ANNUAL REPORT 2015-2016

screenrights

OUR VALUES

In all aspects of its operations, Screenrights is committed to upholding its core values – the unique set of beliefs that make up our worldview. They guide us in fulfilling our mission and inspire us to achieve our vision. They underpin how we make decisions and how we act, how we respond to challenges and how we embrace the many exciting opportunities in front of us as we achieve our goals.
We want to be known for:

DIVERSITY ENRICHES THE WORLD

The variety of content that our members create makes the world more interesting, engaging and compelling.

THE POWER OF CREATIVITY

Creativity has a unique ability to express, communicate and spread ideas.

VALUE OF IDEAS

The ideas expressed by our members help shape conversations and debate in our society.

ACHIEVEMENT THROUGH COLLABORATION

We form partnerships with our members, stakeholders and third parties and work closely to achieve our mutual goals.

TRANSPARENCY

We are not-for-profit, we have no hidden agendas and we are accountable. This is reflected in everything we do.

Image Credits
Gourmet Farmer Afloat, Essential Media and Entertainment
Outside Chance, Wildbear Entertainment
Poh & Co Season 2, SBS
Prison Songs, Ronin Films
Death or Liberty, Roar Film

THE YEAR IN BRIEF

DURING 2015-2016, SCREENRIGHTS HAS:

- Collected $47.8 million in licence revenue and other income for the film and television industries
- Distributed to members $43.1 million, an increase of 11.7%
- Achieved an expenses to collections ratio of 14.8%
- Made 4,780 individual payments to members, with a total distribution of $43.1 million
- Grown the number of titles registered by members to 1.44 million, up 7.7%
- Expanded the Government Copying Declaration to cover audio-visual material on the internet
- Negotiated a new agreement for a minimum of two years with all 39 Australian Universities
- Increased the reach of EnhanceTV Direct, our streaming service to schools, by 42%

Image Credit: *SCREEN FOREVER Conference*

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 – strong and transparent governance and risk management

Image Credits
Shaun Micallef's Stairway to Heaven, Stairway2 Pty Ltd
The Lost Aviator, Andrew Lancaster Productions
The Principal, Essential Media and Entertainment
This is Brazil, SBS
Holding the Man, Transmission Films

OUR VISION

Screenrights supports growth and diversity of screen production in Australia, New Zealand and around the world.

OUR MISSION

Screenrights provides access to audio-visual content and collects and distributes income for rightsholders.

Inset: EnhanceTV Direct screenshot, showing
Go Back to Where You Came From, Cordell Jigsaw Productions

CHAIRMAN'S REPORT

Jill Bryant Chairman

Providing a high level of member service while continuing to innovate and prepare for the future is central to Screenrights' ethos and key to maintaining our ongoing success.

With 3,960 members across 63 countries, Screenrights is a regionally focused organisation with global reach.

With revenue at $48.3 million and distributions at $43.1 million for the year, we have achieved exceptional results at a time when there are numerous challenges to copyright in Australia and around the world.

Our ability to collaborate and form productive relationships continues to be a strength. In the last year we have worked closely with the screen industry on a number of issues, particularly advocacy against the introduction of fair use, which we believe would weaken the foundations of copyright in Australia.

International research points to the detrimental effects of fair use on economies and creative industries, without providing any evidence of the supposed benefits. Fair use will continue to be an issue in the copyright environment over the coming year. Screenrights has been working with other collecting societies and industry bodies and we remain firmly against the introduction of any fair use regime.

The year ahead will see Screenrights invest in making content easily available under our licences through EnhanceTV and supporting resource centres including Clickview, RMIT's EduTV, and eTV in New Zealand. We have been working closely with Australian educators to discover how we can provide them with a service that best meets the needs of teachers in using content under the Screenrights licence.

EnhanceTV is an ambitious project that will position Screenrights to continue adapting to the changing trends of audio visual consumption in Australian schools. We whole-heartedly believe that this is imperative to provide greater value to the education sector in return for the licence fees that we pay to our members.

The litigation initiated by the Australian Writers' Guild and the Australian Writers' Guild Authorship Collecting Society continues. Whilst we are disappointed the matter has come to litigation we remain committed to finding a resolution and will continue to operate as normal in collecting and paying royalties to our members in accordance with Australian law.

Last year saw the introduction of the Express Resolution Process (ERP). This was designed following extensive industry consultation to provide our members with fast, efficient resolution of their competing claims in certain circumstances.

We agreed to review the Express Resolution Process after twelve months of operation, and that independent review is now taking place. We will consider all the findings as part of our continual efforts to provide better services for members.

Screenrights continues to explore ways in which it can provide value to the screen industry. Disbursements by Screenrights is quickly securing its position in the disbursements market and providing a valuable service for Australian filmmakers and their investors.

The next 12 months will present both opportunities and challenges and we look forward to working closely with the screen industry, government and consumers. We will continue to adapt to the changing copyright landscape, find increasingly innovative ways to access content and provide crucial revenue streams for rightsholders.

Jill Bryant, Chairman
21 September 2016

The Dressmaker, Film Art Media

Decades in Colour, Greenstone Pictures

"EnhanceTV is an amazing resource for teachers and students at all levels of primary and secondary education. In the short time we have enjoyed access to the resource I have seen it becoming more and more valuable as items and projects are constantly added."

Mary-Anne Cameron, Good Shepherd Catholic Community School

CHIEF EXECUTIVE'S REPORT

Simon Lake Chief Executive

During the financial year Screenrights has achieved increased revenue growth and increased distributions to members.

Our total collections increased from $45.9 million to $47.8 million, with our expenses to collections ratio at 14.8%. Distributions to members totalled $43.1 million, an increase of 11.7% over distributions of $38.6 million last year.

This strong result is attributable in part to finalising agreements with Australian Universities and retrospective payments for Government Copying.

This year we removed the inconvenience of surveys for teachers in schools and universities and now gather broadcast data exclusively from resource centres. This will save survey costs and further streamline our processes. We also successfully expanded our Government Copying Declaration to include the downloading of audio-visual material from the internet.

These advances show that Screenrights is continuing to adapt and thrive in the changing copyright landscape. We remain committed to facilitating access to content under our licences and providing fair payment to rightsholders.

This marks the end of the second year of our three-year strategic plan that leverages our relationships, governance and capabilities in focusing on two broad goals: providing greater access to and usage of audio-visual content for our licensees and providing a quality experience by developing our services for members to support their businesses.

ACCESS

Innovation is key for Screenrights in providing access to content under our licences for consumers in Australia and New Zealand.

The use of online content is growing rapidly in the classroom. Screenrights facilitates access for teachers through resource centres such as ClickView, TV 4 Education, eTV in New Zealand and our streaming service, EnhanceTV Direct. Usage of EnhanceTV Direct is increasing, with a 42% increase in Australian schools using the service. The next 12 months will be essential in providing an up-to-date, relevant platform for educators.

Screenrights is investing in EnhanceTV Direct to ensure that we continue to provide value for educators and fair payment for our members. This investment, encouraging the sustained growth of the platform, will be crucial in strengthening our licences and growing our capabilities for future business.

Screenrights licences the retransmission of members' works to pay television subscribers. The retransmission scheme continues to grow, as pay television reaches more households and includes more channels than ever before. Distributions from the Australian Retransmission Service during the year totalled $8.4 million, licensing the retransmission of members' content into the homes of more than 2.5 million subscription television customers, as well as via mobile phones and IPTV.

SERVICES

During the year Screenrights paid out $43.1 million to our members, a 11.7% increase on the $38.6 million paid in the prior year. This included $26.6 million paid in the major December payment run, and covered over 4,780 payments on a staggering 8.3 million royalties.

We would like to recognise the valuable contributions of our members in registering their programs and working with us to ensure efficient payments throughout the last financial year. The number of new registered claims was 139,000, bringing the total number of registered claims to 1.44 million.

We've undertaken significant improvements to the systems that support our core capabilities. Most significantly these include implementation of efficiencies to our data management systems, competing claims management, international rights management and disbursement services.

Following Member Consultation, Screenrights introduced the Express Resolution Process on 1 September 2015 to assist members in resolving their competing claims. We would like to thank our members for their input into developing this policy and welcome feedback on its implementation.

Screenrights International continues to build and strengthen relationships with overseas collecting societies and to collect royalties on behalf of more than 2,008 members. During the year, Screenrights distributed to our members a record $1.6 million collected from overseas societies.

Our disbursement service, Disbursements by Screenrights, is consolidating its position as a valuable resource for the local film and television industry and has attracted some of the year's best-loved programs. Screenrights is proud to be working with some of the industry's most active and vibrant companies as well as inspiring emerging filmmakers.

