ANNUAL REPORT
2013 – 2014

screenrights

OUR VALUES

LEADERSHIP

We are forward-thinking and proactive.

We seek partnerships that build for tomorrow.

CREATIVITY

We embrace creative solutions to problem solving.

We strive for continuous improvement.

EXCELLENCE

We enjoy challenges and strive for excellence.

We are passionate, resourceful and efficient.

We celebrate our success.

RESPONSIVENESS

We are flexible and collaborative.

We foster productive dialogue with stakeholders.

We embrace change as part of growth.

INTEGRITY

We are respectful, honest and transparent.

We seek fair outcomes.

We aim to deliver on all our promises.

Image Credits
The Moodys, Jungleboys, image courtesy of Jason Burrows
Once Upon a Time in Punchbowl, SBS, Northern Pictures
The Surgery Ship, Media Stockade
Enigma Man, A Stone Age Mystery, Electric Pictures, © Vince Valitutti / Electric Pictures
The War That Changed Us, Electric Pictures, Megan Lewis, © Electric Pictures

HIGHLIGHTS OF 2013 – 2014

DURING 2013–2014, SCREENRIGHTS HAS:

- Collected $42.0 million in licence revenue and other income for the film and television industries, with expenses at 14.91% of collections
- Made more than 2,260 individual payments to members with a total distribution of more than $34.92 million
- Delivered an upgraded version of EnhanceTV Direct, our streaming service for educators across the country
- Worked closely with stakeholders in responding to the Australian Law Reform Commission Review into copyright
- Upgraded our online portal for members, MyScreenrights, and our royalty distribution database
- Established a new disbursement service for members
- Reached agreement with Foxtel on the terms of a new five year deal for Foxtel retransmission of free to air broadcasts

Credit: Screenshot of MyScreenrights.

OUR GOALS

We are leveraging our current reputation to achieve:

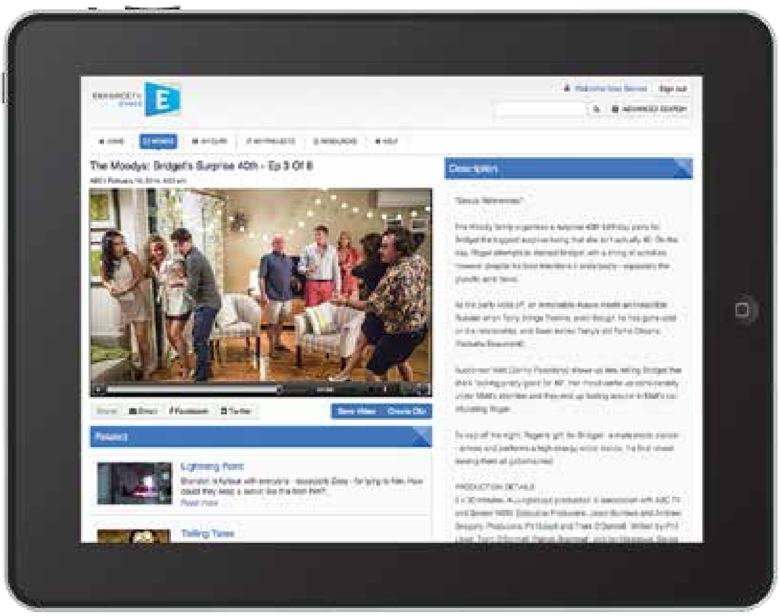
ACCESS – greater access to content for licensees

SERVICES – increased distribution efficiency and diversified range of services for members

RELATIONSHIPS – strategic relationships, bringing educators and filmmakers together, positioning and partnering with stakeholders

CAPABILITY – ensured capability to meet the current and future needs of the organisation

GOVERNANCE – stronger and transparent governance and risk management



The Moodys, Jungle Boys, image courtesy of Jason Burrows

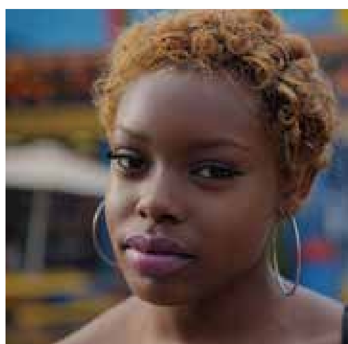


Image Credits
Family Confidential, Southern Pictures, R.M Williams and family, courtesy © Diane Williams
Persons of Interest, Smart St Films, photo by Haydn Keenan
Our Little Secret, Matthewswood Pty Ltd, image courtesy of Sarah Walker
The Redfern Story, Samson Productions
I am a Girl , Testify Media

OUR VISION

Screenrights is a leader in the audiovisual industries, forging dynamic connections with audiences that deliver access to film and television and value to creators.

Macarthur Girls High School, image by Philippe Penel
Acid Ocean, 360 Degree Films

CHAIRMAN'S REPORT

Jill Bryant Chairman

The role and importance of copyright in encouraging innovation and ensuring a vibrant digital economy continues to be hotly debated, both nationally and internationally.

Policy makers are grappling with the same fundamental questions around the globe: how can we ensure that copyright keeps abreast of rapid technological change while providing fair payment to creators and fair access to consumers?

It is a difficult balance and one that Screenrights is very much aware of in a real and practical sense. Since we were established in 1990, Screenrights has worked closely with rightsholders and the people who use their work to ensure that this balance is maintained. Our licences for education, government and retransmission give teachers and students, government departments, and households across the country simple, easy access to the wealth of content our talented filmmakers produce.

Importantly, they also provide payment to filmmakers – this year a total of $42.0 million was collected for distribution to our members. This is the money that production companies use to continue to make the programs we all appreciate and enjoy. Interestingly, recent research by Screen Producers Australia found that Australian production companies, large and small, saw copyright as vital to the ongoing success of their business – yet for them, copyright was not an academic concept. It was very much linked to the nuts and bolts of licensing and returns.

When the Australian Law Reform Commission released its long-awaited report, Copyright and the Digital Economy, in early 2014, Screenrights and many others in the film industry were pleased that the Commission recommended retaining the statutory licences we administer. However, we strongly opposed the proposed introduction of a broad fair use regime – one that went much further than reviews in other countries. If enacted such a proposal would significantly erode the capacity of our creators to license their work, and create an environment of commercial uncertainty.

Since this report was released, Screenrights has reiterated its commitment to working closely with our members, the people who use their work and the government, to ensure that we have a fair and balanced copyright regime.

We have long enjoyed a productive relationship with all our stakeholders and continue to do so. In particular, we pride ourselves on providing services that meet the real needs of creators and consumers. Our online streaming service to educators, EnhanceTV Direct, has been upgraded and continues to be taken up by schools and tertiary institutions across the country, giving teachers unparalleled access to a rich archive of teaching material. Our new disbursement service for filmmakers will help ease the administrative burden for many companies. We are also keen to work closely with the government in simplifying our Copyright Act in a way that continues to strike a fair balance between both sides of the copyright coin.

Screenrights' experience in administering flexible, technology neutral licences for the use of copyright material has shown us that copyright can provide simple and easy access for consumers, and fair payment to creators. We look forward to continuing to ensure that our laws encourage a vibrant digital economy for the benefit of all.

Jill Bryant, Chairman
24 September 2014

Operation Hero Season 3, Gibson Group


88, Pursekey Productions, image courtesy of Peter Solness

"The Geography Teachers Association of Victoria uses its Screenrights licence to allow us to show footage from a wide range of documentaries and website images, to our members in classes and conferences that greatly enhance their learning by visually and audibly demonstrating concepts and happening in geography."

Kate Vaux, Geography Teachers' Association of Victoria

CHIEF EXECUTIVE'S REPORT

Simon Lake Chief Executive

Screenrights has once again delivered strong results across all areas of our business during the 2013-2014 financial year.

In what has been an exceptionally busy period, our collections reached a healthy $42.0 million, with our overall expenses 14.91 per cent of this figure. Although our income is lower than the previous year's figure of $46.5 million, this decrease can largely be attributed to the fact that the 2012-2013 collections included back-payment of $4.4 million for government copying and retransmission back payments of $2.4 million.

Our expenses to collections have seen a slight increase. This has occurred in a period of delivering considerable improvements to our services, including upgrading MyScreenrights and releasing a new version of EnhanceTV Direct, our streaming service for educators. In addition, we have taken our first steps in establishing a new disbursement service for our members, and we also have been actively involved in responding to the long-awaited Australian Law Reform Commission (ALRC) report on copyright.

This has been the final year of our three-year strategic plan and I address our achievements under each of these goals below. I am confident Screenrights is well poised to continue delivering excellent services to all our stakeholders as we set our goals for the future.

ACCESS

Screenrights' goal is to provide simple, technology neutral access to audiovisual content for audiences across the country and in New Zealand.

Our educational licences reach more than 5.8 million students in Australia and New Zealand. They enable teachers, academics and students to use broadcast material in lecture theatres, on smart whiteboards, on their own computers and on mobile devices, whether they are at work or at home.

We want to ensure that our licences work in the digital classroom and we work closely with a range of innovative resource centres that provide archives of content to educators. We also offer EnhanceTV Direct, our own streaming service giving teachers and students unparalleled access to educational broadcasts, streamed directly to them. An upgraded version of this service continues to be rolled out across the country and is proving increasingly popular with our schools, clearly demonstrating just how effective our licence is in today's teaching environment.

Screenrights also licenses the retransmission of members' works into the homes of pay television subscribers, and via mobile phones and IPTV.

In the last twelve months, we have reached an agreement with Foxtel on the terms of a new five-year deal, ensuring pay television consumers continue to enjoy the benefits of free to air television through their Foxtel service and providing payment to rightsholders.

In addition, our government copying agreements cover the copying of television and radio across federal and state departments.

SERVICES

Screenrights' goal is increased distribution efficiency and a diversified range of services for members.

