

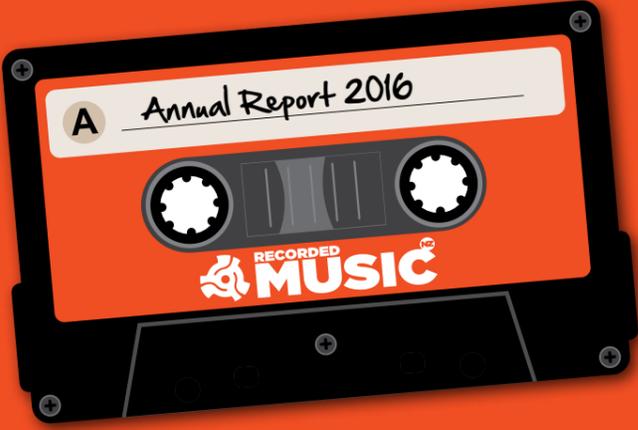


 **RECORDED**  
**MUSIC** <sup>NZ</sup>  
ANNUAL REPORT 2016



Cover image:  
New Zealand-made amplifiers on display in  
Volume: Making Music in Aotearoa.  
© Topic Photography, courtesy of Auckland Museum.

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Designed by Mark Roach.



## RECORDED MUSIC NEW ZEALAND LIMITED

Annual Report for the year ended 31 December 2016

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### APPROVAL OF ANNUAL REPORT

In the opinion of the Directors of Recorded Music New Zealand Limited ('the Company') the financial statements and notes, on pages 18 to 23:

- comply with New Zealand generally accepted accounting practice and present fairly the financial position of the Company as at 31 December 2016 and the results of operations for the year ended on that date;
- have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the annual report including the financial statements of Recorded Music New Zealand Limited for the year ended 31 December 2016.

*Chris Caddick*

**Chris Caddick, Chairman**  
Dated 24.04.17

**Adam Holt, Director**  
Dated 24.04.17



## CHAIRMAN'S REPORT

2016 was another successful year for Recorded Music New Zealand with revenues and payouts once again reaching record levels.

The music market is showing pleasing signs of recovery after a decade and a half of decline and it's pleasing to see Recorded Music New Zealand contributing meaningfully to the turnaround.

In 2016 we welcomed Paul McKessar to the Board following his election in May, and welcomed back Peter Baker, in the two positions that are voted for every three years. The new Board is committed to a strategy of steady growth from licensing activities; and has a determination to see Government provide a robust legal framework to both protect and reward creators and owners of recorded music in the digital era. Structural changes in the organisation in 2017 will provide greater focus on achieving our goals.

My thanks to the Board for their enthusiasm and commitment, and to the management and staff for their hard work during what was another outstanding year for Recorded Music New Zealand.

*Chris Caddick*

**Chris Caddick**  
**Chairman, Recorded Music NZ**



## BIC RUNGA

Bic is one of the most successful and influential musicians in our country's music history. She has already received more New Zealand music awards than any other solo artist, an appointment to the NZ Order of Merit and albums going more than 20x platinum. Bic was given the Legacy Award at the 2016 VNZMA and inducted into the New Zealand Music Hall of Fame.

Photo: Topic Photography





# CHIEF EXECUTIVE'S REPORT

After a decade and a half of industry disruption and decline, 2016 has seen the New Zealand recorded music industry report back to back years of double digit growth. We're delighted to see this continued improvement thanks largely to the unprecedented rise of digital music consumption and specifically streaming services offering consumers more choice as to accessing and enjoying music in the digital age.

In 2016 revenues for the local industry increased by **16%** to **\$86.2m** which was a further improvement on the **12%** growth in 2015.

Streaming is the number one medium for music consumption and now generates **50%** of the total industry revenues. Whilst both digital downloads and physical product experienced declines they remain very important revenue streams to the industry as does the revenue generated via our collective licensing.

At Recorded Music New Zealand we have continued to focus our efforts across our three strategic areas: Maximising our collective licensing revenue; delivering world class services to our membership; and protecting and promoting music via our ProMusic activities.

I am pleased to report that we have met our goals in each area and achieved our collective licensing revenue targets. We will pay out a record distribution of \$11m in royalties to members this year.

## LICENSING REVENUE

We achieved another year of licensing income growth in 2016 achieving **\$14.2m** which represents **4%** growth.

Once again this was driven primarily by Public Performance licensing growth (**9%**) which comprises our OneMusic and direct Recorded Music NZ public performance licensing activities. The growth was generated via detailed management of existing accounts, continual and increased focus on new business and focused compliance efforts.

As digital music platforms have emerged and flourished, the commercial radio and television broadcasters are also experiencing disruption. Increasingly advertising spends are spread across multiple media. Whilst Recorded Music NZ managed to see small growth in radio and television licensing including the licensing of subscription video on demand services, we expect this disruption to continue in 2017.

Despite certain rights withdrawals from our members, we also managed to complete partial licences with major webcasting services and we undertook a review of the licensing of airlines operating within and from New Zealand.

In 2017 our key licensing focuses will be the licensing and broadcast of our members repertoire on radio in NZ, an introduction of a new licence scheme for cinema exhibitors, hotels and conference centres via OneMusic, compliance across all SVOD services and developing our licensing throughout the Pacific Islands.