Screenrights has opened its doors for script development workshops for our members.

We will continue to monitor our progress against the strategic plan in the coming year. There are also a number of industry developments that Screenrights has collaborated on over the past year.

INDUSTRY

Screenrights appeared at the Productivity Commission to explain our concerns about the possible introduction of an open ended US style 'fair use' exception in the Copyright Act. Screenrights will continue to work with the Government, our licensees and the wider industry in reaching a workable and equitable solution that benefits Australian creators and educators.

Screenrights has been active in the simplification of the Copyright Act in partnership with the education sector and our counterparts at the Copyright Agency. We anticipate the changes will be introduced in the new Parliament. Goodwill and collaboration between organisations in the sector has been significant and we look forward to further co-operation in the future.

We support members and the screen and education industries through our sponsorship program. In 2015-16 sponsorships included the Screen Producers Australia Conference and Ones to Watch, Australian International Documentary Conference, 37°South market, Screen Production and Development Association Conference, BigScreen Symposium and Screen Edge Forum as well as the National ELT Accreditation Scheme Conference and the English Australia Conference.

On 3 March 2016 the Australian Writers' Guild (AWG) and the Australian Writers' Guild Authorship Collecting Society (AWGACS) filed proceedings against Screenrights in the Federal Court of Australia.

Screenrights has filed its defence which totally rejects those claims. We welcome the assistance of the Federal Court in reaching agreement on a timetable for mediation. Screenrights is hopeful that the mediation process may help provide clarity around the claims made.

Screenrights continues to collect and pay royalties on behalf of all its members in a fair and transparent manner, in accordance with applicable contracts and Australian law.

Screenrights complies with a voluntary Code of Conduct for copyright collecting societies which was independently reviewed last year. Screenrights is proud to be a transparent, adaptable and innovative organisation for the benefit of our licensees, members and the wider screen industry.

AN OVERVIEW OF KEY REVENUE AND EXPENDITURE FIGURES

The following overview summarises revenue and expenditure figures for 2015-2016.

REVENUE FROM LICENCES

Total collections (including interest) for the 2015-2016 financial year were $47.8 million. This total figure comprises:

- $30.83 million from the Australian Educational Service (AES), an increase of 0.9 per cent on the previous year's figure of $30.57 million
- $2.24 million from the New Zealand Educational Service (NZES), an increase of 2.3 per cent on the previous year's figure of $2.19 million
- $9.19 million from the Australian Retransmission Service (ARS), an increase of 4.9 per cent on the $8.76 million collected for retransmission in 2014-2015
- $1.09 million from the International Collections Service (ICS), a decrease of 0.9 per cent on the previous year's figure of $1.10 million
- $4.22 million from the Australian Government Service (AGS), an increase of 27.1 per cent on the $3.32 million collected in 2014-2015
- $0.2 million from Disbursements by Screenrights

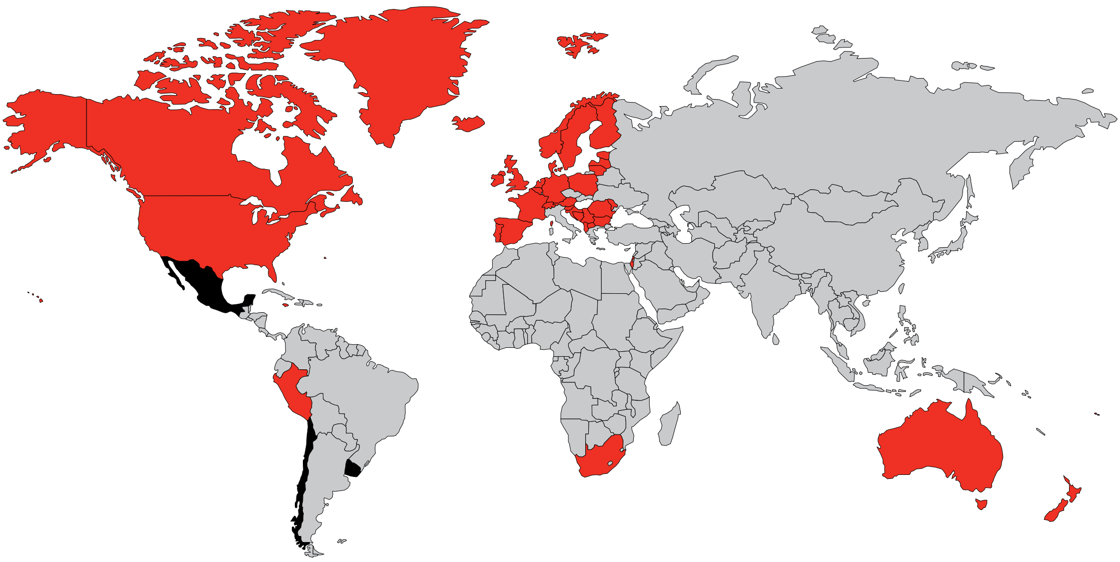

FIGURE 1 ▲

Shows the territories in which Screenrights collects income for members.

FIGURE 2 ▲

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

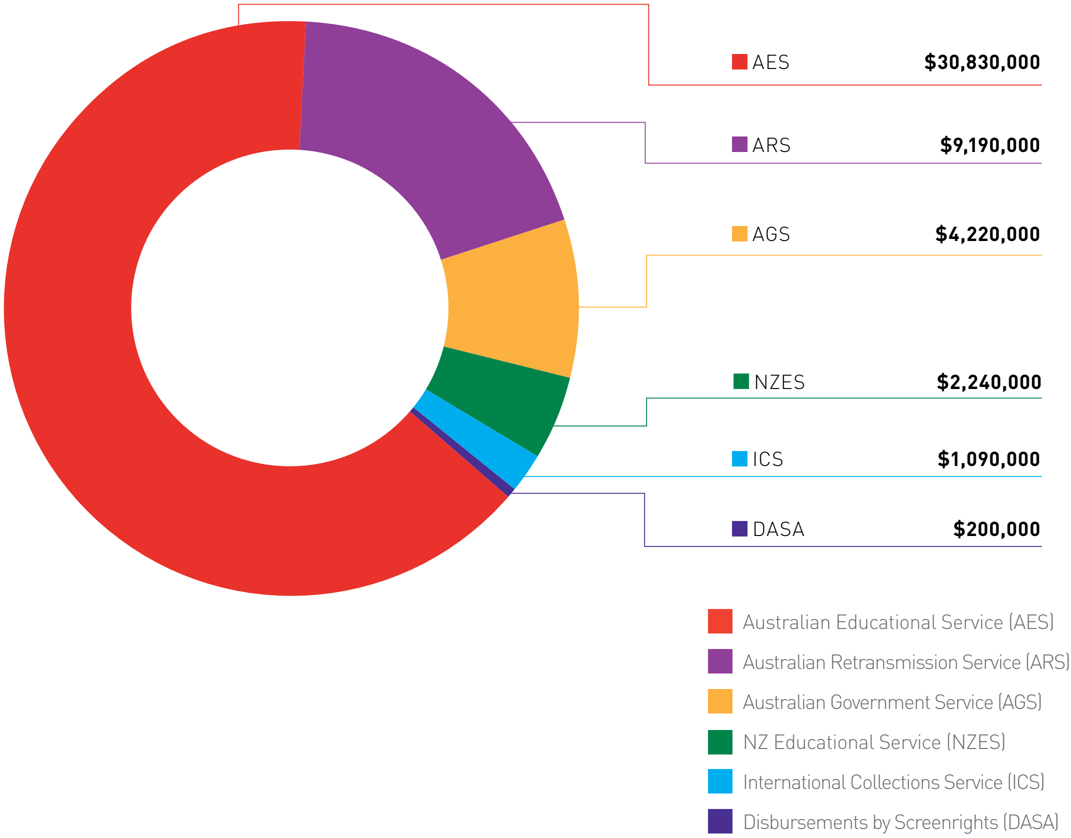

FIGURE 3

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

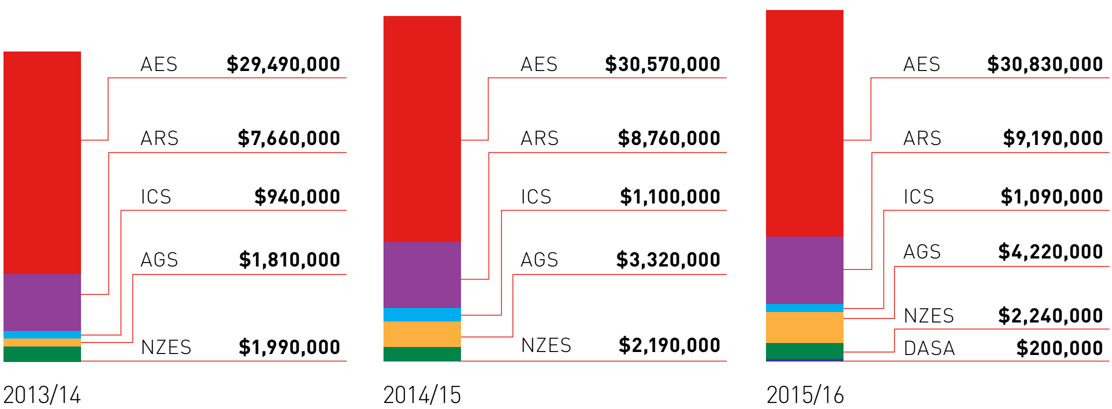

FIGURE 4

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

EXPENDITURE

Screenrights' total expenditure for 2015-2016 was $7.11 million, compared to the previous year's figure of $6.54 million.

