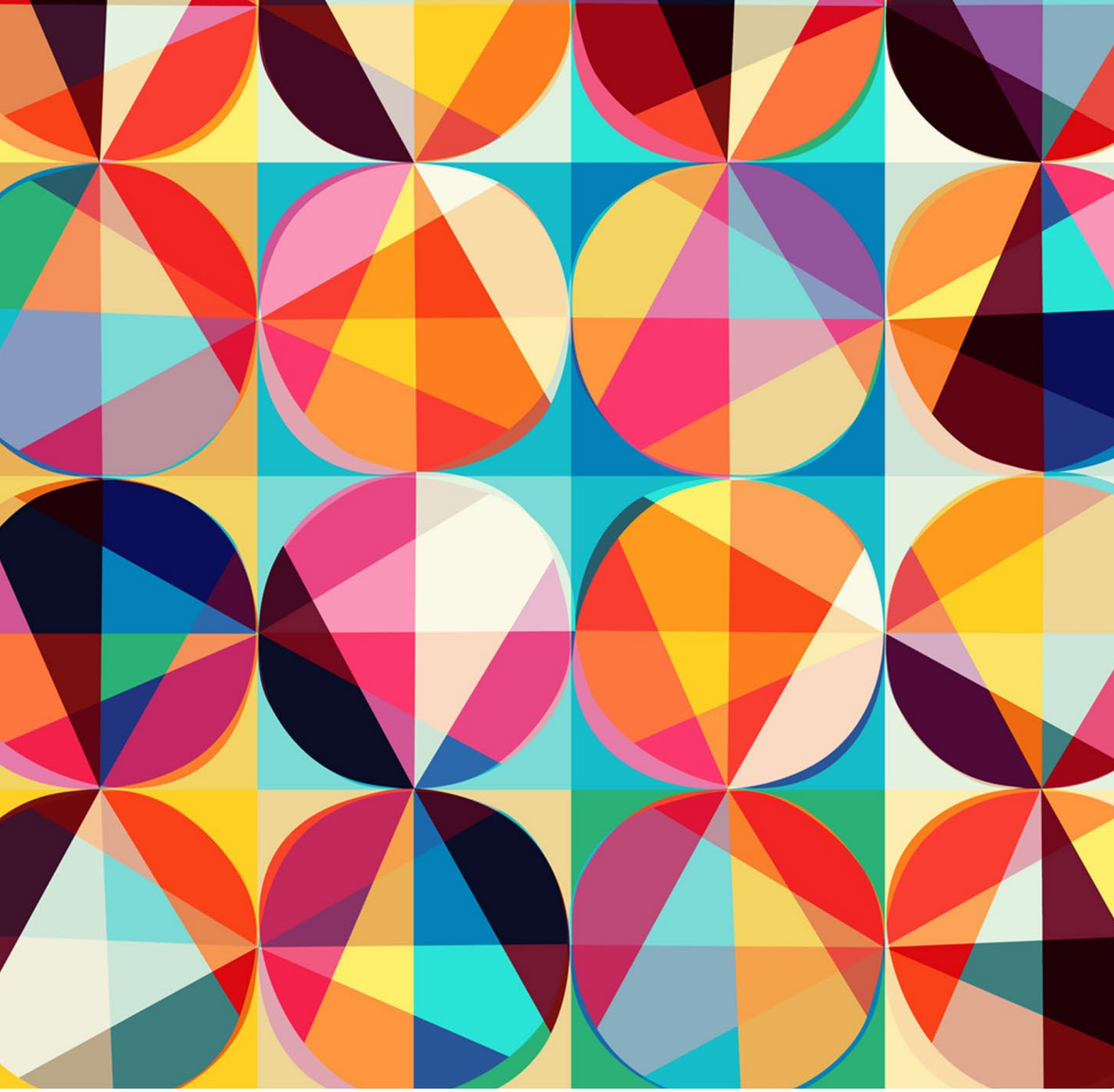

ANNUALREPORT 2017-2018

screenrights

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ABOUT SCREENRIGHTS

SCREENRIGHTS IS A NOT-FOR-PROFIT COMPANY THAT PROVIDES LICENSING, RIGHTS AND ROYALTY MANAGEMENT SERVICES FOR FILM, TELEVISION, RADIO AND OTHER BROADCAST CONTENT.

As a 'collecting society' under Australia's *Copyright Act 1968* (Cth), we facilitate access to content through simple licensing solutions covering:

- educational institutions, enabling them to copy broadcast material and communicate it to staff and students
- subscription television and other services that retransmit free-to-air broadcasts
- state and federal government departments, enabling them to copy from television, radio and the internet.

We also offer voluntary educational licences in New Zealand under the *Copyright Act 1994* (NZ).

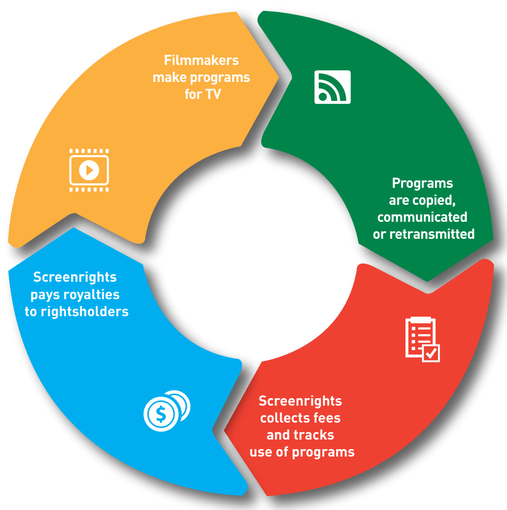
The fees we collect from our licensees become royalty payments to rightsholders, who are Screenrights members.

The revenue streams from these payments then contribute to the ongoing production of quality screen content, which in turn benefits licensees.

In addition, Screenrights offers a range of other related services to its members, including international registration of their rights and disbursement of commercial revenue for their projects.

Our vision: to support the growth and diversity of screen production in Australia, New Zealand and around the world.

Our mission: to provide access to audiovisual content, and to collect and distribute income for rightsholders.



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 world view. 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 champion these ideas:

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

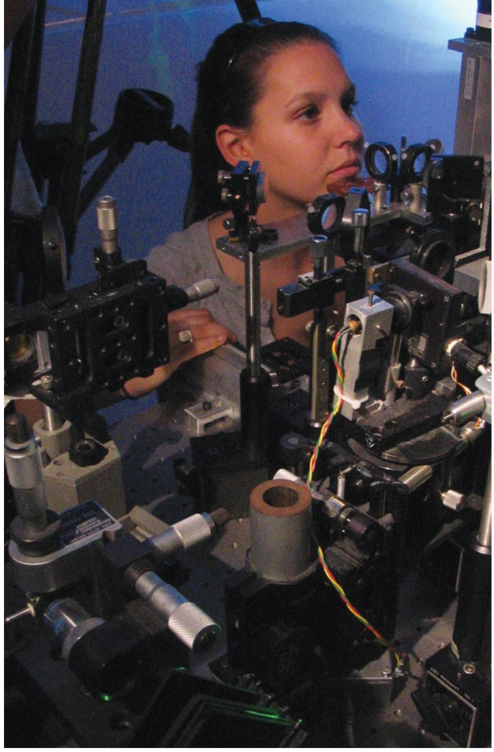
The ideas expressed by our members help shape conversations and debate in our society.

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.



THE YEAR IN BRIEF

DURING 2017/18, SCREENRIGHTS HAS:

- distributed a total of $42.8 million through 4,469 individual payments to members
- raised $49.5 million in licence revenue and other income for the film and television industries
- grown the number of titles registered by members to 1.66 million, up 11.4%
- achieved an expenses to collections ratio of 15.9%

"Royalties from Screenrights help my business to finance the development of new ideas for production."

Member

HIGHLIGHTS OF THE YEAR INCLUDE:

- accelerated takeup of our educational streaming service, EnhanceTV, with the service now reaching 20% of Australian primary schools
- launch of a new Cultural Fund, which will make available up to $200,000 in 2018/19 for initiatives designed to explore innovative approaches to the creation of screen content for the education sector
- 267% growth in Screenrights Disbursements Administration Service, with $2.1 million collected for distribution to filmmakers and investors in 15 film and television projects
- continued advocacy for a strong and fair copyright regime that supports the ongoing viability of screen production as well as facilitates access to the content it creates
- redevelopment of the Screenrights website to improve navigation and access to services for members and content users.

Image Credits
Cracking the Colour Code, Electric Pictures
Life on the Reef, Northern Pictures
We Don't Need a Map, Barefoot Communications

CHAIR'S REPORT

Jill Bryant Chair

Diversification of our services and increased access to content for the benefit of both rightsholders and content users are key strategic priorities for Screenrights.

In this context, we are particularly pleased to report significant growth in our disbursements administration service, with $2.1 million collected during the year.

Although still accounting for a relatively small proportion of total funds collected, Disbursements by Screenrights has seen exponential growth since it began in 2013/14. Its success reflects the trust the industry places in us, and recognition of our expertise in managing rights and royalty flows. Building on our strengths in this way to offer new services to the industry helps ensure our ongoing contribution to the ecosystem that sustains content production in Australia, New Zealand and around the world.

Overall the amount collected and available for distribution to our members through our licences and royalty collection services totalled $42.1 million in 2017/18, up 5% on last year.

This growth is obviously beneficial for members. At the same time, however, we are committed to ensuring that licensees continue to find value in the licence fees they pay for members' content.

Our investment in EnhanceTV is one example of that commitment, providing teachers with resources and streaming access to a huge range of content through our educational licences across the primary, secondary and tertiary sectors.

Also with an eye on maintaining a healthy content ecosystem, the launch of our Cultural Fund in April 2018 saw Screenrights join collecting societies around the world in allocating a percentage of revenues collected to supporting initiatives that contribute to industry development. Up to 1% of our distributable income annually will be set aside for Screenrights' Cultural Fund, with a specific focus each year. We see this as an investment in the future on behalf of both members and licensees. The inaugural funding round, focusing on the education sector, will be delivered in 2018/19 and we will monitor its effectiveness closely to ensure it is meeting its objectives.

