



ANNUAL REPORT 2016

**COPY
RIGHT**
LICENSING
NEW ZEALAND



OUR VISION

TO GROW
NEW ZEALAND'S
CREATIVE ECONOMY
BY ENABLING ACCESS
TO A WORLD OF
CONTENT.

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About Copyright Licensing New Zealand

Copyright Licensing New Zealand (CLNZ) is jointly owned by the Publishers Association of New Zealand (PANZ) and the New Zealand Society of Authors (NZSA). As a member of the International Federation of Reproduction Rights Organisations (IFFRO), CLNZ is part of a global network that represents the interests of publishers and authors from all around the world.

Our tailored licensing solutions allow education facilities, businesses and government departments to copy, scan and share from copyright protected material including books, magazines, journals and periodicals; beyond what is permitted under the Copyright Act 1994. CLNZ is a non-profit business and all net proceeds from licensing are distributed to copyright owners.

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P9 Bullhorn by Gregor Cresnar / Share by Gregor Cresnar / Funds by Gregor Cresnar / Fist by Till Teenck / Book by Sandra / Handshake by David / Bow by Brandon Shields P10 Graduation cap by Rockicon P13 Gavel by Ralf Schmitzer / User Group by Peter van Driel / Smartphone by unlimicon / Structure by Xinh Studio / Clipboard by David / Tick by Kidiladon P19 Map of New Zealand by Marvdrock / Funds by Gregor Cresnar

CHAIRPERSON'S REPORT

New Zealand prides itself on its creativity. We celebrate our unique identity as a nation through our music, art, theatre, film, and our literature. The vital cultural and social impact of creativity is often highlighted, but what is less acknowledged is its economic benefits.

The 2014 PWC Creative Economy report highlighted the immense contribution of the creative sector to the New Zealand economy. Industry wide, the total impact of more than \$3.5 billion dollars. The book industry alone contributed \$382 million. Creativity is pivotal to the health and wealth of our nation. For New Zealanders to continue to enjoy the wonderful diversity and quality of the creative content we have come to expect, the creators need to be paid for their work.

We are blessed with an abundance of talented writers across all genres; fiction, non-fiction, poetry, educational, childrens writing and illustrating. Each year the CLNZ Education Awards illustrate the imaginative and diverse range of resources being created by New Zealanders to enable our teachers to educate and stimulate our childrens' love of learning. International markets have recognised the outstanding quality of our work, and New Zealand writers' and publishers' products are being snapped up overseas.

The role of CLNZ and Reproduction Rights Organisations worldwide is vital in championing the right of writers to benefit from their work, especially in this Internet age where we have generations expecting free content, and multinational giants lobbying to erode writers' rights under copyright law for their own benefit. This was very apparent when attending the IFFRO Conference in Amsterdam. There was huge concern at the erosion of writers' rights, and the increase in countries expanding copyright law's reach into 'fair use' as a means to circumvent writers' abilities to be paid for use of their work. It is more important than ever for us to fight to ensure that our writers and publishers can continue to create the wonderful content that underpins our nation's culture and economy.

CLNZ's vision is to grow New Zealand's creative economy by enabling access to a world of content. Enabling is such an important word, as it recognises that writers and publishers need to be able to financially benefit from their work – we all



need to eat! And it also recognises that with all of this wonderful content, we need to ensure that users of it, our customers, are excited by it, and their needs are met. CLNZ's strategic plan gives us the structures and focus to ensure that we are an effective organisation that works for our stakeholders and customers, and enables us to ensure everyone recognises the value of copyright – from Government and those undertaking the copyright review, to students.

In 2016 there were a number of changes to the board of CLNZ. At the beginning of the year we welcomed Dana Wensley as a director. We also saw Adrian Keane stand down from his position as Chair, and myself take over the role. I offer our sincere thanks to Adrian for his contribution to CLNZ in his time on the board and as Chair. He steered us through the very turbulent period of renegotiation of licence fees with the universities, and he also led the board to put in place more robust governance practices and strategic planning. This has resulted in CLNZ having a valuable and diverse range of skills across its directors, and a clear strategic direction. Adrian departed the board at the end of the year, and we welcomed Graeme Cosslett as a director at the beginning of this year. My thanks to all of our board members for their contribution to CLNZ and the wider copyright community, and also my immense thanks to Paula and her wonderful team for their hard work, and for ensuring that the operations of CLNZ are in good hands.

