



# ANNUAL REPORT 06

PHONOGRAPHIC PERFORMANCE COMPANY OF AUSTRALIA



# HIGHLIGHTS

PPCA revenues, distributions, licences and registered artists and groups continued to increase in 2005–2006, maintaining our unbroken succession of improvements since 1990.

Licences up **7.8%** to 42,613

Income up **9.4%** to \$14,617,460

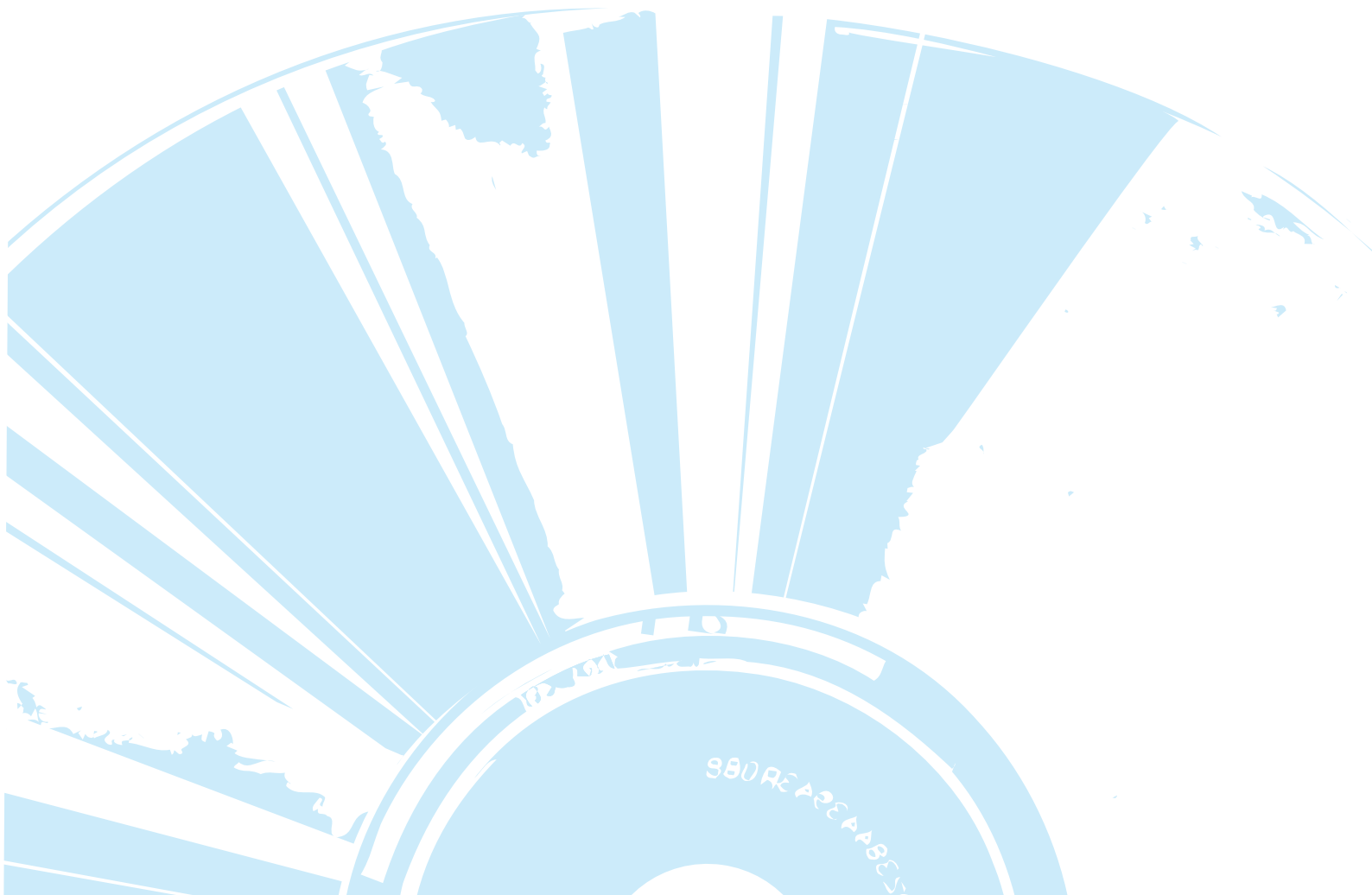
Distribution surplus up **3.1%** to \$10,329,051

The PPCA Trust approved **28** applications for funding:

- **21** related to further education and research
- **7** for festivals, live music and local artists

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# CHAIRMAN'S REPORT



**I'm pleased once again to start my year in review with the great news that PPCA has continued its unbroken succession of growth during the 2005/2006 financial year, posting increases in income, licences issued and distributable surplus. PPCA is now in its sixteenth successive year of growth.**

In the year ending 30 June 2006, PPCA's revenue increased to over \$14.6 million representing a 9.4% increase on the previous financial year. The key contributor to this growth has been the significant expansion in PPCA's licensing program, which during the period resulted in an additional 3,073 public performance licences being established. This represents growth in license numbers of 3.1% during the period.

The further development of PPCA's enforcement program has also contributed significantly to income growth for the financial year. Many inspections were carried out across Australia, some of which ultimately resulted in proceedings in the Federal magistrates' court against businesses who were infringing the copyright of PPCA Licensors. All such proceedings were concluded in PPCA's favour.

PPCA's distributable surplus enjoyed another record increase and now stands at \$10.3m, 3.1% higher than last year despite the significant investment in developing future revenue streams. This will be distributed to artists and labels in December 2006.

Last year we reported on PPCA's partnership with 'The Amp 2005'—a new music industry prize developed to award an Australian artist a cash prize of \$25,000 in recognition of their musical excellence. In February last year a shortlist of 8 artists was announced to the media, with the winner—The Drones—awarded the inaugural Amp prize for their album "Wait Long by the River and the Bodies of Your Enemies Will Float By". PPCA will continue its partnership with "The Amp 2006" (which will be awarded in early 2007). The organisation is excited about this partnership, as the initiative not only promotes PPCA to a broad range of Australian artists, but also promotes the health and growth of the local industry both here and abroad.

During the period, PPCA continued to engage government at all levels. In particular, significant progress was made with regard to seeking the removal of the 1% statutory cap on radio broadcast licence fees. In particular, Federal Cabinet resolved in May 2006 to abolish this anomalous cap, which unfairly prejudices recording artists and record labels alike. PPCA is continuing to work with government on the timing of the implementation of this Cabinet decision.

As reported in the 2005 Chairman's report, the nightclub tariff review matter was referred to the Copyright Tribunal and a hearing was held in June 2006. Further submissions were made during October, and we now await the Tribunal's determination.

As usual, PPCA's compliance with the Copyright Collecting Society Code was the subject of an independent annual review and we are pleased to advise that our compliance with the Code has once again been confirmed.

As reported last year, considerable effort has been expended redeveloping PPCA's core information technology systems. Replacement catalogue and distribution software applications have now been deployed and work commenced to replace the financial and customer licensing systems to provide increased productivity, customer service and e-commerce functions.

Finally, I'd like to take the opportunity to acknowledge the significant contribution of my fellow Board members and the management team. Without their hard work and commitment the company's many achievements would not be possible.

A handwritten signature in blue ink, appearing to read 'John O'Donnell'.

**JOHN O'DONNELL**  
**PPCA Chairman**  
October 26, 2006

# THE COMPANY

## REGISTERED OFFICE

Level 4, 19 Harris Street | Pyrmont NSW 2009 | A.C.N 000 680 704 | A.B.N 43 000 680 704

## BANKERS

Commonwealth Bank of Australia

## AUDITORS

Deloitte Touche Tohmatsu

## SOLICITORS

Gilbert & Tobin

## EXECUTIVE SECRETARIAT



**STEPHEN PEACH**  
Chief Executive Officer



**MAXINE CHISHOLM**  
Licensing Manager



**CHRISTINE HAYES**  
Communications Manager



**LYNNE SMALL**  
Manager – Finance,  
Operations & Administration



**LINDA COURTNEY**  
Distribution Manager



**STEPHEN CONWAY**  
IT Manager

## DIRECTORS – NOVEMBER 2006

**George William Ash**

**Raani Costelloe**

(Alternate for Denis Anthony Handlin)  
Appointed 21 June 2006

**David William De Barran Cullen**

**Karen Ann Don**

(Alternate for George William Ash)

**Deborah Veronica Gervay**

(Alternate for John O'Donnell)  
Appointed 1 August 2005

**Denis Anthony Handlin**

**Gregory John Macainsh**

**Belinda Morrison**

**Mark Narborough**

(Alternate for Edward St John)

**John Anthony O'Donnell**

**Edward Erskine St John**



## BOARD MEMBERS AS AT NOVEMBER 2006

### JOHN O'DONNELL

PPCA CHAIRMAN

John O'Donnell has worked in the Australian music industry for over 15 years. After a period as a freelance writer, he joined Rolling Stone Magazine as Music Editor in 1988. In the early 90's he co-founded and was the original Editor of Juice Magazine. In 1994 he joined Sony Music to begin the Murrumbidgee label and went on to sign a range of acts including Silverchair, Jebediah and Something For Kate.