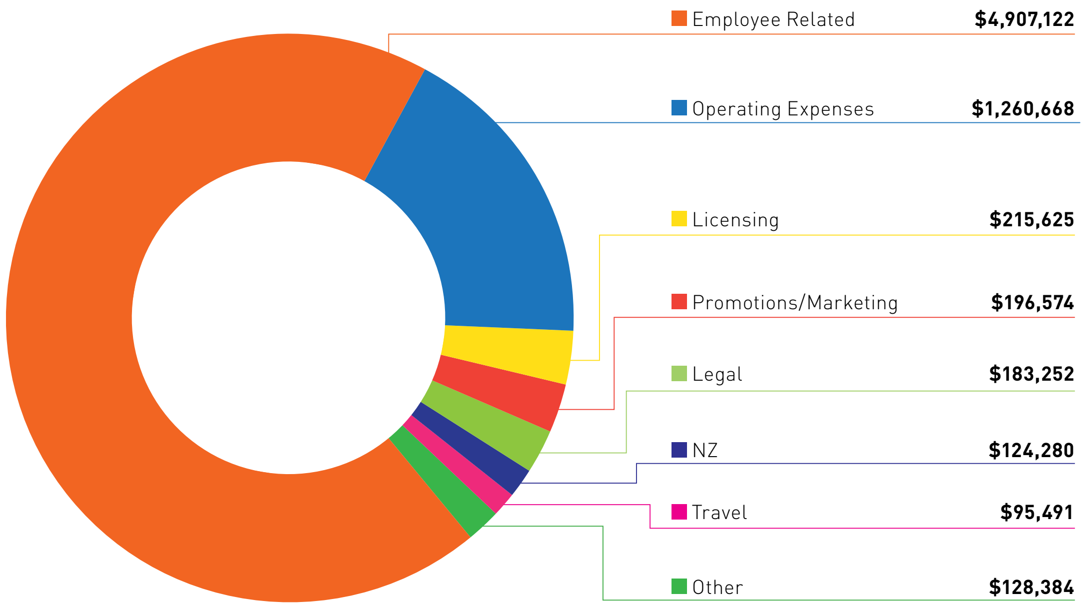

FIGURE 5 ▲

Shows the breakdown of expenditure for 2015-2016.

FIGURE 6 ▲

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

EXPENDITURE IN RELATION TO COLLECTIONS

Screenrights total expenditure amounted to 14.8% of total collections. In 2014-2015, this figure was 14.2%.

Expenses to collections for the AES was 14.8%, compared to 14.4% in the previous 12 months. For the NZES, expenses amounted to 19.6% of total collections, whereas in 2014-2015 it was 17.7% of total collections. For ARS it was 14.1%, compared to 13.1% for the previous year, and for AGS the ratio was 14.1%, compared to 13.1%.

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 7

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

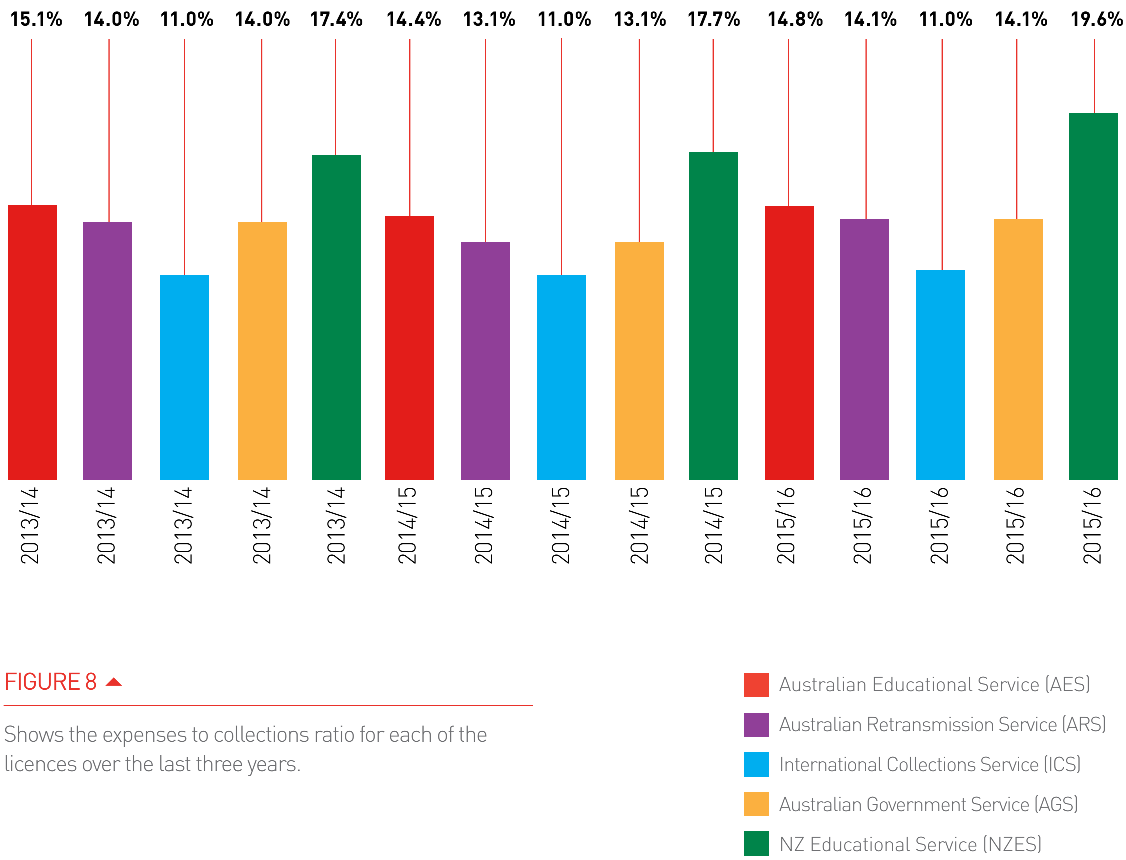

FIGURE 8

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

DISTRIBUTIONS TO MEMBERS

The total distributable amount for 2015-2016 was $41.22 million, an increase of 3.8% on the $39.72 million declared for distribution in 2014-2015.

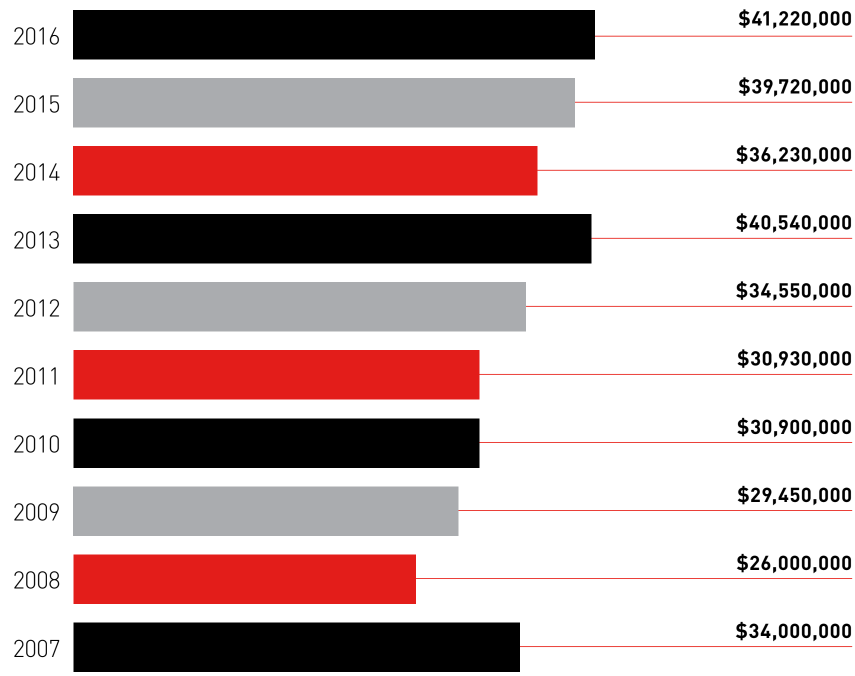

FIGURE 9 ▲

Shows the total distributable amount over the last 10 years.

