



 **RECORDED**
MUSIC[®] 
ANNUAL REPORT 2017



© 2018 Recorded Music New Zealand Limited.
This Annual Report contains proprietary information and is provided for informational purposes only. Please do not use any information contained in it unless expressly authorised to do so by Recorded Music New Zealand Limited. 'Recorded Music NZ'; 'NZ Music Awards'; the Tui device; 'The Official NZ Music Charts'; 'ProMusic'; and 'NZ Music Hall of Fame' are registered trademarks.

Designed by Mark Roach.



RECORDED MUSIC NEW ZEALAND LIMITED

Annual Report for the year ended 31 December 2017

CONTENTS

5	Approval of Annual Report
6	Chairman's Report
8	Chief Executive's Report
14	Revenue Summary 2017
15	Music Copyright in 2018
16	Artisan Awards
17	2017 Top 10 Albums and Singles
18	UNESCO City of Music
19	Volume South
20	Music Grants
	Financial Statements:
22	Directory
23	Statement of profit and loss
24	Statement of financial position
25	Statement of cash flows
26	Notes to the financial statements
28	Auditor's Report

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 22 to 29:

- comply with New Zealand generally accepted accounting practice and present fairly the financial position of the Company as at 31 December 2017 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 2017.



Chris Caddick, Chairman
Dated 27.04.18



Adam Holt, Director
Dated 27.04.18



CHAIRMAN'S REPORT

2017 was a year of steady progress for Recorded Music New Zealand with all major budget targets achieved. The increase on 2016's result was modest but not unexpected given the healthy rate of growth seen over the last five years, primarily driven by the success of OneMusic, our joint venture with APRA.

The spectacular Vodafone Music Awards show in November was a huge success, thanks to the hard work of the huge team involved in its presentation. The announcement of Auckland as a UNESCO City Of Music, the culmination of an initiative driven by Recorded Music's Mark Roach in association with the Auckland City Council and APRA, was another notable highlight.

Undoubtedly the National Government's June 2017 announcement of a full review of the Copyright Act 1994 was the event with most impact for our organisation. As the first review of the Act in nearly a quarter of a century, its importance for the future health of the recorded music industry in New Zealand cannot be underestimated.

Supporting creative industries with a robust legislative and regulatory framework will ensure economic and cultural benefits for current and future generations of New Zealanders. Accordingly, Recorded Music New Zealand's main focus during the course of the review (expected to take 2-3 years) will be to deliver a strong and consistent message to the Government that there is a very compelling economic, social and cultural case for strengthening and clarifying copyright law. I would especially like to thank Kristin Bowman for her tireless work in preparing for the review, delivering comprehensive and substantive submissions, engaging other stakeholders, and ensuring that we have the strongest possible team in place to manage the Review process; in addition to the ongoing invaluable support and guidance she provided to the Board, and to the staff across all licensing and member service activities throughout 2017.

December 2017 saw the departure of our long-standing Board member, Phil Howling. On behalf of the Board, I sincerely thank Phil for his twelve years of service; years that have seen perhaps the biggest changes in the organisation and industry's history. We welcome Sam Cockle from Warner Music to the Board as Phil's replacement.

My thanks to the Board for their support and dedication during the year; and to our CEO Damian Vaughan and his team for their application in delivering another outstanding result for Recorded Music New Zealand.

Chris Caddick

Chris Caddick
Chairman, Recorded Music NZ



SHARON O'NEILL

Sharon was presented with the Legacy Award at the 2017 VNZMA and inducted into the New Zealand Music Hall of Fame. She proved to be our most well-received Legacy Award recipient to date, eliciting a massive response from the public and media alike. Sharon was inducted by Debbie Harwood, and a tribute version of Sharon's hit song 'Maxine' was performed by Stellar*.

Photo: Topic Photography





CHIEF EXECUTIVE'S REPORT

On behalf of the New Zealand recorded music industry, I am pleased to report that the industry has continued its upwards trajectory in 2017, with another year of double digit growth. Overall revenues increased by **14.6%** to **\$98.8m** driven largely by New Zealand consumers' rapid adoption and use of music streaming services.

As we have innovated, adapted and evolved in recent years, Aotearoa is now a **digital industry** with over **70%** of overall revenues earned from digital music services. **Streaming** platforms dominated in 2017 with a contribution of **\$61.3m** (representing an extraordinary **42%** increase on 2016 numbers) while digital download sales added **\$8.2m** to the overall digital total.

To provide more context:

- As recently as 2014, the entire recorded music industry revenues for New Zealand had fallen to only **\$66.2m** off a high point of **\$125m** in **2001**;
- The fact that streaming revenues alone have almost level-pegged with that diminished level highlights the unprecedented change and growth in recent years, due to the uptake of services such as Spotify and Apple Music by Kiwi music consumers;
- While physical sales have continued to decline in terms of overall sales, the platform still remains a very popular medium for recorded music consumption, contributing **\$14.5m** to overall revenues. Of particular interest, vinyl sales are bucking the trend and increased **9%** on the 2016 numbers to **\$2.8m**; and
- Even at \$98.8m, the local industry is still 30 % below its high point of 10 years ago due to the ravages of significant market disruption and digital piracy in its many forms.

So, to build on this momentum in 2018, Recorded Music New Zealand will ensure that **copyright**, as the foundation to the earning of a fair return on creativity for artists and their label partners, is front and centre with our legislators as we proceed through the review of the **New Zealand Copyright Act**. Without robust copyright law, which enables songwriters, performers, recording artists and record companies to control how their music is used and how they make a living from their creativity, our local music industry will suffer and fall backwards once again.

Recorded Music New Zealand

Adding to the growth of the industry, I am also pleased to report that Recorded Music New Zealand has met its strategic goals in each of its three core divisions in 2017; maximising our collective licensing revenue; delivering world class services to its membership; and protecting and promoting music via our ProMusic NZ activities.



Licensing Revenue

Driven primarily by growth in public performance and a comprehensive review of past periods in our broadcast licensing, we achieved another year of licensing income growth in 2017, being **\$14.8m**. This represents **4%** revenue growth overall for 2017.

Our **public performance** revenue growth (some **5%** in that sub category) came largely through the work of **OneMusic** which continued to deliver positive growth for both Recorded Music New Zealand and APRA. This progress was achieved by market compliance and effective account management. In addition, further public performance licensing opportunities were maximised by our **Head of Licensing, Liz Diamond** including the licensing of cinema, non-broadcast video, music quiz's/ bingo and special live event licensing, including fashion shows and sports events.