In 1999, he was appointed head of A&R at Sony Music Australia. In 2002 he joined EMI Australia and was appointed Managing Director in July of that year. In addition to his duties as a Board Member of ARIA, John is also the Chairman of the ARIA Chart and Marketing Committee.

### GEORGE ASH

PPCA BOARD MEMBER

George Ash became a member of the PPCA Board in August 2003. George is the Managing Director of Universal Music Australia (UMA), a division of the Universal Music Group. Prior to George's current position with Universal Music

Australia, he held positions as Managing Director at Universal Music NZ, Managing Director at MCA Geffen NZ and held key management roles at BMG NZ. George has also held roles in Polygram Manufacturing and in the retail sector.

George's passion for the music industry began as a musician and has spanned 25 years including holding a variety of roles in key industry bodies within the New Zealand industry before relocating to Australia in his current role in 2001.

### BILL CULLEN

PPCA BOARD MEMBER

– MANAGER REPRESENTATIVE

Bill became a member of board of the PPCA in 2004 as the artist managers representative.

Bill is a partner in One Louder Entertainment, the management home to Paul Kelly, End Of Fashion, Shane Nicholson, Sarah Blasko and The Morning After Girls. He has been involved in the music business since leaving school, working at Grant Thomas Management with acts such as Crowded House and The Rockmelons. After that Bill spent 5 years in

London where he worked with the legendary Pete Jenner (manager of Pink Floyd, The Clash, Billy Bragg, etc), before going on to co-manage New Zealand act OMC (How Bizarre) who went on to a number one single and gold album in the US. He returned to Australia in 1999, and established One Louder, and has since had platinum plus success with Alex Lloyd, George and Amiel.

### DENIS HANDLIN AM

PPCA BOARD MEMBER

Denis is the Chairman and Chief Executive Officer of Sony BMG Music Entertainment Australia and New Zealand, having previously held a number of senior positions within Sony Music Entertainment Australia since 1971, including the CEO role since 1984.

Denis' deep involvement in the music industry is reflected in his current position as Chairman of the Australian Recording Industry Association (ARIA), and his previous experience as Chairman of the ARIA Chart Committee. Denis has also been a Chairman of PPCA and has served on the committees of several industry associations.



In 2005, Denis was named a Member (AM) of the Order of Australia in the General Division for his service to the music industry, particularly through the promotion of Australian musicians, to professional organisations, and to the community through fundraising for charitable organisations. Denis is a co-founder and a Governor of the Sony Foundation which has raised over \$6 million in six years for charitable causes. In 2003, he also accepted the invitation to become a patron of Youth Off The Streets charity.

**GREG MACCAINSH**  
PPCA BOARD MEMBER  
– ARTIST REPRESENTATIVE

Greg Maccaish has been a recording artist, songwriter and musician for over 25 years, forming the seminal Australian group Skyhooks in 1973. Skyhooks disbanded in 1980 and Greg moved into production, management and songwriting tuition. A keen bass player, he has toured with a number of artists, notably John Farnham and Dave Warner.

Greg is a strong advocate for the contemporary music industry, holding positions as a Director and Chairperson of the Victorian Rock Foundation from 1989 to 1993 and a Writer Director of APRA from 1997 to 2000. He was elected to the PPCA board as an Artist Representative in 2001.

**LINDY MORRISON**  
PPCA BOARD MEMBER  
– ARTIST REPRESENTATIVE

Lindy Morrison has been a member of the PPCA Board, as a representative of registered Australian recording artists, since 1993. Lindy toured the world as a drummer, with Zero, The Go-Betweens and Cleopatra Wong, from 1978 until 1992. Since then, Lindy has worked around Australia as the musical director or performer in shows, parades and festivals, and has led drum and music workshops with many diverse and varied community groups.

Lindy is also a Director on the Music Council of Australia Board, and she is the National Coordinator for Support Act Ltd—the benevolent society for musicians and workers in the music industry.

**ED ST JOHN**  
PPCA BOARD MEMBER

Ed St John became a member of the PPCA Board in July 2001. Ed is the President & CEO of Warner Music Australasia, a division of the Warner Music Group. Prior to joining Warner in February 2004, Ed was the Managing Director of BMG Australia for four years, having previously held a number of senior positions within the company since joining in 1998. Ed has also held the position of Director of Marketing at Columbia Records, a division of Sony Music Australia.

Ed's long association with the music industry includes work as a television writer and producer, specialising in music and entertainment-focused programming and as a freelance music writer and contributor to several key books on Australian music.

# MANAGEMENT REPORT

## FINANCIAL PERFORMANCE

Once again we are pleased to report on another successful year for PPCA, with record growth in revenue, distributable surplus and licence coverage.

In the year ending 30 June 2006, PPCA's distributable surplus increased to over \$10.3 million, representing growth of 3.1% since last year.

Revenue also increased substantially to over \$14 million, representing a 9.4% increase on last year's result. This growth can be attributed to an increase in the number of licences established and maintained by PPCA, which at the end of the year stood at 42,613, a 7.8% increase on last year.

This substantial growth in licence numbers is a testament to the ongoing work of the PPCA licensing department, which has continued with its proactive prospecting program and, with the assistance of the legal department, implemented an improved escalation and enforcement program. The enforcement program, involving inspections across all states, has resulted in PPCA initiating civil proceedings against copyright infringing businesses in Sydney, Adelaide and Brisbane.

The graphs on **page 7** of this report illustrate the growth in PPCA's revenue, distribution and licence numbers over the past 14 years.

During 2006 PPCA was pleased to work closely with APRA and the Department of Industry, Tourism and Resources to develop an online licensing form. This allows business owners who use music to complete a single on-line application to secure licences for both sound recordings and musical works. Deployed on the **www.business.gov.au** site in mid 2006, the form is designed to simplify the music licensing process, particularly for small business. The form can also be accessed from the PPCA website.

## DISTRIBUTION

As with previous years, PPCA completed the distribution of surplus funds in late December 2006, issuing over 1200 cheques to licensors and registered Australian recording artists.

In December 2005 changes were made to the Constitution and Distribution Policy, which saw the Featured Artist allocation on local recordings increase from 47.5% to 50%. This distribution was the first where these changes were implemented.

It is pleasing to report that the number of PPCA licensors increased this year to over 580 copyright owners, and more than 5,000 labels. PPCA continues to promote licensor registration to ensure the blanket licence covers the widest possible range of musical styles and artists.

The number of Australian artists registered with PPCA under the Artist Direct Distribution Scheme also increased over the period, which resulted in an increase in the overall direct payments to artists. All eligible artists are reminded to register each new recording with PPCA as it is released in order to maximise their potential annual distribution. Any recording artist with questions on the Artist Direct Distribution Scheme or the registration process is encouraged to contact PPCA's Distribution Department for assistance.

Once again PPCA acknowledges the co-operation of ARIA over the year, in granting access to its extensive catalogue database to assist in the analysis of usage logs.

## COMMUNICATIONS

PPCA's range of communication activities continued to expand over the year in an effort to increase the profile of PPCA within business sectors and the artist community.

Throughout the year, PPCA increased its communication and association with key trade groups, including the Australian Hotels Association, Restaurant and Catering, clubs and fitness groups. PPCA also continued the

production of the quarterly newsletter "In the Loop" for PPCA licensees and "On the Record" for registered artists and licensors.

As mentioned in last year's report, PPCA devoted considerable time and effort to producing a video to help business owners and potential licensees understand their music licensing responsibilities. This video is now available on the website, and forms an important part of PPCA's educational strategy.

Last year we reported on a new music prize that was to be launched in 2005, the Australian Music Prize. PPCA was proud to present the winners, The Drones, with their \$25,000 prize in March 2006. Due to the success of the inaugural event, The AMP is being run again this year, and PPCA has continued its role as principal partner, and will once again award the \$25,000 prize money to the winner. The AMP has again attracted a multitude of talented Australian artists, and we look forward to the announcement of the winner in March 2007.

During the year PPCA was also pleased to sponsor the 2006 Deadlys, Australia's only national Aboriginal and Torres Strait Islander music, sport, entertainment and community awards.

## SUPPORT ACT LIMITED

PPCA continued to support the Australian music industry's benevolent fund in 2006, once again assisting Support Act Limited (SAL) with their core program activities of providing financial, legal and medical assistance to members of the music industry and their families.

PPCA is proud to be a founding member of SAL and will continue to provide practical assistance with fund raising, administration and support.

In addition to its annual Melbourne Cup Lunch fundraiser, during the period SAL initiated a new event – 'Music In The House'. Sponsored by Virginia Judge MP and held in NSW State Parliament House in September, the lunch celebrated the contribution performing artists

make to the community, particularly through their support of charities.