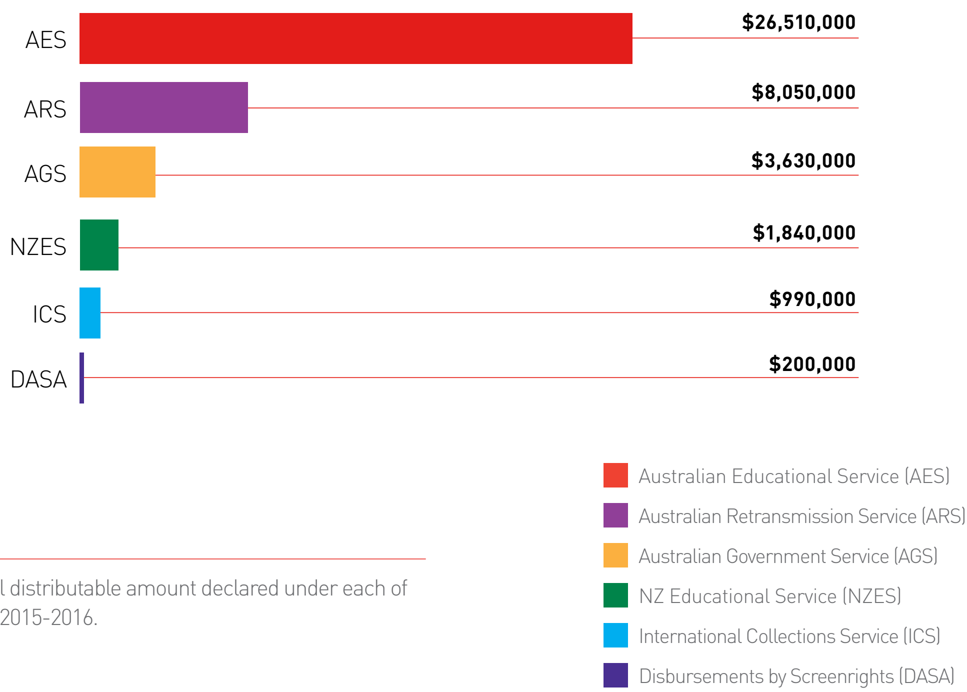

FIGURE 10 ▲

Shows the total distributable amount declared under each of the licences in 2015-2016.

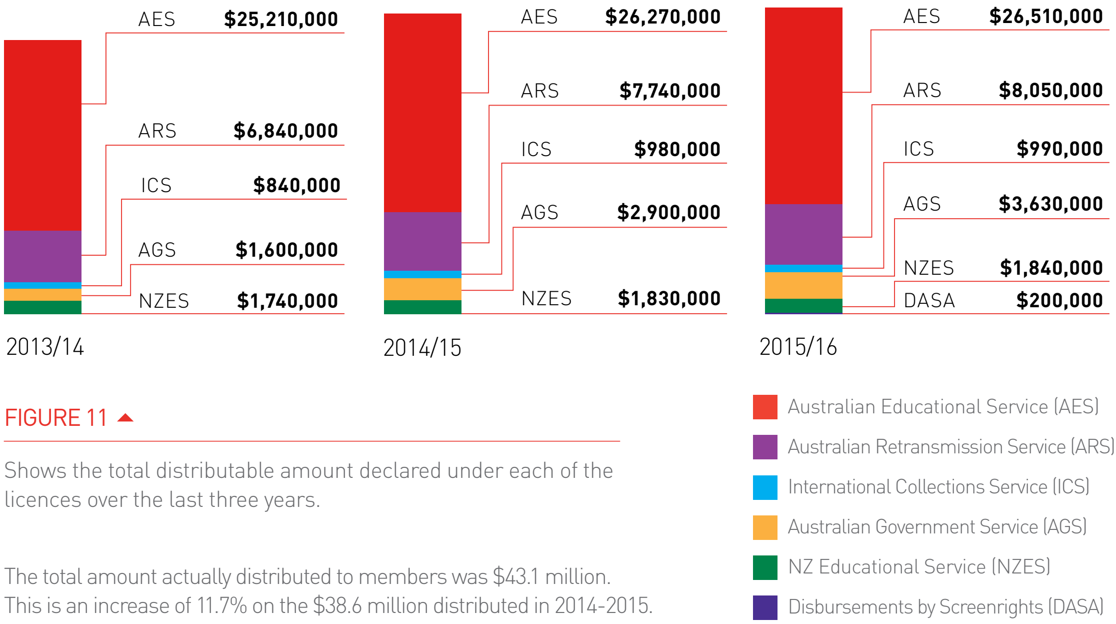

FIGURE 11 ▲

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

The total amount actually distributed to members was $43.1 million. This is an increase of 11.7% on the $38.6 million distributed in 2014-2015.

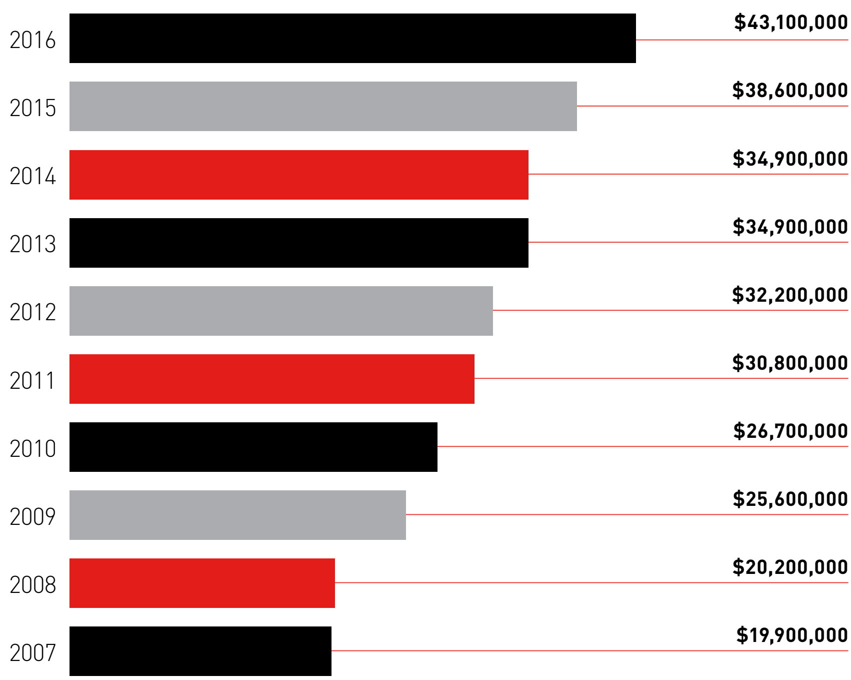

FIGURE 12 ▲

Shows the total distributed amount over the last 10 years.

OUR MEMBERSHIP

Screenrights membership has continued to grow, from 3,821 members in 63 countries to 3,957. These countries are shown at Figure 13.

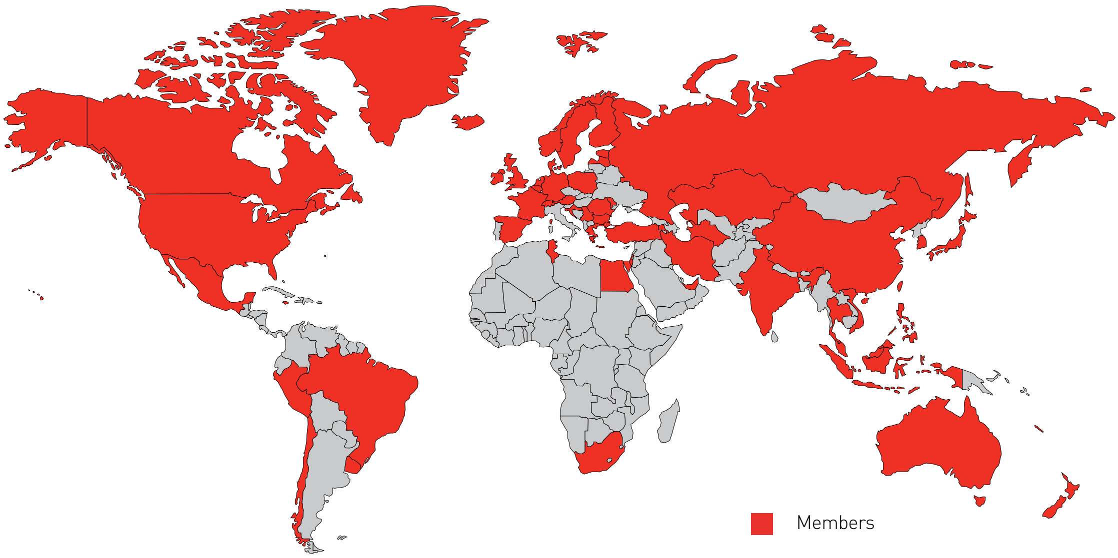

FIGURE 13

Shows Screenrights' 3,957 members in 63 countries.