The litigation initiated by the Australian Writers' Guild and the Australian Writers' Guild Authorship Collecting Society was not resolved during 2017/18 and a court hearing is now scheduled for November 2018. We remain open to finding a resolution in the meantime and will continue to collect and pay royalties to our members in accordance with applicable contracts and Australian law, including to writers where they own the relevant rights and have registered their claim.

It's worth noting that of the more than 6 million recorded uses of programs Screenrights is managing, 99.5% of royalty claims are paid without any ongoing dispute.

Finally, I want to take the opportunity to acknowledge that this is the last annual report under the leadership of Screenrights' long-serving Chief Executive, Simon Lake, who resigned in July 2018 after more than 20 years at the helm. As Chair, I have worked with Simon for 10 of those years, and I will miss his genuine desire to deliver the very best organisation that members and licensees deserve. He leaves with the very best wishes of the Board and Management.

Jill Bryant, Chair
27 September 2018

"EnhanceTV has made accessing content for my subject easier – so much easier – no longer do I have to battle to find a clip due to copyright issues online."

Secondary school teacher

Image Credits
The Almighty Johnsons Series 3, South Pacific Pictures
This is Brazil, Special Broadcasting Service
The Waler. Australia's Great War Horse, MagoFilms
Hunting the Ice Whales, Natural History New Zealand
Holding the Man, Goalpost Pictures Aust P/L
Transmission Films (Dist)

“Screenrights royalties remind me that my works are out there finding new audiences and sending me little monetary postcards each time they travel somewhere else.”

Member

CASE STUDY

Yiyili Aboriginal Community School uses EnhanceTV

Movies, documentaries and educational TV programs in the classroom can increase student engagement.

The Yiyili Aboriginal Community School found that using EnhanceTV videos in the classroom was an effective way to open a lesson or introduce new concepts to students. The use of short clips in certain lessons was of most benefit to support a specific area of study. Teachers found that playing a video in class needed to be followed up with focused activities, further reading and writing. EnhanceTV offers lesson plans and discussion ideas that can be used in this way.

> ...using EnhanceTV videos in the classroom was an effective way to open a lesson or introduce new concepts to students.

Yiyili Aboriginal Community School is situated in the heart of the Kimberley region of Western Australia. It is an independent community school catering for students from Kindergarten to Year 10. The school prides itself on providing an outstanding and supportive learning environment for its students, underpinned by the importance of Gooniyandi country, language and family.

Image Credits
Yiyili Aboriginal Community School
Macarthur Girls High School, Parramatta NSW
Cracking the Colour Code, Electric Pictures
Dragons in a Distant Land, Gibson Group

CHIEF EXECUTIVE'S REPORT

James Dickinson Acting Chief Executive

Screenrights looks back on 2017/18 with a strong sense of achievement. Membership has continued to grow, and revenue collected on behalf of our members also increased. Our licensees reported more than 975,000 uses of members' programs in education and government as well as for audiences of subscription television and other platforms, up by 21%, and our educational streaming service, EnhanceTV, goes from strength to strength.

These results reflect our ongoing efforts to build and diversify our services as well as promote the use of screen content in return for a fair fee for rightsholders.

Importantly, we have helped the industry stand its ground in maintaining a copyright regime that supports the viability of screen production on the one hand, and facilitates ongoing access to quality content on the other.

After concerted advocacy last year on the risks posed by the campaign to introduce 'fair use' in Australia, in August 2017 we welcomed the government's response to the Productivity Commission's report on Australia's Intellectual Property arrangements. We believe this response reflects a positive approach that will keep Australia's copyright laws up to date while maintaining a sound framework for supporting Australia's creators.

Since then, we have continued to work with government and other stakeholders to explore opportunities for future reform, and have participated in several roundtable discussions flowing from the Department of Communications and the Arts' consultation paper on copyright 'modernisation' released in March 2018. The aim is to identify areas of consensus that could lead to reform that benefits both copyright owners and users.

Our experience has been that under well-drafted legislation, the licensing of secondary rights has generally been able to accommodate new forms of content delivery. This in turn has meant that our educational licences, for example, have been able to adapt and enable schools and universities to communicate copies through streaming platforms rather than tape or DVD-based services. There are opportunities to improve the other statutory licences by taking a similar approach, which will allow them to adapt to new technologies equally well.

Copyright review is also on the agenda in New Zealand, and we participated in forums during the year through the WeCreate organisation, working with the new government, industry and user groups on a framework to assist NZ creative industries.

Our strategic plan builds on the priorities of the previous period. We aim to encourage increased use of content under our licences, improve and diversify the services we provide to members, and strengthen our relationships and reputation with stakeholders. These goals are underpinned by good governance and continuous improvement in our systems and processes.

INCREASED USE OF CONTENT

The education sector accounts for around two-thirds of our licensing income and offers significant opportunities for further growth in screen content use.

Recognising this potential, we have continued to invest in our flagship educational resource centre and streaming platform EnhanceTV. Now reaching 20% of Australian primary schools and with an archive of more than 44,000 programs and clips, the service allows teachers to find television content relevant to their learning area, order copies of programs or stream clips direct, and use free resources such as study guides and articles.

Overall, our educational licences, which cover radio as well as broadcast screen content, now give more than 6 million students in Australia and New Zealand access to the benefits of professionally produced audiovisual content in learning.

In negotiating and administering these licences, we value our collaborative and constructive relationships with the Copyright Advisory Group, representing Australian school licensees, and with Universities Australia and universities in New Zealand.

Our licences covering the retransmission of free-to-air content on other platforms have expanded beyond subscription television over the years to include retransmission in new housing developments and in hospitals. These innovative uses show the potential of retransmission to build new services and audiences.

It's also worth noting that the Australian Government licence now enables copying from the internet, with the agreement reached last year reflected in a new Commonwealth licence from July 2017.

SERVICES THAT SUPPORT MEMBERS' BUSINESSES

In 2017/18, collections from our licensing and royalty services reached a record $48 million. At 15.9%, our expenses to collection ratio was slightly higher than last year due to investment in EnhanceTV.

However, despite the increase in expenditure, the amount available for distribution to members rose by 5.1% to $42.1 million.

Screenrights' strategy of diversifying its services in the context of the evolving environment of rights management has contributed to this ongoing growth.

Our disbursement service, Disbursements by Screenrights, has grown exponentially since it began in 2013/14, turning over $2.1 million in 2017/18. Disbursement administration, which handles the allocation of global revenues received by a project to its producers and investors, is an important service that supports our members' businesses and one that we are well placed to deliver. Its growth has come from new clients, as it becomes better known in the industry, as well as from clients happy with the outcome on previous projects.

Screenrights International also continues to demonstrate steady growth, with $1.8 million collected from overseas collecting societies on behalf of members, up from $1.3 million last year.

Both of these services are examples of how Screenrights has built on its systems and knowledge to support members' businesses and assist the industry in diverse ways.

STRATEGIC RELATIONSHIPS

Our new Cultural Fund, launched in April 2018, aims to support initiatives in Australia and New Zealand that will make a broad positive contribution to industry development. However, the way the fund is designed is also a good example of Screenrights' emphasis on balancing the needs of multiple stakeholders.

In choosing education as the focus, we are seeking to solicit proposals that not only benefit rightsholders and the production industry, but are also potentially valuable for the education sector. More specifically, we want people to consider ways of overcoming barriers to accessing and using screen content for teachers and students in education and training. For the inaugural round, which is due to be awarded next year, we have capped the outlay at a total of $200,000, and intend to review and refine the process before embarking on the second round of funding.

Screenrights' strategy of diversifying its services in the context of the evolving environment of rights management has contributed to this ongoing growth.

We also nurture our relationships with the industry through our sponsorship program. In 2017/18 we supported the Australian International Documentary Conference, the 37°South Market at Melbourne International Film Festival, and Screen Producers Australia's Screen Forever conference. In New Zealand, we supported the Screen Production and Development Association Summit and the Screen Edge Forum, part of Documentary Edge.

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

And on a very practical level, Screenrights offices in Sydney were used by creators during the year for story workshops, pre-production meetings and business planning sessions.

CAPABILITIES THAT DELIVER

2017/18 saw further improvements in the RightTrack rights management system and its member-facing online portal MyScreenrights – a world-leader for collecting societies. It is now even easier for members to register their rights to receive royalties through guided workflows online. Upgrades to our proprietary technologies continue to improve the efficiencies of distribution through automation and algorithms - enabling the Screenrights team to handle the ever increasing volumes of usage and payment.

Our new corporate website, launched in April 2018, features a much clearer information architecture, making it easier to navigate for both members and licensees. It provides easy access to all services, as well as important corporate documents.

STRONG AND TRANSPARENT GOVERNANCE

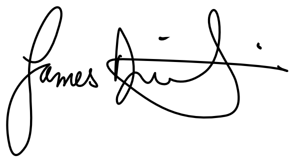
Screenrights subscribes to the voluntary Code of Conduct governing collecting societies, designed to ensure that these organisations operate efficiently, effectively and equitably. An independent reviewer assesses compliance with the code annually, and Screenrights has once again complied with all its obligations.

This year, we have also engaged constructively with the Department of Communications and the Arts in reviewing the efficacy of the code itself. Our submission to the review in September 2017 sought to demonstrate the code's importance in ensuring that a culture of service is at the heart of Screenrights' activities. We are looking forward to the Department's report, which we hope will be available soon.

Screenrights has built on its systems and knowledge to support members' businesses and assist the industry in diverse ways.

I am signing this report as Acting Chief Executive on behalf of Simon Lake, who led the organisation during the year under review, as he did for the past 20 years, until his resignation for health reasons in July 2018.

Collegiate by nature, Simon gathered a great team around him, but it was largely he who built Screenrights into the respected global copyright organisation that it is today. An overview of his time here is in fact a history of the organisation itself, as you will see from the highlights on pages 10-11. I will miss him keenly; we will all miss him keenly. We thank him for his professionalism, his passion and his leadership.