Growth in **radio** broadcasting income (**6%** in this sub category) included a comprehensive review and resolution of past periods while **television** income also experienced a small uplift (**5%** in this sub category) primarily due to the growth of subscriptions to local streaming video on demand services.

Our licensing focus in 2018 will be the renegotiation of all radio broadcast licence agreements, the revenues from which comprise over half of our current income. Whilst no major television agreements are due for renewal in 2018, we will once again open discussions with all key television broadcasters late in the year in preparation for the 2019 reviews.

We will also celebrate the fifth anniversary of the world-leading launch of **OneMusic** with APRA in October. Most certainly not resting on our laurels, however, we will continue to focus our efforts on growing our joint public performance licensing income for our respective memberships. Areas of focus in 2018 will include a comprehensive review of market penetration across industry sectors, hospitality (specifically hotels and function centres); cinemas; live events and a fulsome review of the structure, processes and efficiency of the joint organisation itself.

Mandates – Master Rights Agreements

In Q4 2017, we updated and published a new **Master Rights Agreement** between Recorded Music New Zealand and each of its rights holders and associated Registered Recording Artists in the Recorded Music New Zealand Direct-to-Recording Artist Scheme.

We considered it timely to publish an updated agreement to provide more certainty and definition around digital rights; the establishment of our joint licensing initiative OneMusic; the merger of activities of PPNZ Music Licensing and RIANZ under one Recorded Music New Zealand banner as well as to account for the election on the part of a few rights holders to license certain digital rights directly. This rights update process remains ongoing with membership and will continue throughout 2018. We thank you all for your input, including Independent Music New Zealand.

continued overleaf



Lorde Melodrama
(Universal Music NZ)

Album of the Year, Best Pop Album, Best Solo Artist, Single of the Year ('Green Light').



VNZMA 2017

Media advertising



VNZMA 2017

Haka tautoko performance for Teeks (Best Māori Artist winner). Photo: Topic Photography

Member Services

Many of Recorded Music New Zealand's key functions fall within our membership activities and advocacy work for the New Zealand recorded music industry as a whole. This manifests itself in many ways and ranges from the:

- collection and processing of extensive data and subsequent distribution of royalties to our artists and their partner labels;
- support of educational and charitable initiatives undertaken by the music industry and community through the Recorded Music New Zealand Music Grants programme;
- research for and preparation of extensive written submissions then meeting with Government and other interested parties (and more specifically in 2017 and 2018, on the Copyright Act and its upcoming review) to educate and illuminate on issues and solutions;
- annual production, broadcast and presentation of the Vodafone NZ Music Awards and other awards presented throughout the year; and
- collation and publication of The Official NZ Music Charts.

Some of our highlights for 2017 are:

Data and Distribution

Finance Director Penny Hext and **Manager of Member Services Dean Cameron** report that 2017 produced a **distributable income** to members of **\$11.5m** (funds available for distribution in 2018).

The current number of New Zealand recording artists now registered in the Direct-to-Recording Artist Scheme is currently at 2,804. This is an **11%** increase on membership since December 2016.

We continued to expand our data collection sources and added additional inputs from digital retailers, television and public performance licensees in 2017. This remains a focus in 2018 as music consumption and the associated data generated from such use continues to explode. Our goal is always to ensure that our system's capabilities, analysis tools and reporting to membership and other interested parties are world class.

For more detail on distribution pools and the subsequent distribution to artists and their label partners more generally, please see Recorded Music New Zealand's Distribution Policy as published on our website at www.recordedmusic.co.nz/portfolio/distribution.

Please note the latest version of this policy was extensively reviewed and updated last year and adopted by the full Board of Directors in May 2017. Any substantive amendments must be referred back to the Board and the Distribution Policy itself is fully reviewed at a minimum every 3 years along with other policies of the Company as best practice requires. Our Chairman, Chris Caddick and Company Secretary, Kristin Bowman are both members of the Institute of Directors, have participated in their programmes in the past and review their directives on a regular basis.



Charts

The first call of duty of **The Official NZ Music Charts** is to report back on the most popular singles and albums of the day to its more than 45,000 weekly subscribers. Equally important is Recorded Music New Zealand's desire to showcase a range of talent through discovery charts like the weekly NZ Artist Top 20 and Heatseekers, which highlights the fastest-rising tracks outside the main chart. A record number of local artists saw **33 local singles** and **58 local albums** chart in the main Top 40, NZ-only Top 20 or Heatseeker Charts for the first time in 2017.

Data and Chart Manager Paul Kennedy and the Charts team receive, process and analyse an enormous amount of daily music data. We are excited that in 2018 we will develop a number of additional initiatives and tools to really highlight local artists and their new music.

For more detail on data collection and how that feeds into our distribution pools, please once again view Recorded Music New Zealand's Distribution Policy at www.recordedmusic.co.nz/portfolio/distribution.

Celebrate, Support and Promote

NZ Music Awards Manager Sarah Owen reports that on 16th November 2017 at Auckland's Spark Arena the 52nd annual celebration of the **Vodafone New Zealand Music Awards** were broadcast live on TV3 for the third consecutive year.

- There were performances by **Lorde, Teeks, SWIDT, Theia, Devilskin**, and a very special performance by **Opetaia Foa'i** who received one of two international achievement awards in recognition of his musical contributions to the animated Disney film Moana;
- **Lorde** won album of the year for her sophomore album 'Melodrama', single of the year for her song 'Green Light' and an unprecedented fourth international achievement award in acknowledgment of the album's global success; and
- NZ Music royalty **Sharon O'Neill** received the 2017 Legacy Award and was inducted into the NZ Music Hall of Fame. Sharon was honoured on the night with a special tribute performance of her song 'Maxine' by a recently reformed **Stellar***.

Other Recorded Music NZ highlights in 2017 included the annual **Artisan Awards** presented at the Tuning Fork in Auckland; the **NZ Music Producer Series** with international guest producers David Wrench and Romesh Dodangoda and projects spearheaded by **Mark Roach** including the designation of Auckland as **UNESCO Creative City of Music** and a special iteration of the Volume exhibition: **Volume South** championing the artists and scenes originating in South Auckland. More information on those projects can be found on pages 18-19 of the annual report.