In 2013-2014, we made more than 2,260 payments covering almost 3 million royalties to members in 62 countries across the world. Our total of $34.92 million paid for the year included a record-breaking $26.0 million paid out to members in December alone.

The volume of data we process continues to increase – in 2013-2014 we processed 136,817 new rights registrations. In order to ensure distribution efficiency, we continue to make improvements to MyScreenrights, our online portal for members. We have also made changes to our conflicts resolution process and continue to work closely with all our members in ensuring their programs are registered.

In 2013-2014, Screenrights has also commenced offering a disbursement service for members, filling a need in the market now that Screen Australia and the South Australian Film Corporation no longer offer this service to the industry. As a trusted independent organisation, with considerable experience in managing rights and royalties, we are ideally poised to offer this service and ease the administrative burden on producers.

RELATIONSHIPS

Screenrights develops strategic relationships, bringing educators and filmmakers together and positioning and partnering with stakeholders.

During 2013-2014, the ALRC released its long-awaited report on copyright. Pleasingly the report did not propose the abolition of the educational and other statutory licences as canvassed in its earlier discussion paper. However, it did propose the introduction of a very broad and uncertain fair use exception. Screenrights has worked closely with the industry in opposing this proposal. We are also working with our licensing stakeholders to ensure that our licences continue to provide the access that consumers want, without eroding filmmakers' rights in their work.

Since the report was released, the government has indicated its intention to simplify the Copyright Act. We look forward to being part of this process and the achievement of sensible reforms that continue to encourage our creators and provide effective access to their work.

Through its board and committee roles, Screenrights also has been actively involved in the activities of the Australian Copyright Council, the Copyright Society of Australia and the international retransmission collecting society, AGICOA.

In addition, we have provided support to the film industry and the education sector through our sponsorship program. During 2013-2014, this included sponsorship of the Screen Producers' Association of Australia (SPAA) Annual Conference and Ones to Watch, the Australian International Documentary Conference, the Australian Directors' Guild conference, Screen Edge Forum, and the BigScreen Symposium. In the education sector we sponsored the NSW Secondary Principals Conference and OZTL_NET (Australian teacher librarians network). We have also worked closely with NZ On Air and eTV to create pilot digital study guide resources for the landmark series, *Making New Zealand*.

I am also pleased to report that production companies in Sydney have been regularly using our new offices for meetings, script workshops and forums, further fostering our strong relationship with the industry.

CAPABILITIES

Screenrights' goals are to ensure that our information systems, staffing and workplace environment support our growth and strategic priorities. We have upgraded our royalty distribution system, RightTrack, improving staff capacity to manage the ever-increasing volumes of data from members. We have also launched an intranet to encourage and capture conversations, and ensure continued improvement to documentation of work processes.

GOVERNANCE

Screenrights complies with a voluntary Code of Conduct for copyright collecting societies. An independent Code Reviewer assesses the compliance of all societies on an annual basis. Screenrights has once again complied with all its obligations under the Code.

VALE ALLISON ROWE

Allison Rowe
Founding Chairman

Lastly, and on a very sad note, Screenrights' founding director and first chairman, Allison Rowe, passed away on 4 June.

Allison was a director from 1990-2012 and was the first female chairman of an Australian copyright collection society. She used her position at the ABC to advocate for the creation of Screenrights and much of our success is grounded in the creative vision that Allison had for our future.

Allison was always quick with a laugh and generous with her knowledge and insights. She made a lasting contribution to Screenrights and always cared passionately about our members and the education sector.

Allison was also an accomplished visual artist and she loved to sculpt, to weld, to paint and to make amazing prints. Allison's commitment to her art was only matched by her encouragement of other artists.

In Allison's funeral notice, Allen Clark, Allison's life partner, wrote:

A remarkable woman, loved by all, who never gave up the struggle.

Her legacy lives on at Screenrights.

AN OVERVIEW OF KEY REVENUE AND EXPENDITURE FIGURES

The following overview summarises revenue and expenditure figures for 2013–2014.

REVENUE FROM LICENCES

Total collections (including interest) for the 2013-2014 financial year were $41.9 million. This total figure comprises:

- $29.49 million from the Australian Educational Service (AES), an increase of 3.6 per cent on the previous year's figure of $28.46 million
- $1.99 million from the New Zealand Educational Service (NZES), an increase of 4.7 per cent on the previous year's figure of $1.90 million
- $7.66 million from the Australian Retransmission Service (ARS), a decrease of 16.7 per cent on the $9.20 million collected for retransmission in 2012-2013
- $0.94 million from the International Collections Service (ICS), a decrease of 5.1 per cent on the previous year's figure of $0.99 million
- $1.81 million from the Australian Government Service (AGS), a decrease of 69.5 per cent on the $5.93 million collected in 2012-2013

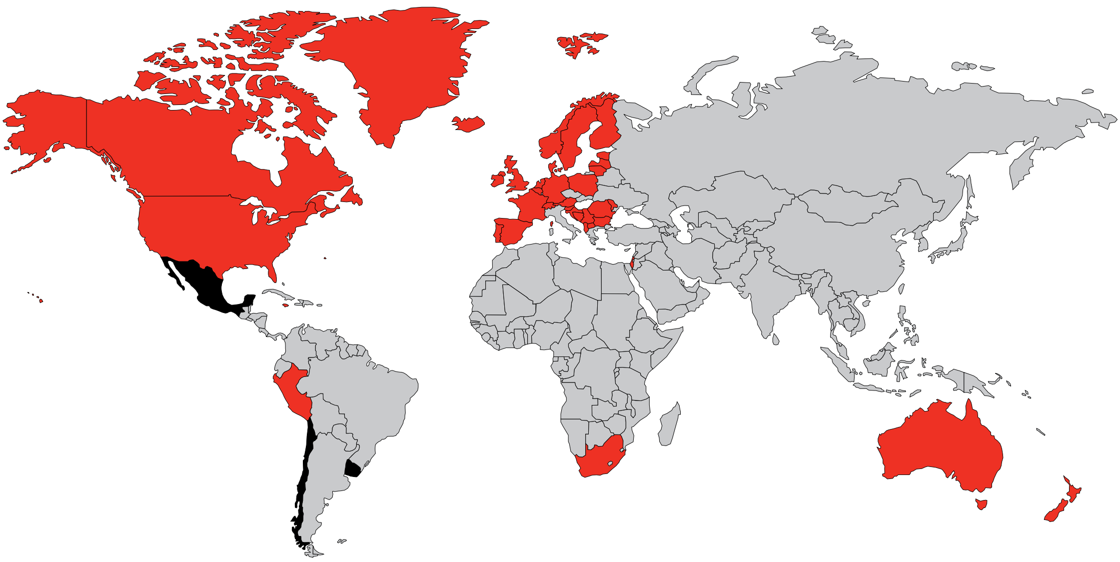


FIGURE 1

Territories in which Screenrights has agreements in place to collect income.

Territories

Under negotiation

FIGURE 2

Shows the changes to Screenrights' licensing and other revenue over the last three years.

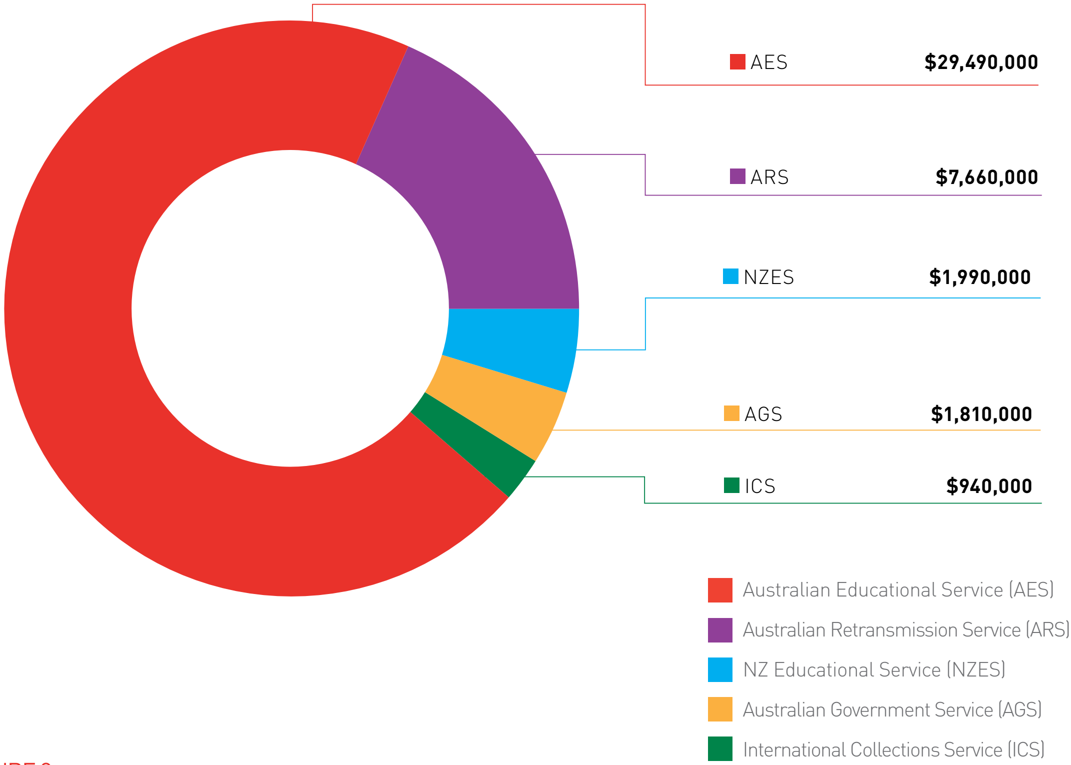


FIGURE 3

Shows the breakdown in licensing revenue from each of the five income-generating licences.