## MEMBER SERVICES

### Data, Charts and Distribution

2016 produced a distributable income to members of **\$11m** (for distribution in 2017); this represents an increase of **4%** on the previous year.

The current number of NZ recording artists now registered in the Direct-to-Artist royalty scheme is **2528**. This is a **14%** increase on membership since December 2015 (a record 312 newly registered NZ Recording Artists).

We have continued to expand and improve our data collection methods and system capabilities in sourcing accurate data, not only from our broadcast and public performance licensees but all physical and digital retailers as well.

An indicative example, we received over 2 billion on-demand audio streams in 2016 and we now receive more than 80 million on-demand streams each and every week. In 2017 the volume will double.

As this music consumption continues to grow our primary focuses are to improve our system capabilities, analysis tools, subsequent reporting to membership, accuracy of distributions and that the charts reflect local music consumption and popularity.

In 2016 we incorporated on demand streaming data into the album charts, and introduced a new methodology for the Heatseeker Charts (fastest-risers outside the main chart) and 'bullets' across all four charts: Albums, Singles, NZ Albums and NZ Singles.

There were a record equalling 8 number one kiwi albums in 2016 (**Sol3 Mio, Hollie Smith, Anika Moa, Broods, Aaradhna, The Koi Boys, Prince Tui Teka and Devilskin**).

### Celebrate, Support and Promote

The 51st annual celebration of the **Vodafone New Zealand Music Awards** were held on 17th November 2016 at Auckland's Vector Arena.

- There were performances by **Shapeshifter, Tami Neilson, Kings, Maala, Fat Freddy's Drop, Aaradhna** and a very special performance by **Bic Runga** and friends.
- For the second year in a row **Broods** won Album of the Year, this time for their second album 'Conscious'; and they also took home single of the year for their song 'Free'.
- Legendary songstress **Bic Runga** received the 2016 NZ Herald Legacy Award and was inducted into the NZ Music Hall of Fame.
- As part of the awards build up, **The Artisan Awards** were launched as a new and unique stand-alone event to acknowledge and honour the talent behind the scenes: engineers, producers, visual artists and film makers.



**Broods Conscious**  
(Dryden Street / Universal Music)  
**Album of the Year, Best Pop Album, Best Group, Best Producer, Best Engineer, People's Choice Award, and Single of the Year ('Free').**



**VNZMA 2016**  
Media advertising



**VNZMA 2016**  
Best Maori Album winner Rob Ruha (centre) with Tiki Taane and Marlon Williams. Photo: Topic Photography



## CHIEF EXECUTIVE'S REPORT

continued from previous page

- Broadcast live on TV3 for the second year in a row, the 2016 VNZMA show was once again one of our most successful shows ever in terms of coverage and exposure.
- The awards remain an evolving celebration and we are looking forward to adjusting existing aspects and introducing new elements in 2017

Developed and created by Mark Roach, **Volume: Making Music in Aotearoa** was launched with our colleagues at APRA in late 2016 at the Auckland Museum. The first-ever major exhibition of New Zealand music, taking visitors through an interactive musical journey of our home-grown music throughout the decades.

Recipients in 2016 of **Recorded Music NZ Music Grants** were: The Play It Strange Trust, NZ Musician, Te Ora Hou Otautahi Inc, Tribal Roots Charitable Trust, APRA (Songhubs), applicants to attend the RELEASE programme

(Katie Thompson, Mel Parsons, Tim Couch), Studio Link, The YAMI Sounz Summit, CHART, MMF (seminar series), NZ Music Commission (music month), The Parachute Arts Trust, The Dunedin Fringe Arts Trust, IMNZ for Going Local and Going Global projects, Greg Haver for the NZ Producer Series, Whakaatu Whanaunga Trust, Tikidub Productions Ltd along with the ongoing support of the work of the NZ Music Foundation.

### PROMUSIC

Legal digital music services continue to grow strongly although **stream ripping** still remains a real challenge. The latest figures from Horizon Research New Zealand in October 2016 show that over 21% of respondents who had used sites or apps to listen to music online in the preceding 3 month period had either used YouTube – MP3 or YouTube 2MP3 to rip music from YouTube. This is equivalent to over 500,000 kiwis over a 3 month period.

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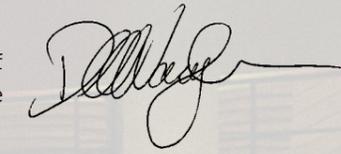
YouTube is also an issue in respect of the extent of application of the safe harbour regime with consequent deficiencies in **notice and take down** and the **value** paid for the playing of our artists' music. We continue to lobby actively for legislative change and improvements on both counts.

We succeeded through TPP to secure **term extension** for sound recordings from 50 years to 70 years but this is now unlikely to come to pass given the US's withdrawal from the agreement. We will compile a submission (with economic evidence) to put pressure on the Government to bring New Zealand up to the standard that applies throughout the rest of the western world and legislate for a 70 year term irrespective of a trade deal.

Both term extension and an amendment to our safe harbour regime to close the **value gap** remain our top lobbying priorities for 2017.

We are buoyed by the positive changes occurring in our industry and we are optimistic about what 2017 will bring. The projects and initiatives that we will pursue this year will undoubtedly present us with many challenges but equally significant opportunities to continue the improving health and vitality of recorded music in NZ.

