ANNUAL REPORT

For the year ended
30 June 2020

screenrights

CONTENTS

Governance Statement 1

Company Profile 2

Directors' Report 3

Directors' Declaration 5

Independent Auditor's Report 6

Lead Auditor's Independence Declaration 9

Annotated Statement of Financial Performance 10

Consolidated Statement of Profit and Loss 11

Consolidated Balance Sheet 12

Statement of Cash Flows 13

Statement of Changes in Equity 14

Notes to the Consolidated Financial Statements 15

Appendix 40

Cover: Image credit:
In My Blood It Runs – Closer Productions. Photo: Maya Newell

GOVERNANCE STATEMENT

Extract from Screenrights' Corporate Governance Statement which was reviewed by Screenrights' Board of Directors on 29 May 2019 and published following the outcome of the Extraordinary General Meeting of 25 July 2019.

Full Statement available at: https://www.screenrights.org/wp-content/uploads/2019/08/2019-08-05-Corporate-Governance-Statement.pdf

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. GOVERNANCE FOR WHOM?

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.

COMPANY PROFILE

As at 30 June 2020

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 8038 1300 www.screenrights.org

DIRECTORS & OFFICERS

Kim Dalton OAM
Chair

Georgina Waite
Deputy Chair

DIRECTORS

Geoffrey Atherden AM
Jonathan Carter
Anne Chesher
John Ford
Christopher Gardoll
Ben Grant
Kelly Lefever
Cathy Service
Victoria Spackman ONZM

AUDITORS

KPMG

BANKERS

National Australia Bank
Westpac
Bank of New Zealand

SOLICITORS

Banki Haddock Fiora
Harmers Workplace Lawyers
McCabe Curwood Solicitors
Emery Legal
Sainty Law
Sparke Helmore
Gilbert & Tobin
Cole Media & Entertainment Law

OFFICE OF THE CHIEF EXECUTIVE

Chief Executive: **James Dickinson**

NEW BUSINESS & TECHNOLOGY

Head of New Business & Technology: **Emma Madison**
Development Project Manager: **Luke Asprey**
Lead, Application Development: **Brian Chambers**
Business Analyst/Programmer: **Daniel McCosker***
Senior Analyst Programmer: **Sandyha [Sandra] Bhalla**
Disbursement Service Manager: **Jasmina Matic*/ Madeleine Donovan***

MEMBER SERVICES

Head of Member Services: **Maha Ismail***
Member Relations Manager: **Annabel Holt**
Distribution Manager: **Sean Price**
International Service Manager: **Gaëlle Clark**
Senior Portfolio Coordinator: **John Alexander**
Senior Distribution Officer: **Kate Bowley***
Senior Research Officer: **Clare Macken***
Senior Registration Officer: **Ian Laird**
Registration Data Administrator: **Hayley Colley**
Portfolio Coordinator: **Tova Borwein**
Portfolio Coordinator: **Mariana Corbellini**
Portfolio Coordinator: **Kaaran Watene**
Distribution Officer: **Wade Clarke***

ENHANCETV TEAM

Head of EnhanceTV: **Andrew Mula**
Content & Catalogue Editor: **Paul Stock**
Curriculum Content Producers: **Duha Samin / Penelope Christie***
Director, Customer Success: **Chris Singh**
Customer and Data Manager: **Jonathan Zhang**
Stack Developer: **Alex Corzo**
Full Stack Developer: **Viral Jetani**
Content Producer/Copywriter: **Sophie Curren**
PHP Developer: **Prakash Chhetri**

MARKETING

Marketing Manager: **Sarah Steel***

BUSINESS & OPERATIONS

Chief Operating Officer/Company Secretary: **Susan Casali**
Accountant & Internal Auditor: **Angela Cheung**
Network & Infrastructure Manager: **Justin Franks**
User & Systems Support: **Daniel Read**
Executive Assistant/Office Manager: **Kylie Cooke**
Office Administrator: **Belle Darcy**
Administrative Assistant: **Wendy Lee-Lusher***

LICENSING

Head of Licensing: **Scott James**
Data & Systems Manager: **Nick Grodzicki**
Licensing/Registrations Officer: **Mary Luque***

LEGAL

General Counsel: **Natalie Buck***
Associate Counsel: **Kaitie Andrews**

* Indicates part-time employee/consultant
Full time equivalent = 41.03

DIRECTORS' REPORT

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 and 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.