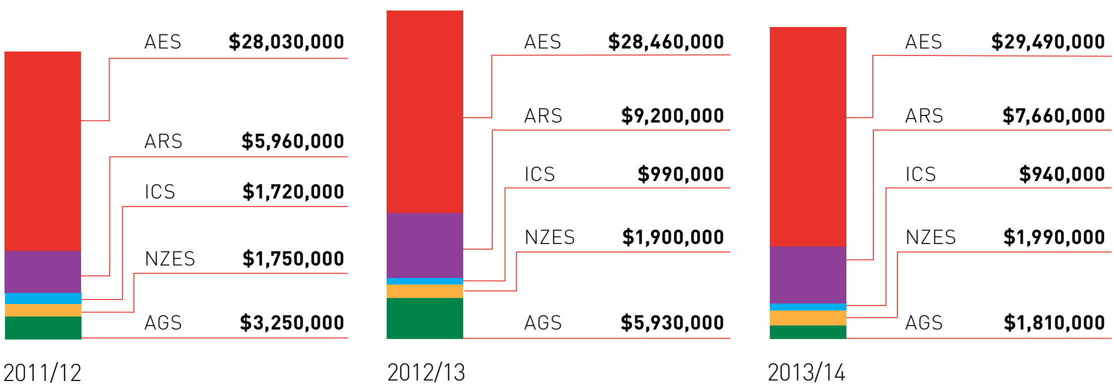


FIGURE 4

Compares the total licensing revenue (including interest) from each of Screenrights income-generating licences over the last three years.

The decrease in total revenue can largely be attributed to the fact that the 2012-2013 collections included back-payment of $4.4 million for government copying and retransmission back payments of $2.4 million.

EXPENDITURE

Screenrights' total expenditure for 2013-2014 was $6.26 million, compared to the previous year's figure of $6.69 million.

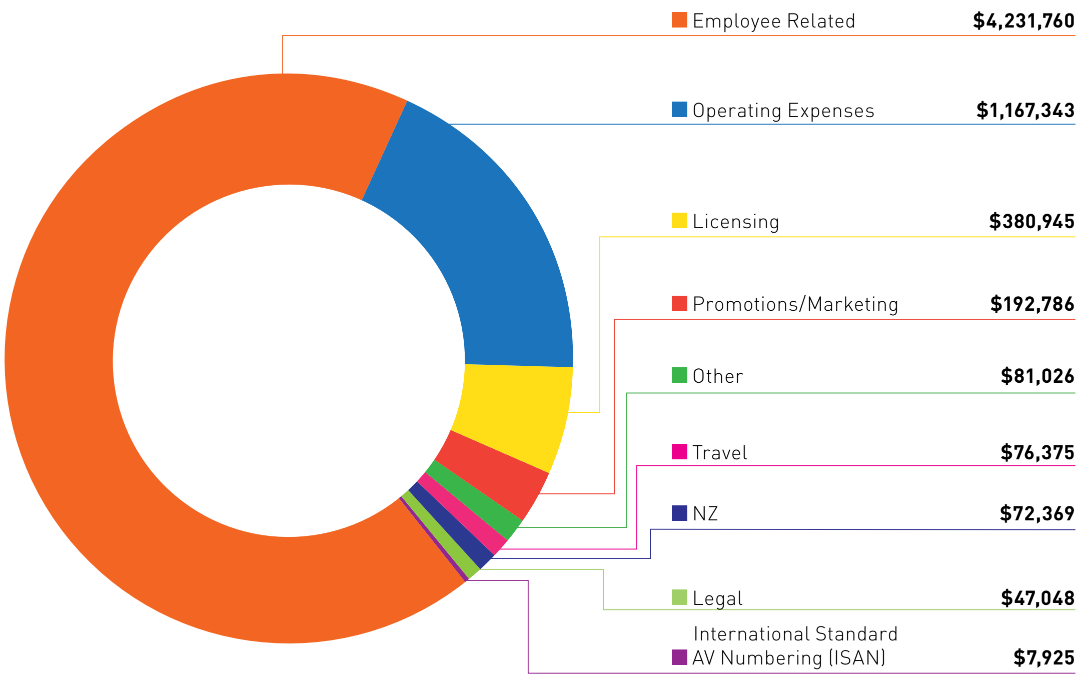


FIGURE 5

Shows the breakdown of expenditure for 2013-2014.

EXPENDITURE IN RELATION TO COLLECTIONS

Screenrights total expenditure amounted to 14.9% of total collections. In 2012-2013, this figure was 14.2%.

Expenses to collections for the AES was 15.1%, compared to 14.7% in the previous 12 months. For the NZES, expenses amounted to 17.4% of total collections, whereas in 2012-2013 it was 18.3% of total collections. For ARS it was14.0%, compared to 12.9% for the previous year, and for AGS the ratio was 14.0%, compared to 12.9%

The ICS has an administration fee equivalent to the costs of administering the service. This is capped at 11%, enabling Screenrights to offer the service at a competitive rate.

FIGURE 6

Shows Screenrights' net income (total income including interest less total expenses) over the last three years.

FIGURE 7

Shows the expenditure to collections ratio over the last three years.

FIGURE 8

Shows the expenses to collections ratio for each of the income-generating licences over the last three years.

DISTRIBUTIONS TO MEMBERS

The total distributable amount for 2013-2014 was $36.23 million, a decrease of 10.6 per cent on the $40.54 million declared for distribution in 2012-2013.

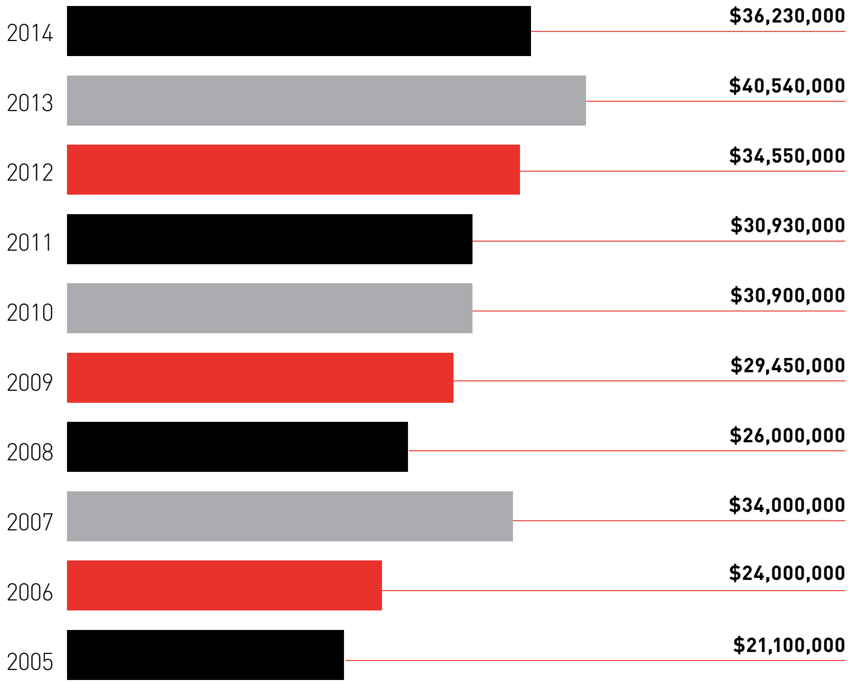


FIGURE 9

Shows the total distributable amount over the last 10 years.

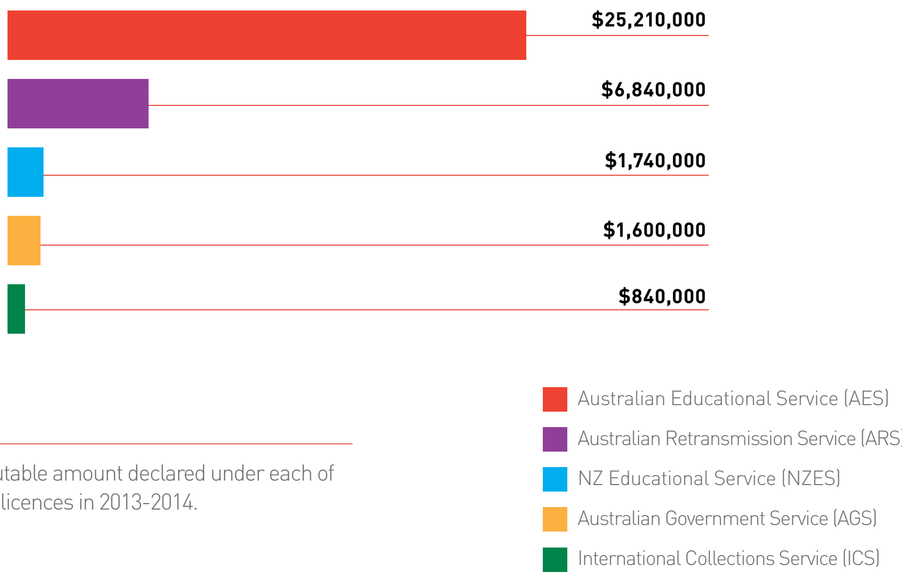


FIGURE 10

Shows the total distributable amount declared under each of the income generating licences in 2013-2014.