James Dickinson,
Acting Chief Executive
27 September 2018

HIGHLIGHTS FROM 20 YEARS OF LEADERSHIP

Simon Lake

Simon Lake joined Screenrights as Chief Executive in 1998. Over the 20 years of his leadership the organisation has grown and adapted in response to the challenges and opportunities of an increasingly digital, on-demand world.

A look back at the key milestones over this period reveals Screenrights' journey towards the innovative, service-focused organisation of today. →

1998 First registration with **overseas collecting societies**.

Television copying licence offered to **New Zealand schools**.

Screenrights' membership totals **971**.

1999 First payments of royalties from overseas.

2000 Landmark agreement reached with the Australian subscription TV industry to support a **retransmission right**; rightsholders would be remunerated for free-to-air broadcasts of their work when retransmitted as part of a subscription TV service.

***Copyright (Digital Agenda) Act 2000* (Cth)** comes into force, allowing the retransmission right as well as the right to 'communicate' copied programs. Agreements put into place with schools, universities and TAFEs across Australia enabling them to give students access to programs, including via online delivery.

Screenrights formally 'declared' a collecting society for **government copying** in Australia.

First payments of royalties collected from **New Zealand schools**.

2002 Introduction of innovative web-based service **EnhanceTV**, developed in-house, to deliver educational resources to teachers – providing a direct link between the film and television industry and the education sector.

Screenrights formally 'declared' a collecting society for **retransmission royalties** in Australia.

Agreement reached with **New Zealand universities** enabling them to copy programs from television.

2003 During negotiation of the Free Trade Agreement between US and Australia, Screenrights and other collecting societies make representations on the extension to the term of copyright and proposed amendments to the fair dealing provision.

2006 EnhanceTV starts copying programs for supply to Australian schools, TAFEs and universities and is a finalist in the prestigious AIMIA Awards.

Establishment of the subsidiary company **EnhanceTV Pty Ltd** as a resource centre.

Establishment of **ISAN Australasia** by Screenrights and APRA AMCOS – a registration service to provide a new and unique identification numbering system for audiovisual work, giving Australasian audiovisual industries access to the most efficient means of identifying and tracking their work in the global digital environment.

2007 Collection of first royalties from **subscription television operators** for retransmission.

Agreements reached for retransmission in new housing developments and hospitals.

2008 Retransmission collections mean the number of records dealt with in a year by Screenrights' increases from 8,500 to more than 390,000.

Distribution of first **retransmission royalties** to members, with more than $4 million distributed in six months.

2009 First licence agreements for the retransmission of television on **mobile phones**, and on **IPTV**.

2010 EnhanceTV introduces a **video download service** allowing teachers and academics to download programs directly to computers and electronic whiteboards, rather than purchase DVDs.

2011 Online rights registration system **MyScreenrights** launched, making it easier for members to register programs and track payment history.

Successful trial of a new streaming service for licensees, **EnhanceTV Direct**, enabling lesson plans to be created using clips or entire programs, with programs captioned and searchable by learning area.

2012 Screenrights moves into **new premises** better equipped to continue to meet the needs of members and licensees in future years. All meeting rooms available for use by members.

2013 Active engagement with all stakeholders as the Australian Law Reform Commission (ALRC) conducted its **inquiry into copyright**.

Streaming service **EnhanceTV Direct** delivers more than 15,000 programs to teachers and students across Australia.

2014 **Disbursements by Screenrights** introduced as a service for film and television businesses, handling the allocation of global revenues received by a project to its producers and investors.

2015 New long term licence agreement covering 99% of schools in Australia.

2016 **Government copying declaration** expanded to cover copying of online audiovisual content.

2017 Proposal to **simplify the Australian educational statutory licence** developed by Screenrights with partners in the education sector and introduced as part of a wider copyright reform bill.

Continued advocacy on the risks proposed by the campaign to introduce **fair use** or fair dealing into Australia.

2018 Screenrights' membership totals **4,227 across 65 countries**.

Launch of the **Screenrights Cultural Fund**, setting aside a percentage of revenues collected each year to support initiatives that contribute to industry development.

Disbursements administration service turns over $2.1million.

OVERVIEW OF KEY STATISTICS

OUR MEMBERSHIP

Anyone who owns or controls rights in a program can join Screenrights at no cost and register their claims.

Membership grew by 3% in 2017/18, with 4,227 members from 65 countries as of June 2018. Of these, 2,174 were Australian members (including Australian collecting societies such as APRA, PPCA and Viscopy) and 2,053 international members.

FIGURE 1 Geographical distribution of Screenrights members

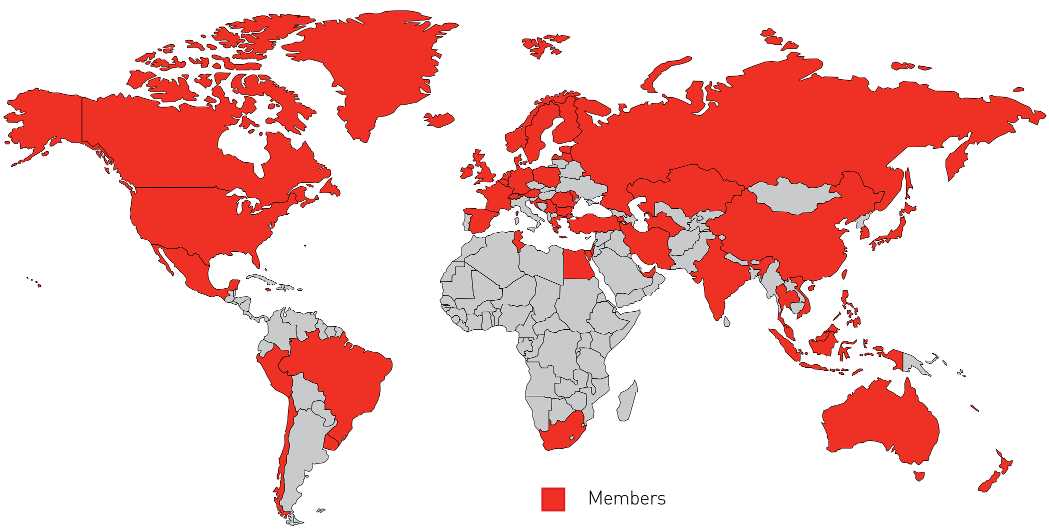
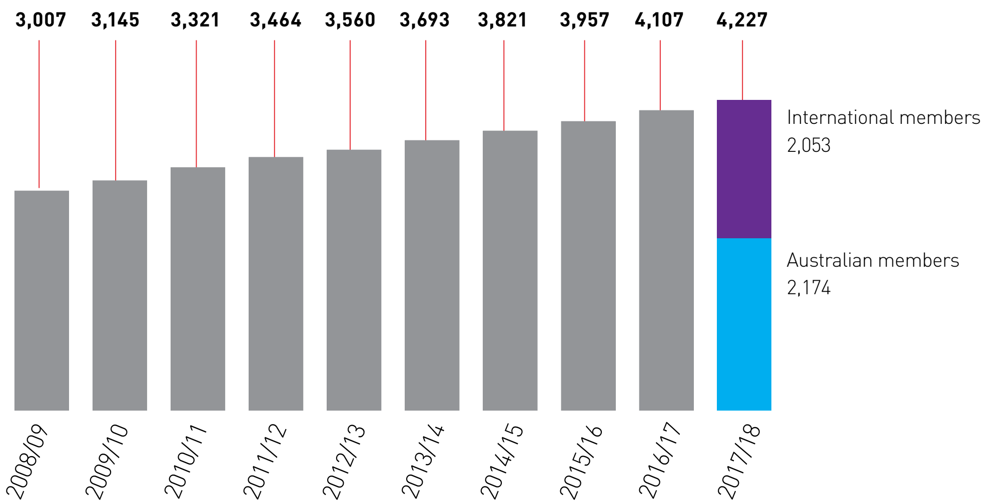


FIGURE 2 Membership numbers 2008/09–2017/18, and breakdown by member type for current year



REVENUE FROM LICENCES

Screenrights' total income was $49.8 million in 2017/18. Of this, revenue from licences and other services accounted for $49.5 million, comprising $48.0 million collected on behalf of members during the year and interest of $1.5 million. This was up from $46.8 million last year.

As Figure 3 shows, revenue rose for almost all licence types, but there has been particularly significant growth in the income collected through Screenrights' Disbursement Administration Service (DASA), which grew from $0.6 million to $2.1 million.

A further breakdown of revenue from the Australian educational and government licences in 2017/18 is available in Appendix 1 (page 56).

FIGURE 3 Revenue from licences and other collection services (including interest), total and by service type, 2015/16–2017/18