JONATHAN CARTER – Head of the Legal, Corporate Services Group, APRA AMCOS Legal Committee, International Confederation of Societies of Authors and Composers; Steering Committee, Music Rights Australia; and Ethics Committee, Genea Limited. 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 as a senior executive in the screen industry. Former CEO, Australian Film Commission; former Director, ABC Television; former Chair, Freeview Australia; Chair, Asian Animation Summit and recipient of Order of Australia medal for service to the Australian film and television industry. Director since 2015.

JOHN [JACK] FORD BA, LLB GAICD – Media consultant, company director and lawyer practising in the media industry for over 30 years. Clients include Telstra Corporation, TVI/Sci-Fi and TVN Channel. Director, Sydney Children's Hospital Network, as well as Chair of the Network's Capital Works Committee. Director since 1997.

CHRISTOPHER GARDOLL – Over 45 years' experience in professional accounting and business as a senior executive. Formerly an audit partner with KPMG specialising in consumer products, distribution and copyright. Previous roles included CFO and Company Secretary with publicly listed company API, CFO with APRA|AMCOS and COO with Screenrights. Director since 2020.

BEN GRANT – Managing Director of Goalpost Pictures, with credits spanning three decades of successful content for both cinema and television, including the 2020 worldwide number one movie *The Invisible Man*. Member of the Film Certification Advisory Board. Member of the Australian Institute of Company Directors. Member of the Sydney Swans Ambassador Program. Director since 2013. Former Deputy Chair 2016 to 2019.

KELLY LEFEVER – Kelly is co-creator of the critically acclaimed series *The Circuit* and her credits include *The Doctor Blake Mysteries, The Code, Miss Fisher's Murder Mysteries, The Black Balloon* and *The Merger*. She currently sits on the Film Victoria Board. Director since 2018.

CATHY SERVICE – Chief Operating Officer with KJA Engaging Solutions from February 2013 to June 2018 and then Associate Consultant until December 2018. Former Head of Finance with BBC Worldwide Australasia. Over 20 years experience in the media industry. Director since 2011.

VICTORIA SPACKMAN ONZM– 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.

GEORGINA WAITE – Head of Content Business at the ABC, with over 25 years experience as Head of Business Affairs and within the ABC Legal department. Starting out as an Intellectual Property lawyer with Corrs Chambers Westgarth and then the Arts Law Centre. Georgina is also former lecturer in Media Law at UTS. Director since 2018. Elected Deputy Chair 2019.

LARISSA BEHRENDT – Director from 2017 to October 2019.

JILL BRYANT – Director from 2003 and former Chair 2006 to November 2019

SUSAN CASALI – Chief Operating Officer and Company Secretary

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 9 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 s119, s183 and Part VC of the Copyright Act, to collect monies from copyright users, for distribution to copyright owners.

REVIEW AND RESULTS OF OPERATIONS

The amount of $45.8 million [2019: $43.5 million] was determined to form the Distributable Amount available for distribution to relevant rightsholders from monies collected for the accounting year ended 30 June 2020.

The net operating profit/[loss] after income tax for the year was $Nil [2019: $Nil].

STATE OF AFFAIRS

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

ENVIRONMENTAL REGULATION

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

EVENTS SUBSEQUENT TO BALANCE DATE

On 22 July 2020, Screenrights filed in the Copyright Tribunal for a determination of equitable remuneration with Foxtel. There has not arisen in the interval between the end of the financial year and the date of this report, any other 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 new forms of retransmission and educational copying by training providers.

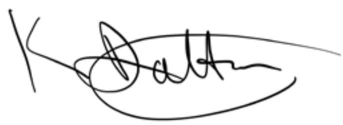
INDEMNIFICATION AND INSURANCE OF OFFICERS

During the year, the Company paid a premium of $12,922 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.

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 2020, membership of the Company comprised 4,709 full members [2019: 4,438], resulting in a total liability of $47,090 [2019: $44,380].

Dated at Sydney this 23 September 2020 and signed in accordance with a resolution of the Directors:



Kim Dalton OAM
Chair

DIRECTORS' REPORT [CONTINUED]

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
G Atherden	6	6	N/A	N/A	N/A	N/A
L Behrendt	0	2	N/A	N/A	N/A	N/A
J Bryant	3	3	1	1	1	1
J Carter	6	6	N/A	N/A	2	2
A Chesher	6	6	N/A	N/A	N/A	N/A
K Dalton	6	6	2	3	1	1
J Ford	5	6	N/A	N/A	N/A	N/A
B Grant	6	6	2	3	1	1
K Lefever	5	6	N/A	N/A	N/A	N/A
C Service	6	6	3	3	2	2
V Spackman	6	6	N/A	N/A	N/A	N/A
G Waite	5	6	N/A	N/A	1	1

A Number of meetings attended
B Number of meetings held during the time the Director held office during the year
N/A Director not a member of that Committee