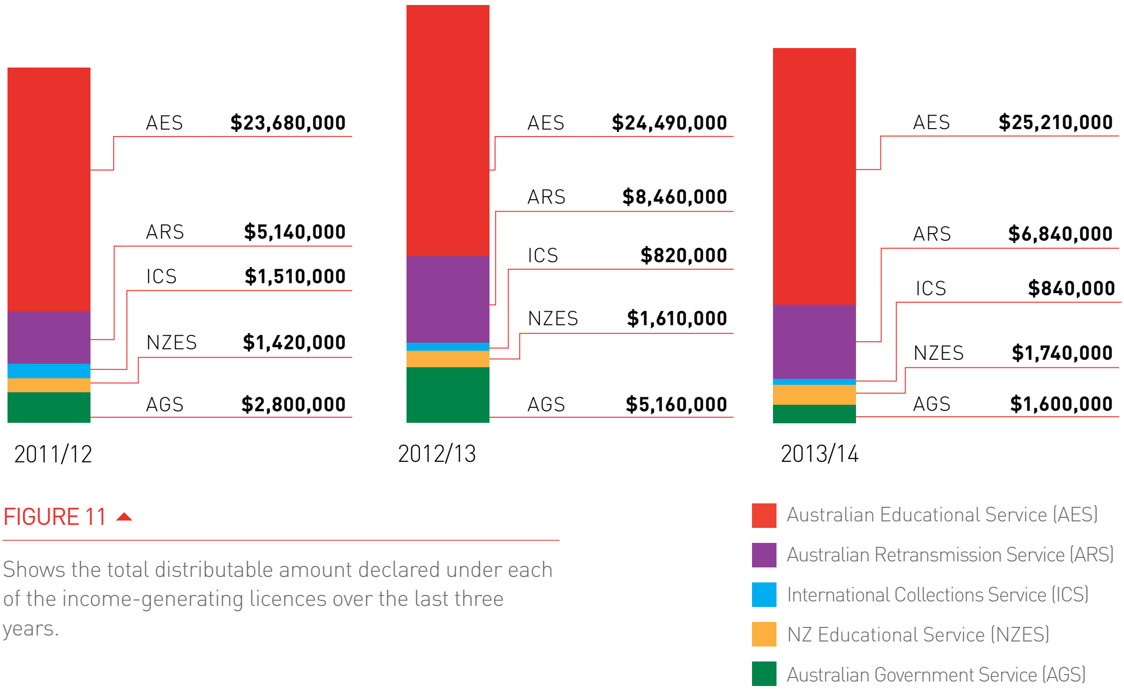


FIGURE 11 ▲

Shows the total distributable amount declared under each of the income-generating licences over the last three years.

The total amount actually distributed to members was $34.9 million, which was the same as the amount distributed in 2012-2013.

OUR MEMBERSHIP

Screenrights membership has continued to grow; from 3,560 members to 3,693 members in 62 countries. These countries are shown at Figure 12.

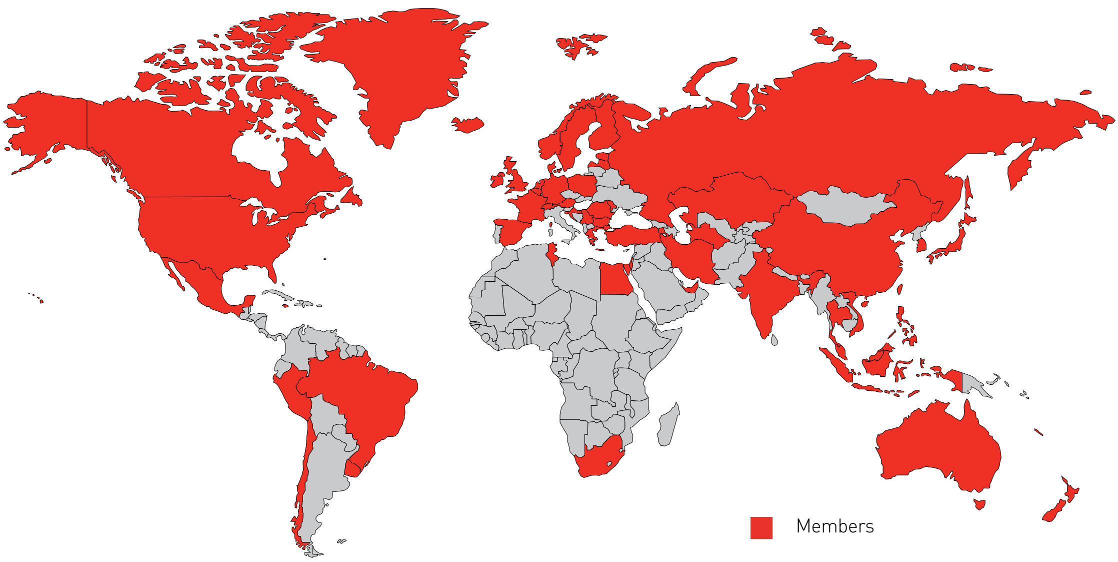


FIGURE 12 ▲

Shows Screenrights' 3,693 members from 62 countries.

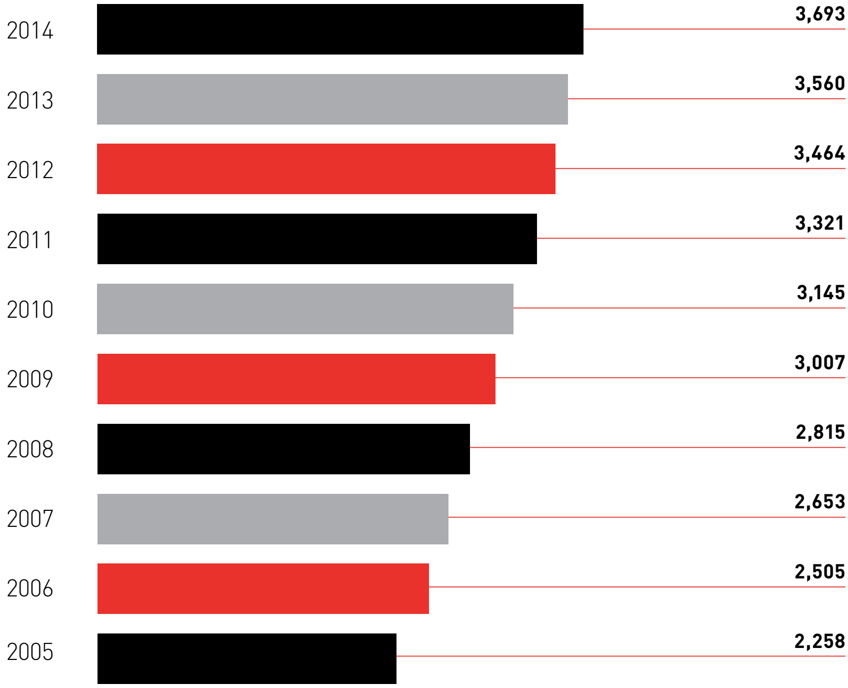


FIGURE 13

Shows the growth in membership over the last 10 years.

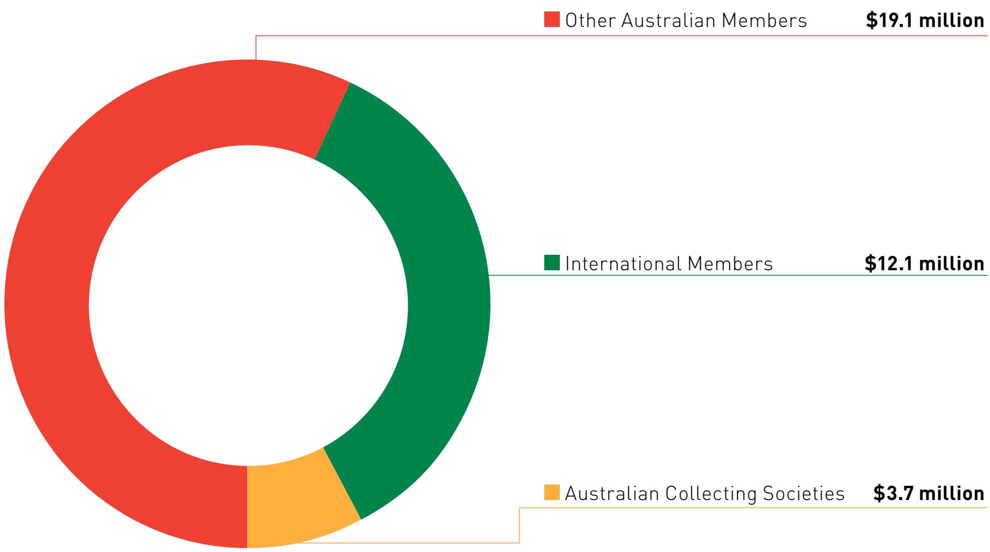


FIGURE 14

Shows the breakdown in allocation between Australian and overseas rightsholders for the total amount distributed in 2013-2014.

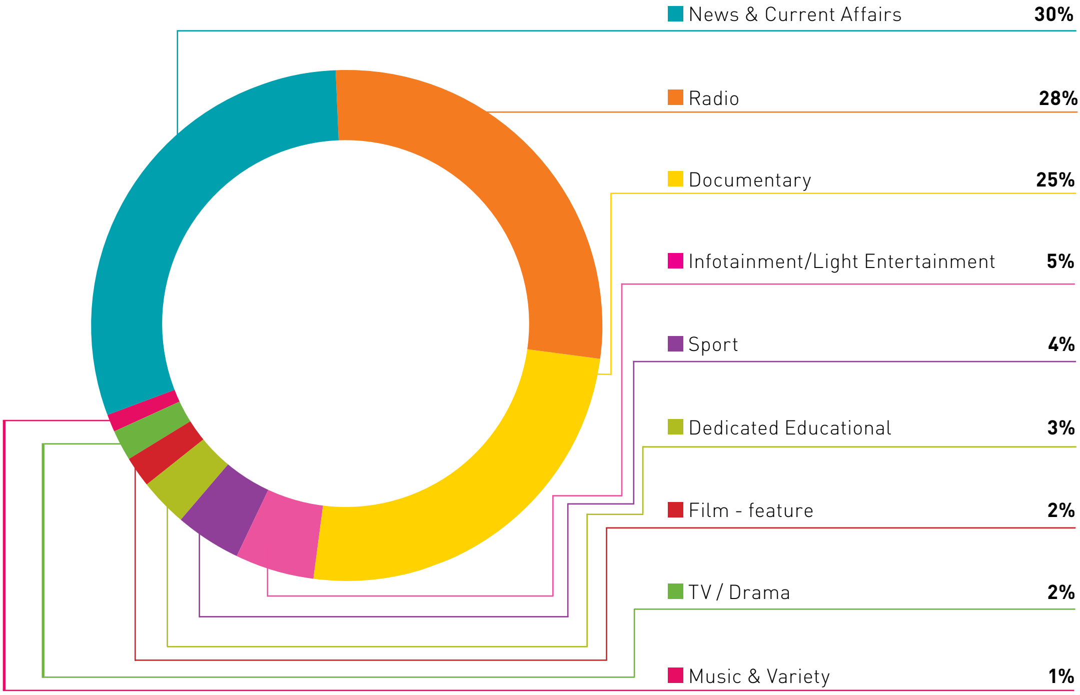


FIGURE 15

Shows the breakdown in types of audiovisual material copied by Australian and New Zealand educational institutions.