My thanks to the Recorded Music Board and the various committees, and a special thank you to the Recorded Music staff for their continual dedication and commitment.



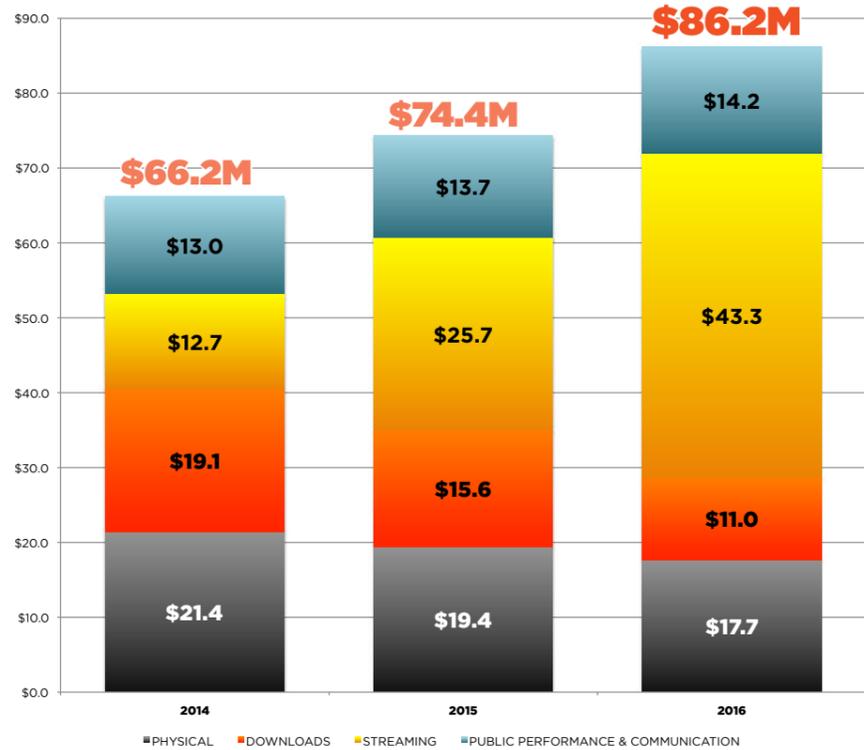
**Damian Vaughan**  
Chief Executive Officer,  
Recorded Music NZ



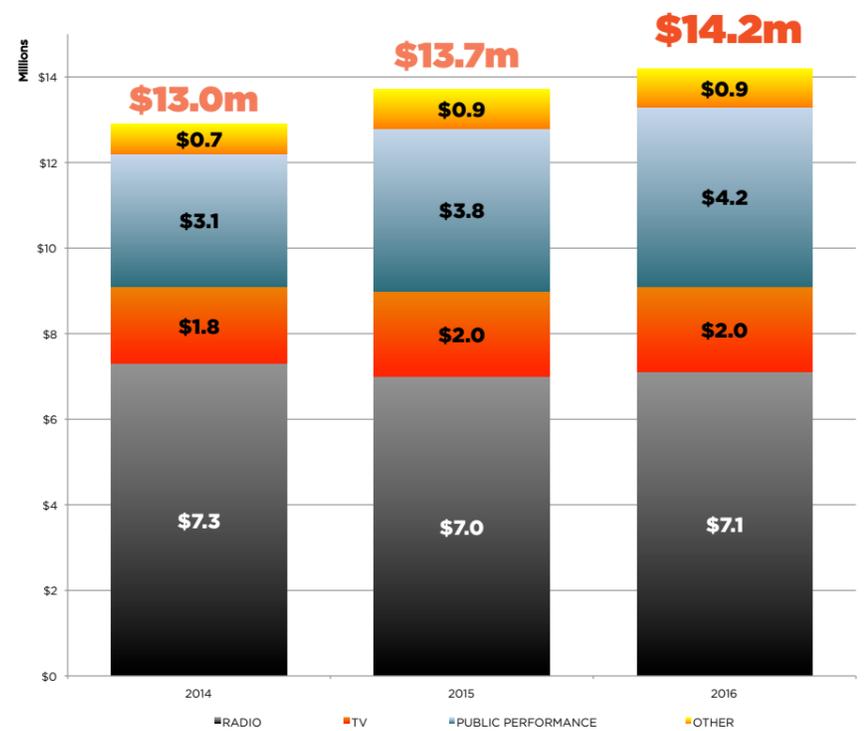
L-R: Tom Broome, Chip Matthews, Paul McLaney, Jol Mullholland, Ria Hall, Laughton Kora and Matthias Jordan perform at the opening of **Volume: Making Music in Aotearoa** at Auckland Museum.  
Photo: Topic Photography.