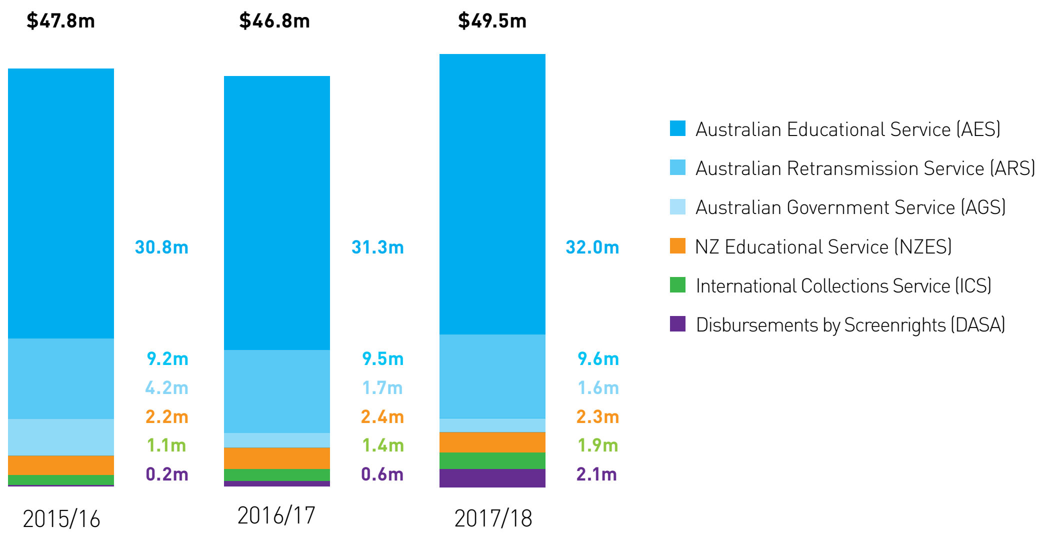
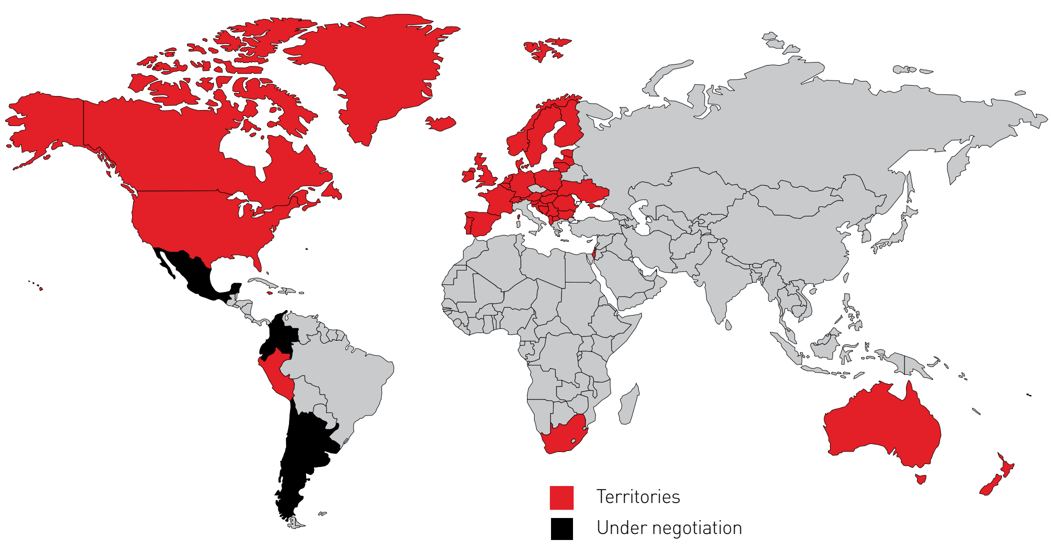


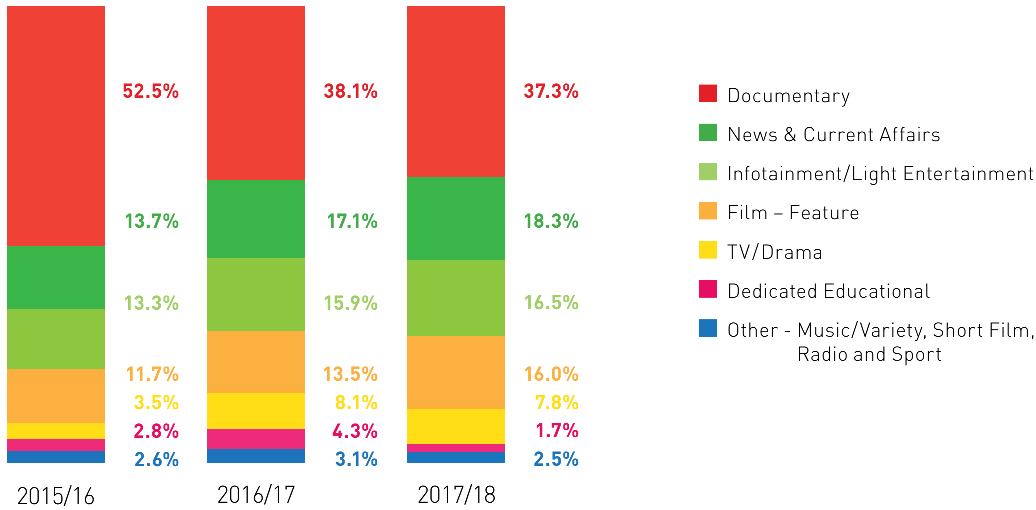
FIGURE 4 Territories in which Screenrights collects income on behalf of its members



→ INSIGHT: TYPES OF MATERIAL COPIED BY EDUCATIONAL INSTITUTIONS

In terms of the number of copies made by schools, colleges and universities, documentary content continues to account for the largest share, at 37.3% in 2017/18, although the contribution of other types of content, particularly news and current affairs, is increasing..

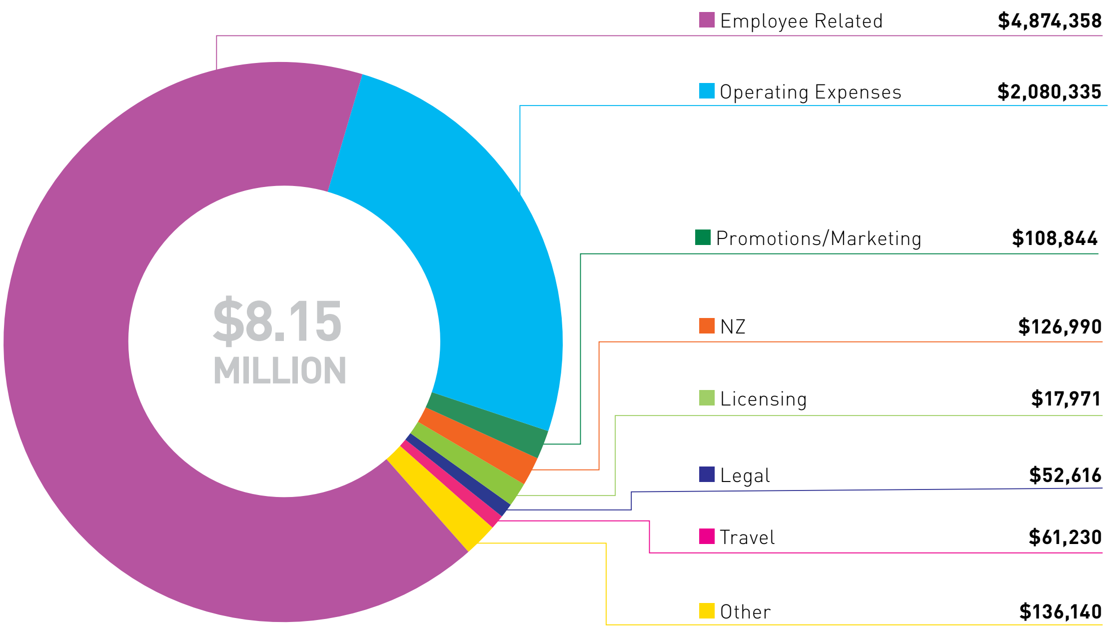
FIGURE 5 Share of copies made for different types of content, 2015/16–2017/18



EXPENDITURE

Screenrights' total expenditure for 2017/18 was $8.15 million, including expenditure from our subsidiary company Enhance TV, compared to the previous year's figure of $7.58 million.

FIGURE 6 Breakdown of Screenrights expenditure for 2017/18



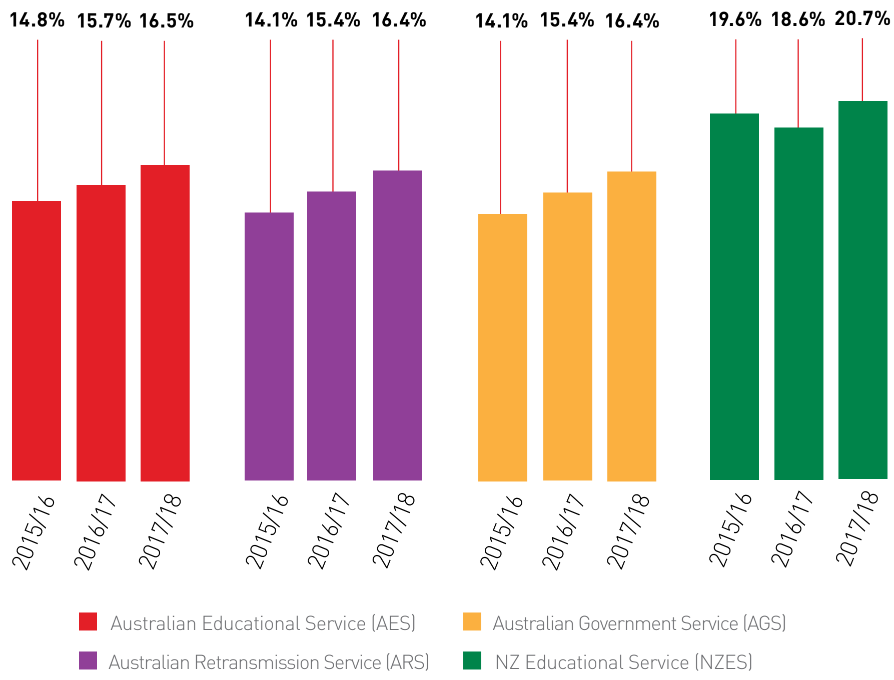
→ INSIGHT: EXPENDITURE IN RELATION TO COLLECTIONS

Screenrights' total expenditure amounted to 15.9% of total collections. Total collections this year includes collections from the Screenrights' disbursements service (DASA). In 2016/17, using the same method of calculation, it was 15.5%.

The expenses recouped against DASA collections were 3.6%, compared to 4.4% for the previous year, reflecting the growth in the DASA collections and the variety of service fees now available to members. The ICS has a fixed administration fee of 11%.

FIGURE 7 Overall expenditure to collections ratio, 2015/16–2017/18

FIGURE 8 Expenditure to collections ratio by licence type, 2015/16–2017/18



NET INCOME FROM LICENCES

Deducting expenditure from revenue gives a net income from licences and collection services of $41.7 million for 2017/18, compared to $39.6 million the previous year. A breakdown of net income for the Australian educational and government licences in 2017/18 is available in Appendix 1 on page 56.

FIGURE 9 Net income from licences each year 2015/16–2017/18

FUNDS AVAILABLE FOR DISTRIBUTION

A total of $42.1 million was available for distribution to members in 2017/18, 5.1% up on last year's $40.1 million.

These funds are allocated to the relevant pool for each licence type, and held in trust for up to six years until they are distributed to members.