Simon Lake
Chief Executive

24 September 2014

Mary Meets Mohammed,
Waratah Films

"Screenrights does the work that no independent producer could do alone to collect broadcast and other royalties due to the film and program makers, providing cashflow to help cover overheads and mount future projects. It is a huge benefit."

Graeme Isaac, Mayfan Pty Ltd

COMPANY PROFILE

Audio-Visual Copyright Society Limited trading as Screenrights ABN 76 003 912 310
Registered office: Level 1, 140 Myrtle Street Chippendale NSW 2008
Phone: +61 2 9904 0133 Fax: +61 2 9904 0498 www.screenrights.org

DIRECTORS & OFFICERS

Jill Bryant
Chairman

Chris Oliver-Taylor
Deputy Chairman

DIRECTORS

David Anderson

Maureen Barron

Fiona Crago

John Ford

Ben Grant

Sally McCausland

Dean Ormston

Cathy Service

Victoria Spackman

Sue Taylor

AUDITORS

KPMG

BANKERS

National Australia Bank

Westpac

Bank of New Zealand

SOLICITORS

Banki Haddock Fiora

Harmers Workplace Lawyers

OFFICE OF THE CHIEF EXECUTIVE

Chief Executive: **Simon Lake**

ACCESS

Head, Licensing & New Business: **James Dickinson**

EnhanceTV Manager: **Jamie LeHuray**

Licensing Manager: **Georgia Blain***

Business Development Manager: **Catherine Stephenson**

ENHANCETV TEAM

Web Editor: **Anna Yates**

Customer Relations Manager: Deana Kasnioski **(to April 2014)**

Customer Relations & Communications Coordinator: **Sean Phelps (from April 2014)**

SERVICES

Head of Member Services: **Emma Rogers**

Member Relations Manager: **Annabel Holt**

Distribution Manager: **Ben Gibb**

MEMBER RELATIONS TEAM

Portfolio Coordinator: **Cristina Khashadorian**

Portfolio Coordinator: **Luke Asprey**

Portfolio Coordinator: **Gaelle Clark**

Portfolio Coordinator: **John Alexander**

DISTRIBUTION TEAM

Senior Distribution Officer: **Kate Bowley**

Distribution Officer: **Kate Enright**

Distribution Officer: **Ian Laird**

Senior Research Officer: **Clare Macken***

RELATIONSHIPS

Public Affairs Advisor: **Virginia Gordon***

Marketing Manager: **Kerry Franta***

Marketing & Communications Coordinator: **Max Becker**

CAPABILITIES

Head, Information Services: **Mike Lynch**

Lead Developer Applications Development: **Brian Chambers**

Business Development Manager, ISAN: **Daryl Robinson***

DEVELOPMENT & SUPPORT TEAM

Network & Infrastructure Manager: **Ben Stephenson**

User & Systems Support: **Justin Franks**

Application Developer: **Marty Robson**

Application Developer: **Yvan Trejbal**

DATA & SYSTEMS TEAM

Data & Systems Manager: **Nick Grodzicki**

Data Entry Officer (Member Services & Licensing): **Janet Keane***

Data Entry Officer (Licensing): **Mary Luque***

PEOPLE & CULTURE

Chief Financial Officer/Company Secretary: **Robert Barlow**

Executive Assistant/Office Manager: **Kylie Toombs**

ADMINISTRATION TEAM

Office Administrator: **Marci Vargas**

Administrative Assistant: **Wendy Lee-Lusher***

GOVERNANCE

Chief Financial Officer/Company Secretary: **Robert Barlow**

Accountant & Internal Auditor: **Angela Cheung**

* Indicates part-time employee/consultant
Total full time equivalent employees = 32

screenrights

DIRECTORS' REPORT

DAVID ANDERSON

Director, Corporate Strategy & Planning at Australian Broadcasting Corporation. Over 20 years experience in the media industry. Director since 2012.

MAUREEN BARRON

Chief Executive, Screen NSW. More than 30-years screen industry experience, including as a board member of arts and film industry organisations. Director since 2007.

JILL BRYANT

Independent producer. Originating Producer, Walking with Dinosaurs – The Live Experience. Former Marketing Director, Asia-Pacific, BBC Worldwide Ltd. Director since 2003. Elected Chairman 2006.

FIONA CRAGO

Independent producer with over 20 years screen industry experience. Former General Manager, Beyond Distribution and General Counsel to the Beyond group of companies. Director since 2011.

JOHN FORD BA, LLB

Media Consultant, Lawyer and Company Director. Clients have included: Telstra Corporation, TVI/Sci-Fi and TVN Channel. Director, Sydney Children's Hospital Network. Director since 1997.

BEN GRANT

Managing Director, Goalpost Pictures. SPA Councillor. Director since 2013.

SALLY MCCAUSLAND

Corporate Counsel at the Special Broadcasting Service (SBS). Director since 2006.

CHRIS OLIVER-TAYLOR

Managing Director, Matchbox Pictures. Director since 2010. Elected Deputy Chairman 2012.

DEAN ORMSTON

Head of Member Services APRA/AMCOS. Deputy Chair of both the Music Council of Australia and the Australian Copyright Council. Director since 2007..

CATHY SERVICE

Over 20 years experience in the media industry. Chief Operating Officer at a communications company, former Head of Finance & Administration with BBC Worldwide Australasia. Director since 2011.

VICTORIA SPACKMAN

Chief Executive and Co-Owner of the Gibson Group. Director since 2011.

SUE TAYLOR

Independent producer with over 25 years' experience in film and television production. Director since 2005.

ALISON WESTON Director from 1995 to October 2013

ROBERT BARLOW B.FinAdmin, Grad Dip ACG, CPA, AGIA, ACIS

Financial Controller and Company Secretary. Appointed Company Secretary February 2006

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

DIRECTOR	DIRECTORS' MEETINGS		AUDIT COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	A	B	A	B	A	B
D Anderson	3	6	–	–	–	–
M Barron	5	6	2	2	–	–
J Bryant	6	6	2	2	1	1
F Crago	5	6	2	2	–	–
J Ford	5	6	–	–	–	–
B Grant	4	4	–	–	–	–
S McCausland	5	6	–	–	1	1
C Oliver-Taylor	6	6	–	–	1	1
D Ormston	5	6	–	–	–	–
C Service	6	6	2	2	–	–
V Spackman	5	6	–	–	–	–
S Taylor	5	6	–	–	–	–
A Weston	2	2	–	–	–	–

A Number of meetings attended

B Number of meetings held during the time the Director held office during the year

DIRECTORS' REPORT [CONTINUED]

LEAD AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Lead Auditor's Independence Declaration, as required under Section 307C of the Corporations Act 2001, is included at page 24 of the Annual Report.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the course of the financial year was utilisation of its right as a declared collecting society under Part VA, Part VC and, insofar as it relates to audiovisual items, Part VB of the Copyright Act, to collect monies from educational institutions for distribution to relevant copyright owners.

REVIEW AND RESULTS OF OPERATIONS

The amount of $36,229,211 (2013: $40,539,749) was determined to form the Distributable Amount available for distribution to relevant copyright owners from monies collected for the accounting year ended 30 June 2014.

The net operating profit/(loss) after income tax for the year was $Nil (2013:$927,712).

STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Company or consolidated entity that occurred during the financial year under review.

ENVIRONMENTAL REGULATION

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature that is likely, in the opinion of the Directors, to affect significantly the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

LIKELY DEVELOPMENTS

The Company will continue its current activities. Potential new revenue streams in development include copying by additional State and Territory governments.

INDEMNIFICATION AND INSURANCE OF OFFICERS

During the year, the Company paid a premium of $7,425 in respect of a contract of insurance indemnifying those persons who are or have been officers of the Company against liabilities that may arise from their position as officers, except where the liability arises out of conduct involving a lack of good faith. That insurance policy does not contain details of the premiums paid in respect of individual officers of the Company.

GOALS

We are leveraging our current reputation to achieve:
Access – greater access to content for licensees
Services – increased distribution efficiency and diversified range of services for members
Relationships – strategic relationships, bringing educators and filmmakers together, positioning and partnering with stakeholders
Capability – ensured capability to serve the current and future needs of the organisation
Governance – stronger and transparent governance and risk management.

MEMBERS' LIABILITY

The Company is a company limited by guarantee. The guarantee in the event of the winding up of the Company is $10 for each member. At 30 June 2014 membership of the Company comprised 3,693 full members (2013: 3,560), resulting in a total liability of $36,930 (2013: $35,600).

Dated at Chippendale this 24 September 2014 and signed in accordance with a resolution of the Directors:

Jill Bryant
Chairman

DIRECTORS' DECLARATION

In the opinion of the Directors of Audio-Visual Copyright Society Limited:

(a) The consolidated financial statements and notes, set out on pages 26 to 51, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2014 and of its performance for the financial year ended on that date, and

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

(b) The financial report also complies with International Financial Reporting Standards as disclosed in note 1.