DIRECTORS' DECLARATION

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

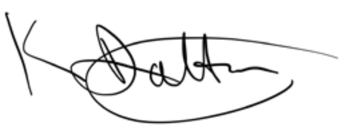
[a] The consolidated financial statements and notes, set out on pages11 to 39, are in accordance with the *Corporations Act 2001*, including:

[i] giving a true and fair view of the financial position of the consolidated entity as at 30 June 2020 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] 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 23 September 2020 and signed in accordance with a resolution of the Directors:



Kim Dalton OAM
Chair

KPMG

Independent Auditor's Report

To the members of Audio-Visual Copyright Society Limited

Opinion

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

In our opinion, the accompanying Financial Report of the Company 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 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated balance sheet as at 30 June 2020
- Consolidated statement of profit or loss and other comprehensive income, Statement of changes in equity, and 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 (including Independence Standards) (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.

KPMG

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 in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- 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 and whether the use of the going concern basis of accounting is appropriate. 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.

KPMG

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 the 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_responsibilities/ar3.pdf This description forms part of our Auditor's Report.

KPMG

KPMG

Cameron Slapp

Partner

Sydney

23 September 2020

KPMG

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 of Audio-Visual Copyright Society Limited for the financial year ended 30 June 2020 there have been:

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

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

KPMG

KPMG

Cameron Slapp
Partner

Sydney
23 September 2020

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 2020

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 2014, expired trust funds scheme were, by amount and percentage of Distributable Amount, AES $426,000 [1.2%], ARS $340,000 [3.8%], AGS $29,000 [1.9%] and NZES $78,000 [4.5%].

	Consolidated 2020 $000s	Consolidated 2019 $000s
Revenue from Ordinary Activities:		
Gross Revenue	52,472	49,906
Other Revenues	1,293	1,670
Expenses	[8,822]	[8,655]
	44,943	42,921
Transfer [to]/from retained earnings and reserves	—	—
Amount available for Distribution	44,943	42,921
Add Expired Trust Funds [2013]	—	579
Add Expired Trust Funds [2014]	873	—
Total amount available for Distribution	45,816	43,500
Amount transferred to Statutory Distributable Pools:		
Australian Education Service [AES]	[28,490]	[27,819]
Australian Retransmission Service [ARS]	[6,920]	[7,867]
Australian Government Copying Service [AGS]	[1,003]	[1,497]
Amount transferred to Non-Statutory Distributable Pools:		
NZ Education Service [NZES]	[2,080]	[1,978]
Disbursements by Screenrights [DASA]	[5,401]	[2,940]
International Service [INT]	[1,922]	[1,399]
Total amount transferred to distribution pools	[45,816]	[43,500]

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Note	2020	2019
		$000s	**$000s**
Revenue from rendering of services	2	52,472	49,906
Other income	3	1,293	1,670
Total revenue and other income		53,765	51,576
Employee expenses	4	[5,566]	[4,878]
Depreciation and amortisation expense		[908]	[574]
Operating expense		[1,682]	[2,315]
Licensing expense		[60]	[117]
Travel expense		[64]	[105]
Marketing expense		[245]	[241]
Legal expense		[114]	[89]
Other expenses	5	[143]	[336]
Total operating expenses		[8,782]	[8,655]
Interest expense	2	[40]	—
Total interest expense		[40]	—
Royalties paid and payable to members and affiliated societies	2	[44,943]	[42,921]
Net profit before income tax		—	—
Income tax expense	7	—	—
Net operating profit after income tax		—	—
Other comprehensive income		—	—
Total comprehensive profit		—	—

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 15 to 39.

