognised if a customer or counterparty failed to perform their contractual obligations and arises principally from AMCOS's receivables from licensees.
- liquidity risk - is the risk that the Company will not be able to meet its obligations as they fall due. AMCOS'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 Company's reputation.
- market risk - represents the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company'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.

Corporate Governance Statement (continued)

- operational risk - is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company'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.

In addition to and related to these four main types of risk AMCOS also manages the following risks:

- business risk - the risk arising from the vulnerability of a line of business to adverse changes in the business environment;
- investment risk - the potential for a financial loss arising from the recoverability of short term deposits with major banks;
- insurance risk - the risk of under-estimation of the expected loss of insured events, volatility in the number or severity of insured events and under-estimation of the cost of incurred claims;
- social, governance or environmental risks - the risk of damage to AMCOS's reputation or financial performance due to failure to recognise or address material existing or emerging sustainability related social, governance or environmental issues; and
- reputation risk – the risk to revenue or expenses from negative public opinion resulting from the loss of reputation or public trust and standing.

The Board reviews and approves the business objectives and long-term strategies and in that context approves the annual Budget. A comprehensive budgeting system is in place and actual performance is monitored and compared against the Budget.

Comprehensive risk management policies and practices have been established to manage business risks including:

- significant capital expenditure and revenue commitments, in accordance with the parameters of the delegated authority approvals policy, receive prior approval by the Board;
- major business risks are identified and assessed to ensure appropriate internal controls are in place to manage the risk;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed within the parameters of the delegated authority approvals policy;
- the quality and integrity of personnel are assessed; and
- financial reporting accuracy and compliance with the financial reporting regulatory framework is monitored.

Written confirmation of compliance with the Company's risk management policies is obtained from Senior Management of all operating departments each year.

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

Corporate Governance Statement (continued)

The primary responsibility for the development and implementation of controls to address operational risk is assigned to Senior Management within each operating division. This responsibility is supported by the development of overall Company 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 Company's standards is supported by regular reviews undertaken by a governance committee of senior executives including the Chief Executive Officer, Chief Financial Officer and General Counsel. The results of reviews are discussed with the management of the operational unit to which they relate and all significant issues arising from these reviews are brought to the attention of the Audit and Governance Committee.

Diversity

AMCOS is committed to maintaining a work place which encourages diversity including diversity of gender, age, ethnicity, cultural background, sexual orientation and religious beliefs.

The objectives of an inclusive approach in the work place are to:

- develop a work place which reflects the diverse community of our members and licensees and improves their relationship experience with AMCOS; and
- create a truly inclusive working environment where each individual staff member is able to develop their abilities regardless of gender, age, or cultural background.

AMCOS has commenced a number of initiatives to achieve these objectives including:

- assessing pay equity on an annual basis; and
- encouraging and supporting the implementation of flexible work policies and practices.

AMCOS's 2012 Equal Opportunity for Women in the Workplace report noted that the number of women in leadership roles at AMCOS increased by 40% over the year. Other initiatives included the introduction of parental and leave policies that offer more flexibility and work/life balance options for staff.

The AMCOS Board is conscious of the need to increase the proportion of women in leadership roles. At 30 June 2013 the proportion of women employed by AMCOS was as follows:

- Board of Directors: 8%
- Management roles: 40%
- Total AMCOS workforce: 51%

Corporate Governance Statement (continued)

AMCOS also invests in leadership development, further education, mentoring and coaching programs. AMCOS's reward and recognition scheme is aligned with market practice. The scheme recognises individual and team achievements and a well communicated commitment to maintaining a respectful and collaborative work environment.

Staff surveys are undertaken from time to time to identify specific needs of employees including specific diversity issues.

Corporate sustainability

Sustainability has always been a key consideration in every aspect of AMCOS's business. Building a strong, financially viable business, maintaining an engaged workforce, investing and connecting with the community and the industry that sustains us and reducing our environmental impact is important to our long term success.

AMCOS reported on its social, ethical and environmental performance in its first Sustainability Report for 2012, as an internal report only. The report was prepared using the Global Reporting Initiative guidelines. AMCOS published its first public Sustainability Report for 2013 in conjunction with its full annual report which is available on the Company's website at www.apraamcos.com.au.