(c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Chippendale this 24 September 2014 and signed in accordance with a resolution of the Directors:

Jill Bryant
Chairman

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF AUDIO-VISUAL COPYRIGHT SOCIETY LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Audio-Visual Copyright Society Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2014, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 22 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entity it controlled at the year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the consolidated entity comply with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

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

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

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

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

INDEPENDENCE

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

AUDITOR'S OPINION

In our opinion:

(a) the financial report of the consolidated entity is in accordance with the Corporations Act 2001 including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

KPMG

KPMG

Cameron Slapp, Partner
Sydney, 24 September 2014

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LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: The Directors of Audio-Visual Copyright Society Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Cameron Slapp, Partner
Sydney, 24 September 2014

ANNOTATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

We know that not everyone wants to analyse financial statements, so below is our annual summary of the most important information in these accounts. The notes show the calculations which determine how much money is available to distribute to members from the royalties collected and interest received, and after the deduction of tax and expenses.

NON-IFRS FINANCIAL MEASURES

The annotated statement of financial position includes certain non-IFRS financial measures. The directors believe the presentation of non-IFRS financial measures is useful for the users of this document as they reflect the amounts available for distribution to members after the addition of expired trust funds and the transfer of surplus reserves. The below non-IFRS financial measures have not been subject to review or audit.

Royalty collections for the year from Australian schools, TAFE colleges, universities, retransmission income, New Zealand educational institutions and overseas.

Includes interest and the proceeds from sale of fixed assets.

The cost of running Screenrights, including employee expenses, depreciation and other ordinary expenses.

Screenrights can hold allocations in trust for a maximum of six years while trying to locate relevant copyright owners. Under the Attorney-General's Guidelines, these funds are then 'recycled' by adding them to the Distributable Amount in the current year. For 2008, expired trust funds by scheme were Pt VA $177,000, NZ $19,000, Pt VC $257,000 and AGS $36,000.

	Consolidated 2014 $000s	Consolidated 2013 $000s
Revenue from Ordinary Activities:		
Gross Royalties	39,482	43,630
Other Revenues	2,785	3,883
Expenses	(6,527)	(7,006)
	35,740	40,507
Transfer (to)/from retained earnings and reserves	–	(928)
Amount available for Distribution	35,740	39,579
Add Expired Trust Funds (2007)	–	961
Add Expired Trust Funds (2008)	489	–
Total amount available for Distribution	36,229	40,540
Amount transferred to Statutory Distributable Pools:		
Part VA Education	(25,214)	(24,485)
Part VC Retransmission	(6,842)	(8,466)
s183 Government Copying	(1,597)	(5,163)
Amount transferred to Non-Statutory Distributable Pools:		
New Zealand	(1,738)	(1,607)
International Collections Service	(838)	(819)
Total amount transferred to distribution pools	(36,229)	(40,540)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Note	2014 $000s	2013 $000s
Revenue from rendering of services	2	39,482	43,630
Other income	3	2,785	3,883
Total revenue and other income		42,267	47,513
Employee expenses	4	(4,244)	(4,299)
Depreciation and amortisation expense		(273)	(271)
Operating expense		(1,148)	(1,326)
Licensing expense		(382)	(508)
Travel expense		(76)	(102)
Marketing expense		(193)	(215)
Legal expense		(47)	(80)
Other expenses	5	(164)	(205)
Royalties paid and payable to members and affiliated societies	2	(35,740)	(39,579)
Net profit/(loss) before income tax		-	928
Income tax expense	7	-	–
Net operating profit/(loss) after income tax		-	928
Other comprehensive income		-	–
Total comprehensive profit/(loss)		-	928

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the Consolidated Financial Statements set out on pages 30 to 51.

CONSOLIDATED BALANCE SHEET

As at 30 June 2014

	Note	2014 $000s	2013 $000s
Current assets			
Cash and cash equivalents	8	7,014	8,384
Cash on deposit	8	58,147	59,779
Trade and other receivables	9	3,745	2,393
Total current assets		68,906	70,556
Non-current assets			
Property, plant and equipment	10	659	720
Intangibles	11	100	181
Total non-current assets		759	901
Total assets		69,665	71,457
Current liabilities			
Trade and other payables	12	5,754	8,360
Employee benefits	13	526	586
Other	14	61,686	60,871
Total current liabilities		67,966	69,817
Non-current liabilities			
Employee benefits	13	146	103
Provisions		16	–
Total non-current liabilities		162	103
Total liabilities		68,128	69,920
Net assets		1,537	1,537
Equity			
Retained earnings		1,337	1,337
Reserves		200	200
Total equity		1,537	1,537

The Balance Sheet is to be read in conjunction with the notes to the Consolidated Financial Statements set out on pages 30 to 51.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Note	2014 $000s	2013 $000s
Cash flows from operating activities			
Cash receipts in the course of operations		39,945	46,566
Cash payments in the course of operations		(44,979)	(40,825)
Net cash from operating activities	17(b)	(5,034)	5,741
Cash flows from investing activities			
Interest received		2,163	3,885
Proceeds from sale of fixed assets		-	1,571
Payments for property, plant and equipment		(62)	(659)
Payments for intangibles		(69)	(44)
Decrease / (increase) in cash on deposit	8	1,632	(8,266)
Net cash from investing activities		3,664	(3,513)
Net increase/(decrease) in cash held		(1,370)	2,228
Cash at the beginning of the financial year		8,384	6,156
Cash at the end of the financial year	17(a)	7,014	8,384

The Statement of Cash Flows is to be read in conjunction with the notes to the Consolidated Financial Statements set out on pages 30 to 51.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Society Reserve Fund $000s	Retained Earnings $000s	Total Equity $000s
Balance at 1 July 2012	–	609	609
Total comprehensive profit	–	928	928
Transfer between retained earnings and reserves	200	(200)	–
Balance at 30 June 2013	200	1,337	1,537
Balance at 1 July 2013	200	1,337	1,537
Total comprehensive profit	–	–	–
Transfer between retained earnings and reserves	–	–	–
Balance at 30 June 2014	200	1,337	1,537

The Statement of Changes in Equity is to be read in conjunction with the notes to the Consolidated Financial Statements set out on pages 30 to 51.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

1. SIGNIFICANT ACCOUNTING POLICIES

Audio-Visual Copyright Society Ltd trading as Screenrights (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2014 comprises the Company and its subsidiary (together referred to as the 'consolidated entity'). The financial report was authorised for issue by the Directors on 24 September 2014.

(a) Principal Activities

The principal activities of the Company during the course of the financial year were utilisation of its right as a declared collecting society under Part VA, S183, Part VC and insofar as it relates to audiovisual items, Part VB of the Copyright Act, to collect money from educational institutions for distribution to relevant copyright owners.

(b) Statement of compliance and basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial report of the consolidated entity also complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board.

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These accounting policies have been consistently applied by each entity in the consolidated entity.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from transactions within the consolidated entity are eliminated in preparing the consolidated financial statements.

(d) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(e) Derivatives

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

(f) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see f(ii)) and impairment losses (see accounting policy j).

(ii) Depreciation

With the exception of freehold land, depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant or equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

• Plant and equipment – 10-20 years;

• Computer hardware / Laptops – 3 years;

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(iii) Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the consolidated balance sheet.

(g) Intangible assets

(i) Intangible assets

Intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation (see g(ii)) and impairment losses (see accounting policy j).

(ii) Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives in the current and comparative periods are as follows:

• Capitalised software costs – 3 years

(h) Trade and other receivables

Trade and other receivables are stated initially at fair value and then amortised cost less impairment losses (see accounting policy j).

(i) Cash and cash equivalent

Cash and cash equivalents comprise cash balances, short-term bills and call deposits.

(j) Impairment

The carrying amounts of the consolidated entity's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy j(i)). An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(i) Calculation of recoverable amount continued

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment.

Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Employee benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss as incurred.

(ii) Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates, including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

(iii) Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date and represent present obligations resulting from employees' services provided to reporting date are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date, including related on-costs such as workers compensation insurance and payroll tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(l) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) Trade and other payables

Trade and other payables are stated initially at fair value and then amortised cost. Trade payables are non-interest-bearing and are normally settled on 60-day terms.

(n) Distributions

The consolidated entity holds the net distributable amount for each year in trust for rightsholders of the copyright in film and television programs. These rightsholders are eligible to receive the royalties held on their behalf upon completing necessary documentation, including a membership agreement and warranty. With respect to the Statutory Service (Part VA, Part VB, S183 and Part VC, Copyright Act 1968), the distributable pool is allocated to all copied programs, and actual distributions are made as and when the required documentation is completed. Until this stage is reached for a given title, all funds are held in trust for the rightsholders of the copied program up to a period of four years. The Board of Directors may decide that special circumstances exist and continue to hold the pool in trust for a maximum of two further years. The Board has exercised this discretion for all relevant distribution periods to date. After that period, the remaining allocations that have not been distributed are forfeited and placed into general revenue for inclusion in the current distribution period in accordance with Guidelines issued by the Attorney-General. In administering the Statutory Service, the consolidated entity collects and distributes remuneration payable by educational institutions. The Distributable Amount is the total amount received from record-keeping and sampling institutions for the distribution period (financial year) together with bank interest after deducting operating expenses, providing for taxation if applicable and allocating the relevant portion to the Reserve Fund. Results of record-keeping and sampling procedures are collated so that the total number of minutes for each program title and episode is ascertained. Allocations are made to each program according to the number of minutes copied and the type of program. Once an allocation per program by title has been established, a further allocation is made to the various forms of copyright subsisting in the programs (e.g. cinematograph films, literary/dramatic works, artistic works, sound recordings). Claimants warrant that they own or control the relevant copyright in one or more of these components and at the close of the distribution period are paid accordingly. This same process has been instituted for the allocation and distribution of royalties for the copying of programs by educational institutions in New Zealand. This is so even though the mechanism of conducting the service is different, with rightsholders appointing Audio-Visual Copyright Society Limited trading as Screenrights as their agent to license this recording right in New Zealand. With respect to the international registration and collection process, Screenrights simply distributes the royalties it receives from other audiovisual societies for titles it has registered on behalf of the rightsholders. Screenrights follows the allocations set by the relevant society and only makes an adjustment for interest and the expenses incurred in providing the service for its members.