CONSOLIDATED BALANCE SHEET

For the year ended 30 June 2020

	Note	2020 $000s	2019 $000s
Current assets			
Cash and cash equivalents	8	3,213	3,321
Cash on deposit	8	64,809	60,687
Trade and other receivables	9	4,703	9,480
Total current assets		72,725	73,488
Non-current assets			
Property, plant and equipment	10	308	344
Intangibles	11	1,258	1,711
Right-of-use assets	14	928	—
Total non-current assets		2,494	2,055
Total assets		75,219	75,543
Current liabilities			
Trade and other payables	12	698	667
Royalties in advance		15,125	14,971
Employee benefits	13	575	505
Loans and borrowings	14	324	—
Other	15	54,674	55,970
Total current liabilities		71,396	72,113
Non-current liabilities			
Employee benefits	13	163	167
Loans and borrowings	14	636	—
Other	15	1,394	1,646
Provisions	16	93	80
Total non-current liabilities		2,286	1,893
Total liabilities		73,682	74,006
Net assets		1,537	1,537
Equity			
Retained earnings	17	1,337	1,337
Reserves	17	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 15 to 39.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	2020 $000s	2019 $000s
Cash flows from operating activities			
Cash receipts in the course of operations		57,556	44,749
Cash payments in the course of operations		[54,542]	[48,989]
Net cash from/[used in] operating activities	19[b]	3,014	[4,240]
Cash flows from investing activities			
Interest received/receivable		1,427	1,699
Payments for property, plant and equipment		[87]	[64]
Payments for intangibles		—	[437]
[Increase]/decrease in cash on deposit		[4,122]	3,065
Net cash [used in]/from investing activities		[2,782]	4,263
Cash flows from financing activities			
Payments for lease liabilities		[340]	—
Net cash [used in]/from financing activities		[340]	—
Net [decrease]/increase in cash held		[108]	22
Cash at the beginning of the financial year		3,321	3,299
Cash at the end of the financial year	19[a]	3,213	3,321

The Statement of Cash Flows is to be read in conjunction with the notes to the Consolidated Financial Statements set out on pages 15 to 39.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

Reconciliation of movements in capital and reserves attributable to members

	Society Reserve Fund $000s	Retained Earnings $000s	Total Equity $000s
Balance at 1 July 2018	200	1,337	1,537
Total comprehensive profit	—	—	—
Transfer between retained earnings and reserves	—	—	—
Balance at 30 June 2019	200	1,337	1,537
Balance at 1 July 2019	200	1,337	1,537
Impact of change in accounting policy	—	—	—
Adjusted Balance at 1 July 2019	200	1,337	1,537
Total comprehensive profit	—	—	—
Transfer between retained earnings and reserves	—	—	—
Balance at 30 June 2020	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 15 to 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES

Audio-Visual Copyright Society Ltd trading as Screenrights [the 'Company'] is a not for profit company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2020 comprises the Company and its subsidiary [together referred to as the 'consolidated entity']. The financial report was authorised for issue by the Directors on 23 September 2020.

[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 s119, 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.

[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:

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

[ii] Depreciation continued

- 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

The consolidated entity has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB Interpretation 4. The details of accounting policies under AASB 117 and AASB Interpretation 4 are disclosed separately if they are different from those under AASB 16 and the impact of changes is disclosed in Note 1[r].

Policy applicable from 1 July 2019

At inception of a contract, the consolidated entity assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the consolidated entity assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the consolidated entity has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the consolidated entity has the right to direct the use of the asset. The consolidated entity has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the consolidated entity has the right to direct the use of the asset if either:
  - the consolidated entity has the right to operate the asset; or
  - the consolidated entity designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the consolidated entity allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the consolidated entity has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The consolidated entity recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Generally, the consolidated entity uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

[iii] Leased assets continued

- the exercise price under a purchase option that the consolidated entity is reasonably certain to exercise, lease payments in an optional renewal period if the consolidated entity is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the consolidated entity is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the consolidated entity's estimate of the amount expected to be payable under a residual value guarantee, or if the consolidated entity changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The consolidated entity has elected not to recognise right-of-use assets and lease liabilities for short-term leases of plant and equipment that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The consolidated entity recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under AASB 117

In the comparative period, as a lessee the consolidated entity classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments.

Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the consolidated entity's statement of financial position.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

[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 equivalents

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 income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

The Company recognises loss allowance for expected credit losses [ECL] on financial assets measured at amortised cost. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

[j] Impairment continued

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

[i] Calculation of recoverable amount

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.

[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.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

[n] Distributions continued

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 Services, the distributable pool is allocated to all used 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 licensees. The Distributable Amount is the total amount received from licensees 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. Records of usage 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 used and other factors. 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

Revenue is measured based on the contract with the customer. Licence fee revenue is recognised over the term of the agreements, where the fee is equitable remuneration for access to the licensed materials. Licence fee revenue is recognised when the licence is granted, where the licence is for use of the licensed materials.

[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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

[p] Income tax continued

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 accounting standards adopted during the period

Except for the changes below, the consolidated entity has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

- *AASB 15 Revenue from Contracts with Customers*

AASB 15 replaced AASB 118 Revenue and AASB 111 Construction Contracts, and became mandatory for not-for-profit organisations in FY2020. This change has not had a material impact on the consolidated entity.

- *AASB 16 Leases*

AASB 16 replaces AASB 117 Leases and AASB Interpretation 4. The consolidated entity applied AASB 16 with a date of initial application of 1 July 2019 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. The details of the impact of this change in accounting policy is disclosed below.