# REVENUE SUMMARY 2016

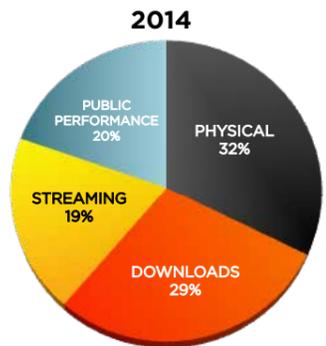
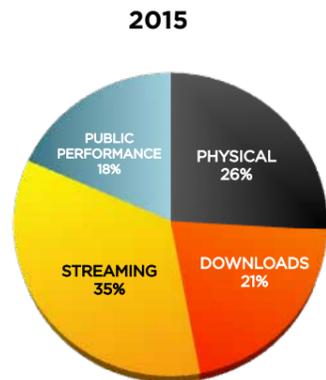
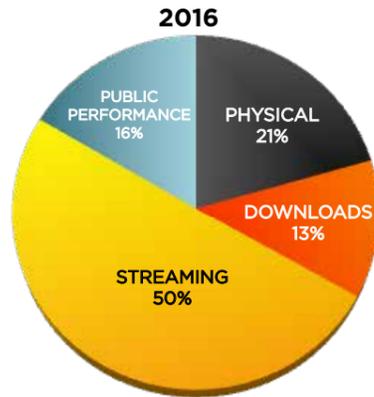
## WHOLESALE REVENUES



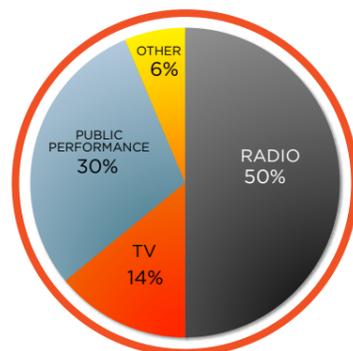
## PUBLIC PERFORMANCE & COMMUNICATION REVENUES



## INDUSTRY REVENUE BY TYPE



## 2016 RECORDED MUSIC NZ LICENSING REVENUE BY TYPE



## RECORDED MUSIC NZ PRESENTS VODAFONE NEW ZEALAND MUSIC AWARDS

# ARTISAN AWARDS 2016

In 2016 Recorded Music NZ created a unique platform to acknowledge the talent behind the scenes, the artisans.

The inaugural Artisan Awards that took place in the lead up to the VNZMAS honoured the efforts of engineers, producers, visual artists & film makers.

Commemorating the nominees for their artistic flair and contributions to some of the biggest hits of 2016, Tuists were handed out to winners across four categories: Massey University Best Producer, Best Engineer, Best Album Art and NZ On Air Best Music Video.

**Joel Little** showed why he remains New Zealand's pop titan by winning both Massey University Best Producer and Best Engineer for his hand in crafting Broods' sophomore album 'Conscious'.

Another strongly contested category at this year's Artisan Awards was Best Album Cover, which saw **Anns Taylor** take home the Tui for her visual work on Lawrence Arabia's 2016 album 'Absolute Truth'.

The nominees for NZ On Air Best Music Video all embraced different creative sparks to visually complement the tracks. Working with Aotearoa's world famous landscape, **Chris Lane's** video for 'Inside Out' by Avalanche City received the Tui – showing off the natural beauty of New Zealand.



Dave Baxter (Avalanche City) and Chris Lane | Best Music Video.



Ashley Page accepting on behalf of Joel Little | Best Producer, Best Engineer.



James Milne (Lawrence Arabia) and Anns Taylor | Best Album Cover.

# 2016 TOP 10 ALBUMS & SINGLES

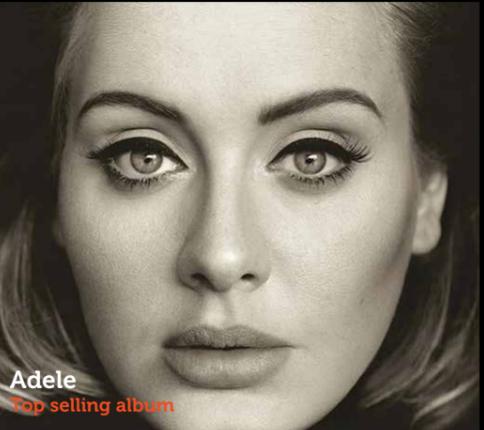
## 2016 TOP SELLING SINGLES

	ARTIST	TITLE	LABEL	GROUP / DIST.
1	DRAKE	ONE DANCE	CASHMONEY	UNIVERSAL
2	LUKAS GRAHAM	7 YEARS	WEA	WARNER
3	THE CHAINSMOKERS FEAT. HALSEY	CLOSER	DISRUPTOR	SONY
4	JUSTIN BIEBER	LOVE YOURSELF	DEFJAM	UNIVERSAL
5	THE CHAINSMOKERS FEAT. DAYA	DON'T LET ME DOWN	DISRUPTOR	SONY
6	FLUME FEAT. KAI	NEVER BE LIKE YOU	FUTURECLASSIC	UNIVERSAL
7	JUSTIN BIEBER	SORRY	DEFJAM	UNIVERSAL
8	SIA	CHEAP THRILLS	INERTIA	RHYTHMETHOD
9	JONAS BLUE FEAT. DAKOTA	FAST CAR	VIRGIN	UNIVERSAL
10	CALVIN HARRIS FEAT. RIHANNA	THIS IS WHAT YOU CAME FOR	COLUMBIA	SONY