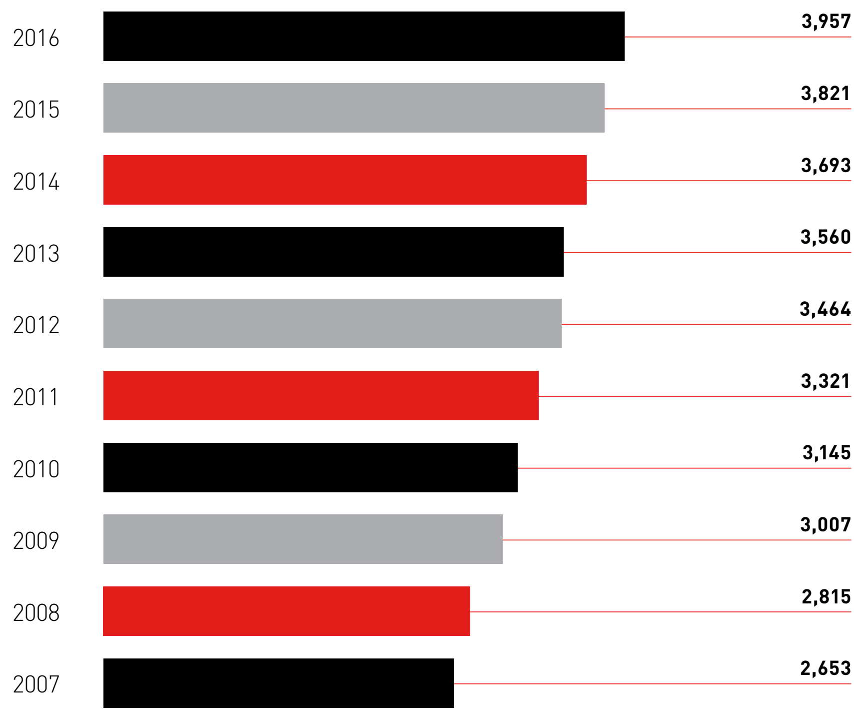

FIGURE 14

Shows the growth in membership over the last 10 years.

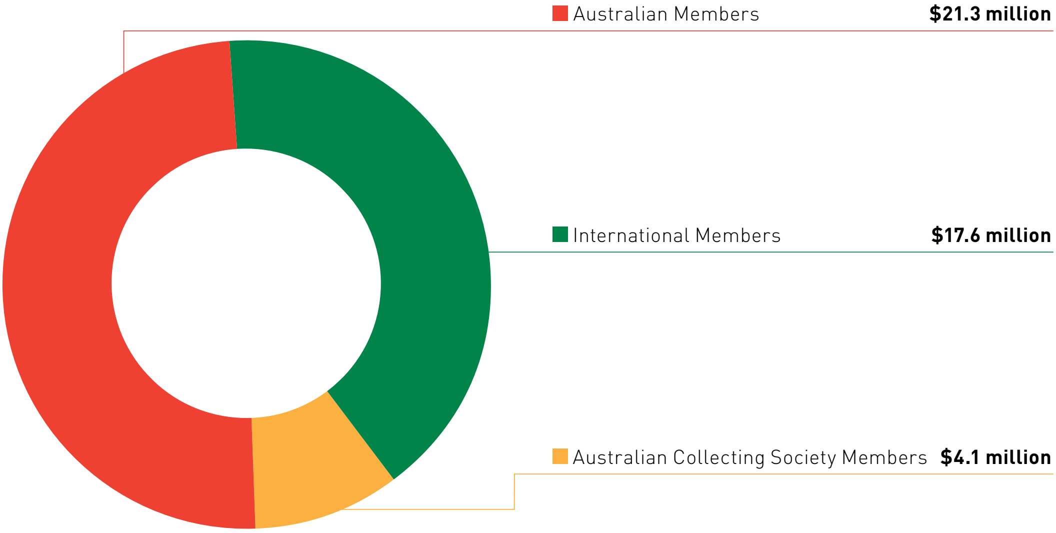

FIGURE 15

Shows the breakdown in allocation between Australian and overseas rightsholders for the total amount distributed in 2015-2016.

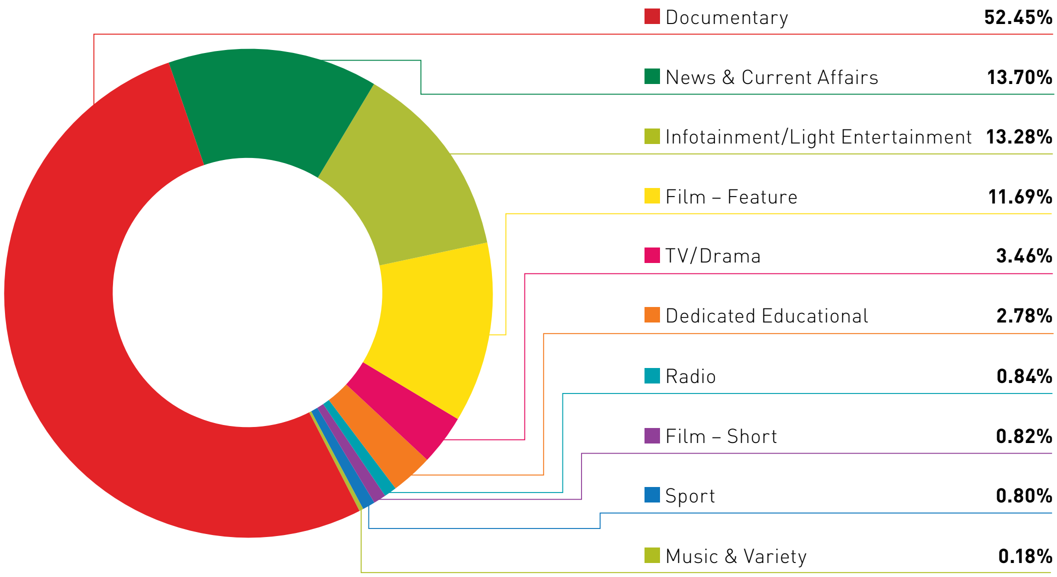

FIGURE 16

Shows the breakdown in types of audiovisual material copied by Australian educational institutions. This is based on the number of copies made, and not on the minutes copied.

Simon Lake
Chief Executive

21 September 2016

Kebab Kings, Cordell Jigsaw Productions

"Our Screenrights royalties go towards further development of training courses for new people entering the industry. With extra royalties we can take students on for further work experience. By getting royalties it also shows that our work is being used further afield and helping others."