(o) Revenue and other income

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

(i) Revenue from rendering services

Royalty receipts are based partly on information provided by copyright users. Where receipts are determined under sampling systems estimating copying levels, the samples are conducted by an independent statistical and research organisation, Nielsen, which uses a variety of methods to ensure that the estimation is reliable within accepted tolerances. Revenue is recognised over the period for which the copying licence has been granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(ii) Interest income

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

(iii) Net gain/loss on disposal of property, plant and equipment

The net gains of non-current asset sales are included as other income at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The net losses on non-current asset sales are included in other expenses. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the gross proceeds on disposal.

(p) Income tax

The Income Tax Assessment Act 1997, as amended by the Tax Laws Amendment (2004 Measures No 6) Act 2005, provides the following for collecting societies:

- Collecting societies will not be taxed on any copyright income that they collect and hold on behalf of members, pending allocation to them;
- Non-copyright income derived by collecting societies will not be taxed (provided that the amount of non-copyright income derived is within certain limits); and
- Any copyright and non-copyright income collected or derived by the collecting society that is exempt from income tax is included in the assessable income of the members upon distribution.

The amending Act contains definitions of:

(a) Declared collecting society;

(b) Collecting society;

(c) Copyright income, which includes licence fees and interest received or derived from the copyright income.

Non-copyright income is subject to a de minimis rule. Non-copyright income of collecting societies will be exempt from income tax to the extent that this non-copyright income does not exceed the lesser of:

- 5% of the total amount of copyright income and non-copyright income of the collecting societies for the income year; and
- $5 million or such other amount as is prescribed by the regulations.

The Society will not be taxed on any copyright income (defined as ordinary or statutory royalties/licence fees and interest received or derived by the Society) it collects and holds on behalf of members, pending allocation to them. Additionally, the Society will not be taxed on non-copyright income to the extent that this non-copyright income does not exceed the above specified limitations.

(q) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Tax Office (ATO) is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(r) New standards and interpretations not yet adopted

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

2. RECONCILIATION OF INCOME STATEMENT

	Note	2014 $000s	2013 $000s
Revenue from rendering of services:			
- Statutory Royalty Receipts (Part VA)		27,732	26,432
- Statutory Royalty Receipts (Part VC)		7,115	8,577
- International Collection Service		810	834
- Government Copying		1,643	5,655
- NZ Educational Service		1,890	1,787
- EnhanceTV Resource Centre		292	345
Total revenue		39,482	43,630
Other income	3	2,785	3,883
Total revenue and other income		42,267	47,513
Employee expenses	4	(4,244)	(4,299)
Depreciation and amortisation expense		(273)	(271)
Operating expense		(1,148)	(1,326)
Licensing expense		(382)	(508)
Travel expense		(76)	(102)
Marketing expense		(193)	(215)
Legal expense		(47)	(80)
Other expenses	5	(164)	(205)
Net royalties collected and interest received thereon before income tax		35,740	40,507
Income tax benefit		-	-
Net royalties collected and interest received thereon after income tax		35,740	40,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

2. RECONCILIATION OF INCOME STATEMENT CONTINUED

	Note	2014 $000s	2013 $000s
Royalties paid and payable:			
Add expired statutory trust funds		489	961
Less amount transferred to statutory VA distributable pool 2013	14	-	(24,485)
Less amount transferred to statutory VA distributable pool 2014		(25,214)	-
Less amount transferred to statutory VC distributable pool 2013	14	-	(8,466)
Less amount transferred to statutory VC distributable pool 2014	14	(6,842)	-
Less amount transferred to statutory s183 distributable pool 2013	14	-	(5,163)
Less amount transferred to statutory s183 distributable pool 2014	14	(1,597)	-
Less amount transferred to New Zealand distributable pool 2013	14	-	(1,607)
Less amount transferred to New Zealand distributable pool 2014	14	(1,738)	
International Collection Service		(838)	(819)
Net royalties paid and payable		(35,740)	(39,579)
Net operating profit (loss)		-	928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

3. OTHER INCOME

	2014 $000s	2013 $000s
Interest income		
- Part VA interest income	1,754	1,984
- Part VC interest income	538	626
- Bank interest for International Collections Service (non-statutory)	132	154
- Government Copying interest income	171	276
- Bank interest for NZ Educational Service (non-statutory)	104	110
- Bank interest for ISAN	2	2
- Non trust interest income	4	3
	2,705	3,155
Gain on sale of noncurrent assets	–	728
Exchange Gain Other	80	–
	2,785	3,883

4. EMPLOYEE EXPENSES

	2014 $000s	2013 $000s
Wages and salaries (including director fees)	3,627	3,684
Contributions to defined contribution superannuation funds	338	349
(Decrease)/Increase in liabilities for annual and long service leave	(17)	(63)
Other employee expenses	296	329
	4,244	4,299

5. OTHER EXPENSES

	2014 $000s	2013 $000s
NZ educational service expenses	73	102
Other	91	103
	164	205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

6. AUDITOR'S REMUNERATION

	2014 $000s	2013 $000s
Audit services	51	65
Non-audit services	4	3
	55	68

7. TAXATION

Audio-Visual Copyright Society Limited was granted tax exempt status effective 1 July 2002. EnhanceTV Pty Ltd (the Company's controlled entity) was incorporated on 15 May 2006 and is not tax exempt. In the current financial year, EnhanceTV Pty Ltd did not make a profit. As a consequence there is no tax expense for the consolidated entity (2013: $Nil). As at 30 June 2014, EnhanceTV has carried forward losses of $32,426 (2013:$32,426).No tax losses have been recognised as a deferred tax asset.

8. CASH ASSETS

	2014 $000s	2013 $000s
Cash at bank	7,014	8,384
Cash on deposit	58,147	59,779
	65,161	68,163

The interest rate at 30 June 2014 on cash accounts is 2.00% (2013: 2.25%) which is the prevailing interest rate on cash at bank. The cash on deposit with banks mature within 270 days. The weighted average interest rate at 30 June 2014 on cash on deposit is 3.81% (2013: 4.32%).

9. TRADE AND OTHER RECEIVABLES

	2014 $000s	2013 $000s
Trade receivables	2,308	1,333
Sundry receivables	1,437	1,060
	3,745	2,393

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

10. PROPERTY, PLANT & EQUIPMENT

	Land and buildings $000s	Plant and equipment $000s	Total $000s
Cost			
Balance at 1 July 2012	1,278	1,262	2,540
Acquisitions	–	659	659
Disposals	(1,278)	(501)	(1,779)
Balance at 30 June 2013	–	1,420	1,420
Balance at 1 July 2013	–	1,420	1,420
Acquisitions	–	62	62
Balance at 30 June 2014	–	1,482	1,482
Accumulated depreciation			
Balance at 1 July 2012	413	1,098	1,511
Depreciation charge for the year	24	101	125
Disposals	(437)	(499)	(936)
Balance at 30 June 2013	–	700	700
Balance at 1 July 2013	–	700	700
Depreciation charge for the year	–	123	123
Balance at 30 June 2014	–	823	823
Carrying amounts			
At 1 July 2013	–	720	720
At 30 June 2014	–	659	659

11. INTANGIBLES

	Computer software $000s	Total $000s
Cost		
Balance at 1 July 2012	546	546
Acquisitions	44	44
Balance at 30 June 2013	590	590
Balance at 1 July 2013	590	590
Acquisitions	69	69
Balance at 30 June 2014	659	659
Accumulated amortisation		
Balance at 1 July 2012	263	263
Amortisation charge for the year	146	146
Balance at 30 June 2013	409	409
Balance at 1 July 2013	409	409
Amortisation charge for the year	150	150
Balance at 30 June 2014	559	559
Carrying amounts		
At 1 July 2013	181	181
At 30 June 2014	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

12. TRADE AND OTHER PAYABLES

	2014 $000s	2013 $000s
Trade creditors and accruals	777	3,709
Royalties in advance	4,977	4,651
	5,754	8,360

13. EMPLOYEE BENEFITS

	2014 $000s	2013 $000s
Current		
Liability for annual leave	224	268
Liability for long service leave	302	318
	526	586
Non-current		
Liability for long service leave	146	103
	146	103

14. OTHER CURRENT LIABILITIES

	2014 $000s	2013 $000s
Trust - IBNR Fund	827	859
Trust - Artistic Works	1,479	1,304
	2,306	2,163

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

14. OTHER CURRENT LIABILITIES CONTINUED

	2014 $000s	2013 $000s
Trust - Statutory		
2008 VA Distributable amount payable to copyright owners	–	762
2009 VA Distributable amount payable to copyright owners	699	1,081
2010 VA Distributable amount payable to copyright owners	921	1,344
2011 VA Distributable amount payable to copyright owners	1,357	2,103
2012 VA Distributable amount payable to copyright owners	2,678	4,219
2013 VA Distributable amount payable to copyright owners	4,852	24,485
2014 VA Distributable amount payable to copyright owners	25,214	–
2008 VC Distributable amount payable to copyright owners	–	379
2009 VC Distributable amount payable to copyright owners	414	523
2010 VC Distributable amount payable to copyright owners	760	693
2011 VC Distributable amount payable to copyright owners	1,342	1,291
2012 VC Distributable amount payable to copyright owners	1,574	1,648
2013 VC Distributable amount payable to copyright owners	2,373	8,466
2014 VC Distributable amount payable to copyright owners	6,842	–
2008 S183 Distributable amount payable to copyright owners	–	80
2009 S183 Distributable amount payable to copyright owners	28	29
2010 S183 Distributable amount payable to copyright owners	47	52
2011 S183 Distributable amount payable to copyright owners	84	92
2012 S183 Distributable amount payable to copyright owners	266	283
2013 S183 Distributable amount payable to copyright owners	1,619	5,163
2014 S183 Distributable amount payable to copyright owners	1,597	–
Sound Recordings Distributable amount	108	108
	52,775	52,801

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

14. OTHER CURRENT LIABILITIES CONTINUED

	2014 $000s	2013 $000s
Trust - Non-statutory		
NZ Educational Services:		
2008 Distributable amount payable to copyright owners	–	56
2009 Distributable amount payable to copyright owners	82	98
2010 Distributable amount payable to copyright owners	66	138
2011 Distributable amount payable to copyright owners	165	226
2012 Distributable amount payable to copyright owners	467	616
2013 Distributable amount payable to copyright owners	884	1,607
2014 Distributable amount payable to copyright owners	1,738	–
International Collection Service	3,203	3,166
	6,605	5,907
	61,686	60,871

15. EQUITY

Retained earnings

Funds held as part of the Society's retained earnings will be used for the benefit of all members at the discretion of the Board.