Recorded Music New Zealand's awards and related initiatives and events are an evolving celebration and we are looking forward to adjusting existing aspects and introducing new elements in 2018 and beyond.

continued overleaf



Teeks and guest presenter Kanoa Lloyd at the 2017 Vodafone NZ Music Awards.
Photo: Topic Photography.

Music Grants

We received 40 applications for **Music Grants** in 2017 and granted a total of **\$108,733** to various initiatives and projects. They included: The NZ Music Foundation; Play It Strange Charitable Trust; MMF – Regional Development; YAMI – Music Summit, NZMC – Music Month; IMNZ – Indie Week delegation; Kiwi Kids Music; MMF – NZ Music Month Summit; APRA (Songhubs); Dunedin Fringe Arts Trust – AMPD music project; IMNZ – Going Local; Parachute Arts Trust; Girls Rock! Camp Incorporated; Rockquest Charitable Trust – Rockquest / Pacifica Beats; MMF – Back 2 Basics; NZ Hip Hop Summit 2017; IMNZ Going Global; NZ Producer Series; and MMF – Mental Health & Wellbeing.

ProMusic NZ

Legal digital music services continue to grow strongly and figures from Horizon Research New Zealand in December 2017 show that overall piracy is down **22%** in 2017 across all formats – BitTorrent; Stream Ripping and Cyberlockers. However, **stream ripping** still remains a real issue for the

recorded music industry as does the ever increasing “**value gap**” created by certain active platforms who are able to take advantage of certain “**safe harbour**” provisions in our Copyright Act which were intended for passive ISPs only of an internet age in its infancy.

In November 2017, Recorded Music NZ (with the support of other music industry organisations) presented an extensive opening submission in the review process, specifically in response to the **NZ Copyright Act Review Terms of Reference** released by the Ministry of Business, Innovation and Employment. The submission presented a ground up analysis as requested by officials of both the substantial economic and financial consequences and detriments to the recorded music industry of current market failures, including an estimated **\$50m of leakage per annum in the digital market** through piracy, freeloading and a lack of effective enforcement measures. Included is a detailed legal and legislative analysis coupled with our recommended reform proposals of the Copyright Act itself. The full submission is available on our website for review at www.recordedmusic.com.



co.nz/copyright-act-review-opening-submissions. We also include our one-page summary for reform on page 15. The Copyright Act Review process is still in its infancy and a key priority for us in 2018 and beyond. We will continue to lobby actively for legislative change, focusing on term extension; effective enforcement measures and an amendment to our safe harbour regime to close the value gap.

I want to note a special thank you to Recorded Music NZ **General Counsel & Government Affairs: Kristin Bowman** who has led our copyright legislation and government lobbying efforts in recent years. Kristin is now pulling back and we can think of no better person to hand over to than the General Counsel of the overarching body, IFPI, itself: **Jo Oliver**. Jo is a returning Kiwi and will be based in Wellington. We hope to introduce you all to her from May onwards. Kristin's continued leadership, guidance and support will also continue and we are very grateful that Kristin will stay on with Recorded Music on licensing, mandate and related issues and also supporting Jo on handover as required.

Closing

2017 was a year that really built on the positive momentum our recorded music industry has been enjoying in recent years. We are certainly optimistic about the coming year and the opportunities ahead but remain firm and unapologetic about ensuring the rights of our artists and labels are fairly and adequately remunerated to ensure their creativity continues to shine for all New Zealanders and many others abroad.

My thanks as always to the full Board of Directors of Recorded Music New Zealand and the growing number of committees they run; the senior management team and our committed staff of 15 for their dedication and commitment to the organisation's continued achievements and successes. They are passionate about the recorded music industry and are proud to work for it.



Damian Vaughan
Chief Executive Officer,
Recorded Music NZ

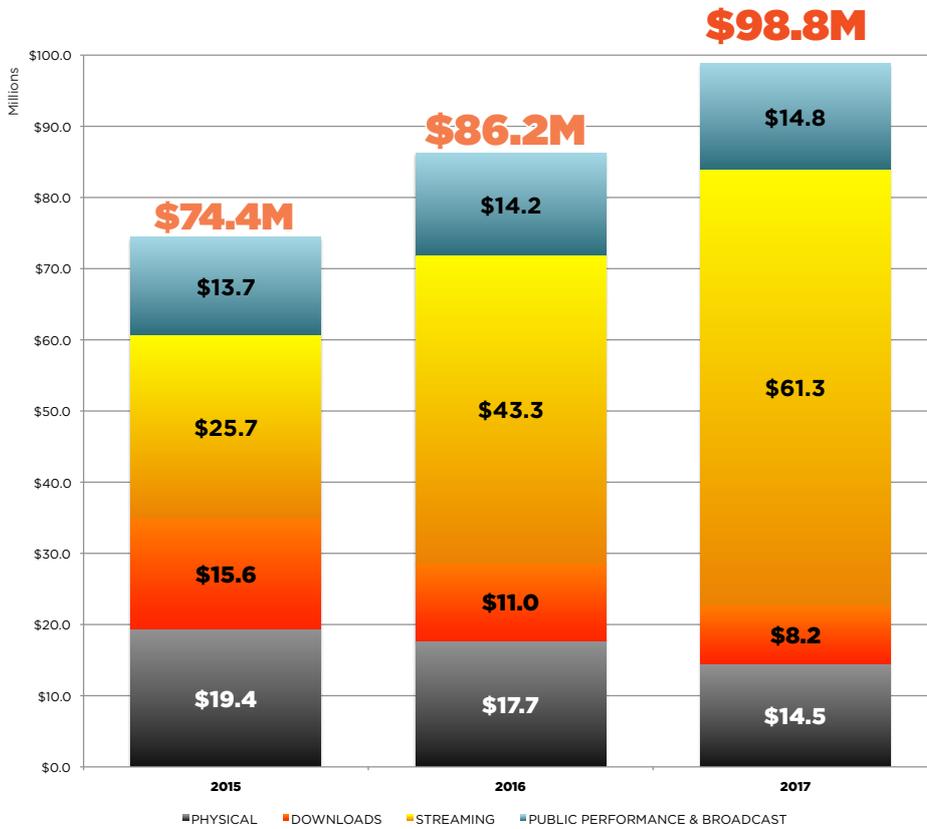


Opetaiia Foa'i, Olivia Foa'i and friends opening the 2017 Vodafone NZ Music Awards with a performance of 'We Know The Way' from the Moana soundtrack.