The 'distributable amount' each year is the net income for the year plus any licence fees for which the trust period has expired.

See Figure 12 for details of the amount actually distributed to members this year.

FIGURE 10 Total funds available for distribution to members each year, 2008/09–2017/18

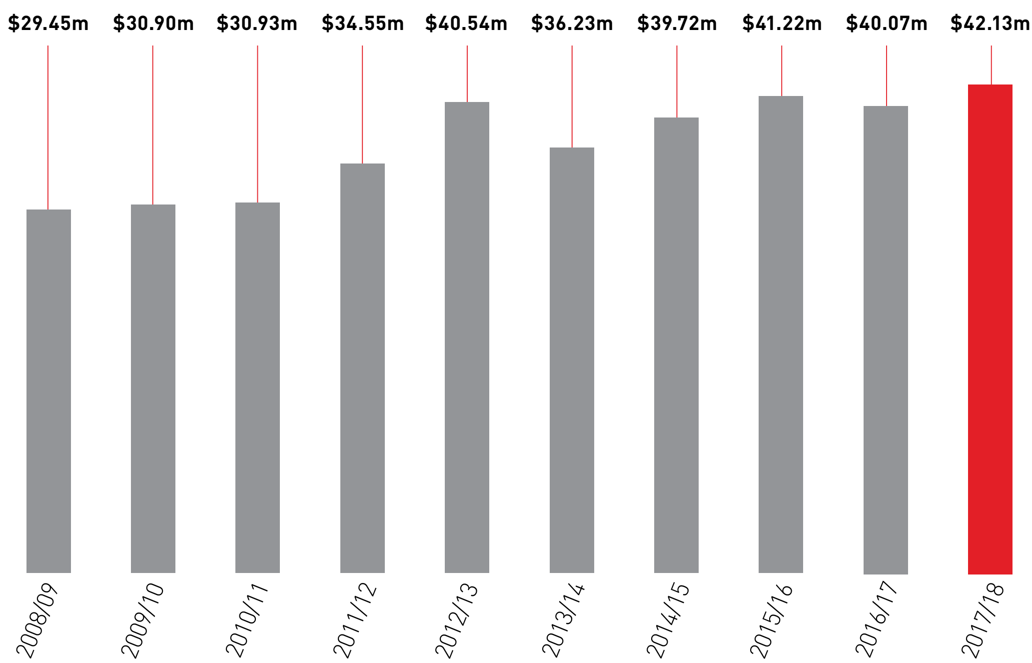
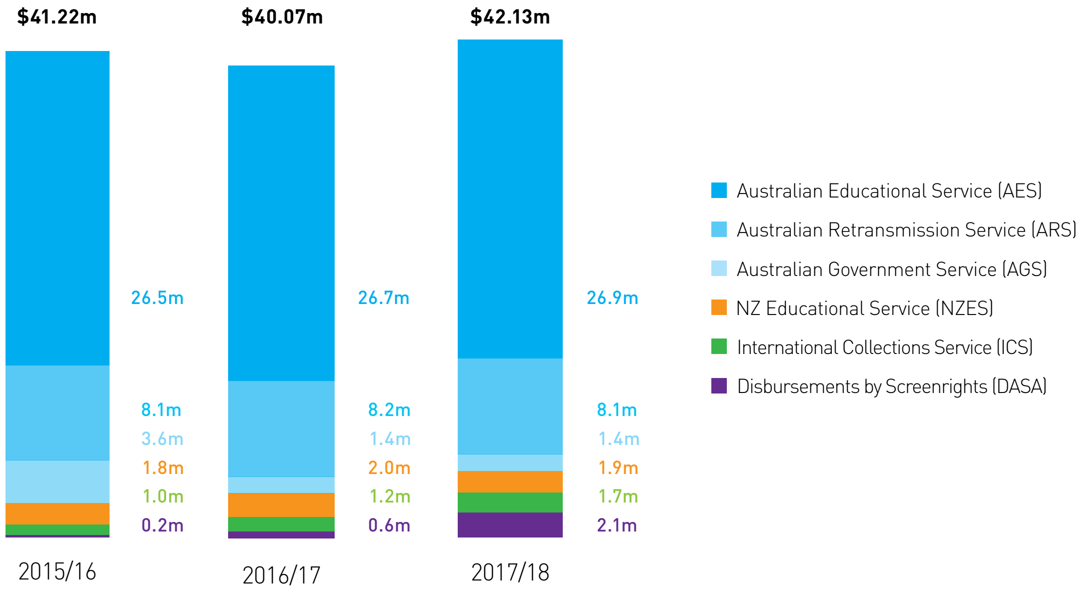


FIGURE 11 Funds available for distribution to members, by type of licence, 2015/16–2017/18



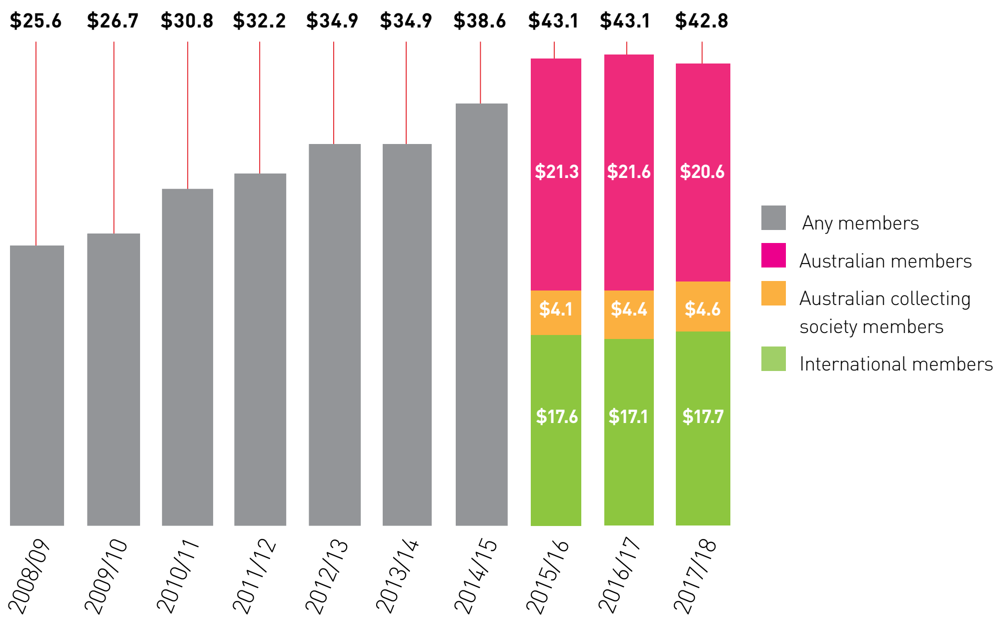
AMOUNT DISTRIBUTED

Each year the funds held in trust in each licence pool are distributed to members once the registration of titles is completed and processed.

In 2017/18, the total amount distributed was $42.8 million, including $1.6 million distributed through Disbursements by Screenrights.

A breakdown of the amount distributed for Australian educational and government licences in 2017/18 is available in Appendix 1 on page 56.

FIGURE 12 Amount distributed to members each year 2008/09–2017/18, and breakdown by type of member for the past three years



Overcoming barriers to use of screen content in education

Students are an important audience for the screen industry in Australia and New Zealand.

Demographically, they are members of Generation Z (8–22 years), whose viewing habits are driving rapid and profound shifts in how content is created, delivered, packaged and used. According to PwC's *Entertainment and Media Outlook 2017–2021*, Generation Z is privacy savvy, safety conscious and hates interruptive advertising. They also need to navigate an increasingly fragmented online world and a glut of digital resources.

In such an environment, the role that professionally produced screen content can play in contributing meaningfully to teaching and learning has never been more vital — and the opportunities for both the education sector and screen content creators have never been greater.

However, the opportunities offered by digital technology and new ways of accessing content are not necessarily shared equally. For some, the benefits are pushed out of reach by such barriers as geographical location, family income, technical knowledge and access to a reliable and fast internet connection.

In launching its new Cultural Fund in April 2018 with an education focus, Screenrights is seeking to help find ways to overcome such barriers. From a total pool of $200,000 for this inaugural round, it will provide grants of up to $50,000 to Australian and/or New Zealand initiatives that explore innovative approaches to the creation, packaging and use of high-quality screen content to the education sector.

The initial response has been positive, with applications closing on 6 July 2018. The outcomes will be included in the 2018/19 Annual Report.

GOVERNANCE STATEMENT

Extract from Screenrights Corporate Government Statement.
Full statement available from www.screenrights.org/about-us/corporate-governance

1. GENERAL STATEMENT

1.1 Screenrights is dedicated to maximising the incentive provided by the copyright system for the production of audiovisual works. Specifically Screenrights aims to:

- maximise returns to audiovisual rightsholders through collective management of rights; and
- encourage access to our members' content in return for fair fees.

1.2 In furtherance of these goals, Screenrights seeks to maintain and foster principles of corporate governance that accord with best practice and are appropriate for a declared collecting society, requiring the highest standards of behaviour and accountability.

1.3 It is recognised that it is neither possible nor desirable to lay down prescriptive rules to dictate actions in the varied circumstances that may confront an organisation in its future. Nonetheless the Board of Directors of Screenrights acknowledges the general statements concerning governance, ethics and the obligations of Directors in this paper and adopts this policy, and will review it as necessary.

1.4 The aim of the Screenrights Board of Directors is stewardship that is effective, accountable and fair.

2. THE SCREENRIGHTS BOARD

2.1 The Board comprises individuals elected by the members of Screenrights. It has collective legal responsibility for directing the affairs of Screenrights for the benefit of the members (present and future), recognising the interests of other stakeholders, notably the public (directly and through the office of the Minister for Communications and the Arts), the statutory and voluntary licensees, employees and other parties with whom Screenrights interacts.

2.2 In a more general sense, Directors of all companies have a role in economic and social development through effective management of resources in the national and global interest. Screenrights Directors recognise a direct responsibility to rightsholders but also a partnership with copyright users and with the Federal Government

2.3 The Board (and Screenrights) stand in a fiduciary relationship to relevant rightsholders who are members. Although the interests of members are paramount, the interests of groups other than the membership are important and the Board seek solutions that benefit all parties, where possible.