Society Reserve Fund

In accordance with 15.4(c) of the Articles of Association, Screenrights is required to establish a reserve fund. From time to time, the Board will authorise funds to be released from the reserve fund to meet the costs of abnormal or exceptional expenditure.

16. FINANCIAL RISK MANAGEMENT

(a) Overview

The consolidated entity has exposure to the following risks from the use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

16. FINANCIAL RISK MANAGEMENT CONTINUED

(a) Overview continued

This note presents information about the consolidated entity's exposure to each of the above risks, their objectives, and the policies and processes for measuring and managing risk. Further quantitative disclosures are included in this note.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee, which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board on its activities.

Risk management policies are established to identify and analyse the risks faced by the consolidated entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated activities. The Company and its subsidiary, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity.

Credit risk

Credit risk represents the loss that would be recognised if a customer or counterparty failed to perform their contractual obligations and arises principally from the consolidated entity's receivables from licensees and investments in short-term deposits.

Trade receivables

The consolidated entity's exposure to credit risk is influenced mainly by the individual characteristics of each licensee. Concentrations of credit risk are minimised by undertaking transactions with a large number of licensees and counterparties with no geographical concentration of credit risk.

Approximately 76.1% of the consolidated entity's revenue base is attributable to general licensing in Australia, where licensee fees are paid at the beginning of the licence period, normally 12 months. The Audit Committee has established a credit policy under which defaulting licensees are pursued rigorously with the assistance of a collection agency.

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

Investments in short-term deposits

The consolidated entity minimises credit risks in relation to its investments in short-term deposits by only dealing with Australian banks maintaining an acceptable credit rating.

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

16. FINANCIAL RISK MANAGEMENT CONTINUED

Liquidity risk continued

Typically the consolidated entity ensures that it has sufficient cash on demand to meet expected member distributions and operational expenses for a period of 60 days; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The consolidated entity has additional deposits invested for short terms varying from 30 to 180 days.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the consolidated entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The consolidated entity is exposed to interest rate risk in relation to its cash and cash on deposit balances. The weighted average interest rate on cash and cash on deposit of $65,160,638 at 30 June 2014 is 3.62% (2013: $68,162,722– 4.07%). It is the Company's policy not to hedge this exposure to interest rate risk.

Currency risk

The consolidated entity receives royalties from overseas affiliates in foreign currencies. It is group policy not to hedge this exposure to foreign exchange risk.

Fair values

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

(b) Financial transactions

Credit risk

Exposure to credit risk

The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. The consolidated entity's maximum exposure to credit risk at the reporting date was:

	2014	2013
	$000s	$000s
Trade and other receivables	3,745	2,393
Cash and cash equivalents	7,014	8,384
Cash on deposit	58,147	59,779
	68,906	70,556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

16. FINANCIAL RISK MANAGEMENT CONTINUED

(b) Financial transactions continued

Impairment losses

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

	2014 $000s	2013 $000s
Not past due	2,038	865
Past due 0–30 days	87	286
Past due 31–120 days	27	61
Past due 121 days to one year	156	121
	2,308	1,333

As at 30 June 2014, the Consolidated Entity did not recognise a provision for impairment due to the Directors being of the opinion that the amounts receivable are recoverable (2013: $Nil).

Liquidity risk

The contractual maturities of financial liabilities, as represented by trade and other payables (note 12) and other current liabilities (note 14), are all within one year. The carrying amount of these liabilities also represents the contractual cash flows.

Currency risk

Exposure to currency risk

The exposure to foreign currency risk at balance date was as follows, based on notional amounts:

AUD equivalent of NZD exposure	2014 $000s	2013 $000s
Trade receivables	43	191
Total balance sheet exposure	43	191

The following significant exchange rates applied during the year:

	Average rate 2014	Average rate 2013	Spot rate 2014	Spot rate 2013
New Zealand dollar	1.1022	1.2454	1.0722	1.1803

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

16. FINANCIAL RISK MANAGEMENT CONTINUED

(b) Financial transactions continued

Sensitivity

A 10% strengthening/weakening of the Australian dollar against the New Zealand dollar at 30 June would have increased/(decreased) the consolidated entity's profit/(loss) by $ 4,717 at 30 June 2014 (2013: $19,116). This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

Profile

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

	Carrying Amount	
	2014	**2013**
	$000s	**$000s**
Fixed rate instruments		
Cash on deposits	58,147	59,779
Variable rate instruments		
Cash at bank	7,014	8,384

Sensitivity analysis

If interest rates had changed by plus (or minus) 100 basis points per annum from the year end interest rate, with all other variables held constant, the consolidated entity profit for the year would have been $70,136 (2013: $83,833 higher (lower)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

17. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	2014 $000s	2013 $000s
Cash	7,014	8,384
	7,014	8,384

(b) Reconciliation of cash flows from operating activities

	2014 $000s	2013 $000s
Operating profit (loss)	–	928
Add/(less) items classified as investing activities:		
Interest received	(2,163)	(3,885)
Add/(less) non-cash items:		
Gain on sale of non-current assets	–	(728)
Depreciation and amortisation	273	271
Net cash utilised by operating activities before change in assets and liabilities	(1,890)	(3,414)
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(1,352)	2,083
Increase/(decrease) in trade creditors and accruals	(2,932)	2,976
Increase/(decrease) in royalties in advance	326	(140)
Increase/(decrease) in provision for employee entitlements	(17)	(63)
Increase/(decrease) in provisions	16	–
Increase in other current liabilities	815	4,299
Net cash (used in)/provided by operating activities	(5,034)	5,741

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

18. RELATED PARTY DISCLOSURES

Key management personnel compensation

The key management personnel compensation included in 'employee expenses' (see note 4) is as follows:

	2014 **$000s**	**2013** **$000s**
Short-term employee benefits	1,650	1,625
Post-employment benefits	176	138
Other long-term benefits	36	31
	1,862	1,794

Statement of management remuneration

Salary range*	**Screenrights Executives in range 2013/14**	**Screenrights Executives in range 2012/13**
$0–99k	1	1
$100–149k	1	–
$150–199k	1	3
$200–249k	2	2
$250–299k	1	–
$300–350k	1	1

* Includes superannuation and incentive payments

Other key management personnel transactions with the Company or its controlled entities

A number of key management persons of the Company, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities or on an arm's length basis. Related entities of Maureen Barron, David Anderson, Chris Oliver-Taylor, Dean Ormston, Victoria Spackman and Sue Taylor, or entities in which they hold a management position, are entitled to distributions calculated in accordance with note 1(n).

Apart from the details disclosed in this note, no key management personnel have entered into a material contract with the Company or consolidated entity since the end of the previous financial year and there were no material contracts involving key management personnel interests subsisting at year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

18. RELATED PARTY DISCLOSURES CONTINUED

Loans to key management personnel

There were no loans to key personnel at any time during the year ended 30 June 2014.

Controlled entity

On 15 May 2006, Audio-Visual Copyright Society Limited (the Company) established a wholly owned subsidiary company called Enhance TV Pty Ltd. The objectives of the Company are to operate as an educational resource centre and to operate as a distribution outlet for the Australian educational market. At 30 June 2014, the subsidiary owed the company $147,036 (2013: $121,496) in respect of management fees.

19. MEMBERS' LIABILITY

The Company is a company limited by guarantee. The guarantee of members in the event of the winding up of the Company is $10 for each member. At 30 June 2014, membership of the Company comprised 3,693 full members (2013: 3,560), resulting in a total guarantee of $36,930 (2013: $35,600).

20. COMMITMENTS FOR EXPENDITURE

Operating leases – leases as lessee

Non-cancellable operating leases rentals are payable as follows:

	2014	**2013**
	$000s	**$000s**
Less than one year	235	253
Between one and five years	687	949
Later than five years	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

21. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2014, the parent entity of the consolidated entity was Audio-Visual Copyright Society Limited.

	2014 $000s	2013 $000s
Result of parent entity		
Profit/(loss) for the period	–	928
Other comprehensive income	–	–
Total comprehensive profit/(loss)	–	928
Financial position of parent entity at year end		
Current assets	68,933	70,583
Total assets	69,691	71,485
Current liabilities	67,691	69,813
Total liabilities	68,122	69,916
	1,569	1,569
Total equity of the parent entity comprising of:		
Retained earnings	1,369	1,369
Reserves	200	200
Total equity	1,569	1,569

The parent entity does not have any contingent liabilities as at 30 June 2014 (2013:$Nil)

22. SUBSEQUENT EVENTS

There have been no events subsequent to balance date which would have a material effect on the consolidated entity's financial statements at 30 June 2014.

NOTES

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