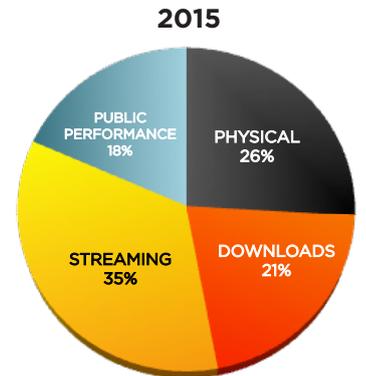
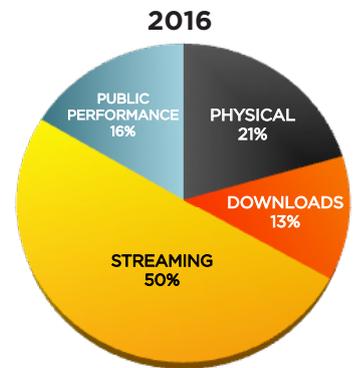
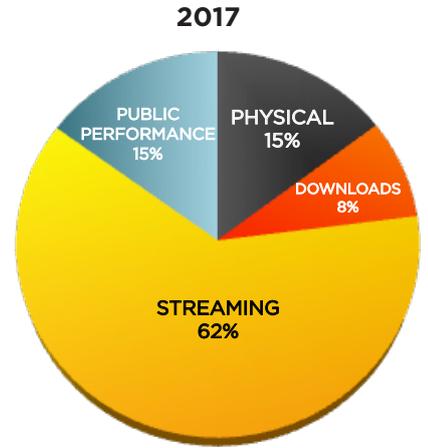
Photo: Topic Photography.

REVENUE SUMMARY 2017

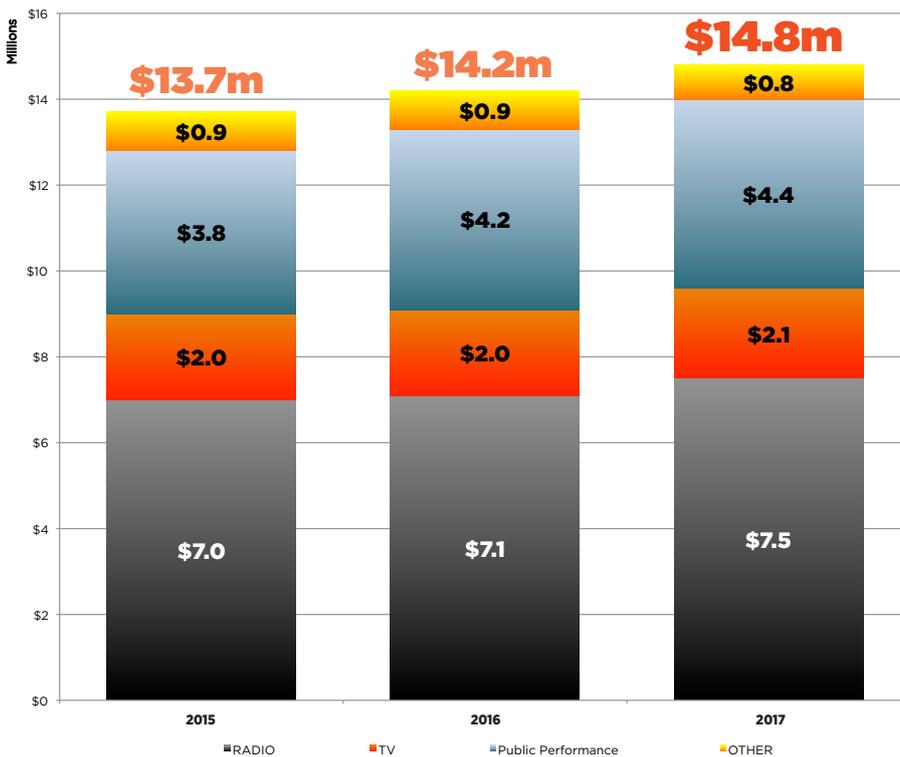
WHOLESALE REVENUES



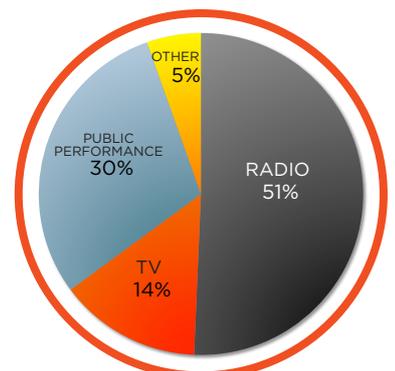
INDUSTRY REVENUE BY TYPE



PUBLIC PERFORMANCE & COMMUNICATION REVENUES



2017 RECORDED MUSIC NZ LICENSING REVENUE BY TYPE



MUSIC COPYRIGHT IN 2018

RECORDED MUSIC NZ KEY PRIORITIES FOR THE NZ COPYRIGHT ACT REVIEW

SUBMITS

SOUND COPYRIGHT POLICY IS A FUNDAMENTAL PREREQUISITE FOR A WELL-FUNCTIONING CREATIVE ECONOMY

SEEKS

AN EFFICIENT, EFFECTIVE AND FAIR DIGITAL MARKETPLACE FOR ALL

HAS ESTABLISHED

DIGITAL 'LEAKAGE' IS WORTH AT LEAST \$50 MILLION TO THE NEW ZEALAND RECORDED MUSIC MARKETPLACE*

* Due to piracy and freeloading, while consumption and ease of use for consumers and small business has exploded

RECORDED MUSIC NZ SEEKS CHANGES TO THE ACT AND DIGITAL MARKETPLACE IN THE COPYRIGHT ACT REVIEW THROUGH 2018 AND BEYOND

AMEND ENFORCEMENT PROVISIONS

- Permit site blocking injunctions – provision like the UK
- Review restrictive act of “authorising” so clear sites that host our content illegally can be sued / blocked if activity occurs within NZ
- Change standing rules so non-exclusive licensees can sue – e.g. Recorded Music on behalf of all its artists and record labels
- Review the three strikes law again

CLARIFY THE SAFE HARBOUR EXEMPTIONS

- Clarify the safe harbour exemptions for internet service providers so that only passive hosts or conduits rather than active platforms are free from liability
- The active platforms need to obtain proper licences just like every other commercial user does – a level playing field for all

REVISE PERMITTED USES

- No fair use - not necessary as we have a regime to allow for specific and clear exceptions to be legislated
- Allow for a level of parody and satire
- Amend or repeal sections 81, 87 and 87A relating to use of sound recordings in clubs, on the radio and on subscription TV when played in commercial premises

GRANT TERM HARMONISATION

- We need a 70 year term and no phase-in so that NZ is like every other first world copyright country and trading partners
- This will mean NZ songwriters and NZ recording artists are therefore afforded the same copyright term as their contemporaries in other first world copyright countries

In 2017 Recorded Music NZ continued its platform to acknowledge the talent behind the scenes.