[i] Definition of a lease

Previously, the consolidated entity determined at contract inception whether an arrangement is or contains a lease under AASB Interpretation 4. Under AASB 16, the consolidated entity assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 1[f] [iii].

On transition to AASB 16, the consolidated entity elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

[ii] As a lessee

As a lessee, the consolidated entity previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the consolidated entity. Under AASB 16, the consolidated entity recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The consolidated entity decided to apply recognition exemptions to short-term leases. For leases of other assets, which were classified as operating under AASB 117, the consolidated entity recognised right-of-use assets and lease liabilities.

i. Leases classified as operating leases under AASB 117

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the consolidated entity's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the consolidated entity applied this approach to all other leases.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

[r] New accounting standards adopted during the period continued

[ii] As a lessee continued

i. Leases classified as operating leases under AASB 117 continued

The consolidated entity used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of AASB 137 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

[iii] Impacts on financial statements

On transition to AASB 16, the consolidated entity recognised an additional $1,261,145 of right-of-use assets and $1,261,145 of lease liabilities, recognising no difference in retained earnings.

When measuring lease liabilities, the consolidated entity discounted lease payments using its incremental borrowing rate at 1 July 2019. The rate applied ranged between 3.25-3.6%.

[s] New accounting standards and interpretations not yet adopted

There are currently no new standards and amendments to standards which are effective for annual periods beginning after 30 June 2020 that the consolidated entity believes are applicable in preparing these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

2. RECONCILIATION OF INCOME STATEMENT

	Note	2020 $000s	2019 $000s
Revenue from rendering of services:			
– Australian Education Service		33,151	32,018
– Australian Retransmission Service		7,784	9,060
– International Service		2,110	1,486
– Australian Government Copying Service		1,148	1,624
– NZ Education Service		2,531	2,421
– Disbursements by Screenrights		5,401	2,940
– EnhanceTV Resource Centre		347	357
Total revenue		52,472	49,906
Other income	3	1,293	1,670
Total revenue and other income		53,765	51,576
Employee expenses	4	[5,566]	[4,878]
Depreciation and amortisation expense		[908]	[574]
Operating expense		[1,682]	[2,315]
Licensing expense		[60]	[117]
Travel expense		[64]	[105]
Marketing expense		[245]	[241]
Legal expense		[114]	[89]
Other expenses	5	[143]	[336]
Total operating expenses		[8,782]	[8,665]
Interest expense	14	[40]	—
Total interest expense		[40]	—
Net royalties collected and interest received thereon before income tax		44,943	42,921
Income tax benefit		—	—
Net royalties collected and interest received thereon after income tax		44,943	42,921

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

2. RECONCILIATION OF INCOME STATEMENT CONTINUED

	Note	2020 $000s	2019 $000s
Royalties paid and payable:			
Add expired statutory trust funds		873	578
Less amount transferred to AES distributable pool 2019		—	[27,819]
Less amount transferred to AES distributable pool 2020	15	[28,490]	—
Less amount transferred to ARS distributable pool 2019		—	[7,867]
Less amount transferred to ARS distributable pool 2020	15	[6,920]	—
Less amount transferred to AGS distributable pool 2019		—	[1,497]
Less amount transferred to AGS distributable pool 2020	15	[1,003]	—
Less amount transferred to NZES distributable pool 2019		—	[1,978]
Less amount transferred to NZES distributable pool 2020	15	[2,080]	—
Disbursements by Screenrights		[5,401]	[2,939]
International Service		[1,922]	[1,399]
Net royalties paid and payable		[44,943]	[42,921]
Net operating profit		—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

3. OTHER INCOME

	2020 $000s	2019 $000s
Interest and other income		
– AES interest income	859	1,160
– ARS interest income	172	233
– INT interest income	17	64
– AGS interest income	30	39
– NZES interest income	38	40
– ISAN interest income	—	1
– DASA interest income and admin fee	177	132
– Other interest income	—	1
	1,293	1,670

4. EMPLOYEE EXPENSES

Wages and salaries [including director fees]	4,728	3,913
Contributions to defined contribution superannuation funds	435	410
Increase in liabilities for annual and long service leave	93	203
Other employee expenses	310	352
	5,566	4,878

5. OTHER EXPENSES

NZES expenses	122	128
Recruitment expenses	—	185
ISAN	4	10
Other	17	13
	143	336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

6. AUDITOR'S REMUNERATION

	2020 $000s	2019 $000s
Audit services	62	60
Other Assurance Services	8	8
	70	68

7. TAXATION

Audio-Visual Copyright Society Limited was granted tax exempt status effective 1 July 2002. EnhanceTV Pty Ltd [the Company's controlled entity] was incorporated on 15 May 2006 and is not tax exempt. In the current financial year, EnhanceTV Pty Ltd did not make a profit. As a consequence there is no tax expense for the consolidated entity [2019: $Nil]. As at 30 June 2020, EnhanceTV has carried forward losses of $32,426 [2019: $32,426]. No tax losses have been recognised as a deferred tax asset.