Our management and reporting of sustainability aim to address the issues AMCOS believes are the most material for our business and stakeholders, now and in the future. AMCOS understands sustainability is an evolving area and seeks to progressively implement the management of sustainability issues into the business as normal practice.

AMCOS also seeks to contribute to public policy development and debate on issues that affect our members and licensees including copyright, national cultural policy and media convergence.

Member communication and participation

The Board of Directors aims to ensure the members are informed of all major developments affecting the Company's operations. Information is communicated to members as follows:

- the annual report is made available to all members entitled to vote at and attend the annual general meeting. The Board ensures that the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- proposed major changes in the Company which may impact on the articles of association are submitted to a vote of members;
- the Company's Internet website at www.apraamcos.com.au; and
- Company publications, which discuss all issues of interest to members including "APRAP", "Antenna", "Bytes" and "Upbeat".

The Board encourages full participation of members at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the members as single resolutions.

Corporate Governance Statement (continued)

The members are responsible for voting on the appointment of directors.

In addition, the Company provides services to members including:

- disputed ownership resolution procedures;
- membership grievance procedures;
- a free "1800" phone line for interstate members;
- regular meetings, seminars, workshops and other events for members in major capital cities and regional centres; and
- communication by broadcast emails and a membership mobile app.

Privacy and confidentiality

The Company respects the privacy of individuals and the confidentiality of the commercial information owned by its members and its licensees. The Company's privacy policy which is on the Company's website at www.apraamcos.com.au details how the Company maintains, uses and under what circumstances discloses, personal information. The Company equally adheres to the principles of open and accountable administration of its own affairs.

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

To: the directors of Australasian Mechanical Copyright Owners Society Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 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
25th September 2014

Independent auditor's report to the members of Australasian Mechanical Copyright Owners Society Limited

We have audited the accompanying financial report of Australasian Mechanical Copyright Owners Society Limited (the Company), which comprises the statements of financial position as at 30 June 2014, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 21 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the consolidated entity comprising the Company and the entity it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report
The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Director's determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a) the directors also state, in accordance with Australian Accounting Standard AASB101 *Presentation of Financial Statements*, that the financial statements of the Company and the consolidated entity comply with International Financial Reporting Standards.

Auditor's responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and the consolidated entity's financial position and of their performance.

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

Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Independent auditor's report to the members of Australasian Mechanical Copyright Owners Society Limited (continued)

Auditor's opinion

In our opinion:

(a) the financial report of Australasian Mechanical Copyright Owners Society Limited is 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 2014 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

KPMG

KPMG

Cameron Slapp
Partner
Sydney
25th September 2014

Statements of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000	The Company 2014 $'000	The Company 2013 $'000
Revenue from rendering of services	5	7,023	6,118	6,495	5,597
Secretariat expenses	6	(605)	(471)	(575)	(372)
Licensing expenses		(7,867)	(7,335)	(7,175)	(6,757)
Results from operating activities		(1,449)	(1,688)	(1,255)	(1,532)
Finance income	7	1,449	1,688	1,255	1,532
Profit/(loss) before income tax expense		-	-	-	-
Income tax benefit /(expense)	9	-	-	-	-
Profit/(loss) for the year		-	-	-	-
Other comprehensive income for the year – items that may be subsequently reclassified to profit or loss:					
Foreign currency translation differences for foreign operations		14	11	-	-
Total comprehensive income for the year		14	11	-	-

The statements of profit or loss and other comprehensive income are to be read in conjunction with the notes to the financial statements set out on pages 33 to 52.