A handwritten signature in black ink that reads "Vanda Symon".

Vanda Symon
Chairperson

CEO'S REPORT

2016 was the year in which Copyright Licensing (CLNZ) got "WISE". In a business sense, WISE is our new cloud-based distribution software that is setting us up for processing a significantly increased volume of content-usage data, particularly from the New Zealand universities.

Data from the universities now comes into CLNZ in an electronic format and WISE is able to recognise titles that have been copied under the licence previously and match these records for use in our distributions of licence revenue with minimal handling. The contrast between this workflow and the former process of manually entering bibliography from printed course materials is significant and both CLNZ and the universities are enjoying benefits from our respective investments in new software. A new licence for the Institutes of Technology and Polytechnics has been agreed recently that also provides the opportunity for these institutions to move to reporting electronically to CLNZ. Investment in technology solutions is the key to effectively and efficiently licensing content in the digital age and CLNZ is working to ensure that our systems are fit for the demands of licensing larger volumes of smaller portions of creative works.

The second half of 2016 saw the government undertake its study into Copyright and the Creative Sector. In what we believe is a unique approach, and one for which we should acknowledge Minister Goldsmith and the IP Team at MBIE, interviews were conducted with many New Zealanders who create content and own creative businesses. The report outlines how creative works are created, produced, distributed and consumed and 90% of respondents identified copyright as very important to their work. While this won't come as a surprise to New Zealand authors and publishers, the publication of the report is not a sign that creators should be complacent about the law that underpins your right to choose how and where your work is sold, used or copied. In many other countries, governments and influential lobby groups are seeking to have copyright law diluted in multiple ways that would make it even harder for you to earn a living from your work. Being equally influential in ensuring this does not happen in New Zealand is one of the four pillars of CLNZ's strategy for the next two years (you can read more about this on page 13). Remember that the "C" in copyright gives you,



the content creator, choice. It is not, and should not, be about someone else's choice as to what happens with what you have created.

One of the other pillars of our strategy for 2017 and 2018 is to build stronger customer relationships. To give this vitally important aspect of our business the attention it needs and deserves, we have recruited a Business Relationship Manager. We introduce you to Tom Hill on page 7. We have also welcomed a new Marketing and Communication Manager – Summer Jenkins. Summer comes to CLNZ with vast experience in not-for-profit marketing and we look forward to increasing the impact of our positive, creator-focussed, communications and licensing campaigns under Summer's guidance.

I would like to acknowledge our former Chair, Adrian Keane, for his support and mentorship in the past five years and I would like to thank the CLNZ team for their dedication to delivering on the mandate we have to licence your work.

The copyright world is a challenging one and licensing that provides access to content in the way that consumers want is an important part of ensuring the future viability of writing and publishing in New Zealand. We look forward to continuing to work on behalf of you all to achieve this.

A handwritten signature in black ink, appearing to read 'PJAmin'.

Paula Browning
Chief Executive

MEET OUR BOARD

Copyright Licensing New Zealand (CLNZ) was established in 1988 by the Book Publishers Association of New Zealand Inc. (BPANZ).

CLNZ is now jointly owned by the Publishers Association of New Zealand (PANZ, formally BPANZ) and the New Zealand Society of Authors (NZSA).

The Board is made up of six Directors, of which two represent NZSA, two represent PANZ, and two Independent Directors.



Vanda Symon
Chairperson

Vanda is a successful crime fiction writer having published five novels to date. She is the former Chair of the Otago Southland branch of NZSA and is still involved at an organisational level. Currently, Vanda is a Ph.D candidate at the University of Otago, in Science Communication.