8. CASH ASSETS

	2020 $000s	2019 $000s
Cash at bank	3,213	3,321
Cash on deposit	64,809	60,687
	68,022	64,008

The interest rate at 30 June 2020 on cash accounts is 0.25% [2019: 0.75%] which is the prevailing interest rate on cash at bank. The cash on deposit with banks mature within 238 days. The weighted average interest rate at 30 June 2020 on cash on deposit is 1.03% [2019: 2.44%].

9. TRADE AND OTHER RECEIVABLES

	2020 $000s	2019 $000s
Trade receivables	4,579	6,096
Sundry receivables	124	3,384
	4,703	9,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

10. PROPERTY, PLANT & EQUIPMENT

	Plant & equipment $000s	**Total $000s**
Cost		
Balance at 1 July 2018	1,696	1,696
Acquisitions	64	64
Disposals	[861]	[861]
Balance at 30 June 2019	899	899
Balance at 1 July 2019	899	899
Acquisitions	87	87
Disposals	[1]	[1]
Balance at 30 June 2020	985	985
Accumulated depreciation		
Balance at 1 July 2018	1,296	1,296
Depreciation charge for the year	120	120
Disposals	[861]	[861]
Balance at 30 June 2019	555	555
Balance at 1 July 2019	555	555
Depreciation charge for the year	122	122
Disposals	—	—
Balance at 30 June 2020	677	677
Carrying amounts		
At 1 July 2019	344	344
At 30 June 2020	308	308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

11. INTANGIBLES

	Computer software $000s	WIP $000s	Total $000s
Cost			
Balance at 1 July 2018	2,779	56	2,835
Acquisitions	299	138	437
Disposals	[799]	—	[799]
Balance at 30 June 2019	2,279	194	2,473
Balance at 1 July 2019	2,279	194	2,473
Acquisitions	—	—	—
Disposals	—	—	—
Balance at 30 June 2020	2,279	194	2,473
Accumulated amortisation			
Balance at 1 July 2018	1,107	—	1,107
Amortisation charge for the year	454	—	454
Disposals	[799]	—	[799]
Balance at 30 June 2019	762	—	762
Balance at 1 July 2019	762	—	762
Amortisation charge for the year	453	—	453
Disposals	—	—	—
Balance at 30 June 2020	1,215	—	1,215
Carrying amounts			
At 1 July 2019	1,517	194	1,711
At 30 June 2020	1,064	194	1,258

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

12. TRADE AND OTHER PAYABLES

	2020 $000s	2019 $000s
Trade and other creditors	233	391
Accrued expenses	465	276
	698	667

13. EMPLOYEE BENEFITS

	2020 $000s	2019 $000s
Current		
Liability for annual leave	268	236
Liability for long service leave	307	269
	575	505
Non-current		
Liability for long service leave	163	167
	163	167

14. LEASES

	Office $000s	Car Park $000s	Printer $000s	Total $000s
[i] Right-of-use assets				
Cost				
Balance at 1 July 2018	—	—	—	—
Acquisitions	—	—	—	—
Disposals	—	—	—	—
Balance at 30 June 2019	—	—	—	—
Balance at 1 July 2019	—	—	—	—
Impact of change in accounting policy	1,185	15	61	1,261
Adjusted Balance at 1 July 2019	1,185	15	61	1,261
Acquisitions	—	—	—	—
Disposals	—	—	—	—
Balance at 30 June 2020	1,185	15	61	1,261

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

14. LEASES CONTINUED

	Office $000s	Car Park $000s	Printer $000s	Total $000s
[i] Right-of-use assets continued				
Accumulated depreciation				
Balance at 1 July 2018	—	—	—	—
Acquisitions	—	—	—	—
Disposals	—	—	—	—
Balance at 30 June 2019	—	—	—	—
Balance at 1 July 2019	—	—	—	—
Depreciation charge for the year	316	4	13	333
Disposals	—	—	—	—
Balance at 30 June 2020	316	4	13	333
Carrying amounts				
At 1 July 2019	1,185	15	61	1,261
At 30 June 2020	869	11	48	928
[ii] Loans and borrowings				
Lease liabilities in Balance Sheet as at 30 June 2020				
Current	307	4	13	324
Non-current	593	7	36	636
	900	11	49	960
Maturity analysis as at 30 June 2020				
Less than one year	334	5	14	353
One to five years	611	7	38	656
More than five years	—	—	—	—
Total undiscounted lease liabilities at 30 June 2020	945	12	52	1,009
[iii] Amounts recognised in Profit/[loss]				
Interest on lease liabilities	37	1	2	40
Depreciation expense	316	4	13	333
	353	5	15	373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