Statements of changes in equity
For the year ended 30 June 2014

	Distribution reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total members' equity $'000
Consolidated				
Balance at 1 July 2012	85	(23)	386	448
Profit/(loss) for the year	-	-	-	-
Other comprehensive income net of tax	-	11	-	11
Total comprehensive income and expense	-	11	-	11
Balance at 30 June 2013	85	(12)	386	459
Balance at 1 July 2013	85	(12)	386	459
Profit/(loss) for the year	-	-	-	-
Other comprehensive income net of tax	-	14	-	14
Total comprehensive income and expense	-	14	-	14
Balance at 30 June 2014	85	2	386	473
The Company				
Balance at 1 July 2012	85	-	231	316
Profit/(loss) for the year	-	-	-	-
Other comprehensive income net of tax	-	-	-	-
Total comprehensive income and expense	-	-	-	-
Balance at 30 June 2013	85	-	231	316
Balance at 1 July 2013	85	-	231	316
Profit/(loss) for the year	-	-	-	-
Other comprehensive income net of tax	-	-	-	-
Total comprehensive income and expense	-	-	-	-
Balance at 30 June 2014	85	-	231	316

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 33 to 52.

Statements of financial position
As at 30 June 2014

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000	The Company 2014 $'000	The Company 2013 $'000
Current assets					
Cash and cash equivalents	10	7,004	2,319	5,902	1,798
Cash on deposit	10	29,364	31,362	26,278	28,363
Trade and other receivables	11	16,867	12,134	15,786	11,565
Total current assets		53,235	45,815	47,966	41,726
Non-current assets					
Investments	12	-	-	-	-
Property, plant and equipment	13	6,010	6,052	6,010	6,052
Total non-current assets		6,010	6,052	6,010	6,052
Total assets		59,245	51,867	53,976	47,778
Current liabilities					
Trade and other payables	14	10,197	3,664	9,121	3,123
Licence fees owing but unpaid	15	47,871	46,870	43,860	43,482
Deferred income		704	874	679	857
Total liabilities		58,772	51,408	53,660	47,462
Net assets		473	459	316	316
Members' equity					
Retained earnings		386	386	231	231
Reserves	16	87	73	85	85
Total members' equity		473	459	316	316

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 33 to 52.

Statements of cash flows
For the year ended 30 June 2014

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000	The Company 2014 $'000	The Company 2013 $'000
Cash flows from operating activities					
Cash receipts in the course of operations		70,646	72,758	64,521	67,350
Royalties paid		(65,809)	(65,080)	(60,818)	(61,105)
Other cash payments in the course of operations		(3,656)	(8,274)	(2,939)	(7,600)
Interest received		1,438	1,676	1,255	1,532
Net cash provided by operating activities	21(b)	2,619	1,080	2,019	177
Cash flows from investing activities					
Payments for property, plant and equipment		-	-	-	-
Decrease/(Increase) in cash on deposit		1,998	(27,805)	2,085	(24,806)
Net cash used in investing activities		1,998	(27,805)	2,085	(24,806)
Net increase/(decrease) in cash held		4,617	(26,725)	4,104	(24,629)
Cash at the beginning of the financial year		2,319	28,800	1,798	26,427
Effect of exchange rate fluctuations on cash held		68	244	-	-
Cash at the end of the financial year	21(a)	7,004	2,319	5,902	1,798

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 33 to 52.

Notes to the financial statements

1 Reporting entity

Australasian Mechanical Copyright Owners Society Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiary (together referred to as the "consolidated entity").
The principal activities of the Company during the course of the financial year were the collection of fees in respect of the licensing of the reproduction in recorded form (including gramophone records, compact discs, audio and video cassettes, films, digital works, and audio-visual music programmes) of music.

2 Basis of preparation

(a) 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 comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 25 September 2014.

(b) Basis of measurement

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

(c) Functional and presentation currency

The consolidated financial statements have been prepared in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

(d) 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 and 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. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 19.

Notes to the financial statements

2 Basis of preparation (continued)

(e) Going concern

As at 30 June 2014, consolidated current liabilities exceed consolidated current assets by $5,537,000 (2013: $5,593,000). The directors believe it is appropriate to prepare the 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 in the next twelve months.

(f) Presentation of financial statements

The Company has applied ASIC Class Order 10/654 which permits entities to continue to include parent entity financial statements in their financial reports.

3 Significant accounting policies

The accounting policies set out below have been applied consistently by each entity in the consolidated entity and to all periods presented in these financial statements.