This was the second year that the former 'technical awards' were presented as the Artisan Awards, and 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 2017, Tuis were handed out to winners across four categories: Massey University Best Producer, Best Engineer, Best Album Art and NZ On Air Best Music Video.

Ben Edwards' meteoric rise as producer du jour was confirmed, picking up Best Producer for Nadia Reid's 'Preservation' in a hotly contested category that also featured Leisure and SWIDT.

Clint Murphy is one of the country's most experienced engineers and producers which was duly recognised when he picked up Best Engineer for his work on Devilskin's 'Be Like The River'.

The exceptional watercolour work of **Henrietta Harris** saw her take home the Tui for her visual work on Grayson Gilmour's 'Otherness'; and no stranger to winning Tuis, **Joel Kefali** won the NZ On Air Best Music Video for 'Got It Bad' by Leisure.



Henrietta Harris | Best Album Cover.



Ben Edwards | Best Producer.



Joel Kefali | Best Music Video.

2017 TOP 10 ALBUMS & SINGLES

2017 TOP SELLING SINGLES

	ARTIST	TITLE	LABEL	GROUP / DIST.
1	ED SHEERAN	SHAPE OF YOU	ASYLUM	WARNER
2	LUIS FONSI & DADDY YANKEE	DESPACITO (REMIX)	UNIVERSAL	UNIVERSAL
3	KENDRICK LAMAR	HUMBLE	AFTERMATH	UNIVERSAL
4	ED SHEERAN	CASTLE ON THE HILL	ASYLUM	WARNER
5	ED SHEERAN	PERFECT	ASYLUM	WARNER
6	BRUNO MARS	THAT'S WHAT I LIKE	ATLANTIC	WARNER
7	IMAGINE DRAGONS	THUNDER	INTERSCOPE	UNIVERSAL
8	DJ KHALED FEAT. JUSTIN BIEBER	I'M THE ONE	EPIC	SONY
9	THE CHAINSMOKERS & COLDPLAY	SOMETHING JUST LIKE THIS	DISRUPTOR	SONY/WARNER
10	ED SHEERAN	GALWAY GIRL	ASYLUM	WARNER



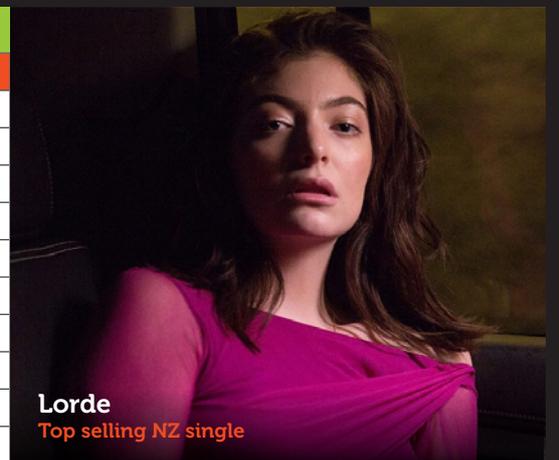
2017 TOP SELLING ALBUMS

	ARTIST	TITLE	LABEL	GROUP / DIST.
1	ED SHEERAN	DIVIDE	ASYLUM	WARNER
2	ADELE	25	XL	RHYTHMETHOD
3	PINK	BEAUTIFUL TRAUMA	RCA	SONY
4	SOL3 MIO	A VERY MERRY CHRISTMAS	UNIVERSAL	UNIVERSAL
5	LORDE	MELODRAMA	UNIVERSAL	UNIVERSAL
6	VARIOUS	MOANA OST	DISNEY	UNIVERSAL
7	BRUNO MARS	24K MAGIC	ATLANTIC	WARNER
8	KENDRICK LAMAR	DAMN	AFTERMATH	UNIVERSAL
9	ED SHEERAN	X: WEMBLEY EDITION	ASYLUM	WARNER
10	TAYLOR SWIFT	REPUTATION	BIG MACHINE	UNIVERSAL



2017 TOP SELLING NEW ZEALAND SINGLES

	ARTIST	TITLE	LABEL	GROUP / DIST.
1	LORDE	GREEN LIGHT	UNIVERSAL	UNIVERSAL
2	SIX60	DON'T GIVE IT UP	MASSIVE	UNIVERSAL
3	LORDE FEAT. KHALID, POST MALONE, SZA	HOMEMADE DYNAMITE (REMIX)	UNIVERSAL	UNIVERSAL
4	LORDE	LIABILITY	UNIVERSAL	UNIVERSAL
5	KINGS	DON'Y WORRY BOUT IT	ARCHANGEL	WARNER
6	LORDE	PERFECT PLACES	UNIVERSAL	UNIVERSAL
7	OPETAIA FOAI & LIN-MANUEL MIRANDA	WE KNOW THE WAY	DISNEY	UNIVERSAL
8	SIX60	CLOSER	MASSIVE	UNIVERSAL
9	SIX60	RIVERS	MASSIVE	UNIVERSAL
10	SIX60	ROLLING STONE	MASSIVE	UNIVERSAL



2017 TOP SELLING NEW ZEALAND ALBUMS

	ARTIST	TITLE	LABEL	GROUP / DIST.
1	SOL3 MIO	A VERY MERRY CHRISTMAS	UNIVERSAL	UNIVERSAL
2	LORDE	MELODRAMA	UNIVERSAL	UNIVERSAL
3	VARIOUS	MOANA OST	DISNEY	UNIVERSAL
4	SIX60	SIX60 (2)	MASSIVE	UNIVERSAL
5	SIX60	SIX60	MASSIVE	UNIVERSAL
6	DAVE DOBBYN	SLICE OF HEAVEN: 40 YEARS	SONY	SONY
7	PRINCE TUI TEKA	E IPO: THE VERY BEST OF	SONY	SONY
8	THE KOI BOYS	MEANT TO BE	UNIVERSAL	UNIVERSAL
9	BILLY T JAMES	THE COMIC GENIUS OF...	SONY	SONY
10	DEVILSKIN	BE LIKE THE RIVER	DEVILSKIN	RHYTHMETHOD