14. LEASES CONTINUED

	Office $000s	Car Park $000s	Printer $000s	Total $000s
[iv] Amounts recognised in Profit/[loss]				
Total cash outflow for leases	322	4	14	340
	322	4	14	340

15. OTHER LIABILITIES

	2020 $000s	2019 $000s
Current		
Cultural Fund	484	465
Trust – IBNR Fund	989	757
Trust – Artistic Works	748	1,375
Competing Claims Fund	120	74
	2,341	2,671
Trust – Statutory		
Australian Education Service		
2014 Distributable amount payable to copyright owners	—	528
2015 Distributable amount payable to copyright owners	440	539
2016 Distributable amount payable to copyright owners	823	1,064
2017 Distributable amount payable to copyright owners	1,375	1,835
2018 Distributable amount payable to copyright owners	2,052	3,785
2019 Distributable amount payable to copyright owners	3,570	27,819
2020 Distributable amount payable to copyright owners	28,490	—
Australian Retransmission Service		
2014 Distributable amount payable to copyright owners	—	415
2015 Distributable amount payable to copyright owners	258	345
2016 Distributable amount payable to copyright owners	375	501
2017 Distributable amount payable to copyright owners	550	710
2018 Distributable amount payable to copyright owners	802	1,383
2019 Distributable amount payable to copyright owners	1,139	7,867
2020 Distributable amount payable to copyright owners	6,920	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

15. OTHER LIABILITIES CONTINUED

Trust – Statutory continued

	2020 $000s	2019 $000s
Australian Government Copying Service		
2014 Distributable amount payable to copyright owners	—	13
2015 Distributable amount payable to copyright owners	12	16
2016 Distributable amount payable to copyright owners	13	14
2017 Distributable amount payable to copyright owners	17	19
2018 Distributable amount payable to copyright owners	36	229
2019 Distributable amount payable to copyright owners	44	1,497
2020 Distributable amount payable to copyright owners	1,003	—
Sound Recordings Distributable amount	30	30
	47,949	48,609
Trust – Non-statutory		
NZ Education Service		
2014 Distributable amount payable to copyright owners	—	105
2015 Distributable amount payable to copyright owners	99	125
2016 Distributable amount payable to copyright owners	118	151
2017 Distributable amount payable to copyright owners	193	247
2018 Distributable amount payable to copyright owners	277	417
2019 Distributable amount payable to copyright owners	448	1,978
2020 Distributable amount payable to copyright owners	2,080	—
Disbursements by Screenrights	917	825
International Service	252	842
	4,384	4,690
Total other liabilities - current	54,674	55,970
Non-current		
Fund for the benefit of members	1,394	1,646
Total other liabilities - non-current	1,394	1,646

16. PROVISIONS

	2020 $000s	2019 $000s
Lease make good	93	80
	93	80

17. 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.

18. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

18. FINANCIAL RISK MANAGEMENT CONTINUED

[a] Overview continued

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.

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 90 to 365 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 $68,022,586 at 30 June 2020 is 1.03% [2019: $64,007,994 - 2.44%]. 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.

18. FINANCIAL RISK MANAGEMENT CONTINUED

[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:

	2020 $000s	2019 $000s
Cash and cash equivalents	3,213	3,321
Cash on deposit	64,809	60,687
Trade and other receivables	4,703	9,480
	72,725	73,488

Impairment losses

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

	2020 $000s	2019 $000s
Not past due	3,714	4,788
Past due 0-30 days	472	636
Past due 31-120 days	58	504
Past due 121 days	335	168
	4,579	6,096

As at 30 June 2020, the Consolidated Entity did not recognise a provision for impairment due to the Directors being of the opinion that the amounts receivable are recoverable [2019: $Nil].

Liquidity risk

The contractual maturities of financial liabilities, as represented by trade and other payables [Note 12] and other current liabilities [Note 15], 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	2020 $000s	2019 $000s
Trade receivables	47	28
Total balance sheet exposure	47	28

18. FINANCIAL RISK MANAGEMENT CONTINUED

[b] Financial transactions continued

The following significant exchange rates applied during the year:

	Average rate 2020	Average rate 2019	Spot rate 2020	Spot rate 2019
New Zealand Dollar	1.0548	1.0355	1.0199	1.0446

Sensitivity

A 10% strengthening/weakening of the Australian Dollar against the New Zealand Dollar at 30 June would have increased/[decreased] the consolidated entity's profit/[loss] by $4,656 at 30 June 2020 [2019: $2,759]. 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 2020 $000s	Carrying Amount 2019 $000s
Fixed rate instruments		
Cash on deposits	64,809	60,687
Variable rate instruments		
Cash at bank	3,213	3,321

Sensitivity analysis

If interest rates had changed by plus/[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 $32,130 [2019: $33,210].