(a) Basis of consolidation

(i) 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. The accounting policies have been changed where necessary to align them with the policies adopted by the consolidated entity.

(ii) 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.

(b) Foreign currency

(i) 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.

Notes to the financial statements

3 Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) 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.

(c) Revenue recognition

Revenue from rendering of services

Royalty income is defined as the gross licence fees collected by the consolidated entity, from the licensing of the reproduction in recorded form (including gramophone records, compact discs, audio and video cassettes, films, digital works and audio-visual music programmes) of music under its control. The licence fees collected are based on information provided by copyright users. The consolidated entity's ability to verify the accuracy of this information is restricted. However, at the discretion of the consolidated entity, the information is subject to periodic investigation by external consultants acting on behalf of the consolidated entity.

Distributable revenue comprises gross licence fees collected less a fixed commission rate to cover the consolidated entity's expenses. The commission earned by the consolidated entity is disclosed as revenue from rendering of services. The fees are calculated using standard charges per each reproduction sold. The distributable revenue is distributed to copyright owners on a quarterly basis.

Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Taxation

The Income Tax Assessment Act 1997 was amended during the year ended 30 June 2006.
Under the "Tax Laws Amendment (2004 Measures No 6) Act 2005 Schedule 2 – Collecting Societies", the Company attained tax exempt status for copyright income, and non-copyright income up to certain limits. As a result the Australian Company is no longer taxed on any copyright income it collects and holds on behalf of members, pending distribution to them. Additionally the Company will not be 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.

Notes to the financial statements

3 Significant accounting policies (continued)

(e) Taxation (continued)

Income tax expense comprises current and deferred tax and is recognised in statements of profit or loss and other comprehensive income.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not recognised: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The measurement of deferred tax reflects the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) Impairment

(i) Financial assets

A financial asset (including receivables) not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.
All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversals are recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Notes to the financial statements

3 Significant accounting policies (continued)

(f) Impairment (continued)

(ii) Non Financial assets

The carrying amounts of the consolidated entity's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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.

(g) Employee benefits

The consolidated entity does not have any employees.

(h) Trade and other receivables

Trade and other receivables are stated at amortised cost less impairment losses (see accounting policy 3(f)(i)). Trade debtors are normally settled within 60 days.

(i) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received and are stated at amortised cost. Trade accounts payable are non-interest bearing and are normally settled within 60 days.

(j) Financial instruments

(i) 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.

Notes to the financial statements

3 Significant accounting policies (continued)

(j) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.
Accounting for interest income is discussed in note 3(c).

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

(ii) Derivative financial instruments

The consolidated entity is exposed to changes in interest rates and foreign exchange rates. The consolidated entity does not use derivative financial instruments to hedge these risks.

(k) Provisions

A provision is recognised if the consolidated entity has a present legal, equitable or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is treated as part of the expense related to the particular provision.

(l) Property, plant and equipment

(i) 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 asset to a working condition for its 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 "other expenses" in profit or loss.

(ii) Subsequent Costs

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

Notes to the financial statements

3 Significant accounting policies (continued)

(l) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

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

- Buildings 100 years

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

(m) New standards and interpretations not yet adopted.

There are a number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the consolidated entity, except for AASB 9 *Financial Instruments*, which becomes mandatory for the consolidated entity's 2019 consolidated financial statements and could change the classification and measurement of financial assets. The consolidated entity does not plan to adopt this standard early and the extent of the impact has not been determined.

4 Members' liability

The guarantee of members in the event of the winding up of the Company is $20 for each member. At 30 June 2014 membership of the Company comprised 13,530 Full Members (2013: 12,265), resulting in a total guarantee of $270,600 (2013: $245,300).