Sam Elworthy
Director

Sam grew up in South Canterbury and studied in Dunedin where he edited the student newspaper and wrote a book on student life, *Ritual Song of Defiance: A Social History of Students* at the University of Otago. After completing his Ph.D. in the US, Sam became the Editor-in-Chief at Princeton University Press. Back in NZ, Sam has chaired the Michael King Writers' Studio Trust and the Book Awards Governance Group. He is now Director of Auckland University Press and immediate past President of the Publishers Association of NZ.



Dr Dana Wensley
Director

Dr Dana Wensley is a professional member of the NZ Society of Authors, a Committee Member of the Top of the South Branch of the NZ Society of Authors, and the PEN (NZ) representative for freedom of speech. Dana writes on issues touching on the intersection of law, society, politics, and morality. She has a Ph.D. from King's College, London, an LLB (Hons) from Auckland, and a postgraduate diploma in writing from the School for Writers, Humber College, Toronto. Previously she has been a Research Fellow at the University of Otago, an assistant editor of the *Bulletin of Medical Ethics* in London, and a member of the Guelph Mercury Community Editorial Board in Canada.



Andrew McKenzie
Director

Andrew is one of two directors appointed to CLNZ's board in 2014 bringing significant commercial experience to our organisation. Currently Andrew is Chief Executive Officer at Housing New Zealand and prior to that was General Manager Finance, in the Construction Group at Fletcher Building and Chief Financial Officer at Auckland Council. Andrew is passionate about the next generation being able to make a living from their creativity and is a director on a number of boards.



Professor Pat Walsh
Director

Pat was appointed to the CLNZ board in 2014 and brings his breadth of experience in the tertiary sector to CLNZ. He is the former Vice Chancellor of Victoria University and former Chair of the Universities New Zealand Vice Chancellors Committee. He is Chair of Agri One, a joint venture between Lincoln and Massey Universities, Chair of the New Zealand and Indonesia Council and Chair of the Academic Quality Agency.



Adrian Keane
Past Chair

Chair of CLNZ until 2015, and past president of the Publishers Association of NZ (PANZ), Adrian has been active in educational publishing for over 20 years. Managing Director of Pearson New Zealand from 2007-2013, he is now Chief Executive of Edify, the exclusive NZ representative of Pearson.

OUR PEOPLE

OUR PEOPLE ARE AT THE HEART OF WHAT WE DO.

Copyright Licensing New Zealand is comprised of a talented team of individuals bringing professionalism and dedication to their roles.

Paula Browning

Chief Executive Officer

Tom Hill

Business Relationship Manager

Ann Sprosen

Licensing and Administration Manager

Monika McCracken

Surveys Manager

Miriam Wiley

Distribution Manager

Summer Jenkins

Marketing and Communication Manager

Jason Kay

Systems Manager

Emma Yagmich

Research and Data Entry

NEW STAFF SPOTLIGHT

Tom Hill

Business Relationship Manager

In this newly developed role, Tom is responsible for proactively engaging with CLNZ's customers to build and maintain positive, mutually beneficial relationships. He also works with non-government private training enterprises to expand CLNZ's involvement in that market, and with CLNZ stakeholders to identify new product offerings to meet emerging customer needs. He is also a member of the editorial board of Learned Publishing, the official journal of the Association of Learned and Professional Society Publishers.



OUR PURPOSE

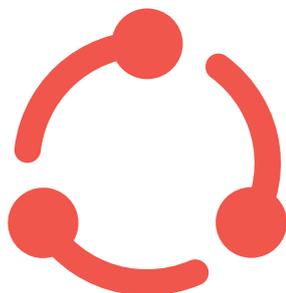
TO PROVIDE
ACCESS TO CONTENT;
TO REPRESENT
AUTHORS AND
PUBLISHERS; AND TO
ENSURE THEY ARE
PAID WHEN THEIR
WORK IS USED.

WHO WE ARE:



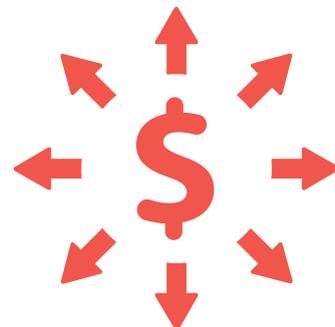
ADVOCATORS

As a non-profit organisation, Copyright Licensing New Zealand (CLNZ) represents the interests of authors and publishers from New Zealand and around the world, paying them when their works are used. Established on the principles of collective rights management, we encourage respect for copyright and for those who create the work we love to read.