## 2016 TOP SELLING ALBUMS

	ARTIST	TITLE	LABEL	GROUP / DIST.
1	ADELE	25	XL	RHYTHMETHOD
2	MICHAEL BUBLE	CHRISTMAS: DELUXE EDITION	REPRISE	WARNER
3	JUSTIN BIEBER	PURPOSE	DEFJAM	UNIVERSAL
4	ED SHEERAN	X: WEMBLEY EDITION	ASYLUM	WARNER
5	DAVID BOWIE	NOTHING HAS CHANGED	PARLOPHONE	WARNER
6	DAVID BOWIE	BLACKSTAR	COLUMBIA	SONY
7	THE KOI BOYS	MEANT TO BE	UNIVERSAL	UNIVERSAL
8	DRAKE	VIEWS	CASHMONEY	UNIVERSAL
9	TWENTYONE PILOTS	BLURRYFACE	FUELED BY RAMEN	WARNER
10	CHARLIE PUTH	THE VERY BEST OF	PARLOPHONE	WARNER



## 2016 TOP SELLING NEW ZEALAND SINGLES

	ARTIST	TITLE	LABEL	GROUP / DIST.
1	KINGS	DON'T WORRY 'BOUT IT	ARCHANGEL	WARNER
2	BROODS	FREE	DRYDEN ST	UNIVERSAL
3	DISCLOSURE FEAT. LORDE	MAGNETS	ISLAND	UNIVERSAL
4	SIX60	WHITE LINES	MASSIVE	UNIVERSAL
5	SIX60	PURPLE	MASSIVE	UNIVERSAL
6	SIX60	SPECIAL	MASSIVE	UNIVERSAL
7	SIX60	SO HIGH	MASSIVE	UNIVERSAL
8	NOMAD	OH MY MY	NOMAD	DRM
9	SIX60	STAY TOGETHER	MASSIVE	UNIVERSAL
10	SIX60	MOTHER'S EYES	MASSIVE	UNIVERSAL



## 2016 TOP SELLING NEW ZEALAND ALBUMS

	ARTIST	TITLE	LABEL	GROUP / DIST.
1	THE KOI BOYS	MEANT TO BE	UNIVERSAL	UNIVERSAL
2	PRINCE TUI TEKA	E IPO: THE VERY BEST OF	SONY	SONY
3	SIX 60	SIX60 (2)	MASSIVE	UNIVERSAL
4	SOL3 MIO	ON ANOTHER NOTE	UNIVERSAL	UNIVERSAL
5	BROODS	CONSCIOUS	DRYDEN ST	UNIVERSAL
6	DEVILSKIN	BE LIKE THE RIVER	DEVILSKIN	RHYTHMETHOD
7	SOL3 MIO	SOL3 MIO	UNIVERSAL	UNIVERSAL
8	FAT FREDDY'S DROP	BAYS	THE DROP	RHYTHMETHOD
9	ANIKA MOA	SONGS FOR BUBBAS 2	DIAMOND & KOWHAI	RHYTHMETHOD
10	VARIOUS	POI E: THE STORY OF OUR SONG	SONY	SONY



# 2016 NEW ZEALAND #1 ALBUMS

AARADHNA



BROWN GIRL

ANIKA MOA



SONGS FOR BUBBAS 2

BROODS



CONSCIOUS

DEVILSKIN



BE LIKE THE RIVER

HOLLIE SMITH



WATER OR GOLD

THE KOI BOYS



MEANT TO BE

PRINCE TUI TEKA



E IPO: THE VERY BEST OF

SOL3 MIO



ON ANOTHER NOTE

# VOLUME

## MAKING MUSIC IN AOTEAROA

**Volume: Making Music in Aotearoa**, opened at Auckland War Memorial Museum on October 28 2016 and is a partnership between the Museum and the New Zealand Music Hall of Fame (of which Recorded Music NZ is a trustee).

Volume is the first major exhibition to tell the story of popular music in Aotearoa.

Music lovers have been able to experience how music has been made, heard, and performed over the past 60 years in a 'hands on, ears on' exhibition, exploring the rich diversity and unique sounds that come from our place at the southern edge of the Pacific Ocean.

The use of interactive technology has given visitors the opportunity to step into a recording studio and get behind the mixing desk, become a DJ and blend music and video, browse records in a 1980s record store, learn how to play the opening riff of an iconic Kiwi song, or step back in time and on to the set of C'mon in the 1960s.

Digital technology has also been utilised by way of smart cards which allow visitors to collect content as they make their way through the exhibition. This includes such things as specially-commissioned short documentaries (made by Paul Casserly), Spotify playlists curated by well-known artists, and photos from 'selfie-stations'.

These innovations were recognised by the international museum community at the 2017 GLAMi Awards, the most prestigious global award for museums. The GLAMi's celebrate the most innovative projects in the cultural heritage sector of the past year.

Drawn from the personal collections of many of our most well-known musicians, Volume features costumes, awards, hand-written lyrics, instruments, memorabilia, and hundreds of images that showcase the music that provides the soundtrack to our lives.

Museum Director Roy Clare said "Volume celebrates the story of the creators, musicians, thinkers, philosophers and dreamers whose music has enriched the lives of Kiwis and brought recognition for New Zealand across the globe for decades."

Volume has also given the opportunity to leverage and showcase local music, with live performances, record fairs, and Learning and Engagement programmes. The exhibition has proved to be a hit with younger audiences and school groups.

From the legends of the past to the future stars of tomorrow, Volume shines a light on a cornerstone of Kiwi culture every New Zealander will have a connection to.