PPCA was pleased to support SAL in these initiatives.

### CODE OF CONDUCT

PPCA is a signatory to the Code of Conduct for Collecting Societies (the 'Code') which was developed to assist in ensuring greater transparency and understanding in dealings between collecting societies and their members and licensees.

Each year an independent Code Reviewer (currently former Federal Court Justice the Hon James Burchett QC) undertakes a process of review, to assess each participating Society's compliance with the terms of the Code.

We are pleased to announce that PPCA was once again noted as having achieved a high degree of compliance with the Code, affirming PPCA's efforts to ensure fair and efficient procedures are employed with both copyright users and copyright holders. A copy of Justice Burchett's most recent report can be viewed at [www.ppc.com.au/documents/CodeReviewReport2006.pdf](http://www.ppc.com.au/documents/CodeReviewReport2006.pdf).

### INFORMATION SYSTEMS

PPCA is continuing its ongoing program of upgrading our core information technology systems. Since our last report, catalogue and distribution systems have been deployed. The December 2006 distribution was the first to be run on the newly implemented system.

The system migration has not been without challenges, and staff have worked hard to minimize inconvenience to all our stakeholders. We now look forward to delivering improved services and have also begun work on developing replacement financial and customer licensing modules.

### THE YEAR AHEAD

In May 2006 the Federal Government announced its decision to repeal the 1% price cap on broadcast licence fees which has been in place for almost 37 years. This price cap, which is unique in the Copyright Act, currently prevents record labels and recording artists from obtaining fair returns from commercial radio for the use of recordings. This decision came after more than four years of persistent lobbying by PPCA and will result in significant benefits for record labels and recording artists alike. Importantly, the fair market rate will be set by the Copyright Tribunal if the parties are unable to agree.

We are consulting with government on the timetable for implementation of the Cabinet decision and will keep stakeholders advised of developments on this matter.

As reported throughout the course of the matter, in late 2004 PPCA referred to the Copyright Tribunal a proposed licence scheme for the use of sound recordings in nightclubs and at dance parties (under Tariffs "E" and "B"). The hearing before the Tribunal occurred in June 2006, with final submissions being made in October. During the hearing the Tribunal was presented with a range of industry and economic evidence from PPCA and industry representatives, including expert economic analysis of how the tariff could be fairly set for the use of recorded music use in nightclubs and dance parties.

We now await the outcome of the Tribunal's deliberations on the appropriate rate and terms of this tariff, and will advise all stakeholders of the result as soon as it becomes available.

PPCA has also commenced a review of the tariff applying to the use of sound recordings in fitness classes (Tariff "V"). Following some initial high level analysis of the existing rate, in December 2005 PPCA contacted fitness industry representative bodies to initiate consultation on an appropriate licensing scheme. In December 2006, PPCA referred a proposed scheme to the Copyright Tribunal, and has engaged a firm of

independent economists to assist in determining an equitable rate.

Although hearing dates are yet to be set, we hope to complete the hearing by the end of 2007 if a resolution with the fitness sector cannot be achieved before then. Updates will continue to be displayed on our website as the issue progresses.

In December 2005 the PPCA Constitution was amended to accommodate the appointment of an additional director from the non-shareholder licensor category. The election of the Licensor Representative Director will take place at the start of each calendar year, and we look forward to their contribution.

More than ever, PPCA remains focused on representing copyright owners and recording artists, and assisting them to realise a fair return for the use of their sound recordings and music videos. During the coming year we plan to continue our review of existing licensing schemes, further expand our enforcement program, and develop information systems that will support the growth of the organisation.

Finally, PPCA would like to thank John O'Donnell, PPCA Chairman, and the Board for their continued dedication and support over the period.