2.4 There are no nominees or Directors representing a constituency within the membership. Some Directors are associated with member organisations and/or have knowledge of the views of member groups. It is desirable and proper for Directors to present the views of individual members or member groups to the Board. It is neither desirable nor proper for Directors to act in the interests of individual members, member groups or groups that may have supported their election to the Board. Directors acknowledge their legal duty to act in the best interests of Screenrights.

Image Credit
The A - Z of Contemporary Art, Photoplay Films

COMPANY PROFILE

As at 30 June 2018

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
Chair

Ben Grant
Deputy Chair

DIRECTORS

David Anderson

Geoffrey Atherden AM

Larissa Behrendt

Jonathan Carter

Anne Chesher

Kim Dalton OAM

John Ford

Alastair McKinnon
[Alternate for
David Anderson]

Chris Oliver-Taylor

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

Sparke Helmore

OFFICE OF THE CHIEF EXECUTIVE

Chief Executive: **Simon Lake**

ACCESS

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

ENHANCETV TEAM

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

Project Director: **Terry Watts***

Content & Catalogue Editor: **Paul Stock**

Curriculum Content Producer:**Duha Samin**

Product & Customer Director: **Richard le Bas**

Stack Developer: **Alex Corzo**

Senior Relationship Manager: **Suzanne Attar**

SERVICES

Head of Service Design: **Emma Madison**

Head of Member Services: **Maha Ismail**

Member Relations Manager: **Annabel Holt**

Distribution Manager: **Sean Price**

International Service Manager: **Gaëlle Clark**

Disbursement Service Manager: **Jasmina Matic**

Project Manager: **Luke Asprey**

Competing Claims Manager: **Kat di Rocco**

Cultural Fund Assistant: **Georgie Payne-Loy***

MEMBER RELATIONS TEAM

Portfolio Coordinator: **John Alexander**

Portfolio Coordinator: **Awa Momtazian**

DISTRIBUTION TEAM

Senior Distribution Officer: **Kate Bowley***

Senior Research Officer: **Clare Macken***

Distribution Officer: **Ian Laird**

Distribution Officer: **Wade Clarke***

Registration Data Administrator: **Ross Sharp**

RELATIONSHIPS

Public Affairs Advisor: **Virginia Gordon***

CAPABILITIES

Head, Information Services: **Mike Lynch**

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

NETWORK & INFRASTRUCTURE TEAM

Network & Infrastructure Manager: **Justin Franks**

User & Systems Support: **Somdeep Sengupta**

APPLICATION DEVELOPMENT

Lead, Application Development: **Brian Chambers**

Applications Developer: **Sandra Bhalla**

DATA & SYSTEMS TEAM

Data & Systems Manager: **Nick Grodzicki**

Data Entry Officer: **Mary Luque***

PEOPLE & CULTURE

Chief Operating Officer/Company Secretary: **Anne Audette**

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

ADMINISTRATION TEAM

Office Administrator: **Belle Darcy**

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

GOVERNANCE

General Counsel: **Marie Foyle***

Associate Counsel: **Mona Forghani**

Accountant & Internal Auditor: **Angela Cheung**

* Indicates part-time employee/consultant
Full time equivalent = 36.9

DIRECTORS' REPORT

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:

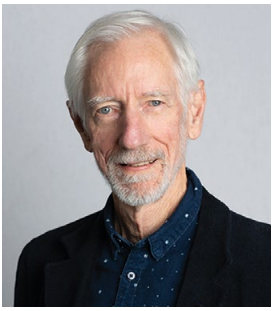
DIRECTOR	DIRECTORS' MEETINGS		AUDIT & RISK COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	A	B	A	B	A	B
D Anderson	0	6	0	0	0	0
G Atherden	6	6	0	0	0	0
L Behrendt	3	4	0	0	0	0
J Bryant	5	6	2	3	0	1
J Carter	3	3	0	0	1	1
A Chesher	6	6	0	0	0	0
F Crago	2	2	0	0	0	0
K Dalton	5	6	3	3	0	0
J Ford	5	6	0	0	0	0
B Grant	6	6	2	2	1	1
A McKinnon	3	4	0	0	0	0
C Oliver-Taylor	5	6	0	0	0	0
D Ormston	3	3	0	0	0	0
C Service	6	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

DAVID ANDERSON

Australian Broadcasting Corporation's Director Entertainment and Specialist. David has enjoyed a successful career in the broadcast television and media industry for nearly 30 years, with a long history as television executive and a strong track record in television production and commissioning successful programs across all genres. Director since 2012.



GEOFFREY ATHERDEN AM

Writer and former president of both the Australian Writers' Guild and Australian Writers' Foundation. Geoffrey is well known for his multi award-winning television programs including *Mother & Son, BabaKiueria* and *Grass Roots*. Geoffrey has also served two terms on the board of Screen NSW, and in 2009 received an Order of Australia. Director since 2016.

LARISSA BEHRENDT

Distinguished Prof. Larissa Behrendt, a graduate of UNSW and Harvard Law School, is Chair of Indigenous Research, Jumbunna Indigenous House of Learning UTS. Multi award winner - 2018 Australian Directors Guild Award, 2002 David Uniapon Award, 2005 Commonwealth Writer's Prize & Victorian Premiers Literary Award. Board member Sydney Festival & Major Performing Arts Panel, Australia Council. 2009 NAIDOC Person of the Year award & 2011 NSW Australian of the Year. Host of *Speaking Out*, ABC Local & Radio National. Director Since 2017.

JILL BRYANT

Producer, *Dinosaurs in the Wild*. Originating Producer, *Walking with Dinosaurs – The Arena Spectacular*. Former Marketing Director, Asia-Pacific, BBC Worldwide Ltd. Director since 2003. Elected Chair 2006.

BEN GRANT

Managing Director of Goalpost Pictures, with credits spanning three decades of award-winning feature films and television. Member of the Film Certification Advisory Board. Member of the Australian Institute of Company Directors. Ambassador for the Sydney Swans. Director since 2013. Elected Deputy Chair 2016.

CHRIS OLIVER-TAYLOR

Chris Oliver-Taylor is the incoming CEO of FremantleMedia Australia & New Zealand. Formerly the Managing Director of Matchbox Pictures and Head of Business and Operations at ABC Television. Chris is a former President and Board member of Screen Producers. Director since 2010.

CATHY SERVICE

Associate with KJA Engaging Solutions previously Chief Operating Officer from Feb 2013 to June 2018. Former Head of Finance with BBC Worldwide Australasia. Over 20 years experience in the media industry. Director since 2011.

VICTORIA SPACKMAN

Director of Te Auaha New Zealand Institute of Creativity. 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.

JONATHAN CARTER

Head of the Legal, Corporate and Policy Group, APRA AMCOS. Management Committee member and Past President of the Copyright Society of Australia. Casual Vacancy Director since 2017.

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.

KIM DALTON OAM

Producer, distributor and broadcaster with over 40 years experience in the Australian and international screen industries. Former CEO Australian Film Commission, Director ABC Television, Chair Freeview Australia and non-executive Director of National Institute of Dramatic Arts (NIDA) and December Media. Chair of the Asian Animation Summit, member NIDA Academic Board and consultant and mentor to a range of media organisations. Recipient of Order of Australia Medal for service to the Australian film and television industry. 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.

ALASTAIR MCKINNON

Alternate Director for David Anderson 2018

ANNE AUDETTE CA

Chief Operating Officer and Company Secretary. Appointed Company Secretary August 2017

FIONA CRAGO

Director 2011 to November 2017

DEAN ORMSTON

Director 2007 to November 2017

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 28 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 $42.1 million (2017: $40.1 million) was determined to form the Distributable Amount available for distribution to relevant rightsholders from monies collected for the accounting year ended 30 June 2018.

The net operating profit/(loss) after income tax for the year was $Nil (2017: $Nil).

STATE OF AFFAIRS

On 3 March 2017, 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 rejects those claims.

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 $31,052 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 2018, membership of the Company comprised 4,227 full members (2017: 4,107), resulting in a total liability of $42,270 (2017: $41,070).

Dated at Sydney this 27 September 2018 and signed in accordance with a resolution of the Directors:

Jill Bryant
Chair

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 30 to 55, 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 2018 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 Sydney this 27 September 2018 and signed in accordance with a resolution of the Directors:

Jill Bryant
Chair

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the **Financial Report** of Audio-Visual Copyright Society Limited (the Group).

In our opinion, the accompanying Financial Report of the Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* to the extent described in Note 1 and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated Statement of financial position as at 30 June 2018
- 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 then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – basis of preparation and restriction on use

We draw attention to Note 1 to the Financial Report, which describes the basis of preparation.

The Financial Report has been prepared for the purpose of fulfilling the Directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the members of Audio-Visual Copyright Society Limited and should not be used by parties other than the members of Audio-Visual Copyright Society Limited. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than the members of Audio-Visual Copyright Society Limited or for any other purpose than that for which it was prepared.

Other Information

Other Information is financial and non-financial information in Audio-Visual Copyright Society Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the Financial Report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar7.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Anthony Travers, Partner
Sydney, 27 September 2018

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 2018, 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, 27 September 2018

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG international"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

ANNOTATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

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.

Royalty collections for the year from Australian schools, TAFE colleges, universities, retransmission income, New Zealand educational institutions, overseas, and revenue from services including Enhance TV and DASA.

Includes interest.

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 rightsholders. Under the Attorney-General's Guidelines, these funds are then added to the Distributable Amount in the current year. For 2012, expired trust funds scheme were, by amount and percentage of Distributable Amount, Pt VA $211,000 (0.9%), NZ $22,000 (1.6%), Pt VC $119,000 (2.3%) and AGS $53,000 (1.9%).