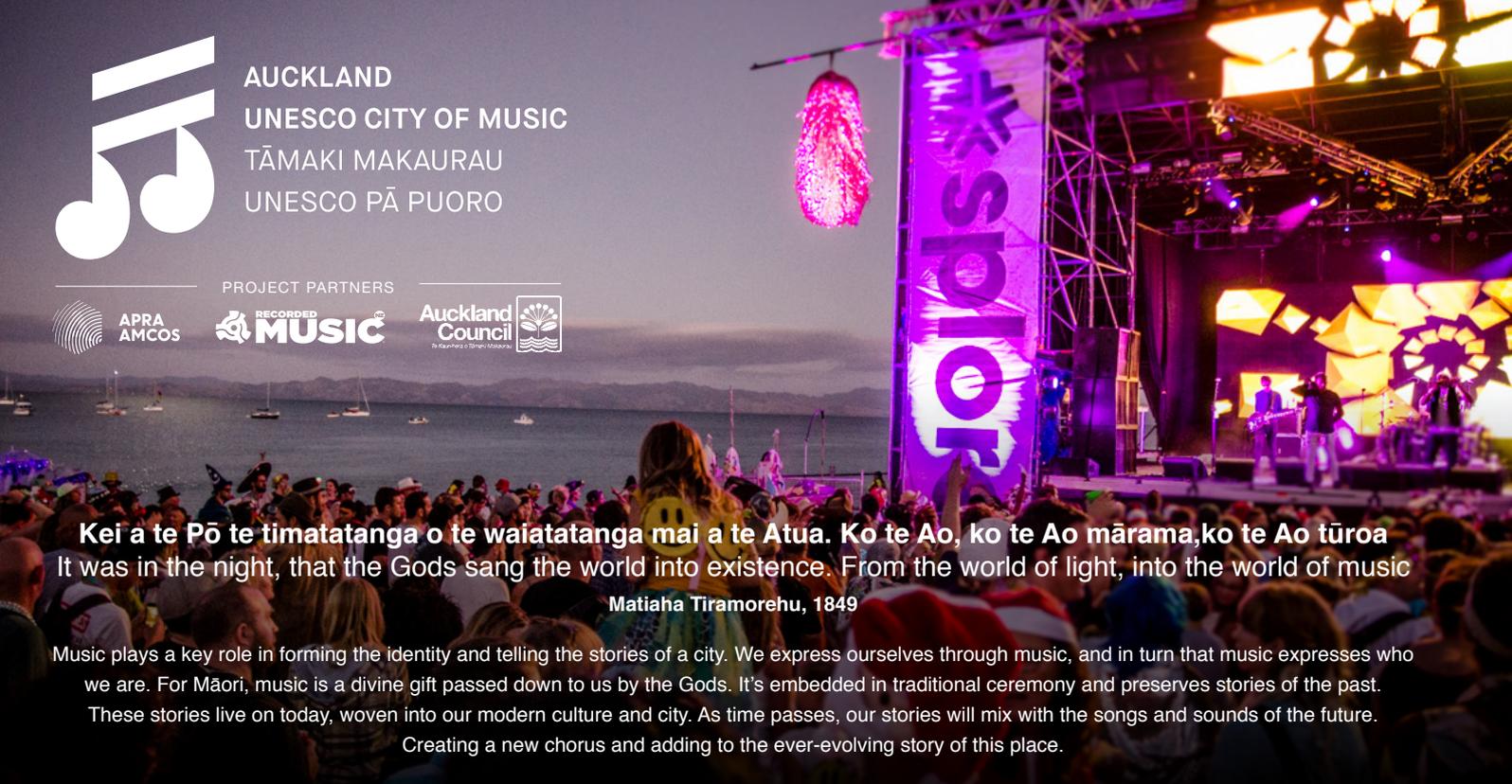




AUCKLAND
UNESCO CITY OF MUSIC
TĀMAKI MAKĀURAU
UNESCO PĀ PUORO



PROJECT PARTNERS



Kei a te Pō te timatatanga o te waiatatanga mai a te Atua. Ko te Ao, ko te Ao mārama, ko te Ao tūroa
It was in the night, that the Gods sang the world into existence. From the world of light, into the world of music

Matiaha Tiramorehu, 1849

Music plays a key role in forming the identity and telling the stories of a city. We express ourselves through music, and in turn that music expresses who we are. For Māori, music is a divine gift passed down to us by the Gods. It's embedded in traditional ceremony and preserves stories of the past. These stories live on today, woven into our modern culture and city. As time passes, our stories will mix with the songs and sounds of the future. Creating a new chorus and adding to the ever-evolving story of this place.

There is growing recognition of music as a transformative power, not only as a cultural staple, but also as an economic driver for cities.

Boosting the music economy will bring multiple dividends to Auckland, from advancing artistic and cultural growth, to generating substantial economic impacts from job creation and music tourism spending, thereby increasing GDP.

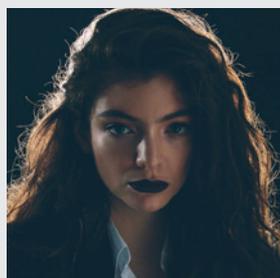
A vibrant music economy creates the quality of life that makes people want to live and work in a music city, giving Auckland an added edge in business attraction and retention.

Recorded Music NZ led a bid for Auckland to apply for UNESCO Creative City status. The initial idea came after tracking Adelaide's progress through the process. Adelaide was designated a City of Music in 2015, and joined two other Australian cities already in the network: Sydney (Film) and Melbourne (Literature). Around the same time, our colleagues at Music Canada published their landmark document 'Mastering A Music City' – a blueprint for cities considering music strategies.

The Council's Arts & Culture Unit worked with the music sector to make a compelling case for application and this was presented to Auckland's Governing Body on 14 March 2017. The Governing Body voted 16-2 in favour of applying for City of Music status and the project team duly prepared the official application to UNESCO in June 2017.