Volume opened Friday 28 October and will close 22 May 2017. A smaller version of Volume that is focused on South Auckland stories will open at the Manukau Institute of Technology in September 2017, and we are exploring ways in which a permanent space can be dedicated to celebrating New Zealand music in years to come.

A 3D digital scan of the exhibition space which enables a virtual walkthrough of Volume can be viewed at <https://my.matterport.com/show/?m=pBxChLGnGQL>

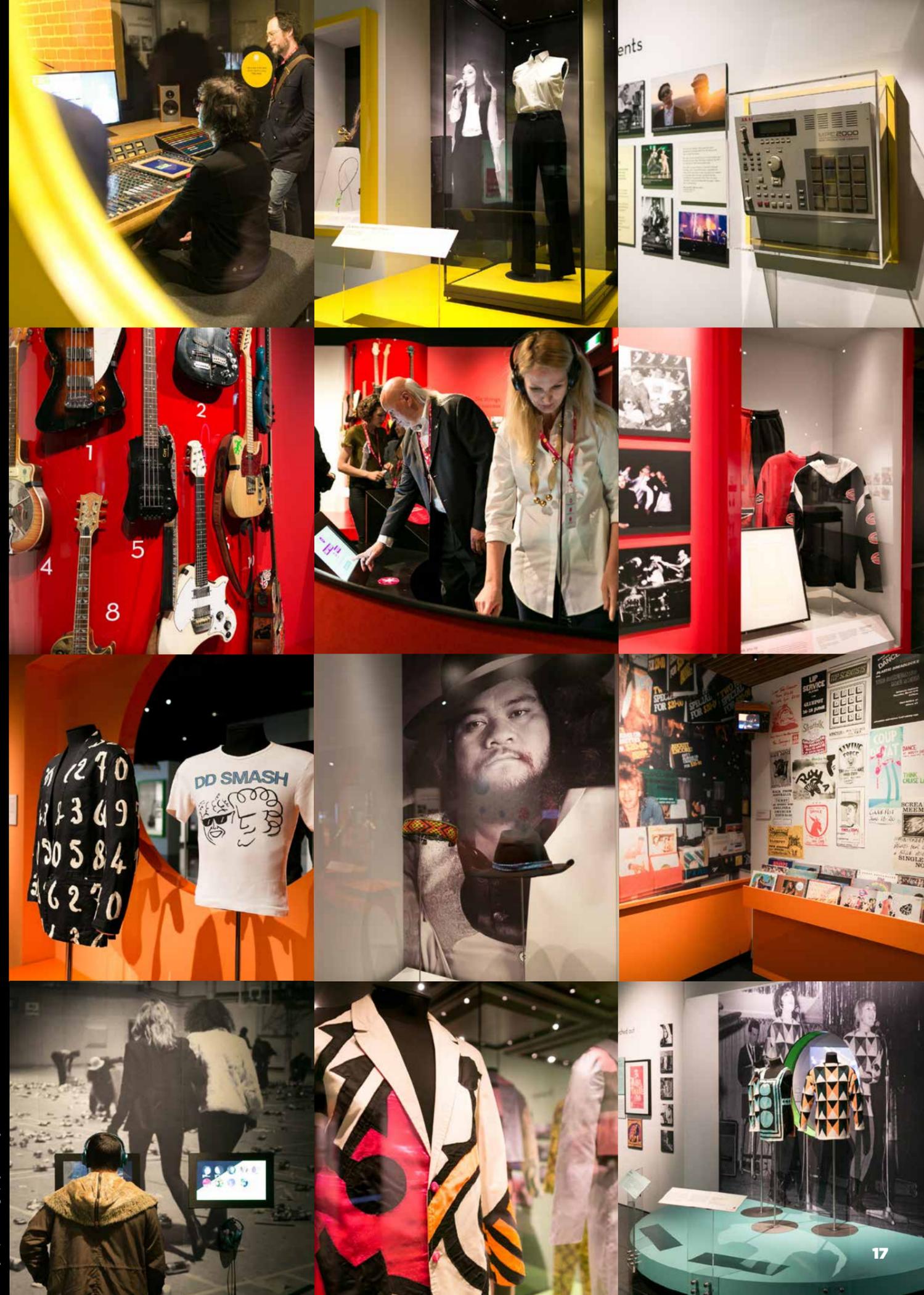


**VOLUME**  
MAKING MUSIC IN AOTEAROA  
OCT 2016 - MAY 2017

A HANDS ON, EARS ON  
EXHIBITION AT  
AUCKLAND MUSEUM

AMM

EXHIBITION PARTNERS:



photos by Topic Photography, courtesy of Auckland Museum.