	Consolidated 2018 $000s	Consolidated 2017 $000s
Revenue from Ordinary Activities:		
Gross Revenue	48,272	45,414
Other Revenues	1,597	1,750
Expenses	(8,146)	(7,583)
	41,723	39,581
Transfer (to)/from retained earnings and reserves	–	–
Amount available for Distribution	41,723	39,581
Add Expired Trust Funds (2011)	–	492
Add Expired Trust Funds (2012)	405	–
Total amount available for Distribution	42,128	40,073
Amount transferred to Statutory Distributable Pools:		
Australian Education Service	(26,921)	(26,653)
Australian Retransmission Service	(8,106)	(8,154)
Australian Government Copying	(1,382)	(1,443)
Amount transferred to Non-Statutory Distributable Pools:		
NZ Education Service	(1,878)	(1,996)
Disbursements by Screenrights	(2,132)	(582)
International Collections Service	(1,709)	(1,245)
Total amount transferred to distribution pools	(42,128)	(40,073)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note	2018 $000s	2017 $000s
Revenue from rendering of services	2	48,272	45,414
Other income	3	1,597	1,750
Total revenue and other income		49,869	47,164
Employee expenses	4	(4,874)	(4,716)
Depreciation and amortisation expense		(436)	(169)
Operating expense		(2,332)	(2,119)
Licensing expense		(23)	(117)
Travel expense		(73)	(67)
Marketing expense		(149)	(94)
Legal expense		(53)	(99)
Other expenses	5	(206)	(202)
Royalties paid and payable to members and affiliated societies	2	(41,723)	(39,581)
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 34 to 55.

CONSOLIDATED BALANCE SHEET

For the year ended 30 June 2018

	Note	2018 $000s	2017 $000s
Current assets			
Cash and cash equivalents	8	3,299	3,511
Cash on deposit	8	63,752	65,559
Trade and other receivables	9	4,031	2,998
Total current assets		71,082	72,068
Non-current assets			
Property, plant and equipment	10	400	467
Intangibles	11	1,728	1,417
Total non-current assets		2,128	1,884
Total assets		73,210	73,952
Current liabilities			
Trade and other payables	12	744	628
Royalties in advance		14,536	14,358
Employee benefits	13	501	516
Other	14	55,626	56,717
Total current liabilities		71,407	72,219
Non-current liabilities			
Employee benefits	13	199	142
Provisions		67	54
Total non-current liabilities		266	196
Total liabilities		71,673	72,415
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 34 to 55.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	2018 $000s	2017 $000s
Cash flows from operating activities			
Cash receipts in the course of operations		47,160	49,037
Cash payments in the course of operations		(50,520)	(50,987)
Net cash from operating activities	17(b)	(3,360)	(1,950)
Cash flows from investing activities			
Interest received		2,022	1,409
Proceeds from sale of fixed assets		–	–
Payments for property, plant and equipment		(52)	(48)
Payments for intangibles		(629)	(1,211)
Decrease/(increase) in cash on deposit		1,807	1,552
Net cash from investing activities		3,148	1,702
Net increase/(decrease) in cash held		(212)	(248)
Cash at the beginning of the financial year		3,511	3,759
Cash at the end of the financial year	17(a)	3,299	3,511

The Statement of Cash Flows is to be read in conjunction with the notes to the Consolidated Financial Statements set out on pages 34 to 55.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

Reconciliation of movements in capital and reserves attributable to members

	Society Reserve Fund $000s	Retained Earnings $000s	Total Equity $000s
Balance at 1 July 2016	200	1,337	1,537
Total comprehensive profit	–	–	–
Transfer between retained earnings and reserves	–	–	–
Balance at 30 June 2017	200	1,337	1,537
Balance at 1 July 2017	200	1,337	1,537
Total comprehensive profit	–	–	–
Transfer between retained earnings and reserves	–	–	–
Balance at 30 June 2018	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 34 to 55.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 2018 comprises the Company and its subsidiary (together referred to as the 'consolidated entity'). The financial report was authorised for issue by the Directors on 27 September 2018.

(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 2018

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 – 3-5 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 2018

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 rightsholders. 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. Receipts are generally determined either based on agreed rates per user, or agreed rates overall. 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 2017, 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 2018

2. RECONCILIATION OF INCOME STATEMENT

	Note	2018 $000s	2017 $000s
Revenue from rendering of services:			
– Statutory Royalty Receipts (Part VA)		30,946	30,237
– Statutory Royalty Receipts (Part VC)		9,236	9,087
– International Collection Service		1,818	1,292
– Government Copying		1,576	1,558
– NZ Educational Service		2,253	2,322
– Disbursements by Screenrights		2,132	582
– EnhanceTV Resource Centre		311	336
Total revenue		48,272	45,414
Other income	3	1,597	1,750
Total revenue and other income		49,869	47,164
Employee expenses	4	(4,874)	(4,716)
Depreciation and amortisation expense		(436)	(169)
Operating expense		(2,332)	(2,119)
Licensing expense		(23)	(117)
Travel expense		(73)	(67)
Marketing expense		(149)	(94)
Legal expense		(53)	(99)
Other expenses	5	(206)	(202)
Net royalties collected and interest received thereon before income tax		41,723	39,581
Income tax benefit		–	–
Net royalties collected and interest received thereon after income tax		41,723	39,581

2. RECONCILIATION OF INCOME STATEMENT CONTINUED

	Note	2018 $000s	2017 $000s
Royalties paid and payable:			
Add expired statutory trust funds		405	492
Less amount transferred to statutory VA distributable pool 2017		–	(26,653)
Less amount transferred to statutory VA distributable pool 2018	14	(26,921)	–
Less amount transferred to statutory VC distributable pool 2017		–	(8,154)
Less amount transferred to statutory VC distributable pool 2018	14	(8,106)	–
Less amount transferred to statutory s183 distributable pool 2017		–	(1,443)
Less amount transferred to statutory s183 distributable pool 2018	14	(1,382)	–
Less amount transferred to New Zealand distributable pool 2017		–	(1,996)
Less amount transferred to New Zealand distributable pool 2018	14	(1,878)	–
Disbursements by Screenrights		(2,132)	(582)
International Collection Service		(1,709)	(1,245)
Net royalties paid and payable		(41,723)	(39,581)
Net operating profit (loss)		–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. OTHER INCOME

	2018 $000s	2017 $000s
Interest and other income		
– Part VA interest income	1,025	1,088
– Part VC interest income	316	359
– Bank interest for International Collections Service (non-statutory)	72	81
– Government Copying interest income	50	116
– Bank interest for NZ Educational Service (non-statutory)	48	73
– Bank interest for ISAN	1	1
- DASA and interest	82	28
– Non trust interest income	3	4
	1,597	1,750

4. EMPLOYEE EXPENSES

Wages and salaries (including director fees)	4,122	4,022
Contributions to defined contribution superannuation funds	416	393
(Decrease)/Increase in liabilities for annual and long service leave	42	20
Other employee expenses	294	281
	4,874	4,716

5. OTHER EXPENSES

NZ educational service expenses	127	119
Recruitment expenses	16	18
International Standard AV Numbering (ISAN)	17	11
Other	46	54
	206	202

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

6. AUDITOR'S REMUNERATION

	2018	2017
	$000s	$000s
Audit services	56	56
Non-audit services	3	3
	59	59

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 (2017: $Nil). As at 30 June 2018, EnhanceTV has carried forward losses of $32,426 (2017: $32,426). No tax losses have been recognised as a deferred tax asset.

8. CASH ASSETS

	2018	2017
	$000s	$000s
Cash at bank	3,299	3,511
Cash on deposit	63,752	65,559
	67,051	69,070

The interest rate at 30 June 2018 on cash accounts is 1.00% (2017: 1.00%) 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 2018 on cash on deposit is 2.69% (2017: 2.66%).

9. TRADE AND OTHER RECEIVABLES

	2018	2017
	$000s	$000s
Trade receivables	3,730	2,023
Sundry receivables	301	975
	4,031	2,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

10. PROPERTY, PLANT & EQUIPMENT

	Plant and equipment $000s	Total $000s
Cost		
Balance at 1 July 2016	1,597	1,597
Acquisitions	48	48
Balance at 30 June 2017	1,645	1,645
Balance at 1 July 2017	1,645	1,645
Acquisitions	51	51
Balance at 30 June 2018	1,696	1,696
Accumulated depreciation		
Balance at 1 July 2016	1,062	1,062
Depreciation charge for the year	116	116
Balance at 30 June 2017	1,178	1,178
Balance at 1 July 2017	1,178	1,178
Depreciation charge for the year	118	118
Balance at 30 June 2018	1,296	1,296
Carrying amounts		
At 1 July 2017	467	467
At 30 June 2018	400	400

11. INTANGIBLES

	Computer software $000s	WIP $000s	Total $000s
Cost			
Balance at 1 July 2016	801	194	995
Acquisitions	115	1,096	1,211
Balance at 30 June 2017	916	1,290	2,206
Balance at 1 July 2017	916	1,290	2,206
Acquisitions	1,863	(1,234)	629
Balance at 30 June 2018	2,779	56	2,835
Accumulated amortisation			
Balance at 1 July 2016	736	–	736
Amortisation charge for the year	53	–	53
Balance at 30 June 2017	789	–	789
Balance at 1 July 2017	789	–	789
Amortisation charge for the year	318	–	318
Balance at 30 June 2018	1,107	–	1,107
Carrying amounts			
At 1 July 2017	127	1,290	1,417
At 30 June 2018	1,672	56	1,728

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

12. TRADE AND OTHER PAYABLES

	2018 $000s	2017 $000s
Trade and other creditors	342	357
Accrued expenses	402	271
	744	628

13. EMPLOYEE BENEFITS

	2018 $000s	2017 $000s
Current		
Liability for annual leave	249	262
Liability for long service leave	252	254
	501	516
Non-current		
Liability for long service leave	199	142
	199	142

14. OTHER CURRENT LIABILITIES

	2018 $000s	2017 $000s
Cultural Fund	382	–
Trust – IBNR Fund	1,064	905
Trust – Artistic Works	1,595	1,887
	3,041	2,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