Jo Santamaria, Maui TV Productions 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

David Anderson
Deputy Chairman

DIRECTORS

Maureen Barron

Anne Chesher

Fiona Crago

Kim Dalton

John Ford

Ben Grant

Chris Oliver-Taylor

Dean Ormston

Cathy Service

Victoria Spackman

AUDITORS

KPMG

BANKERS

National Australia Bank

Westpac

Bank of New Zealand

SOLICITORS

Banki Haddock Fiora

Harmers Workplace Lawyers

Curwood Solicitors

Emery Legal

Sainty Law

OFFICE OF THE CHIEF EXECUTIVE

Chief Executive: **Simon Lake**

ACCESS

Head, Licensing & Regulatory Affairs: **James Dickinson**

Licensing Manager: **Georgia Blain***

ENHANCETV TEAM

Head Product & Business Development: **Stefan Savva**

Project Director: **Terry Watts**

Content Director: **Sean Maher**

Primary Curriculum Producer: **Natalie Cooper**

Customer Director: **Loretta Secerov**

Customer Experience: **Deana Kasnioski**

SERVICES

Head of Member Services: **Emma Madison**

Member Relations Manager: **Annabel Holt**

Distribution Manager: **Sean Price**

International Service Manager: **Gaëlle Clark**

Disbursement Service Manager: **Jasmina Matic**

Project Manager: **Luke Asprey***

MEMBER RELATIONS TEAM

Portfolio Coordinator: **Cristina Khashadorian**

Portfolio Coordinator: **John Alexander**

Portfolio Coordinator: **Mona Forghani**

Portfolio Coordinator: **Georgie Payne-Loy**

DISTRIBUTION TEAM

Senior Distribution Officer: **Kate Bowley***

Senior Research Officer: **Clare Macken***

Distribution Officer: **Ian Laird**

Distribution Officer: **Wade Clarke***

RELATIONSHIPS

Public Affairs Advisor: **Virginia Gordon***

Marketing & Communications Coordinator: **Max Becker**

CAPABILITIES

Head, Information Services: **Mike Lynch**

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

NETWORK & INFRASTRUCTURE TEAM

Network & Infrastructure Manager: **Justin Franks**

User & Systems Support: **Nathan McCurley**

APPLICATION DEVELOPMENT

Lead, Application Development: **Brian Chambers**

Applications Developer: **Tim Booth**

DATA & SYSTEMS TEAM

Data & Systems Manager: **Nick Grodzicki**

Data Entry Officer: **Mary Luque***

Data Entry Officer: **Kiya Luque***

PEOPLE & CULTURE

Chief Operating Officer/Company Secretary: **Chris Gardoll**

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

ADMINISTRATION TEAM

Office Administrator: **Belle Darcy**

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

GOVERNANCE

General Counsel: **Marie Foyle***

Associate Counsel: **Jennifer Body**

Accountant & Internal Auditor: **Angela Cheung**

* Indicates part-time employee/consultant

Full time equivalent = 35.0

screenrights

DIRECTORS' REPORT

DAVID ANDERSON

Director, Corporate Strategy & Planning at Australian Broadcasting Corporation. Over 20 years experience in the media industry. Director since 2012. Elected Deputy Chairman 2014.

MAUREEN BARRON

Former 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

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

ANNE CHESHER

Education consultant with PhD thesis "Television Content in the 21st Century Classroom". Over 20 years experience producing online education creative media for the television industry (clients include ABC, SBS, Foxtel, National Geographic Channel). Former secondary school teacher and writer of ATOM study guides. Director since 2014.

FIONA CRAGO

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

KIM DALTON OAM

Producer, distributor and broadcaster with over 40 years' experience in the screen industry. Former CEO, Australian Film Commission; former Director, ABC Television. Chair, Asian Animation Summit. Director since 2015.

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 of Goalpost Pictures, with credits spanning three decades of award-winning feature films and television. Vice President of Screen Producers Australia, Board Member of the Film Certification Advisory Board. Director since 2013.

CHRIS OLIVER-TAYLOR

Managing Director, Matchbox Pictures. Director since 2010.

DEAN ORMSTON

Head of Member Services Group APRA AMCOS and Deputy Chair of the Australian Copyright Council. Director since 2007.

CATHY SERVICE

Over 20 years experience in the media industry. Former Head of Finance & Administration with BBC Worldwide Australasia. Currently Chief Operating Officer with KJA Engaging Solutions. Director since 2011.

VICTORIA SPACKMAN

Chief Executive and co-owner of the Gibson Group, Board member of Education New Zealand and previous Board member of SPADA (the NZ Screen Production and Development Association). Director since 2011.

SALLY McCAUSLAND Director from 2006 to October 2015

CHRISTOPHER GARDOLL ACA

Chief Operating Officer and Company Secretary. Appointed Company Secretary May 2016

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 & RISK COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	A	B	A	B	A	B
D Anderson	6	6	0	0	1	1
M Barron	5	6	3	3	0	0
J Bryant	6	6	3	3	1	1
A Chesher	5	6	0	0	0	0
F Crago	5	6	3	3	0	0
K Dalton	4	4	0	0	0	0
J Ford	6	6	0	0	0	0
B Grant	5	6	0	0	0	0
S McCausland	1	2	0	0	0	0
C Oliver-Taylor	4	6	0	0	0	1
D Ormston	6	6	0	0	1	1
C Service	5	6	3	3	1	1
V Spackman	5	6	0	0	0	0

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, S183 and Part VC of the Copyright Act, to collect monies from educational institutions, for distribution to relevant copyright owners.

REVIEW AND RESULTS OF OPERATIONS

The amount of $41.2 million (2015: $39.7 million) was determined to form the Distributable Amount available for distribution to relevant rightsholders from monies collected for the accounting year ended 30 June 2016.

The net operating profit/(loss) after income tax for the year was $Nil (2015: $Nil).

STATE OF AFFAIRS

On 3 March 2016 the Australian Writers' Guild (AWG) and the Australian Writers' Guild Authorship Collecting Society (AWGACS) filed proceedings against Screenrights in the Federal Court of Australia alleging amongst other things that Screenrights has failed to pay scriptwriters their royalty entitlements.

Screenrights has filed its defence which totally rejects those claims. We welcome the assistance of the Federal Court in reaching agreement on a timetable for mediation. Screenrights is hopeful that the mediation process may help provide clarity around the claims made.

Screenrights continues to collect and pay royalties on behalf of all its members in a fair and transparent manner, in accordance with applicable contracts and Australian law.

In the opinion of the Directors there were no other 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 from the internet by governments and educational copying by training providers.

INDEMNIFICATION AND INSURANCE OF OFFICERS

During the year, the Company paid a premium of $11,270 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 – strong 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 2016 membership of the Company comprised 3,957 full members (2015: 3,821), resulting in a total liability of $39,570 (2015: $38,210).

Dated at Chippendale this 21 September 2016 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 2016 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 21 September 2016 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 2016, 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 23 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 2016 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

Anthony Travers, Partner
Sydney, 21 September 2016

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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 2016, 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

Anthony Travers, Partner
Sydney, 21 September 2016

ANNOTATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

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 rightsholders 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 rightsholders 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.

Note		Consolidated 2016 $000s	Consolidated 2015 $000s
	Revenue from Ordinary Activities:		
Royalty collections for the year from Australian schools, TAFE colleges, universities, retransmission income, New Zealand educational institutions and overseas.	Gross Royalties	46,425	43,922
Includes interest and the proceeds from sale of fixed assets.	Other Revenues	1,862	2,459
The cost of running Screenrights, including employee expenses, depreciation and other ordinary expenses.	Expenses	(7,494)	(6,942)
		40,793	39,439
	Transfer (to)/from retained earnings and reserves	-	-
	Amount available for Distribution	40,793	39,439
	Add Expired Trust Funds (2009)	-	284
Screenrights can hold allocations in trust for a maximum of six years while trying to locate relevant rightsholders. Under the Attorney-General's Guidelines, these funds are then added to the Distributable Amount in the current year. For 2010, expired trust funds scheme were, by amount and percentage of Distributable Amount, Pt VA $232,000 (1.1%), NZ $31,000 (2.5%), Pt VC $158,000 (3.3%) and AGS $7,000 (0.3%).	Add Expired Trust Funds (2010)	428	-
	Total amount available for Distribution	41,221	39,723
	Amount transferred to Statutory Distributable Pools:		
	Part VA Education	(26,512)	(26,270)
	Part VC Retransmission	(8,052)	(7,749)
	s183 Government Copying	(3,635)	(2,898)
	Amount transferred to Non-Statutory Distributable Pools:		
	New Zealand	(1,836)	(1,828)
	Disbursements by Screenrights	(197)	-
	International Collections Service	(989)	(978)
	Total amount transferred to distribution pools	(41,221)	(39,723)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	2016	2015
		$000s	$000s
Revenue from rendering of services	2	46,425	43,922
Other income	3	1,862	2,459
Total revenue and other income		48,287	46,381
Employee expenses	4	(4,917)	(4,404)
Depreciation and amortisation expense		(198)	(218)
Operating expense		(1,434)	(1,296)
Licensing expense		(216)	(436)
Travel expense		(95)	(113)
Marketing expense		(197)	(154)
Legal expense		(183)	(124)
Other expenses	5	(254)	(197)
Royalties paid and payable to members and affiliated societies	2	(40,793)	(39,439)
Net profit/(loss) before income tax		-	-
Income tax expense	7	-	-
Net operating profit/(loss) after income tax		-	-
Other comprehensive income		-	-
Total comprehensive profit/(loss)		-	-