## DIRECTORY

FOR THE YEAR ENDED 31 DECEMBER 2016

<b>Year of Incorporation</b>	1957	WN 10515
<b>Registered Office</b>	Level 1, 2A Hakanoa Street Grey Lynn Auckland	
<b>Business Address</b>	Level 1, 2A Hakanoa Street Grey Lynn Auckland	
<b>Directors</b>	C Caddick (Chair) P Baker K Boshier A Holt P Howling P McKessar	
<b>Shareholder</b>	Extensive shareholding	
<b>Auditor</b>	KPMG Auckland	

## STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
		\$	\$
<b>REVENUE</b>			
Licence Fees		15,285,015	14,839,331
Interest Income		346,294	338,858
<b>TOTAL INCOME</b>		<b>15,631,309</b>	<b>15,178,189</b>
<b>EXPENSES</b>			
Operating expenses	5	(3,342,381)	(3,263,631)
Administrative expenses		(132,973)	(143,033)
<b>TOTAL EXPENSES</b>		<b>(3,475,354)</b>	<b>(3,406,664)</b>
<b>FUNDS AVAILABLE FOR DISTRIBUTION</b>	3	<b>(12,155,955)</b>	<b>(11,771,525)</b>
<b>PROFIT FOR YEAR</b>		<b>-</b>	<b>-</b>

This statement is to be read in conjunction with the notes to the financial statements.



### VILLIANY

The Auckland 4-piece picked up Best Rock Album at the 2016 VNZMA's for their 2nd album, 'Dead Sight'.

*Photo supplied.*

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016 \$	2015 \$
<b>ASSETS</b>			
Cash and cash equivalents		596,436	539,296
Trade and other receivables		2,366,457	2,652,086
Short term deposits		9,401,494	8,900,851
Investments		147,577	147,577
Property, plant and equipment		45,541	58,001
<b>TOTAL ASSETS</b>		<b>12,557,505</b>	<b>12,297,811</b>
<b>LIABILITIES</b>			
Trade payables and accruals		545,910	633,546
Funds held available for distribution	3	11,224,416	11,077,086
Funds retained for provisions	3	787,179	587,179
<b>TOTAL LIABILITIES</b>		<b>12,557,505</b>	<b>12,297,811</b>

This statement is to be read in conjunction with the notes to the financial statements.

### MAALA

Maala (Evan Sinton) won Best Male Solo Artist at the 2016 VNZMA for his debut album 'Composure'.

*Photo supplied.*



## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts of licence fees	15,458,392	15,026,777
Distributions to companies and recordings artists	(11,908,636)	(10,964,257)
Paid to suppliers and employees	(3,330,134)	(3,227,752)
<b>Net cash from operating activities</b>	<b>219,622</b>	<b>834,768</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	346,294	338,858
Acquisition of property, plant and equipment	(8,133)	(22,738)
Movement in short term deposits	(500,643)	(1,099,371)
<b>Net cash from investing activities</b>	<b>(162,482)</b>	<b>(783,251)</b>
<b>NET (DECREASE)/INCREASE</b>	<b>57,140</b>	<b>51,517</b>
Opening cash and cash equivalents 1 January	539,296	487,779
<b>Closing cash and cash equivalents</b>	<b>596,436</b>	<b>539,296</b>
<b>Made up of:</b>		
Bank balances	596,436	539,296
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>596,436</b>	<b>539,296</b>

This statement is to be read in conjunction with the notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL OVERVIEW

### a) Reporting Entity

Recorded Music New Zealand Limited (the "Company") is a limited liability company incorporated and domiciled in New Zealand.

The Company acts as an authorised representative of the major sound recording manufacturing and distributing companies in New Zealand to license, control and promote the public performance and broadcasting of their copyright in sound recordings and music videos and to collect fees in respect thereof. Distributions are then made to the appropriate copyright holder.

The Company is registered under the Companies Act 1993 and the financial statements comply with the Financial Reporting Act 2013. The Company is considered to be a profit-oriented entity for the purposes of financial reporting as it seeks to maximise distributions to its shareholders.

The financial statements presented are for the Company as at and for the year ended 31 December 2016 and were authorised for issue by the directors on the date specified on page 5.

### b) Basis of preparation

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ('NZ IFRS RDR') as appropriate for Tier 2 for-profit entities applying reduced disclosure reporting concessions. The Company has elected to report under Tier 2 For-Profit Accounting Standards on the basis that it does not have public accountability.

These financial statements have been prepared on the basis of historical cost.

The financial statements are presented in New Zealand dollars (\$) which is the Company's functional currency, rounded to the nearest dollar.

The Company has not reported any profit, other comprehensive income or a statement of changes in equity/net assets. This is because all income, net of expenses, is distributed to the appropriate copyright holders.

The statement of financial position is presented in order of liquidity. The Company does not have any share capital or equity.

### c) Effect of first time adoption of NZ IFRS RDR accounting standards

These are the Company's first financial statements prepared in accordance with NZ IFRS RDR. The Company previously reported under Old NZ GAAP Differential Reporting. There were no adjustments to equity as a result of this transition.

The Company has applied the disclosure initiative amendments to NZ IAS 1 and this has resulted in increased clarity in the presentation of the financial statements.

All accounting policies set out below have been consistently applied to all periods presented in these financial statements and in preparing the opening NZ IFRS RDR statement of financial position.

### d) Use of estimates and judgements

The preparation of the financial statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

## 2. ACCOUNTING POLICIES

### a) Revenue

Revenue is recognised in the statement of profit and loss when the significant risks and rewards can be reliably measured. The main types of revenue are licence fees from radio and TV, public performance and compilers.

### b) Trade and other receivables

Trade and other receivables are initially recognised at fair value, being their cost, and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

### c) Distributions to licensees

The annual income from broadcasting and public performance licence fees and miscellaneous income received, less the amount retained (to meet liabilities contingent and otherwise), are apportioned to the New Zealand licensees. An expense is recognised in full in the period that the income is received as the Company has a obligation to its licensees to distribute these funds. This obligation is shown on the statement of financial position as funds available for distribution.