14. OTHER CURRENT LIABILITIES CONTINUED

	2018 $000s	2017 $000s
Trust – Statutory		
2012 VA Distributable amount payable to copyright owners	–	421
2013 VA Distributable amount payable to copyright owners	383	681
2014 VA Distributable amount payable to copyright owners	638	1,278
2015 VA Distributable amount payable to copyright owners	820	1,801
2016 VA Distributable amount payable to copyright owners	1,586	3,694
2017 VA Distributable amount payable to copyright owners	3,056	26,653
2018 VA Distributable amount payable to copyright owners	26,921	–
2012 VC Distributable amount payable to copyright owners	147	434
2013 VC Distributable amount payable to copyright owners	265	381
2014 VC Distributable amount payable to copyright owners	374	560
2015 VC Distributable amount payable to copyright owners	443	794
2016 VC Distributable amount payable to copyright owners	655	1,248
2017 VC Distributable amount payable to copyright owners	1,189	8,154
2018 VC Distributable amount payable to copyright owners	8,106	–
2012 s183 Distributable amount payable to copyright owners	–	29
2013 s183 Distributable amount payable to copyright owners	35	70
2014 s183 Distributable amount payable to copyright owners	14	22
2015 s183 Distributable amount payable to copyright owners	19	96
2016 s183 Distributable amount payable to copyright owners	17	114
2017 s183 Distributable amount payable to copyright owners	171	1,443
2018 s183 Distributable amount payable to copyright owners	1,382	–
Sound Recordings Distributable amount	31	34
	46,252	47,907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

14. OTHER CURRENT LIABILITIES CONTINUED

	2018 $000s	2017 $000s
Trust – Non-statutory		
NZ Educational Services:		
2012 Distributable amount payable to copyright owners	–	90
2013 Distributable amount payable to copyright owners	103	156
2014 Distributable amount payable to copyright owners	129	204
2015 Distributable amount payable to copyright owners	162	274
2016 Distributable amount payable to copyright owners	200	366,
2017 Distributable amount payable to copyright owners	348	1,996
2018 Distributable amount payable to copyright owners	1,878	–
Disbursements by Screenrights	905	349
International Collection Service	2,608	2,583
	6,333	6,018
	55,626	56,717

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 $67,051,110 at 30 June 2018 is 2.61% (2017: $69,069,548 – 2.57%). 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:

	2018 $000s	2017 $000s
Trade and other receivables	4,031	2,998
Cash and cash equivalents	3,299	3,511
Cash on deposit	63,752	65,559
	71,082	72,068

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:

	2018 $000s	2017 $000s
Not past due	1,204	987
Past due 0-30 days	801	56
Past due 31-120 days	111	541
Past due 121 days	1,615	439
	3,730	2,023

As at 30 June 2018, the Consolidated Entity did not recognise a provision for impairment due to the Directors being of the opinion that the amounts receivable are recoverable (2017: $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	2018 $000s	2017 $000s
Trade receivables	75	66
Total balance sheet exposure	75	66

The following significant exchange rates applied during the year:

	Average rate 2018	Average rate 2017	Spot rate 2018	Spot rate 2017
New Zealand Dollar	1.0874	1.0575	1.0913	1.0495

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 $7,537 at 30 June 2018 (2017: $6,619). 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	
	2018	**2017**
	$000s	**$000s**
Fixed rate instruments		
Cash on deposits	63,752	65,559
Variable rate instruments		
Cash at bank	3,299	3,511

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 $32,990 (2017: $35,110 higher (lower)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

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:

	2018	2017
	$000s	**$000s**
Cash	3,299	3,511
	3,299	3,511

(b) Reconciliation of cash flows from operating activities

	2018	2017
Operating profit (loss)	–	–
Add/(less) items classified as investing activities:		
Interest received	(2,022)	(1,409)
Add/(less) non-cash items:		
Gain on sale of non-current assets	–	–
Depreciation and amortisation	436	169
Net cash utilised by operating activities before change in assets and liabilities	(1,586)	(1,240)
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(1,009)	2,061
Increase/(decrease) in trade creditors and accruals	116	(30)
Increase/(decrease) in royalties in advance	178	764
Increase/(decrease) in provision for employee entitlements	43	20
Increase/(decrease) in provisions	12	12
Increase in distributable amounts	(1,114)	(3,537)
Net cash (used in)/provided by operating activities	(3,360)	(1,950)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

18. RELATED PARTY DISCLOSURES

Key management personnel compensation

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

	2018 $000s	2017 $000s
Short-term employee benefits	1,899	2,081
Post-employment benefits	118	187
Other long-term benefits	38	42
	2,056	2,310

Statement of management remuneration

Salary range*	Screenrights Executives in range 2017/18	Screenrights Executives in range 2016/17
$0-99k	4**	2**
$100-149k	–	–
$150-199k	2	1
$200-249k	3	4
$250-299k	2	1
$300-400k	–	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, Geoffrey Atherden Kim Dalton, 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 2018

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 2018.

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 2018, in respect of management fees, the company owed the subsidiary $179,427 (2017: the subsidiary owed the company $194,110).

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 2018, membership of the Company comprised 4,227 full members (2017: 4,107), resulting in a total guarantee of $42,270 (2017: $41,070).

20. COMMITMENTS FOR EXPENDITURE

Operating leases – leases as lessee

Non-cancellable operating leases rentals are payable as follows:

	2018 $000s	2017 $000s
Less than one year	311	166
Between one and five years	1,267	–
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 2018

22. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2018, the parent entity of the consolidated entity was Audio-Visual Copyright Society Limited.

	2018 $000s	**2017 $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	71,067	72,107
Total assets	73,196	73,992
Current liabilities	71,361	72,226
Total liabilities	71,627	72,423
	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 2018 (2017: $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 2018.

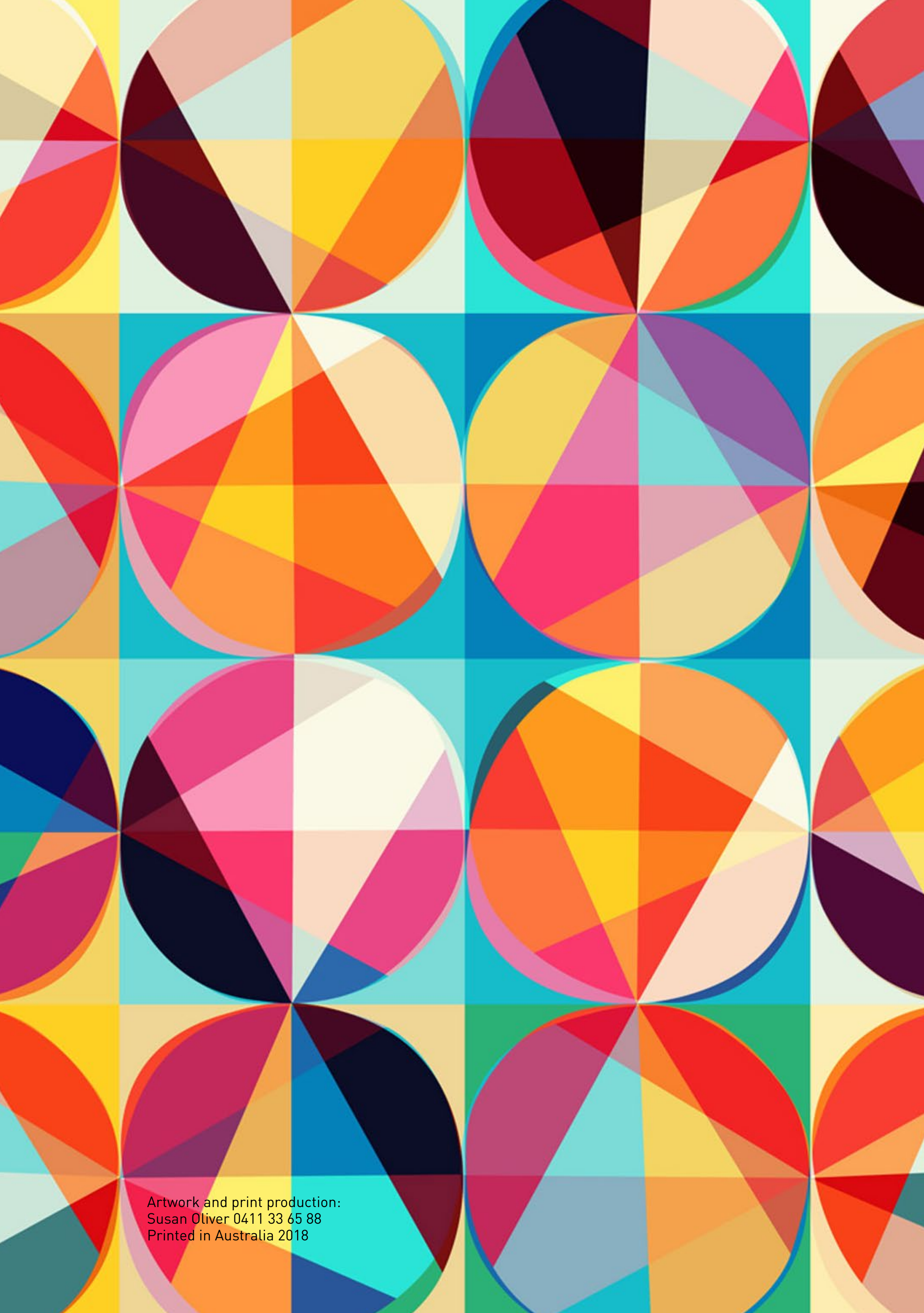
APPENDIX

For the year ended 30 June 2018

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	59,672	1,516,504	25,187,148	5,491,568	224,203	42,510	**32,521,605**
Income on investments of licence fees	1,896	48,173	834,035	181,845	7,424	1,408	**1,074,781**
Total amount allocated to members	52,311	1,329,441	21,911,066	4,777,282	195,041	36,981	**28,302,122**
Total amount paid to members	56,335	1,431,702	22,298,395	4,861,732	198,489	37,634	**28,884,287**
Total amount of licence fees held in trust	70,613	1,794,551	27,904,679	6,084,073	248,393	47,097	**36,149,405**
Total licence fees for which the trust period expired*	836	21,251	170,597	37,195	1,519	288	**231,686**

* 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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