FACILITATORS

CLNZ is perfectly positioned between publisher/author and reader to issue a Copying License that makes copying, scanning and sharing printed material (eg. books and journals) simple and legal for education providers, businesses and government departments, for the benefit of everyone.



CONTRIBUTORS

CLNZ actively contributes to the production and growth of new works in New Zealand by investing in publishers and authors' new projects and supporting industry initiatives. Through the CLNZ Cultural Fund, established in 2001, funding investments are made into people and projects that benefit cultural or social purposes that are directly in the interest of the rightsholders that we represent.

OUR VALUES



Empowering



Knowledgeable



Teamwork



Respect

ACHIEVEMENTS IN 2016

STRATEGIC



EFFECTIVE COPYRIGHT FRAMEWORK

Sustained effort over 2014-15-16 led, in 2016, to the industry-first approach to the Creative Sector Study, published in December 2016. New Zealand government is the first that we know of to approach copyright reform through engagement with local creative industries.

- Permanent Deputy Chair appointment to New Zealand Copyright Tribunal.
- Written and in-person presentations to Foreign Affairs and Trade Select Committee on trade agreements and the need for New Zealand authors and publishers to benefit from the same copyright term as content creators in New Zealand's trade partner countries.

STRONGER CUSTOMER RELATIONS

- Support of university copyright officers during e-Reporting implementation led to first-ever invitation for Copyright Licensing New Zealand (CLNZ) to UNZ Copyright Expert Group meeting in early 2017.
- ITP Licence negotiations concluded. Four year agreement in place including provision for e-Reporting and new fee structure.
- Agreed fee increase in extension of university licence.

OPERATIONAL EXCELLENCE

- First stage of implementation of the cloud-based WISE platform for both licensee management and distributions of licence fees.
- New partnership with NZ Society of Authors for the presentation of the CLNZ Writers' Award at the inaugural National Writers Forum.
- Progressed adoption of the WIPO model for best practice in Collective Management.



INTERNATIONAL

GLOBAL LICENSING

- Contribution to copyright and licensing developments in the Asia-Pacific region.
- Sharing of licensing best practice with IFRRO members at World Congress.

OTHER

OUR ADDITIONAL EFFORTS

- Representation for copyright owners on National Library of New Zealand Programme Governance Board. This has led to NLNZ commencing closer working relationships with authors and publishers.
- Advocacy work for both CLNZ and WeCreate with senior policy staff across multiple government departments.
- Commissioned New Zealand writers earnings report to highlight the challenges faced by writers in New Zealand.

LOOKING AHEAD— 2017 AND BEYOND



1



Lobby government to secure a small claims process for copyright owners.

2



Broaden engagement with content user groups to enhance their understanding of how copyright works for authors and publishers.

3



Enhance education licence offerings with access to digital content and other uses that meet the needs of schools and tertiary institutions.

4



Develop new distribution practice that maximises the use of the data provided by New Zealand universities.

5

WISE

Further WISE enhancements that deliver value to copyright owners and licensees.

6



Survey stakeholders for input into new marketing and communications tools.

7



Support WeCreate in its goal for a government-industry action plan to grow the creative sector's contribution to the New Zealand economy.

8



Undertake a Fit for Purpose review to ensure CLNZ's operations are effective for a collective management organisation in the current New Zealand and international CMO environment.

CASE STUDY – FROM A LICENSEE’S PERSPECTIVE



Deidre Shea

Principal

Onehunga High School, Auckland

Number of students: 1,100

Copyright licenses enable schools to access and share print, music and audio visual content, far beyond what is permitted by the Copyright Act. A fully licensed school has the freedom to read more, hear more and see more content and use it, legally.

This is exactly why being licensed is so important to Deidre Shea, Principal of Onehunga High School.

“Our school has been licensed for many years and I can’t imagine not being licensed. It provides our staff and students greater access to a variety of work, and in particular, New Zealand content,” says Deidre.