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 2016

	Note	2016 $000s	2015 $000s
Current assets			
Cash and cash equivalents	8	3,759	5,711
Cash on deposit	8	67,111	58,217
Trade and other receivables	9	5,059	3,130
Total current assets		75,929	67,058
Non-current assets			
Property, plant and equipment	10	535	570
Intangibles	11	259	109
Total non-current assets		794	679
Total assets		76,723	67,737
Current liabilities			
Trade and other payables	12	658	653
Royalties in advance		13,594	2,300
Employee benefits	13	526	564
Other	14	60,254	62,513
Total current liabilities		75,032	66,030
Non-current liabilities			
Employee benefits	13	112	141
Provisions		42	29
Total non-current liabilities		154	170
Total liabilities		75,186	66,200
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 2016

	Note	2016 $000s	2015 $000s
Cash flows from operating activities			
Cash receipts in the course of operations		55,610	41,251
Cash payments in the course of operations		(50,516)	(45,458)
Net cash from operating activities	17(b)	5,094	(4,207)
Cash flows from investing activities			
Interest received		2,160	3,112
Proceeds from sale of fixed assets		3	-
Payments for property, plant and equipment		(82)	(36)
Payments for intangibles		(234)	(102)
Decrease/(increase) in cash on deposit	8	(8,893)	(70)
Net cash from investing activities		(7,046)	2,904
Net increase/(decrease) in cash held		(1,952)	(1,303)
Cash at the beginning of the financial year		5,711	7,014
Cash at the end of the financial year	17(a)	3,759	5,711

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 2016

	Society Reserve Fund $000s	Retained Earnings $000s	Total Equity $000s
Balance at 1 July 2014	200	1,337	1,537
Total comprehensive profit	-	-	-
Transfer between retained earnings and reserves	-	-	-
Balance at 30 June 2015	200	1,337	1,537
Balance at 1 July 2015	200	1,337	1,537
Total comprehensive profit	-	-	-
Transfer between retained earnings and reserves	-	-	-
Balance at 30 June 2016	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 2016

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 2016 comprises the Company and its subsidiary (together referred to as the 'consolidated entity'). The financial report was authorised for issue by the Directors on 21 September 2016.

(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 and Part VC of the Copyright Act, to collect money from educational institutions, government departments and agencies and retransmitters 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 prepared in Australian dollars, which is the Company's functional currency. The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Report) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument amounts in the financial report and Directors' report have been rounded off to the nearest one thousand dollars, unless otherwise stated.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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 – 3-10 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 2016

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, 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 the Company licensing this recording right in New Zealand on behalf of the rightholders. With respect to the international registration and collection process, the Company simply distributes the royalties it receives from other audiovisual societies for titles it has registered on behalf of the rightsholders. The Company 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.

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 and amendments to standards are effective for annual periods beginning after 30 June 2016, 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.
- AASB 15 Revenue, which becomes mandatory for the Company's 2019 financial statements and could change when revenue is recognised.
- AASB 16 Leases, which becomes mandatory for the Company's 2020 financial statements and could change the classification and measurement of leases.

The Company does not plan to adopt these standards early and the extent of the impact has not been determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

2. RECONCILIATION OF INCOME STATEMENT

	Note	2016 $000s	2015 $000s
Revenue from rendering of services:			
– Statutory Royalty Receipts (Part VA)		29,694	28,978
– Statutory Royalty Receipts (Part VC)		8,789	8,305
– International Collection Service		992	972
– Government Copying		4,090	3,137
– NZ Educational Service		2,164	2,094
– Disbursements by Screenrights		197	-
– EnhanceTV Resource Centre		499	436
Total revenue		46,425	43,922
Other income	3	1,862	2,459
Total revenue and other income		48,287	46,381
Employee expenses	4	(4,917)	(4,404)
Depreciation and amortisation expense		(198)	(218)
Operating expense		(1,434)	(1,296)
Licensing expense		(216)	(436)
Travel expense		(95)	(113)
Marketing expense		(197)	(154)
Legal expense		(183)	(124)
Other expenses	5	(254)	(197)
Net royalties collected and interest received thereon before income tax		40,793	39,439
Income tax benefit		-	-
Net royalties collected and interest received thereon after income tax		40,793	39,439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

2. RECONCILIATION OF INCOME STATEMENT CONTINUED

	Note	2016 $000s	2015 $000s
Royalties paid and payable:			
Add expired statutory trust funds		428	284
Less amount transferred to statutory VA distributable pool 2015	14	-	(26,270)
Less amount transferred to statutory VA distributable pool 2016		(26,512)	-
Less amount transferred to statutory VC distributable pool 2015	14	-	(7,749)
Less amount transferred to statutory VC distributable pool 2016	14	(8,052)	-
Less amount transferred to statutory s183 distributable pool 2015	14	-	(2,898)
Less amount transferred to statutory s183 distributable pool 2016	14	(3,635)	-
Less amount transferred to New Zealand distributable pool 2015	14	-	(1,828)
Less amount transferred to New Zealand distributable pool 2016	14	(1,836)	-
Disbursements by Screenrights		(197)	-
International Collection Service		(989)	(978)
Net royalties paid and payable		(40,793)	(39,439)
Net operating profit (loss)		-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

3. OTHER INCOME

	2016 $000s	2015 $000s
Interest income		
– Part VA interest income	1,141	1,581
– Part VC interest income	398	452
– Bank interest for International Collections Service (non-statutory)	95	127
– Government Copying interest income	131	180
– Bank interest for NZ Educational Service (non-statutory)	82	107
– Bank interest for ISAN	2	3
– Non trust interest income	5	5
	1,854	2,455
Disbursements by Screenrights	8	4
	1,862	2,459

4. EMPLOYEE EXPENSES

	2016 $000s	2015 $000s
Wages and salaries (including director fees)	4,119	3,755
Contributions to defined contribution superannuation funds	378	340
(Decrease)/Increase in liabilities for annual and long service leave	95	34
Other employee expenses	325	275
	4,917	4,404

5. OTHER EXPENSES

	2016 $000s	2015 $000s
NZ educational service expenses	124	100
Recruitment expenses	54	29
International Standard AV Numbering (ISAN)	15	11
Other	61	57
	254	197

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

6. AUDITOR'S REMUNERATION

	2016 $000s	2015 $000s
Audit services	55	52
Non-audit services	4	4
	59	56

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 (2015: $Nil). As at 30 June 2016, EnhanceTV has carried forward losses of $32,426 (2015:$32,426).No tax losses have been recognised as a deferred tax asset.

8. CASH ASSETS

	2016 $000s	2015 $000s
Cash at bank	3,759	5,711
Cash on deposit	67,111	58,217
	70,870	63,928

The interest rate at 30 June 2016 on cash accounts is 1.25% (2015: 1.50%) which is the prevailing interest rate on cash at bank. The cash on deposit with banks mature within 240 days. The weighted average interest rate at 30 June 2016 on cash on deposit is 2.98% (2015: 3.25%).

9. TRADE AND OTHER RECEIVABLES

	2016 $000s	2015 $000s
Trade receivables	4,653	2,430
Sundry receivables	406	700
	5,059	3,130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

10. PROPERTY, PLANT & EQUIPMENT

	Plant and equipment	Total
	$000s	$000s
Cost		
Balance at 1 July 2014	1,482	1,482
Acquisitions	36	36
Balance at 30 June 2015	1,518	1,518
Balance at 1 July 2015	1,518	1,518
Acquisitions	82	82
Disposals	(3)	(3)
Balance at 30 June 2016	1,597	1,597
Accumulated depreciation		
Balance at 1 July 2014	823	823
Depreciation charge for the year	125	125
Balance at 30 June 2015	948	948
Balance at 1 July 2015	948	948
Depreciation charge for the year	117	117
Disposals	(3)	(3)
Balance at 30 June 2016	1,062	1,062
Carrying amounts		
At 1 July 2015	570	570
At 30 June 2016	535	535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

11. INTANGIBLES

	Computer software $000s	Website development $000s	Total $000s
Cost			
Balance at 1 July 2014	659	-	659
Acquisitions	102	-	102
Balance at 30 June 2015	761	-	761
Balance at 1 July 2015	761	-	761
Acquisitions	40	194	234
Balance at 30 June 2016	801	194	995
Accumulated amortisation			
Balance at 1 July 2014	559	-	559
Amortisation charge for the year	93	-	93
Balance at 30 June 2015	652	-	652
Balance at 1 July 2015	652	-	652
Amortisation charge for the year	84	-	84
Balance at 30 June 206	736	-	736
Carrying amounts			
At 1 July 2015	109	-	109
At 30 June 2016	65	194	259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

12. TRADE AND OTHER PAYABLES

	2016 $000s	2015 $000s
Trade and other creditors	275	223
Accrued expenses	383	430
	658	653