Notes to the financial statements

	Consolidated		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
5 Revenue from rendering of services				
Revenue from licence fees				
Owing but unpaid at 1 July to members and affiliated societies	46,870	44,244	43,482	41,395
Billed during the year	67,471	68,492	61,704	63,624
	114,341	112,736	105,186	105,019
Less: Amounts paid during the year to members and affiliated societies	(59,547)	(59,847)	(54,910)	(56,021)
Owing but not paid at 30 June to members and affiliated societies (note 15)	(47,871)	(46,870)	(43,860)	(43,482)
License fees retained to meet operating expenses	6,923	6,019	6,416	5,516
Management and accounting services income	100	99	79	81
	7,023	6,118	6,495	5,597

6 Secretariat expenses

Directors fees	169	171	169	171
Net foreign exchange loss	2	1	2	1
Depreciation	42	42	42	42
Other expenses	392	257	362	158
	605	471	575	372

7 Finance income

Finance income	1,449	1,688	1,255	1,532

Notes to the financial statements

8 Auditor's remuneration

	Consolidated 2014 $	Consolidated 2013 $	The Company 2014 $	The Company 2013 $
Audit services:				
Auditors of the company - KPMG				
– Audit of the financial report	43,500	42,000	35,215	34,000
Other services:				
Auditors of the company - KPMG				
– Taxation	11,191	10,017	6,000	6,000
– Other services	4,000	5,000	4,000	5,000
	58,691	57,017	45,215	45,000

9 Income tax expense

As disclosed at note 3(e) the Australian Company is tax exempt with respect to copyright income and non-copyright income up to certain limits. Amounts of non-copyright income above the prescribed limits are taxed at the top marginal tax rate for individuals (currently 46.5%). Non-copyright income did not exceed the prescribed limits in 2014 or 2013. The New Zealand subsidiary is taxed in accordance with the company tax law in New Zealand and at 30 June 2014 has a tax liability of $nil (2013: $nil).

10 Cash, cash equivalents and cash on deposit

	Consolidated 2014 $'000	Consolidated 2013 $'000	The Company 2014 $'000	The Company 2013 $'000
Cash at bank	7,004	2,319	5,902	1,798
Cash on deposit	29,364	31,362	26,278	28,363
	36,368	33,681	32,180	30,161

Cash on deposit are term deposits with a term of greater than 90 days. Interest rates as at 30 June 2014 are between 3.07% and 3.17% (2013: 2.59% and 4.06%), which are the prevailing interest rates on cash at bank and cash on deposit.

Notes to the financial statements

	Consolidated		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
11 Trade and other receivables				
Current assets				
Trade and other receivables	16,886	12,214	15,797	11,629
Less: Provision for impairment losses	(19)	(80)	(11)	(64)
	16,867	12,134	15,786	11,565
12 Investments				
Investment in controlled entity – at cost of $1	-	-	-	-

Notes to the financial statements

13 Property, plant & equipment

	Consolidated & The Company			
	$'000	$'000	$'000	$'000
	Land	Building	Plant & Equipment	Total
Cost				
Balance at 1 July 2012	2,000	4,217	24	6,241
Acquisitions	-	-	-	-
Balance at 30 June 2013	2,000	4,217	24	6,241
Balance at 1 July 2013	2,000	4,217	24	6,241
Acquisitions	-	-	-	-
Balance at 30 June 2014	2,000	4,217	24	6,241
Depreciation and Impairment Losses				
Balance at 1 July 2012	-	147	-	147
Depreciation charge for the year	-	42	-	42
Balance at 30 June 2013	-	189	-	189
Balance at 1 July 2013	-	189	-	189
Depreciation charge for the year	-	42	-	42
Balance at 30 June 2014	-	231	-	231
Carrying amounts				
At 1 July 2012	2,000	4,070	24	6,094
At 30 June 2013	2,000	4,028	24	6,052
At 1 July 2013	2,000	4,028	24	6,052
At 30 June 2014	2,000	3,986	24	6,010

Included in land and buildings are amounts of $2,000,000 and $4,028,000 respectively which represent a 25% interest in the jointly owned land and buildings at Ultimo, Sydney. The asset is jointly owned with Australasian Performing Right Association Limited.