**STEPHEN PEACH**  
Chief Executive Officer



**LYNNE SMALL**  
Manager  
– Finance, Operations & Administration

XAVIER RUDD



HILLTOP HOODS



GERLING



KISSCHASY

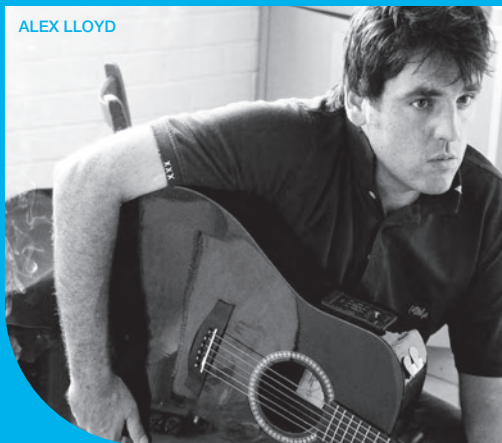
GRINSPÖÖN



WOLFMOTHER



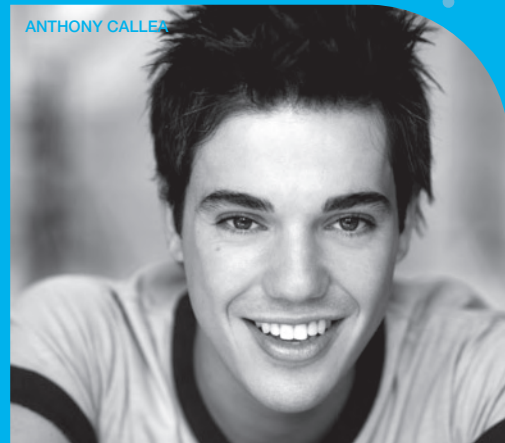
ALEX LLOYD



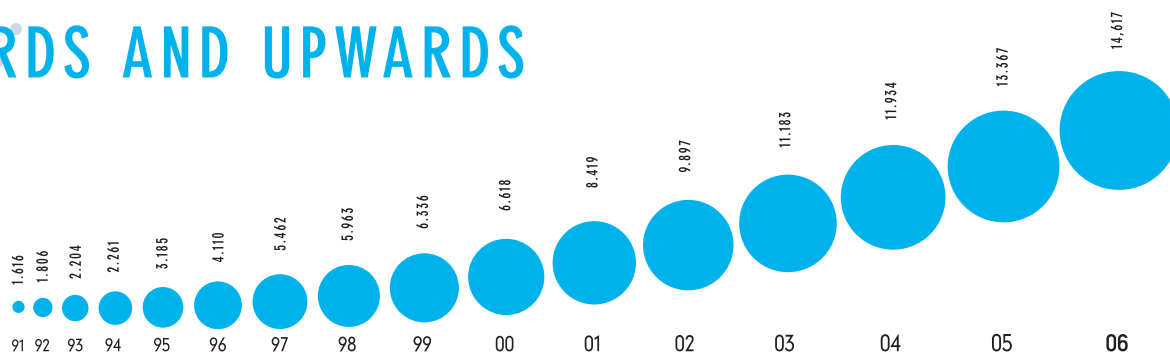
AMIEL



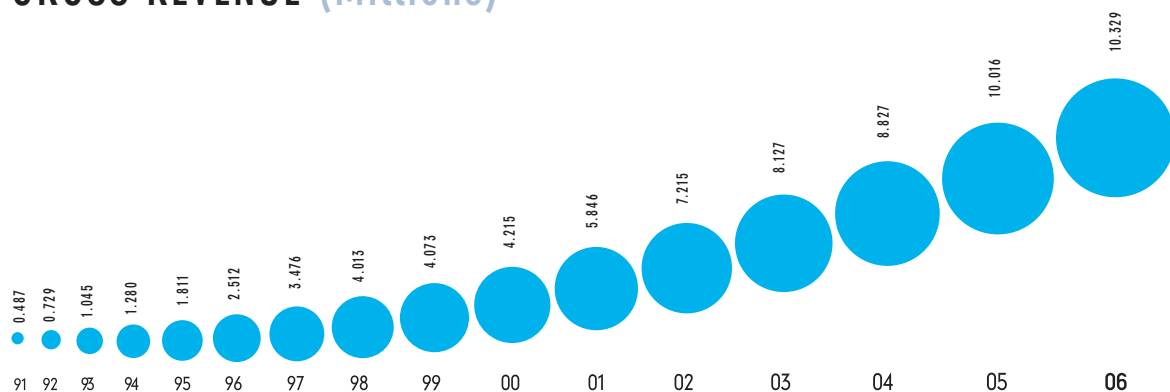
ANTHONY CALLEA



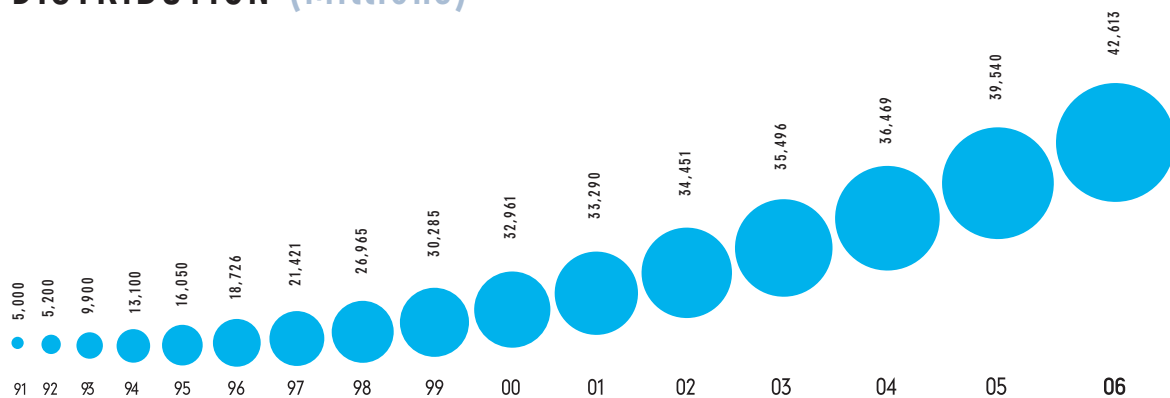
# ONWARDS AND UPWARDS



**GROSS REVENUE** (Millions)



**DISTRIBUTION** (Millions)



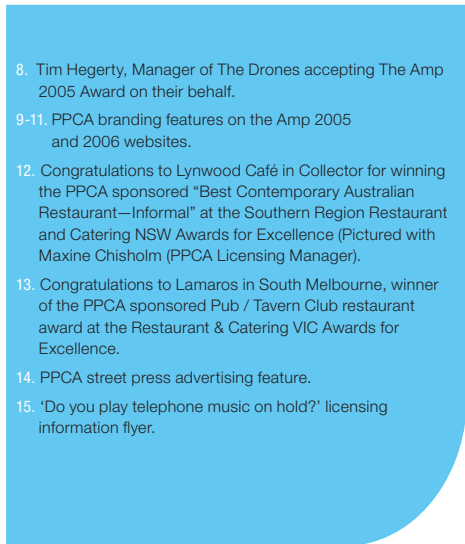
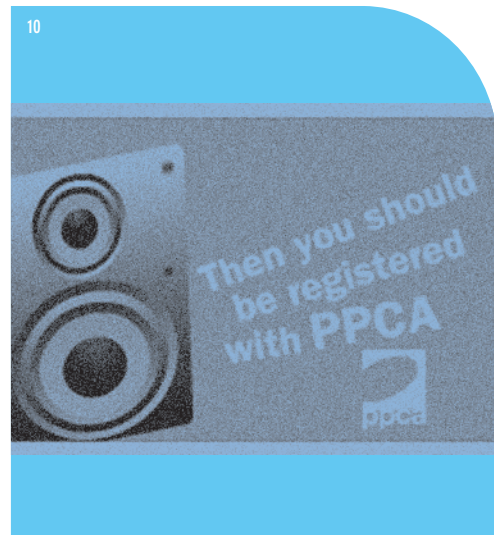
**NUMBER OF LICENCES** (Thousands)



## COMMUNICATIONS

1. PPCA Most Broadcast Recording 2005 "Scar" by Missy Higgins. Pictured with John Watson, President of Eleven: A Music Company.
2. New "Are you registered?" promotional sticker for artists.
3. Congratulations to Omega in Sydney for winning the PPCA sponsored "Best Greek Restaurant" at the Restaurant and Catering NSW Metropolitan Awards for Excellence (Pictured with Maxine Chisholm, PPCA Licensing Manager).
4. The 12th Deadly's, National Aboriginal Torres Strait Islander Awards —proudly sponsored by PPCA.
5. Kylie Minogue receives her plaque for Most Broadcast Australian Artist from Ed St John, President and CEO of Warner Music Australasia.
6. Congratulations to Andrew Winton, winner of the PPCA sponsored "Best Performance Award" and Folk/Acoustic category winner for his performance of "Lucky Boy" at the Australian Songwriters Association National Songwriting Contest 2006. Pictured with Lindy Morrison, PPCA Artists Director.
7. Congratulations to The Drones, winner of The Amp 2005 and recipient of the \$25,000 cash prize supplied by PPCA, for their album "Wait Long By The River And The Bodies Of Your Enemies Will Float By".





# PPCA PERFORMERS' TRUST

## PPCA TRUST ACTIVITIES

Since its inception, PPCA has funded and co-administered with the Musician's Union and the Media Entertainment and Arts Alliance (formerly Actor's Equity) the "PPCA Trust". The Trustees during the period 1 July 2005–30 June 2006 were John O'Donnell, Stephen Peach, Patricia Amphlett and Denis Shelverton.

In exercising their powers pursuant to the provisions of the Trust, the Trustees have the power to pay or to apply the Trust Fund to or for the benefit of such beneficiaries as the Trustees in their absolute discretion from time to time determine in respect of one or more of the following purposes:

1. performance at concerts at or for charitable institutions such as hospitals or homes for the aged; or,
2. scholarships for the promotion and encouragement of musical and theatrical education; or
3. the promotion and encouragement of the performing arts to the general public; or, in particular,
4. the aid or assistance of any beneficiary who in the opinion of the Trustees is unable to adequately maintain herself/himself by her/his own exertions and other income.

Total funds provided since creating the Trust have been \$1,773,848 (up to 30 June 2006).

In the 2005-2006 year, four Trust meetings were held and 50 applications were put to the Trustees. Of these, 28 were approved totaling \$110,152.00. Of the successful applications 21 related to further education and research; and 7 to festivals, live music and local artists.

## THE NAMES OF THE RECIPIENTS ARE AS FOLLOWS:

Music Entertainment & Arts Alliance

William Lane

Robert McMillan

Australian Music Examination Board  
Tasmania

Musicians Union of Australia

Flute Society of South Australia

Jacinta Marasco

Australian Contemporary  
Music Working Group

Carla Blackwood

Glen Donnelly

City of Hobart Eisteddfod Society Inc

UTAS Gospel Choir

Island Brass Academy

Glenorchy City Concert Brass

Linda May-Han Oh

Jacklyn Bassanelli

The Ben Winkelman Trio

Matthew Boden

Sol Thomas

Simon Tedeschi

Roderick Greig

David Brooks

Ryzard and Aleksander Pusz

**Feedback from many of the grants recipients has been welcome and useful.**

**Here are some examples ➤**

The Trust Balance Sheet can be found on page 39 of this report.





## BEING HEARD

The Flute Society of SA Inc. wishes to thank you for your generous funding support towards the visit of Uwe Grodd to Adelaide for a Flute Festival in August 2006.

Yours Faithfully,

**Margaret Coventry**

Hon. Treasurer

The Flute Society of SA Inc.

I was recently the recipient of a grant that enabled me to attend the International Conference of Symphony and Opera Musicians in San Diego in August 2005.

I wish to thank the Trustees again for their support—the experience was extremely valuable and I think the contact I have now made with our colleagues in the United States will prove to be an important and resourceful one.

Yours Sincerely,

**Tania Hardy-Smith**

I am pleased to report that members of the State Committee of the Australian Music Examinations Board have agreed unanimously that the awards provided through the PPCA Performers' Trust Foundation should be made to the following examination candidates:

**M Gautschi**

Brass Award: Best Performance

– *Trumpet Seventh Grade*

**W Hewer**

Strings Award: Best Performance

– *Cello AMusA Diploma*

**R Howie**

Woodwind Award: Best Performance—*Flute Seventh Grade*

Would you please advise the Trustees on our behalf and thank them for their generosity in providing these Awards.

Yours Sincerely,

**Marita Crothers**

State Manager

Australian Music Examinations Board

I am writing in order to thank you for your contribution to the Flutes of Adelaide study trip held 9th September to 2nd October 2005. This study project was a great success and we have gained so much knowledge not only in my chosen field of music, but also about future career opportunities. During our time overseas we participated in six flute masterclasses with some of the world's most high profile musicians and teachers in London, Basel and Paris. The trip was nothing short of life changing. The classes, combined with the cultural experiences of each country were incredible and opened my eyes to the international music scene.

I cannot thank you enough for the support you have given us in achieving this dream. This initiative would simply not have been possible without the support of organisations like your own.

Yours Sincerely,

**Natalie Nowak**

Flutes of Adelaide

– *Study Trip*

# 2006 PPCA MOST BROADCAST

The PPCA Most Broadcast Lists continue to acknowledge the outstanding performance of certain acts in achieving extensive airplay, as represented in PPCA's Radio and TV Broadcast logs. The Most Broadcast Lists are compiled from the play list data used by PPCA to distribute the annual surplus to Licensors, Artists and the PPCA Performers' Trust Foundation.

PPCA's figures for 2006 Most Broadcast Artists and Recordings exceeded the trend set in recent years, with Australian artists performing very well.

The annual PPCA lists show that 15 Australian acts made it into the 2006 Top 50 Most Played Artist Report, an increase from 13 last year, while 30 local tracks featured in the 2006 Top 100 Most Broadcast Recordings, up from 22 last year.