Teachers and support staff at Onehunga High have been taught the “do’s and don’ts” of sharing content and a dedicated staff member in the Resource Room provides additional support when required.

“We ran a professional development session with our staff so that everyone gained an understanding of what a copyright license allowed them to do to support their teaching. Our staff member who understands all the ‘ins and outs’ of the license also helps,” says Deidre.

Access to New Zealand content is also important to Onehunga High. Deidre continues “We know that students engage with learning context more easily when they are able to identify with what’s being taught. New Zealand content is relevant, supports learning, and produces positive learning outcomes.”

“Being licensed is the right thing to do in every sense of the word.”

“Not only for our students and teachers to access and share more content, but what’s equally important is supporting the people that create the work. Because without those people creating that content, we wouldn’t have the resources to teach the youth of New Zealand,” says Deidre.

SCHOOLS LICENSING

An exception in the New Zealand Copyright Act provides for some use of content in teaching for free. Schools that wish to provide their staff and students with access to material beyond what is permitted by law, can take out a CLNZ licence. The licence fee paid is based on the number of students enrolled in each school.

	2016	2015	2014	2013	2012
TOTAL STUDENTS LICENSED	547,002	537,922	509,405	499,163	492,798
Primary students	326,635	317,974	293,678	282,919	283,080
Secondary students	220,367	219,978	215,727	216,244	209,718

CASE STUDY – FROM AN AUTHOR’S PERSPECTIVE



Neville Peat

Author

Based in Dunedin

CLNZ Writers’ Award 2016 Recipient

Award-winning New Zealand writer and photographer, Neville Peat is well underway researching and writing for his latest project “The Invading Sea” and says he couldn’t do it without the financial contribution he has received from Copyright Licensing New Zealand (CLNZ).

In 2016, Neville was presented with the CLNZ Writers’ Award at the inaugural Writers Forum in Auckland. Neville received \$25,000 towards his project, one of the highest non-fiction prizes in New Zealand literature. The book will cover the highly topical subject of climate-change science, focusing on sea-level rise and what New Zealand can do to prepare for it.

Funding for the award comes from CLNZ’s Cultural Fund which derives revenue from CLNZ’s licensing activity in New Zealand. The licensed copying of copyright material helps to fund the creation of new work.

“It was a huge surprise to hear I had won” says Neville. “Most New Zealanders live close to the coast and love the beach, so my aim for this book is to try and give people information about global warming – from the science of climate change to planning and policy solutions. This story has a clear message and one I hope will educate people on how we can prepare for a time when the seas are higher.”

Neville believes that without the financial contribution he has received from CLNZ, he wouldn’t be able to undertake this kind of project. “The funding from CLNZ totally enables me to do this project. It’s not just a desk job, I need to get around the coastline, interview people and get to the frontline of our coastal vulnerability.”

“I certainly wouldn’t have tackled a project like this without the financial support of CLNZ.”

Neville sees this book as giving back to New Zealand – in a way, contributing to New Zealand’s future. “With this project, it feels like the money I received from CLNZ is helping make New Zealanders more aware of the environmental challenges ahead of us.”

He continues, “CLNZ collects licensing fees from people and organisations copying licensed material, and distributes it back to the people who create the work, which then gets reinvested in to new work, and the circle continues.”

CEO Paula Browning agrees, “the awards and grants the CLNZ Cultural Fund provides contributes to the New Zealand publishing industry by giving writers time to write and by investing in other projects that support New Zealand writing and publishing. We’re delighted that this award went to a New Zealand writer who is able to bring a complex subject to both New Zealand overseas readers”.

DID YOU KNOW?

\$185,000 was distributed from the CLNZ Cultural Fund in 2016.