19. 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:

	2020 $000s	2019 $000s
Cash	3,213	3,321
	3,213	3,321

19. NOTES TO THE STATEMENT OF CASH FLOWS CONTINUED

	2020 $000s	2019 $000s
[b] Reconciliation of cash flows from operating activities		
Operating profit/[loss]	—	—
Add/[less] items classified as investing activities:		
Interest received	[1,427]	[1,699]
Add/[less] non-cash items:		
Depreciation and amortisation	908	574
Interest expense	40	—
Net cash utilised by operating activities before change in assets and liabilities	[479]	[1,125]
Change in assets and liabilities:		
Decrease/[increase] in trade and other receivables	4,777	[5,449]
Increase/[decrease] in trade creditors and accruals	31	[77]
Increase in royalties in advance	154	435
Increase/[decrease] in provision for employee entitlements	66	[27]
[Decrease]/increase in provisions	[239]	13
[Decrease]/increase in distributable amounts	[1,296]	1,990
Net cash provided by/[used in] operating activities	3,014	[4,240]

20. RELATED PARTY DISCLOSURES

Key management personnel compensation

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

	2020 $000s	2019 $000s
Short-term employee benefits	2,038	2,054
Post-employment benefits	97	153
Other long-term benefits	38	31
	2,173	2,238

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

20. RELATED PARTY DISCLOSURES CONTINUED

Statement of management remuneration

Salary range*	Screenrights Executives in range 2019/20	Screenrights Executives in range 2018/19
$0-99k	2**	2**
$100-149k	1	1
$150-199k	2	2
$200-249k	4	2
$250-299k	—	2
$300-400k	1	1

* Includes superannuation, leave provisions and incentive payments

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

Statement of management remuneration

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 Jonathan Carter, Kim Dalton, Ben Grant, Kelly Lefever, Victoria Spackman and Georgina Waite, 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.

Loans to key management personnel

There were no loans to key personnel at any time during the year ended 30 June 2020.

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 2020, in respect of management fees, the company owed the subsidiary $1,226,766 [2019: $652,809].

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

21. 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 2020, membership of the Company comprised 4,709 full members [2019: 4,438], resulting in a total guarantee of $47,090 [2019: $44,380].

22. COMMITMENTS FOR EXPENDITURE

The consolidated entity applied AASB 16 with a date of initial application of 1 July 2019. As a result, the consolidated entity has changed its accounting policy for operating lease contracts/commitments as detailed in Note 1[r].There are no other commitments.

23. CONTINGENT LIABILITY

The parent entity does not have any contingent liabilities at 30 June 2020 [2019: $ NIL].

24. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2020, the parent entity of the consolidated entity was Audio-Visual Copyright Society Limited.

	2020 $000s	**2019 $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	72,586	73,504
Total assets	75,082	75,559
Current liabilities	71,226	72,097
Total liabilities	73,513	73,990
	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

25. SUBSEQUENT EVENTS

On 22 July 2020, Screenrights filed in the Copyright Tribunal for a determination of equitable remuneration with Foxtel. There has not arisen in the interval between the end of the financial year and the date of this report, any other 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.

APPENDIX

For the year ended 30 June 2020

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	40,491	1,107,217	26,835,030	5,960,146	332,891	22,827	**34,298,602**
Income on investments of licence fees	1,045	28,563	695,578	154,490	8,629	592	**888,897**
Total amount allocated to members	34,332	938,806	22,717,923	5,045,723	281,818	19,326	**29,037,928**
Total amount paid to members	56,721	1,551,024	21,913,436	4,867,044	271,838	18,641	**28,678,704**
Total amount of licence fees held in trust	45,965	1,256,921	30,015,131	6,666,457	372,341	25,534	**38,382,349**
Total licence fees for which the trust period expired*	1,048	28,650	342,987	76,179	4,255	291	**453,410**

* 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.

Screenrights
ABN: 76 003 912 310

Level 1, 140 Myrtle Street
Chippendale NSW Australia 2008

Email info@screenrights.org

screenrights.org

Australia
Phone +61 2 8038 1300

New Zealand
Freephone 0800 44 2348
Freefax 0800 44 7006