Bernard Fanning's "Wish You Well" is the number one Most Broadcast Recording, followed by Daniel Powter's "Bad Day" and Kelly Clarkson's "Because Of You". Kelly Clarkson has claimed the mantle of Most Played Artist for the period, followed by Rob Thomas and Nickelback.

Bernard Fanning, Shannon Noll, Ben Lee and The Veronicas all featured in the top 10 Most Broadcast Recordings, with Shannon Noll, The Veronicas and Rogue Traders each contributing 3 tracks to the top 100. The Veronicas and Shannon Noll also made the top 10 of the Most Played Artist Report, while Pete Murray also featured on both lists.

Over the years Australian artists have featured strongly on the PPCA Most Broadcast lists, but never to this extent, and PPCA is thrilled to witness the phenomenal achievements of these local acts.

\* The period covered by this Award is the 05/06 financial year.

100

50

ROGUE TRADERS



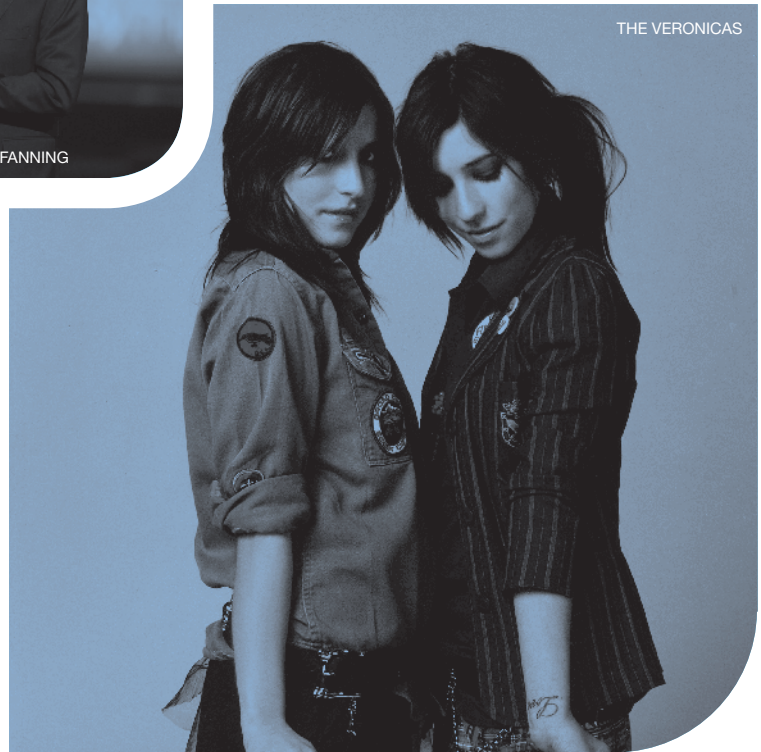
PETE MURRAY



BERNARD FANNING



THE VERONICAS



SHANNON NOLL





# 50

## MOST BROADCAST ARTISTS 2006

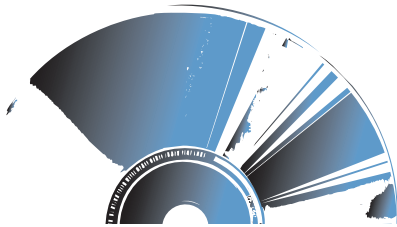
The chart is measured by collating titles that appear in the PPCA radio/TV broadcast logs during the period July to June each year.

Australian Artists

1. Kelly Clarkson 2. Rob Thomas 3. Nickelback  
4. Robbie Williams 5. Black Eyed Peas 6. Madonna  
7. Veronicas, The 8. Green Day 9. Shannon Noll 10. U2 11. Rogue Traders  
12. Gwen Stefani 13. James Blunt 14. Pete Murray 15. Coldplay 16. Backstreet  
Boys 17. Bernard Fanning 18. Kylie Minogue 19. INXS 20. Ben Lee 21. Simple Plan  
22. Sugababes 23. Foo Fighters 24. Pussycat Dolls, The 25. Daniel Powter 26. Mariah  
Carey 27. Bon Jovi 28. Maroon 5 29. Missy Higgins 30. Santana 31. Powderfinger  
32. Jamiroquai 33. Red Hot Chili Peppers 34. Alex Lloyd 35. Gorillaz 36. Thirsty  
Merc 37. Elton John 38. Fleetwood Mac 39. Jet 40. Kanye West 41. Bob Sinclar  
42. Natalie Imbruglia 43. Matchbox 20 44. Ashlee Simpson 45. Jack Johnson  
46. Queen 47. Rolling Stones, The 48. Kate De Araugo 49. P!nk 50. Avril Lavigne

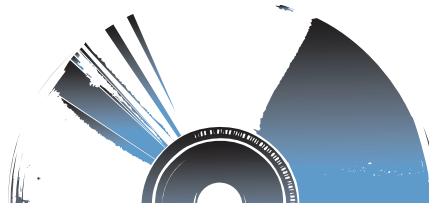
# MOST BROADCAST ARTISTS

## 2003–2005



### 2003

1. **Kylie Minogue**
2. Avril Lavigne
3. Red Hot Chili Peppers
4. Eminem
5. Madonna
6. Jennifer Lopez
7. **Silverchair**
8. Robbie Williams
9. U2
10. **Taxiride**
11. Shakira
12. **Delta Goodrem**
13. Christina Aguilera
14. Ronan Keating
15. P!nk
16. Jamiroquai
17. Atomic Kitten
18. **Disco Montego**
19. Matchbox 20
20. Enrique Iglesias
21. Santana
22. **Holly Valance**
23. The Beatles
24. John Mayer
25. Elton John



### 2004

1. **Powderfinger**
2. **Kylie Minogue**
3. **Delta Goodrem**
4. Robbie Williams
5. Matchbox 20
6. Christina Aguilera
7. Evanescence
8. P!nk
9. Nickelback
10. **Jet**
11. Red Hot Chili Peppers
12. U2
13. Kelly Clarkson
14. Jewel
15. Good Charlotte
16. Dido
17. Avril Lavigne
18. Madonna
19. Black Eyed Peas
20. John Mayer
21. Live
22. Justin Timberlake
23. Outkast
24. Linkin Park
25. No Doubt



### 2005

1. **Kylie Minogue**
2. Maroon 5
3. U2
4. **Missy Higgins**
5. Green Day
6. Simple Plan
7. Avril Lavigne
8. Britney Spears
9. **Powderfinger**
10. **Delta Goodrem**
11. **Jet**
12. Kelly Clarkson
13. Destiny's Child
14. Anastasia
15. Gwen Stefani
16. Nelly
17. Robbie Williams
18. Eminem
19. **Guy Sebastian**
20. **Pete Murray**
21. **Killing Heidi**
22. Good Charlotte
23. Usher
24. Matchbox 20
25. **INXS**

The chart is measured by collating titles that appear in the PPCA radio/TV broadcast logs during the period July to June each year.

**Australian Artists**

18

**TRACK NAME**

- 1 Wish You Well
- 2 Bad Day
- 3 Because Of You
- 4 This Is How A Heart Breaks
- 5 Photograph
- 6 Shine
- 7 Catch My Disease
- 8 Far Away
- 9 4ever
- 10 You're Beautiful
- 11 Hung Up
- 12 Everything I'm Not
- 13 Tripping
- 14 Love Generation
- 15 Untitled
- 16 Ever The Same
- 17 Lift
- 18 Cool
- 19 Push The Button
- 20 Have A Nice Day
- 21 Wake Me Up When September Ends
- 22 Better Days
- 23 Walk Away
- 24 Watching You
- 25 Voodoo Child
- 26 Don't Lie
- 27 Just Feel Better
- 28 Sorry
- 29 Just Want You To Know
- 30 I Like The Way
- 31 Talk
- 32 Incomplete
- 33 Lonely No More
- 34 Forever Young
- 35 Pump It
- 36 Behind These Hazel Eyes
- 37 Don't Cha
- 38 Advertising Space
- 39 Someday, Someday
- 40 Dakota
- 41 From Paris To Berlin
- 42 Stickwitu
- 43 Stupid Girls
- 44 Way To Go!
- 45 Songbird
- 46 Feel Good Inc.
- 47 Best Of You
- 48 Faded
- 49 Don't Phunk With My Heart
- 50 When It All Falls Apart

**ARTIST**

Bernard Fanning  
Daniel Powter  
Kelly Clarkson  
Rob Thomas  
Nickelback  
Shannon Noll  
Ben Lee  
Nickelback  
Veronicas, The  
James Blunt  
Madonna  
Veronicas, The  
Robbie Williams  
Bob Sinclar  
Simple Plan  
Rob Thomas  
Shannon Noll  
Gwen Stefani  
Sugababes  
Bon Jovi  
Green Day  
Pete Murray  
Kelly Clarkson  
Rogue Traders  
Rogue Traders  
Black Eyed Peas  
Santana  
Madonna  
Backstreet Boys  
Bodyrockers  
Coldplay  
Backstreet Boys  
Rob Thomas  
Youth Group  
Black Eyed Peas  
Kelly Clarkson  
Pussycat Dolls, The  
Robbie Williams  
Thirsty Merc  
Stereophonics  
Infernal  
Pussycat Dolls, The  
P!nk  
Rogue Traders  
Bernard Fanning  
Gorillaz  
Foo Fighters  
Kate De Araugo  
Black Eyed Peas  
Veronicas, The