Notes to the financial statements

	Consolidated		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
14 Trade and other payables				
Trade creditors and accruals	7,790	3,664	6,961	3,066
Management fee payable to APRA	2,407	-	2,156	-
Amounts owed to controlled entity	-	-	4	57
	10,197	3,664	9,121	3,123
15 Licence fees owing but unpaid				
Amounts owing to copyright owners and affiliated societies	47,871	46,870	43,860	43,482

16 Reserves

Distribution reserve

During the financial year ended 30 June 2006, the Australasian Mechanical Copyright Owners Society Limited Board resolved to establish a distribution reserve for the purposes of dealing with the prospect of major projects related to the administration of mechanical rights. The distribution reserve was established by transferring $640,000 from licence fees owing but unpaid in respect of licensing sources for which no distribution information was available. In the 2012 financial year $440,000 was transferred from the reserve into retained earnings to fund a loss within the Company arising from an excess of distributions over revenue earned during the year. The closing balance in the reserve is $85,000 (2013: $85,000).

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of the foreign operations results to the presentation currency. Refer Note 3(b) for accounting policy. The closing balance in the reserve for the consolidated entity is a credit balance of $2,000 (2013: a debit balance of $12,000).

Notes to the financial statements

17 Related parties

Key management personnel compensation

The key management personnel compensation included in directors fees (see note 6) are as follows:

	Consolidated		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Short term Director's benefits	169	171	169	171

Other key management personnel transactions

Director related entities of the Company or its controlled entity may from time to time receive licence fees for the reproduction of music in a recorded form. The licence fee payments are on the same terms and conditions as those made to other members of the Company and its controlled entity.

Controlled entity

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

Royalties received from the subsidiary company during the year ended 30 June 2014 were $nil (2013: $nil). There are no balances owing from the controlled entity and balances owing to the controlled entity are set out in note 14.

18 Segment information

The consolidated entity operates in one business segment being the promotion and protection of the interests of music publishers and writers owning or controlling the copyright in musical works. The consolidated entity operates entirely within Australasia.

19 Financial instruments

(a) 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.

Notes to the financial statements

19 Financial instruments (continued)

(a) Financial risk management (continued)

Overview (continued)

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 has established the Audit and Governance Committee which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board 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 consolidated activities. 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 specific geographical concentration.
The Audit and Governance Committee has established a credit policy under which defaulting licensees are pursued rigorously with the assistance of a collection agency.

The consolidated entity has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is that trade debtor balances are assessed on an individual account basis and provided for when recovery is considered doubtful.

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.

Notes to the financial statements

19 Financial instruments (continued)

(a) Financial risk management (continued)

Liquidity risk (continued)

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.

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 functional currency 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 and short-term deposit balances. The weighted average interest rate on cash and short-term deposits of $33,681,000 at 30 June 2013 is 3.81% (2012: $32,357,000, 5.05%). 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 group policy not to hedge this exposure to foreign exchange risk. The New Zealand entity is translated in accordance with the policy at note 3(b).

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 the 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 indentified;

Notes to the financial statements

19 Financial instruments (continued)

(a) Financial risk management (continued)

Operational Risk (continued)

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

(b) Fair values

The carrying value of financial assets and liabilities in the balance sheet approximate their fair values.

(c) 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:

	Consolidated		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade receivables	16,718	12,124	15,629	11,555
Other receivables	149	10	157	10
Cash, cash equivalents and cash on deposit	36,368	33,681	32,180	30,161
	53,235	45,815	47,966	41,726

The consolidated entity's most significant customer, a provider of digital works, accounts for $3,610,000 of the trade and other receivables carrying amount at 30 June 2014 (2013: $4,335,000).

Notes to the financial statements

19 Financial instruments (continued)

(c) Financial transactions (continued)

Credit risk (continued)

Impairment losses

The aging of the consolidated entity and the Company's trade and other receivables at the reporting date was:

	Consolidated		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Not past due	7,277	9,167	6,431	8,949
Past due 0-30 days	3,820	946	3,665	706
Past due 31-120 days	4,000	1,806	3,950	1,714
Past due 121 days and greater	1,789	295	1,751	260
	16,886	12,214	15,797	11,629
Impairment provision	(19)	(80)	(11)	(64)
	16,867	12,134	15,786	11,565

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

	Consolidated		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Balance at 1 July	(80)	(108)	(64)	(81)
Impairment loss recognised	(19)	(80)	(11)	(64)
Provision reversed in the year	80	108	64	81
Balance as at 30 June	(19)	(80)	(11)	(64)

The reversal in the provision was due to the resolution of disputed balances and increased the amount distributable to members.