Formal designation was conferred on Auckland at the UNESCO Creative Cities XI Annual Meeting in Enghien-les-Bains, France. Formal notification was received by Auckland on 31 October 2017. We join 30 other cities, including Liverpool and Glasgow, as global Cities of Music.

A music city is, very simply, a place that has a vibrant music ecosystem that delivers economic, social, cultural and employment benefits (both direct and indirect). We now look forward to working with our partners across the Auckland Council family, as well as the many music and creative industry stakeholders, in developing and implementing meaningful initiatives that will improve the city's liveability and assist the creative sector to thrive.



VOLUME SOUTH @MIT

EXHIBITION PARTNERS:



Fed by street culture, church choirs, R 'n' B clubs and hip-hop, the story of South Auckland music is an explosive mix of hustle, talent and originality.

Volume South tells this story in the South Auckland edition about making music in Aotearoa. It follows the highly successful Volume exhibition at Auckland Museum (October 2016 - May 2017) which was attended by over 200,000 visitors.

Volume South has been developed by the Museum, an Advisory Panel and the New Zealand Music Hall of Fame Trust (APRA AMCOS and Recorded Music NZ). This is the second offsite exhibition for Auckland Museum, and made in partnership with Manukau Institute of Technology at MIT's Manukau Campus.

Volume South champions the artists and scenes that represent Southside pride. Emerging talent is featured alongside the early trailblazers including Urban Pacifika Records, the Fuemana family, Dawn Raid Entertainment and Ōtara Music Arts Centre, which had a key role in cultivating local artists.

Volume South @ MIT run until August 31, 2018.

“The news reports used to talk bad about us all of the time, you know? I thought, who are they talking about? There’s a lot of talent here.”

Ryan Monga



Gene Rivers with OMAC's Otari MX5050 BII2



Ezra Williams (Razé) photographed next to her songwriting journal



Irene and Siah Falou perform at the opening of Volume South



Display cases inside the exhibition

Photos by Topic Photography, courtesy of Auckland Museum.



A Recorded Music NZ Music Grant helped to establish **Girls Rock! Camp Aotearoa** ("GRC"), and provided support by hosting executive meetings at our offices as well as sitting on the advisory panel.

GRC's aim is to assist and guide the advancement and empowerment of young women (including transgender, intersexual and non-binary youth) in the music community of Aotearoa through a music-based school holiday programme.

It's inaugural five day music 'camp' was held from 15th – 19th January, at the MAINZ campus in Victoria Street, Auckland. The finale was a showcase held at the Pioneer Women's Hall in Freyberg

Place on 29th January, where 8 bands that formed over the week performed in front of over 250 friends and family.

The camp was attended by 42 participants aged 11-17 years old, predominantly from Auckland but also from Northland, Wairarapa & Tauranga. The camp entailed 3 full time coordinators, 16 band mentors, 10 instrument tutors, 14 volunteers, 4 sound techs and band coordinators and 6 workshops. During lunch times, participants were also treated to live performances from NZ artists: Tiny Ruins, Wax Chattels, JessB, Street Chant and Anna Coddington.

More info at girlsrockcamp.co.nz

NZ MUSIC PRODUCER SERIES

The second **New Zealand Music Producer Series** (NZMPS) was held in Auckland from October 30th - November 10th, 2017, with international guest producers David Wrench and Romesh Dodangoda.

Hosted by Recorded Music NZ, curated by producer Greg Haver, with support from NZ On Air, APRA AMCOS and SAE Auckland.

The goal of the series was to bring experienced international record producers and engineers to New Zealand to work with our best up-and-coming producers and engineers - to exchange information, upskill and network.

In addition, the NZMPS hosted two public seminars, held to generate information and discussion around aspects of music production for anyone looking to expand their knowledge of the industry. Recorded Music hosted one seminar at its offices, whilst another was moved to Roundhead Studios to accommodate demand.

A result of the partnership with Recorded Music New Zealand, the New Zealand Music Producer Series is now an annual event in the music calendar and has enabled the cost to participants to be reduced providing the opportunity for more of New Zealand's recording professionals to attend.

The 2018 series is in pre-production for November to tie in with the VNZMA Artisan Awards.



Photos by Christian Tjandrawinata.

GOING GLOBAL MUSIC SUMMIT

The **Going Global Music Summit** by **Independent Music New Zealand (IMNZ)** is a two-day public programme of panels, presentations, mixers, workshops and showcases. Last year, Going Global featured 31 international specialists, including an official label delegation from Chile, 20 local experts and showcased twelve emerging New Zealand artists.

This was the seventh annual Going Global conference and the first sell-out event. IMNZ expanded the number of speakers appearing through partnership and support from Auckland Tourism, Events and Economic Development, alongside their business relationship with Q Music / BIGSOUND and through the existing and developing offshore networks provided by IMNZ and the NZ Music Commission.

Structurally, the Summit continued to include third-party social mixers to conclude each day of conferencing, which proved a success. This year the Mixers were co-hosted by international music distributors The Orchard, NZ indie label Loop; and the Chilean Trade Embassy (ProChile presents Sounds From Chile). The Summit also partnered financially with the multi-venue festival The Others Way to incorporate this event into Friday's programme for the offshore guests.

With the increased awareness of the conference locally and internationally, alongside an increased budget and a wonderful conference venue, we were confident of a rise in registrant numbers, and this confidence was confirmed when selling out all registrant tickets a week before the conference started.



NZ MUSIC FOUNDATION WELLBEING SERVICE

THE NEW ZEALAND MUSIC FOUNDATION

TŪĀPAPA PŪORO AOTEAROA



Over the course of its history the **NZ Music Foundation** has partnered with and invested more than a quarter of a million dollars in music projects that have measurably improved the lives of over 50,000 people in need around the country.

Their work includes music therapy projects in hospices and hospitals and innovative programmes that use music to help groups as diverse as primary school children affected by the earthquakes in Christchurch, through to disabled people in the Manawatu. The charity makes it possible for the power of music to help and heal kiwis in need all over the country.

The charity has a vital role to play in the health and wellbeing of NZ music people experiencing illness, distress and hardship.

Their innovative **0508MUSICHELP Wellbeing Service** provides professional mental health counselling specifically tailored to those making their way in music. At the time of writing, the charity is about to deliver the 100th session of professional one-on-one counselling since the service's inception, and hundreds more have been helped through the service's toll-free helpline and email response mechanisms.