**TRACK NAME**

- 51 Run It!
- 52 We Belong Together
- 53 Gold Digger
- 54 Shiver
- 55 Special Two, The
- 56 Wonderful Life
- 57 Opportunity
- 58 Wisemen
- 59 Listen To Your Heart
- 60 Sunshine
- 61 Hollaback Girl
- 62 Speed Of Sound
- 63 Flaunt It
- 64 Goodbye My Lover
- 65 I Don't Want To Be
- 66 (don't) Give Hate A Chance
- 67 Dare
- 68 Everywhere
- 69 Now I Run
- 70 My Humps
- 71 Switch
- 72 Boulevard Of Broken Dreams
- 73 I Just Wanna Live
- 74 This Love
- 75 O Yeah
- 76 Since U Been Gone
- 77 I Still
- 78 Maybe Tonight
- 79 What You Waiting For?
- 80 I Want You
- 81 She Will Be Loved
- 82 Something To Be
- 83 Beautiful Soul
- 84 Shake It Off
- 85 Reason, The
- 86 Never Meant To Fail
- 87 Ugly
- 88 In The Summertime
- 89 Savin' Me
- 90 Are You Gonna Be My Girl
- 91 SOS
- 92 It's Too Late
- 93 Doa
- 94 Pretty Vegas
- 95 Jesus Of Suburbia
- 96 Beautiful Day
- 97 Into The Dark
- 98 Thunder In My Heart Again
- 99 Left Outside Alone
- 100 Scar

**ARTIST**

Chris Brown  
Mariah Carey  
Kanye West  
Natalie Imbruglia  
Missy Higgins  
Tina Cousins  
Pete Murray  
James Blunt  
DHT  
Ricki Lee  
Gwen Stefani  
Coldplay  
TV Rock  
James Blunt  
Gavin DeGraw  
Jamiroquai  
Gorillaz  
Moustache  
Shannon Noll  
Black Eyed Peas  
Will Smith  
Green Day  
Good Charlotte  
Maroon 5  
End Of Fashion  
Kelly Clarkson  
Backstreet Boys  
Kate De Araugo  
Gwen Stefani  
Paris Avenue  
Maroon 5  
Rob Thomas  
Jesse McCartney  
Mariah Carey  
Hoobastank  
Alex Lloyd  
Sugababes  
Thirsty Merc  
Nickelback  
Jet  
Rihanna  
Evermore  
Foo Fighters  
INXS  
Green Day  
U2  
Ben Lee  
Meck  
Anastacia  
Missy Higgins

# SPECIAL PURPOSE FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

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# DIRECTORS' REPORT

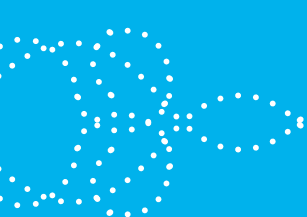
The directors of Phonographic Performance Company of Australia Limited, submit herewith the annual financial report for the financial year ended 30 June 2006. In order to comply with the provisions of the Corporations Act 2001 the directors report as follows:

The names and particulars of the directors of the company in office during or since the end of the financial year are:

**George William Ash**.....Managing Director, Record Company  
**Elizabeth Ann Blakey**.....Director of Business Affairs, Record Company  
**David William De Barran Cullen**.....Director, Management Company  
**Karen Ann Don** (Alternate for George William Ash);.....Director, Legal & Business Affairs, Record Company  
**Michael William Golden** (Alternate for Elizabeth Ann Blakey);.....Chief Operating Officer, Record Company  
**Denis Anthony Handlin**.....Chairman and CEO; Australia and New Zealand, Record Company  
**Graham David Harris** (Alternate for John O'Donnell);.....Executive Vice President, Record Company  
**Gregory John Macainsh**.....Independent Artist  
**Belinda Morrison**.....Independent Artist  
**Mark Narborough** (Alternate for Edward St John);.....Director of Finance, Record Company  
**John Anthony O'Donnell**.....Managing Director, Record Company  
**Damian Peter Rinaldi** (Alternate for Denis Anthony Handlin);.....Director, Business Affairs, Record Company  
**Edward Erskine St John**.....Managing Director, Record Company  
**Deborah Veronica Gervay** (Alternate for John O'Donnell);.....Head of Business Affairs, Record Company  
**Clive John Hodson**.....Head of ABC Music, Record Company  
**Raani Costelloe** (Alternate for Denis Anthony Handlin);.....General Manager, Legal & Business Affairs, Record Company

The above named directors held office during and since the end of the financial year except for:

**Deborah Veronica Gervay**.....Appointed 1 August 2005  
**Graham David Harris**.....Resigned 1 August 2005  
**Michael William Golden**.....Resigned 28 November 2005  
**Elizabeth Ann Blakey**.....Resigned 28 November 2005  
**Clive John Hodson**.....Appointed 23 February 2006 and resigned 6 October 2006  
**Damian Peter Rinaldi**.....Resigned 19 June 2006  
**Raani Costelloe**.....Appointed 21 June 2006



# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director). During the financial year, 5 board meetings were held.

DIRECTORS	BOARD OF DIRECTORS	
	Held	Attended
George William Ash .....	5	4
Elizabeth Ann Blakey (Resigned 28/11/05).....	2	2
David William De Barran Cullen .....	5	4
Karen Ann Don (Alternate).....	1	1
Michael William Golden (Alternate) (Resigned 28/11/05).....	-	-
Denis Anthony Handlin.....	5	-
Graham David Harris (Alternate) (Resigned 1/8/05).....	-	-
Gregory John Macainsh.....	5	5
Belinda Morrison.....	5	5
Mark Narborough (Alternate).....	1	-
John Anthony O'Donnell .....	5	5
Damian Peter Rinaldi (Alternate) (Resigned 19/6/06).....	4	4
Edward Erskine St John.....	5	4
Deborah Veronica Gervay (Alternate) (Appointed 1/8/05).....	-	-
Clive John Hodson (Appointed 23/2/06, resigned 6/10/06).....	3	3
Raani Costelloe (Alternate) (Appointed 21/6/06).....	1	1

## COMPANY SECRETARY

**Lynne Maree Small**  
C.P.A., Appointed 16 May 1997

## PRINCIPAL ACTIVITY

The principal activity of the company in the course of the financial year was acting for the copyright owners in the licensing throughout Australia of the broadcast and public performance of sound recordings and music video clips.

During the year there was no significant change in the nature of this activity.

# DIRECTORS' REPORT

## REVIEW OF OPERATIONS

The company distributes the licence fees it collects to the Copyright owners and artists after deducting operating expenses. As a result of this, no profit or loss is reported and the directors do not recommend that a dividend will be payable in the current year. No dividend was payable in the prior year.

The company's results have again shown a substantial increase in the amount to be distributed to Copyright owners as compared with the previous year. The results of the operations of the company during the year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

The company's distribution to its licensors in relation to the current year was \$10,329,051 (2005: \$10,015,587).

The company's results for the current year ended 30 June 2006 was a profit of \$Nil (2005 loss: \$100,000).

## CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the company other than that referred to in the financial statements or notes thereto.

## SUBSEQUENT EVENTS

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

## FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.

## ENVIRONMENTAL REGULATIONS

The Company's operations are not subject to any particular and significant environmental regulations under any State or Federal laws.

## INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Ms L Small, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on **page 4** of the financial report.

Signed in accordance with a resolution of the directors made pursuant to Section 298(2) of the Corporations Act 2001.

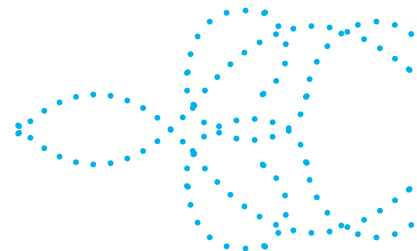
On behalf of the Directors,



**JOHN O'DONNELL**

**Director**

Sydney, 2006



# INDEPENDENT AUDIT REPORT

## SCOPE

### THE FINANCIAL REPORT AND DIRECTORS' RESPONSIBILITY

The financial report, being a special purpose financial report, comprises the balance sheet, income statement, cash flow statement, statement of recognised income and expense, a summary of significant accounting policies and other explanatory notes and the directors' declaration for Phonographic Performance Company Of Australia Limited, for the financial year ended 30 June 2006 as set out on **pages 7 to 22**.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. The directors' responsibility also includes the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### AUDIT APPROACH

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. No opinion is expressed as to whether the accounting policies used, and described in Note 1, are appropriate to the needs of the members.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal

controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the accounting policies described in Note 1 to the financial statements so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations, its changes in equity and its cash flows. These policies do not require the application of all Accounting Standards in Australia.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting requirements under the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

The audit opinion expressed in this report has been formed on the above basis.