Liquidity risk

The contractual maturities of financial liabilities, as represented by trade and other payables (note 14) and licence fees owing but unpaid (note 15), are all within one year. The carrying amount of these liabilities also represents the contractual cash flows.

Notes to the financial statements

19 Financial instruments (continued)

(c) **Financial transactions (continued)**

Currency risk

Profile

The Company and consolidated entity do not have any significant exposure to foreign currency receivables or payables at 30 June 2014: $nil (30 June 2013: $nil). The consolidated entity has exposure to the New Zealand dollar due to its investment in the New Zealand subsidiary.

Sensitivity analysis

A 10 percent strengthening or weakening of the Australian dollar against the New Zealand dollar at 30 June would not have materially increased/ (decreased) the consolidated entity's equity at 30 June 2014 or 30 June 2013.

Interest rate risk

Profile

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

	Consolidated Carrying amount		The Company Carrying amount	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Fixed rate instruments				
Cash on deposit	29,364	31,362	26,278	28,363
Variable rate instruments				
Cash at bank	7,004	2,319	5,902	1,798

Sensitivity analysis

If interest rates had changed by plus (or minus) 1% per annum from the year end interest rate, with all other variables held constant, the consolidated entity profit before income tax expense for the year would have been $70,831 higher / (lower) (2013: $18,103). In the Company the profit before income tax expense for the year would have been $59,024 higher / (lower) (2013: $17,979).

Notes to the financial statements

20 Capital expenditure commitments

The Company and the consolidated entity have no commitments for capital expenditure as at 30 June 2014 (2013: $nil).

Following its meeting of the Board of Directors held on 24 July 2014, The Company entered into an agreement for the purchase and development of information technology infrastructure. The value of the commitment under this contract is $13.0m AUD, with total project costs approved by the Board of Directors of $20.9m AUD.

This project carries with it significant risks. Primarily, those risks are associated with the possible over-run, or change of scope of the project, both of which could result in costs which exceed those approved by the Board. This risk is mitigated as much as possible with the secondment of a specific team from the business comprised of subject matter experts, joining the contracted party on-site to manage both scope and delivery. Further, the contract entered into is on a fixed price basis for the delivery of a specific set of objectives, with that set of objectives forming part of the contract.

To govern this project a stand-alone governance structure has been created involving all members of the highest ranks of management together with the CEO (the Steering Committee) and the creation of a sub-committee of the Board to oversee the project (the Systems Development Committee). The Systems Development Committee receives regular information from the Steering Committee as to the progress of the project, items of risk identified along its critical path and detailed financial information in respect of project costs.

The board considers the delivery of this technology essential to the future operations of the company and its ability to deliver 'best in class' services to members.

This project and the resulting technology asset is shared with Australasian Performing Right Association Limited on an ownership basis of 25% interest held by The Company, and 75% held by Australasian Performing Right Association Limited.

21 Notes to the statements of cash flows

(a) Reconciliation of cash

For the purposes of the Statements 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 Statements of cash flows is reconciled to the related items in the balance sheets as follows:

	Consolidated		The Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash assets	7,004	2,319	5,902	1,798

Notes to the financial statements

21 Notes to the statements of cash flows (continued)

(b) Reconciliation of profit/(loss) after income tax to net cash provided by operating activities

(Loss)/profit after income tax	-	-	-	-
Adjustment for depreciation	42	42	42	42
Net cash (used in)/provided by operating activities before change in assets and liabilities	42	42	42	42
Change in assets and liabilities during the financial year:				
(Increase)/decrease in trade receivables	(4,733)	(3,565)	(4,221)	(3,582)
Increase in trade and other payables	6,309	2,224	5,820	1,630
Increase in unpaid licence fees	1,001	2,379	378	2,087
Net cash provided by operating	2,619	1,080	2,019	177