This year the charity is delivering tailored mental health and wellbeing seminars to the regional finalists of Smokefree Rockquest across the country, following on from a highly successful pilot programme last year. The charity hopes to deliver actionable strategies and targeted information to more than 300 young people, empowering them to have longer, healthier, more productive and more rewarding lives in music.

Lastly, the charity is there when illness and hardship strikes. Music people and their families have been able to approach the charity for targeted, practical, confidential assistance in times of crisis this year. This assistance takes many forms and is tailored to the individual. The charity has met vital healthcare expenses, basic subsistence needs, funeral expenses and provided vital direct help which has made it possible for people to repair and resume their careers in music.

DIRECTORY

FOR THE YEAR ENDED 31 DECEMBER 2017

Year of Incorporation 1957 WN 10515

Registered Office Level 1, 2A Hakanoa Street
Grey Lynn
Auckland

Business Address Level 1, 2A Hakanoa Street
Grey Lynn
Auckland

Directors C Caddick (Chair)
P Baker
S Cockle
K Boshier
A Holt
P McKessar

Shareholder Extensive shareholding

Auditor KPMG
Auckland

ALDOUS HARDING

The eclectic Lyttleton artist picked up Best Alternative Album at the 2017 VNZMA's for her debut album 'Party'.

Photo supplied.



STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$	2016 \$
REVENUE			
Licence Fees		14,772,917	15,285,015
Interest Income		315,805	346,294
TOTAL INCOME		15,088,722	15,631,309
EXPENSES			
Operating expenses	5	(3,427,009)	(3,342,381)
Administrative expenses		(144,492)	(132,973)
TOTAL EXPENSES		(3,571,501)	(3,475,354)
FUNDS AVAILABLE FOR DISTRIBUTION	3	(11,517,221)	(12,155,955)
PROFIT FOR YEAR		-	-

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017 \$	2016 \$
ASSETS			
Cash and cash equivalents		557,082	596,436
Trade and other receivables		2,326,874	2,366,457
Short term deposits		10,173,521	9,401,494
Investments		147,577	147,577
Property, plant and equipment		86,415	45,541
TOTAL ASSETS		13,291,469	12,557,505
LIABILITIES			
Trade payables and accruals		608,967	545,910
Funds held available for distribution	3	11,795,323	11,224,416
Funds retained for provisions	3	887,179	787,179
TOTAL LIABILITIES		13,291,469	12,557,505

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

TEEKS

TEEKS (Te Karehana Gardiner-Toi) won Best Māori Artist at the 2017 VNZMA for his debut EP 'The Grapefruit Skies'.



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts of licence fees	14,829,829	15,458,392
Distributions to companies and recordings artists	(10,846,314)	(11,808,636)
Paid to suppliers and employees	(3,484,207)	(3,430,134)
Net cash from operating activities	<u>499,308</u>	<u>219,622</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	315,805	346,294
Acquisition of property, plant and equipment	(82,440)	(8,133)
Movement in short term deposits	(772,027)	(500,643)
Net cash from investing activities	<u>(538,662)</u>	<u>(162,482)</u>
NET (DECREASE)/INCREASE	<u>(39,354)</u>	<u>57,140</u>
Opening cash and cash equivalents 1 January	596,436	539,296
Closing cash and cash equivalents	<u><u>557,082</u></u>	<u><u>596,436</u></u>
Made up of:		
Bank balances	557,082	596,436
TOTAL CASH AND CASH EQUIVALENTS	<u><u>557,082</u></u>	<u><u>596,436</u></u>

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 2017 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 has uncalled capital and no retained earnings.

c) 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. Net income from sponsorship and other income received in relation to the Music Awards is included in operating expenses.

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 \$12,075 (2016: \$12,035).

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.

	2017	2016
Funds at the beginning of the year	11,224,416	11,077,086
Funds distributed to companies and recording artists during the year	(10,846,314)	(11,808,625)
Transfer to funds retained for provisions	(100,000)	(200,000)
Funds received (net of expenses) available for distribution next year	11,517,221	12,155,955
Funds at the end of the year	11,795,323	11,224,416
Funds retained for provisions	887,179	787,179
Funds held available for distribution	11,795,323	11,224,416
Funds at the end of the year	12,682,502	12,011,595

4. RELATED PARTIES

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

The following remuneration was received by directors during the year:

	2017	2016
Chris Caddick	48,000	43,000
Jan Hellriegel	-	1,000
Peter Baker	6,000	7,500
Paul McKessar	7,000	5,000
Total	61,000	56,500

5. COMMITMENTS AND CONTINGENCIES

There are no capital commitments at balance date (2016: nil). Operating lease commitments for leases of a premises at Hakanoa Street are payable as follows:

	2017	2016
Less than one year	111,089	103,272
Between one and five years	111,800	8,606
More than five years	-	-
	222,889	111,878

Operating lease expenses of \$103,272 (2016: \$102,522) 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 (2016: nil).

6. SUBSEQUENT EVENTS

There have been no subsequent events which impact on the financial statements (2016: 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 22 to 27:

- i. present fairly in all material respects the company's financial position as at 31 December 2017 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 2017;
- 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 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, Chief Executive's Report, and We Create 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

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

KPMG
Auckland

27 April 2018



RECORDEDMUSIC.CO.NZ

Vodafone NZ Music Awards nzmusicawards.co.nz

The Official NZ Music Charts nztop40.co.nz

The New Zealand Music Hall of Fame musichall.co.nz

Public performance licensing by OneMusic onemusicnz.com

Protecting and promoting our music promusic.co.nz

Growing our creative sector wecreate.org.nz

The logo for Recorded Music NZ. It features a stylized orange icon on the left that resembles a musical note or a flame. To its right, the word "RECORDED" is written in a smaller, bold, orange sans-serif font. Below "RECORDED" is the word "MUSIC" in a much larger, bold, orange sans-serif font. To the right of "MUSIC" is a small orange circle containing the letters "NZ".

VODAFONE
NEW ZEALAND
MUSIC AWARDS

THE ORIGINAL
NZ MUSIC
CHARTS

RECORDED
MUSIC
LICENSING

One
Music

PRO
MUSIC

WeCreate

MUSIC
GRANTS



Freephone 0800 88 77 69 Phone (09) 360 5085 Email info@recordedmusic.co.nz
Online recordedmusic.co.nz Post Private Bag 78850 Grey Lynn Auckland 1245
Street Address Level 1, 2a Hakanoa St, Grey Lynn, Auckland 1021