### d) Funds available for distribution

The funds for distribution are retained in Trust pending the receipt and analysis of airtime data received from broadcasters. The pro-rata distribution of surplus funds is determined on Radio and Television airtime. In the interim, these funds are placed on short term investment to attract interest income.

### e) Funds retained for liabilities

An amount is retained from the funds available for distribution to licensees to meet liabilities, contingent and otherwise. The Company has a present obligation and the obligation can be estimated reliably.

### f) Investments in short term deposits

Investments are measured at cost less accumulated amortisation and accumulated impairment losses. Interest income is earned on funds invested and term deposits. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

### g) Trade payables and accruals

Trade and other payables are measured at amortised cost, being their fair value. Expenses include audit fees of \$12,035 (2015: \$12,015).

### h) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

### i) Taxes

The Company acts as a nationwide non-profit representative for New Zealand licensees. Surpluses are fully distributed and consequently the Company is only liable to pay taxes on timing differences arising from accruals made. The withholding tax on interest income has been deducted; however, due to an IRD ruling no terminal tax is payable by the Company but will be payable by the members. The financial statements have been prepared on a GST exclusive basis except for receivables and payables that are stated inclusive of GST.

### j) Financial instruments

Financial assets and liabilities are classified into the following categories:

- Loans and other receivables include cash and cash equivalents, trade and other receivables, and short term deposits.
- Other amortised cost include trade payables and accruals, and funds retained and distributable.

## 3. MOVEMENTS IN FUNDS FOR DISTRIBUTION

The company pays a distribution to its members each year, consisting of the prior year earnings, less any deductions for expenses and reserves for future anticipated expenditure.

	2016	2015
Funds at the beginning of the year	11,077,086	10,269,816
Funds distributed to companies and recording artists during the year	(11,808,625)	(10,964,255)
Transfer to retained provisions	(200,000)	-
Funds received (net of expenses) available for distribution next year	12,155,955	11,771,525
<b>Funds at the end of the year</b>	<b>11,224,416</b>	<b>11,077,086</b>
Funds retained for provisions	787,179	587,179
Funds held available for distribution	11,224,416	11,077,086
<b>Funds at the end of the year</b>	<b>12,011,595</b>	<b>11,664,265</b>

## 4. RELATED PARTIES

The funds distributed to companies and recording artists are related party transactions as they are with shareholders in the Company.

	2016	2015
The following remuneration was received by directors during the year:		
Chris Caddick	43,00	36,000
Jan Hellriegel	1,000	3,000
Peter Baker	7,500	2,500
Paul McKessar	5,000	-

## 5. COMMITMENTS AND CONTINGENCIES

There are no capital commitments at balance date (2015: nil). Operating lease commitments for leases of a premises at Hakanoa Street are payable as follows:

	2016	2015
Less than one year	103,272	103,272
Between one and five years	8,606	111,878
More than five years	-	-
	<b>111,878</b>	<b>215,150</b>

Operating lease expenses of \$102,522 (2015: \$94,280) was included in the statement of profit and loss. There is a right of renewal of two years on the lease.

There are no contingent liabilities (2015: nil).

## 6. SUBSEQUENT EVENTS

There have been no subsequent events which impact on the financial statements (2015: nil).



# Independent Auditor's Report

To the shareholders of Recorded Music New Zealand Limited

## Report on the financial statements

### Opinion

In our opinion, the accompanying financial statements of Recorded Music New Zealand Limited (the company) on pages 18 to 23:

- i. present fairly in all material respects the company's financial position as at 31 December 2016 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 December 2016;
- the statement of profit and loss and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the company in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other services to the company in relation to advisory and tax services. Subject to certain restrictions, partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.



### Other Information

The Directors, on behalf of the company, are responsible for the other information included in the entity's Annual Report. Other information includes the Chairman's Report and Chief Executive's Report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### Use of this Independent Auditor's Report

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this report, or any of the opinions we have formed.



### Responsibilities of the Directors for the financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime);
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



### Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

[https://www.xrb.govt.nz/Site/Auditing\\_Assurance\\_Standards/Current\\_Standards/Page4.aspx](https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page4.aspx).

This description forms part of our Independent Auditor's Report.

KPMG  
Auckland  
24 April 2017



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[RECORDEDMUSIC.CO.NZ](https://www.recordedmusic.co.nz)

**Vodafone NZ Music Awards** [nzmusicawards.co.nz](https://www.nzmusicawards.co.nz)

**The Official NZ Music Charts** [nztop40.co.nz](https://www.nztop40.co.nz)

**The New Zealand Music Hall of Fame** [musichall.co.nz](https://www.musichall.co.nz)

**Public performance licensing by OneMusic** [onemusicnz.com](https://www.onemusicnz.com)

**Protecting and promoting our music** [promusic.co.nz](https://www.promusic.co.nz)

**Growing our creative sector** [wecreate.org.nz](https://www.wecreate.org.nz)



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**RECORDED  
NZ MUSIC  
CHARTS**

**RECORDED  
MUSIC<sup>nz</sup>  
LICENSING**

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Music**

**PRO  
MUSIC**

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**MUSIC  
GRANTS**



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