## AUDIT OPINION

In our opinion, the financial report of Phonographic Performance Company Of Australia Limited is in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
- b) complying with Accounting Standards in Australia to the extent described in Note 1 and the Corporations Regulations 2001.

*Deloitte Touche Tohmatsu*

**DELOITTE TOUCHE TOHMATSU**

*Julia Bickerstaff*

**JULIA BICKERSTAFF**

**Partner**

Chartered Accountants  
Sydney, 2006



# DIRECTORS' DECLARATION

As detailed in Note 1 to the financial statements, the company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this "special purpose financial report" has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The directors declare that:

- a) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including compliance with accounting standards and giving a true and fair view of the financial position and performance of the entity.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors,



**JOHN O'DONNELL**  
**Director**  
Sydney, 2006

# INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
Revenue	2	14,616,160	13,366,727
Employee benefits expense		(1,760,381)	(1,670,575)
Subscription fees paid or payable to the International Federation of Phonographic Industry		(476,925)	(447,555)
Occupancy expense		(191,254)	(153,448)
Depreciation and amortisation expense		(146,569)	(106,105)
Other expenses from operations		(1,711,980)	(1,073,457)
Distribution to licensors		(10,329,051)	(10,015,587)
<b>LOSS BEFORE INCOME TAX EXPENSE</b>		-	(100,000)
Income tax expense		-	-
<b>NET LOSS FOR THE PERIOD</b>		-	(100,000)
<b>LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>	12	-	(100,000)



Notes to the financial statements are included  
on pages 30 to 38.

# BALANCE SHEET

AS AT 30 JUNE 2006

	Note	2006 \$	2005 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,240,819	2,939,334
Trade and other receivables	4	2,769,650	2,202,081
Other financial assets	5	12,166,320	9,766,320
<b>TOTAL CURRENT ASSETS</b>		16,176,789	14,907,735
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	6	501,865	451,141
<b>TOTAL NON-CURRENT ASSETS</b>		501,865	451,141
<b>TOTAL ASSETS</b>		16,678,654	15,358,876
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	16,422,010	15,210,818
Provisions	8	145,180	102,114
<b>TOTAL CURRENT LIABILITIES</b>		16,567,190	15,312,932
<b>NON-CURRENT LIABILITIES</b>			
Provisions	9	111,452	45,926
<b>TOTAL NON-CURRENT LIABILITIES</b>		111,452	45,926
<b>TOTAL LIABILITIES</b>		16,678,642	15,358,858
<b>NET ASSETS</b>		12	18
<b>EQUITY</b>			
Issued capital	10	12	18
Reserves	11	-	-
Retained earnings	12	-	-
<b>TOTAL EQUITY</b>		12	18

Notes to the financial statements are included on pages 30 to 38.

# STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
<b>NET INCOME RECOGNISED DIRECTLY IN EQUITY</b>		-	-
Profit/(loss) for the period		-	(100,000)
<b>TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD</b>		-	(100,000)



Notes to the financial statements are included on pages 30 to 38.

# CASH FLOWS STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from operating activities		15,317,019	14,402,144
Payments for operating activities		(5,046,231)	(4,382,259)
Distribution to licensors		(10,015,587)	(8,826,958)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	15(b)	255,201	1,192,927
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for plant and equipment		(197,293)	(305,778)
Proceeds from the sale of plant and equipment		1,300	-
Interest received		642,283	545,935
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		446,290	240,157
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Share buy back		(6)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		(6)	-
<b>Net increase in cash and cash equivalents held</b>		701,485	1,433,084
Cash and cash equivalents at beginning of financial year		12,705,654	11,272,570
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	15(a)	13,407,139	12,705,654

Notes to the financial statements are included  
on pages 30 to 38.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## 1. SUMMARY OF ACCOUNTING POLICIES

### Financial Reporting Framework

The company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

### Statement of Compliance

The financial report has been prepared in accordance with the Corporations Act 2001, the basis of accounting specified by all Accounting Standards and Urgent Issues Group Interpretations, and the disclosure requirements of Accounting Standards AASB 101 'Presentation of Financial Statements', AASB 107 'Cash Flow Statements' and AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS').

### Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. Unless otherwise indicated, all amounts are presented in Australian dollars.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The company changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the company's financial position, financial performance and cash flows is discussed in note 16.

The directors have also elected under s.334(5) of the Corporations Act 2001 to apply Accounting Standard AASB 119 'Employee Benefits' (December 2004), even though these Standards are not required to be applied until annual reporting periods beginning on or after 1 January 2006.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 16), the entity's date of transition.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments.

#### b) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and are capable of being measured reliably.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

Provisions made in respect of wages and salaries and annual leave expected to be settled within 12 months, are measured at their nominal values, using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of long service leave which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

## **Defined contribution plans**

Contributions to defined contribution superannuation plans are expensed when incurred.

## **c) Financial Assets**

### **Receivables**

Trade receivables and other receivables are recorded at amortised cost less impairment.

## **d) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

## **e) Income Tax**

The company prepares its income tax returns on the basis that it acts as agent for the copyright holders that it represents. As such, it does not derive income on its own account. Rather, it is entitled under its constituent document to be reimbursed for expenditure

incurred in the course of its activities. The basis of assessment has been agreed with the Australian Taxation Office.

The net effect of timing and permanent differences arising from expenditure incurred by the company is passed on to the recipients of the royalties collected.

## **f) Impairment of Assets**

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

## **g) Leased Assets**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## 1. SUMMARY OF ACCOUNTING POLICIES (continued)

### Lease Incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### h) Payables

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

### i) Revenue Recognition

Revenue is brought to account over the terms of the licences issued on the following basis:

- i. Public performance fees are normally issued for a period of one year, although shorter periods are accommodated. In all cases licence fees are payable in advance. Income is brought to account on a monthly basis over the life of the contract.
- ii. Broadcast licences are issued for various terms—income is brought to account on a monthly basis over the life of the contract.
- iii. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.
- iv. Revenue from the disposal of other assets is recognised when the entity has passed control of the other assets to the buyer.

### j) Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation

is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation.

Office furniture	5 years
Office equipment	4 years
Computer equipment	3 years
Leasehold improvements	5 years

### k) Provisions

Provisions are recognised when the company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
<b>2. LOSS FROM OPERATIONS</b>		
The loss from operations includes the following items of income and expense from operations:		
<b>a) Agency Revenues</b>		
Revenue consisted of		
Licence fees	13,973,877	12,820,792
<b>Other Operating Revenue</b>		
Interest—other persons	642,283	545,935
<b>TOTAL REVENUE</b>	<b>14,616,160</b>	<b>13,366,727</b>
<b>b) Loss Before Income Tax has Been Arrived at After Charging the Following Items</b>		
Gain on sale of plant and equipment	1,300	-
Depreciation of plant and equipment	146,569	106,105
Operating lease payments	378,407	327,754
<b>3. REMUNERATION OF AUDITORS</b>		
Auditing the financial report	33,903	18,000
Other services	22,222	38,160
	<b>56,125</b>	<b>56,160</b>
The auditor of the Australian Record Industry Association limited is Deloitte Touche Tohmatsu		
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	2,407,717	1,887,165
Allowance for doubtful debts	(69,281)	(56,031)
	<b>2,338,436</b>	<b>1,831,134</b>
Prepaid expenses	13,878	7,665
Other licence receivables	189,271	156,427
Other receivables	228,065	206,855
	<b>2,769,650</b>	<b>2,202,081</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

					2006 \$	2005 \$
5. OTHER CURRENT FINANCIAL ASSETS						
Cash on deposit					12,166,320	9,766,320
6. PLANT AND EQUIPMENT						
	Office Furniture –at fair value	Office Equipment –at fair value	Computer Equipment –at fair value	Leasehold Improvements –at fair value	Total	
GROSS CARRYING AMOUNT						
Balance at 1 July 2004	59,866	67,694	182,718	183,049	493,327	
Additions	-	-	305,778	-	305,778	
Disposals	-	-	-	-	-	
Balance at 30 June 2005	59,866	67,694	488,496	183,049	799,105	
Additions	-	-	161,413	35,880	197,293	
Disposals	-	(14,800)	(60,834)	-	(75,634)	
BALANCE AT 30 JUNE 2006	59,866	52,894	589,075	218,929	920,764	
ACCUMULATED DEPRECIATION						
Balance at 1 July 2004	(19,350)	(39,470)	(141,035)	(42,004)	(241,859)	
Depreciation expense	(10,912)	(15,870)	(42,713)	(36,610)	(106,105)	
Disposals	-	-	-	-	-	
Balance at 30 June 2005	(30,262)	(55,340)	(183,748)	(78,614)	(347,964)	
Depreciation expense	(10,358)	(9,857)	(75,168)	(51,186)	(146,569)	
Disposals	-	14,800	60,834	-	75,634	
BALANCE AT 30 JUNE 2006	(40,620)	(50,397)	(198,082)	(129,800)	(418,899)	
NET BOOK VALUE						
As at 30 June 2005	29,604	12,354	304,748	104,435	451,141	
As at 30 June 2006	19,246	2,497	390,993	89,129	501,865	