13. EMPLOYEE BENEFITS

	2016 $000s	2015 $000s
Current		
Liability for annual leave	267	244
Liability for long service leave	259	320
	526	564
Non-current		
Liability for long service leave	112	141
	112	141

14. OTHER CURRENT LIABILITIES

	2016 $000s	2015 $000s
Trust – IBNR Fund	1,002	851
Trust – Artistic Works	1,694	1,576
	2,696	2,427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

14. OTHER CURRENT LIABILITIES CONTINUED

	2016 $000s	2015 $000s
Trust – Statutory		
2010 VA Distributable amount payable to copyright owners	-	594
2011 VA Distributable amount payable to copyright owners	547	852
2012 VA Distributable amount payable to copyright owners	751	1,627
2013 VA Distributable amount payable to copyright owners	938	1,951
2014 VA Distributable amount payable to copyright owners	2,129	4,480
2015 VA Distributable amount payable to copyright owners	3,782	26,271
2016 VA Distributable amount payable to copyright owners	26,512	-
2010 VC Distributable amount payable to copyright owners	96	450
2011 VC Distributable amount payable to copyright owners	509	964
2012 VC Distributable amount payable to copyright owners	497	933
2013 VC Distributable amount payable to copyright owners	733	1,303
2014 VC Distributable amount payable to copyright owners	951	1,864
2015 VC Distributable amount payable to copyright owners	1,504	7,749
2016 VC Distributable amount payable to copyright owners	8,052	-
2010 S183 Distributable amount payable to copyright owners	-	42
2011 S183 Distributable amount payable to copyright owners	49	72
2012 S183 Distributable amount payable to copyright owners	202	264
2013 S183 Distributable amount payable to copyright owners	137	515
2014 S183 Distributable amount payable to copyright owners	83	214
2015 S183 Distributable amount payable to copyright owners	229	2,898
2016 S183 Distributable amount payable to copyright owners	3,635	-
Sound Recordings Distributable amount	36	108
	51,372	53,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

14. OTHER CURRENT LIABILITIES CONTINUED

	2016 $000s	2015 $000s
Trust – Non-statutory		
NZ Educational Services:		
2010 Distributable amount payable to copyright owners	-	62
2011 Distributable amount payable to copyright owners	98	132
2012 Distributable amount payable to copyright owners	143	284
2013 Distributable amount payable to copyright owners	226	461
2014 Distributable amount payable to copyright owners	306	656
2015 Distributable amount payable to copyright owners	600	1,828
2016 Distributable amount payable to copyright owners	1,836	-
Disbursements by Screenrights	175	-
International Collection Service	2,802	3,512
	6,186	6,935
	60,254	62,513

15. EQUITY

Retained earnings

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

Reserve Fund

In accordance with 15.4(c) of the Articles of Association, the Company 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.

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 & Risk 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 & Risk 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 70% 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 & Risk Committee has established a credit policy under which defaulting licensees are pursued rigorously.

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.

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 240 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 $70,869,741 at 30 June 2016 is 2.88% (2015: $63,928,043 – 3.11%). 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:

	2016	**2015**
	$000s	**$000s**
Trade and other receivables	5,059	3,130
Cash and cash equivalents	3,759	5,711
Cash on deposit	67,111	58,217
	75,929	67,058

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:

	2016 $000s	2015 $000s
Not past due	4,201	1,891
Past due 0-30 days	173	191
Past due 31-120 days	62	169
Past due 121 days to one year	217	179
	4,653	2,430

As at 30 June 2016, the Consolidated Entity did not recognise a provision for impairment due to the Directors being of the opinion that the amounts receivable are recoverable (2015: $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	2016 $000s	2015 $000s
Trade receivables	110	27
Total balance sheet exposure	110	27

The following significant exchange rates applied during the year:

	Average rate 2016	Average rate 2015	Spot rate 2016	Spot rate 2015
New Zealand dollar	1.0818	1.0789	1.0349	1.1193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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 $10,621 at 30 June 2016 (2015: $2,449). 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	
	2016	**2015**
	$000s	**$000s**
Fixed rate instruments		
Cash on deposits	67,111	58,217
Variable rate instruments		
Cash at bank	3,759	5,711

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 $37,590 (2015: $57,110 higher (lower)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

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:

	2016 $000s	2015 $000s
Cash	3,759	5,711
	3,759	5,711

(b) Reconciliation of cash flows from operating activities

Operating profit (loss)	-	-
Add/(less) items classified as investing activities:		
Interest received	(2,160)	(3,112)
Add/(less) non-cash items:		
Gain on sale of non-current assets	-	-
Depreciation and amortisation	198	217
Net cash utilised by operating activities before change in assets and liabilities	(1,962)	(2,895)
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(1,929)	615
Increase/(decrease) in trade creditors and accruals	6	(125)
Increase/(decrease) in royalties in advance	11,202	(2,676)
Increase/(decrease) in provision for employee entitlements	(56)	47
Increase/(decrease) in provisions	-	-
Increase in other current liabilities	(2,167)	827
Net cash (used in)/provided by operating activities	5,094	(4,207)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

18. RELATED PARTY DISCLOSURES

Key management personnel compensation

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

	2016 $000s	2015 $000s
Short-term employee benefits	1,877	1,661
Post-employment benefits	179	182
Other long-term benefits	42	35
	2,098	1,878

Statement of management remuneration

Salary range*	Screenrights Executives in range 2015/16	Screenrights Executives in range 2014/15
$0-99k	2**	1
$100-149k	1	-
$150-199k	3**	4
$200-249k	1	-
$250-299k	1	1
$300-350k	1	1

* Includes superannuation and incentive payments

** Includes executives who held a key management position for part of the year

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 David Anderson, Maureen Barron, Fiona Crago, Ben Grant, Chris Oliver-Taylor, Dean Ormston and Victoria Spackman, 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 2016

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 2016.

Controlled entity

On 15 May 2006, Audio-Visual Copyright Society Limited (the Company) established a wholly owned subsidiary company called EnhanceTV 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 2016, the subsidiary owed the company $307,819 (2015: $186,226) 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 2016, membership of the Company comprised 3,957 full members (2015: 3,821), resulting in a total guarantee of $39,570 (2015: $38,210).

20. COMMITMENTS FOR EXPENDITURE

Operating leases – leases as lessee

Non-cancellable operating leases rentals are payable as follows:

	2016	**2015**
	$000s	**$000s**
Less than one year	251	243
Between one and five years	193	445
Later than five years	-	-

21. CONTINGENT LIABILITY

The Company is defending an action brought by the Australian Writers' Guild (AWG) and the Australian Writers' Guild Authorship Collecting Society (AWGACS) in the Federal Court of Australia claiming amongst other things that the Company has failed to pay scriptwriters their royalty entitlements. The Company has filed its defence which wholly rejects these claims. The Company's insurers are paying the costs of the court case. The Company believes that the defence against the action will be successful.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2016

22. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2016, the parent entity of the consolidated entity was Audio-Visual Copyright Society Limited.

	2016 $000s	2015 $000s
Result of parent entity		
Profit/(loss) for the period	-	-
Other comprehensive income	-	-
Total comprehensive profit/(loss)	-	-
Financial position of parent entity at year end		
Current assets	75,944	67,083
Total assets	76,738	67,762
Current liabilities	75,015	66,022
Total liabilities	75,169	66,193
	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 directors are of the opinion that a provision is not required in respect of the litigation referred to in Note 21 and the parent entity does not have any other contingent liabilities as at 30 June 2016 (2015: $Nil)

23. 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 2016.

APPENDIX

For the year ended 30 June 2016

SUPPLEMENTARY REPORTING FOR EACH AUSTRALIAN STATUTORY LICENSEE CLASS

	Commonwealth Government $	State and Territory Governments $	Schools $	Universities $	TAFE $	Other Australian Educational Institutions $	TOTAL $
Total licence fees received	71,027	4,019,073	23,370,622	5,167,604	1,085,653	69,956	**33,783,936**
Income on investments of licence fees	2,275	128,709	898,081	198,579	41,719	2,688	**1,272,052**
Total amount allocated to members	62,988	3,564,157	20,684,154	4,573,585	960,856	61,914	**29,907,654**
Total amount paid to members	86,440	4,891,204	21,486,424	4,750,979	998,125	64,316	**32,277,487**
Total amount of licence fees held in trust	144,662	8,185,741	27,954,251	6,181,115	1,298,580	83,676	**43,848,026**
Total licence fees for which the trust period expired*	128	7,243	182,397	40,331	8,473	546	**239,118**

* Licence fees for which the trust period expired during the year are recorded in separate distribution pools for Government and Education. Any further breakdown by statutory licensee class is calculated pro rata based on licence fees received.

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