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
<b>6. PLANT AND EQUIPMENT (continued)</b>		
Aggregate depreciation recognised as an expense during the year		
Office furniture	10,358	10,912
Office equipment	9,857	15,870
Computer equipment	75,168	42,713
Leasehold improvements	51,186	36,610
	146,569	106,105
<b>7. CURRENT TRADE AND OTHER PAYABLES</b>		
Trade payables	1,071,365	628,641
Goods and Services Tax (GST) payable	397,656	429,602
Deferred rent	35,280	55,440
Licence fees received in advance	4,588,658	4,081,548
Amounts payable to licensors	10,329,051	10,015,587
	16,422,010	15,210,818
<b>8. CURRENT PROVISIONS</b>		
Employee benefits	145,180	102,114
<b>9. NON-CURRENT PROVISIONS</b>		
Employee benefits	51,452	45,926
Lease make good provision	60,000	-
	111,452	45,926



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
<b>10. ISSUED CAPITAL</b>		
12 fully paid ordinary shares (2005: 18)	12	18
Fully paid ordinary shares		
Balance at beginning of year	18	18
Share buy back (i)	(6)	
<b>BALANCE AT END OF FINANCIAL YEAR</b>	<b>12</b>	<b>18</b>
Fully paid ordinary shares carry one vote per share and no right to dividend.		
(i) During the Extraordinary General Meeting held on the 16 Dec 2005, three BMG shares were cancelled due to the merger between Sony and BMG and due to the purchase of Festival Mushroom by Warner Music, three Festival shares were cancelled as Festival is a related body corporate of Warner Music Australia.		
<b>11. RESERVES</b>		
<b>GENERAL RESERVE</b>		
Balance at beginning of financial year	-	100,000
Transfer to profit	-	(100,000)
<b>BALANCE AT THE END OF FINANCIAL YEAR</b>	<b>-</b>	<b>-</b>
The general reserve is used from time to time to transfer profits from retained profits. There is no policy of regular transfer. In the prior financial year the general reserve was utilised in connection with data cleansing. The reserve had been set aside for this purpose a few years prior when the project to upgrade to a new technology system commenced.		
<b>12. RETAINED PROFITS</b>		
Balance at beginning of financial year	-	-
Net loss	-	(100,000)
Transfer from general reserve	-	100,000
<b>BALANCE AT END OF FINANCIAL YEAR</b>	<b>-</b>	<b>-</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
<b>13. LEASES</b>		
<b>NON-CANCELLABLE OPERATING LEASES</b>		
Phonographic Performance Company of Australia Limited has an operating lease for its office premises. The lease expires 31 March 2008 with an option to renew. Lease commitments are as follows:		
No longer than 1 year	346,265	342,635
Longer than 1 year and not longer than 5 years	267,066	627,637
	613,331	970,272
<b>14. SEGMENT REPORTING</b>		
The company operates in one industry being the derivation of revenue from licensing the broadcast and public performance of sound recordings and music video clips wholly within Australia.		
<b>15. NOTES TO THE CASH FLOWS STATEMENT</b>		
<b>a) Reconciliation of Cash and Cash Equivalents</b>		
For the purposes of the cash flows statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flows statement is reconciled to the related items in the Balance Sheet as follows:		
Cash assets	1,240,819	2,939,334
Cash on term deposit	12,166,320	9,766,320
	13,407,139	12,705,654
<b>b) Reconciliation of Result for the Period to Net Cash Flows from Operating Activities</b>		
Loss from ordinary activities	-	(100,000)
Gain on sale of plant and equipment	(1,300)	-
Interest received	(642,283)	(545,935)
Depreciation and amortisation of non-current assets	146,569	106,105
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Current receivables	(567,569)	(118,549)
Increase/(decrease) in liabilities:		
Current payables	1,211,192	1,829,474
Current provisions	43,066	14,825
Non-current provisions	65,526	7,007
Net cash provided by operating activities	255,201	1,192,927



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

## 16. IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The company changed its accounting policies on 1 July 2005 to comply with the Australian equivalents to International financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB1 'First-time adoption of Australian Equivalents to International financial Reporting Standards', with 1 July 2004 as the date of transition.

### Effect of AIFRS on the balance sheet as at 1 July 2004 and 30 June 2005

There are no material differences between the balance sheets presented under A-IFRS and the balance sheets presented under the superseded policies.

### Effect of AIFRS on the cash flow statement for the financial year ended 30 June 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

## 17. ADDITIONAL COMPANY INFORMATION

Phonographic Performance Company of Australia Limited is a limited company, incorporated and operating in Australia.

### Principal Registered Office and Place of Business

Level 4, 19 Harris St  
Pyrmont NSW 2009  
Telephone: (02) 8569 1100



# PERFORMERS' TRUST FOUNDATION BALANCE SHEET

AS AT 30 JUNE 2006

	Note	2006 \$	2005 \$
<b>FUNDS RETAINED IN THE TRUST</b>		351,413	347,380
Represented by:			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		160,041	229,052
Trade and other receivables		12,354	4,113
Term deposits		500,000	400,000
<b>TOTAL CURRENT ASSETS</b>		672,395	633,165
<b>TOTAL ASSETS</b>		672,395	633,165
Less:			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,893	3,600
Grants allocated and unexpended at year end held by trustees for beneficiaries of:			
Professional Musician's Union of Australia		270,649	227,235
Media Entertainment & Arts Alliance		48,440	54,950
<b>TOTAL CURRENT LIABILITIES</b>		320,982	285,785
<b>TOTAL LIABILITIES</b>		320,982	285,785
<b>NET ASSETS</b>		351,413	347,380





# APPENDIX B

## TARIFF CATEGORIES

**PPCA licences are available to cover the use by public performance of protected sound recordings and/or public exhibition of music video clips in:**

<b>A</b>	General Licences—open air events; school, dance academy or church concerts; motivational speakers. (Single event licences are available).
<b>B</b>	Arts, film, music events and similar festivals
<b>C</b>	Cinemas and theatres
<b>D</b>	Dance studios, dance instructors, line dance instructors
<b>DD</b>	Live performance groups, dance companies, live performance promoters
<b>E</b>	Nightclubs, discotheques, discotheque promoters, foreground music in bars
<b>F</b>	Mobile discotheque operators/DJs
<b>FW</b>	Mobile video discotheque operators
<b>H</b>	Halls
<b>HM</b>	Music on hold
<b>I</b>	Factories, industrial premises and offices.
<b>J</b>	Audio jukeboxes
<b>JO</b>	Audio jukebox operators
<b>JW</b>	Video jukebox operators
<b>K</b>	Amusement centres, pool rooms, squash courts, swimming pools, ten pin bowling centres

<b>M</b>	Commercial or professional premises—including art galleries, bars, clubs, elevators, foyers, function rooms, funeral parlours, hairdressers, health/medical offices (eg doctors, dentists, chiropractors, massage therapists, osteopaths, physiotherapists), hotels, libraries, lounges, motels, museums, reception areas, retail stores, taverns, zoos, and/or similar establishments. This tariff also covers the use of protected sound recordings for demonstration purposes in electrical, video/DVD rental and hi-fi stores.
<b>MW</b>	Electrical and hi-fi stores
<b>N</b>	Shopping centres, plazas, concourses
<b>P</b>	Public vehicles (eg aircraft, buses, charter boats, coaches, ferries, hire cars, light rail, monorail, ships, taxis, trains, trams)
<b>R</b>	Restaurants, cafes
<b>S</b>	Sports arenas, race tracks, showgrounds, outdoor amusement parks
<b>SS</b>	Outdoor recreational areas (eg beaches, parks)
<b>U</b>	Skating rinks
<b>V</b>	Fitness centres, gymnasiums, health clubs
<b>W</b>	Music video clips
<b>W-E</b>	Music video clips in nightclubs, fixed discotheques and discotheque operators
<b>X</b>	Concert venues
<b>Y</b>	Conference rooms

Licence fees are calculated differently in each category (eg, fees may be flat fees per annum, fees per person or per machine, or fees determined by size of venue depending on category)—contact PPCA for full details. It is quite possible, depending on your needs, that you may have a licence with any number of Tariffs eg a hotel may have a number of bar areas (Tariff M), restaurants (Tariff R), nightclubs (Tariff E), gymnasium (Tariff V), and video jukebox (Tariff W).

**PHONOGRAPHIC PERFORMANCE COMPANY OF AUSTRALIA LTD**

ABN 43 000 680 704

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