FACTS & FIGURES

Gross Revenue 2016

\$6,628,571

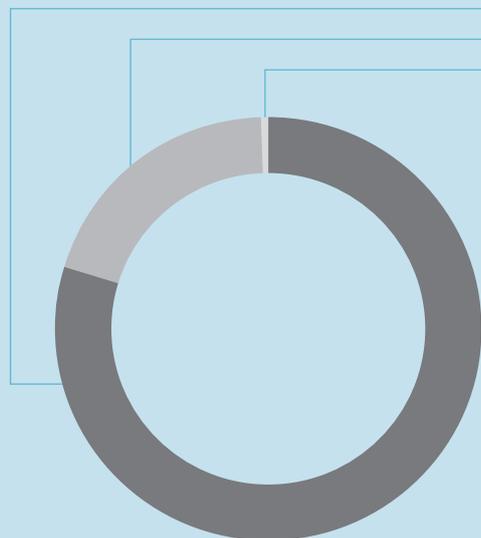
Previous Years



Domestic Licensing Revenue 2016

\$5,618,667

Domestic Licensing Revenue Source 2016



Other 0.4%

Government 0.1%
Business 0.2%
Not-for-profit 0.1%

Schools 19.8%

Secondary Schools 11.4%
Primary Schools 8.4%

Tertiary 79.8%

Universities 54.1%
Polytechnics 17.3%
Private Training Establishments 5.7%
Te Wananga 2.6%

Previous Years



Overseas Revenue 2016

\$742,407

Overseas Revenue Source 2016

1. Australia

55% (\$408,410)

2. United Kingdom

20% (\$148,418)

3. Japan

17% (\$123,315)

4. Ireland

2% (\$14,973)

5. USA

2% (\$12,974)

6. France

2% (\$11,838)

7. Other

2% (\$22,479)



Previous Years



DID YOU KNOW LICENSING IS VOLUNTARY IN NEW ZEALAND?

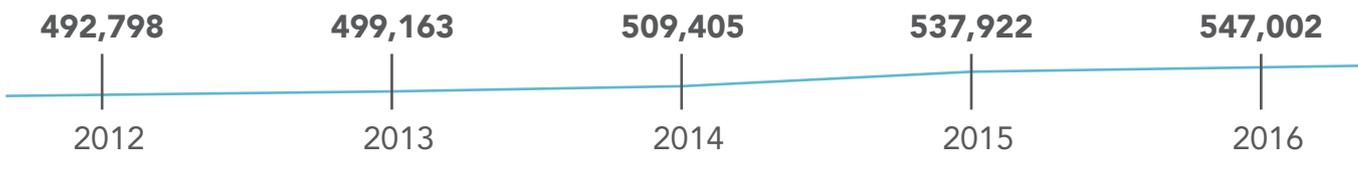
School Licensing 2016

Number of school students licensed in 2016

547,002

REPRESENTATIVE OF APPROXIMATELY
70%
OF ALL SCHOOLS IN NEW ZEALAND

Previous Years

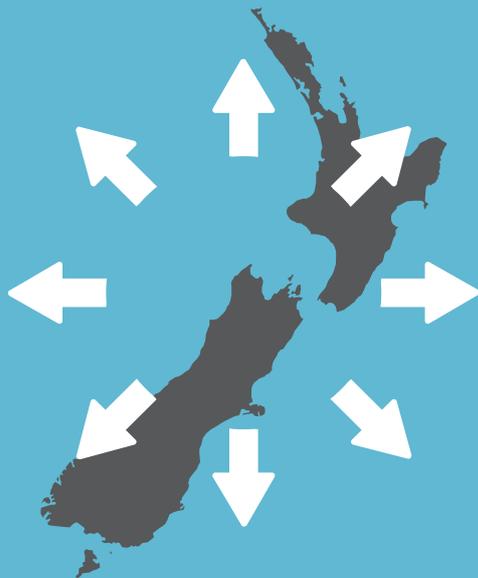


Distribution to Content Owners

Since 1995, CLNZ has allocated a little over \$65M for copying under our licenses.



In 1995 (year one), \$165,000 was distributed to content owners. Now the annual figure is around \$4.6 million.



Access to a World of Content

Just as we receive income from overseas Reproduction Rights Organisations (RROs) for local content being used internationally, we also distribute funds back out to those same organisations for international works used within New Zealand. We see this as a positive, allowing New Zealanders access to a world of content. Here is a percentage breakdown of the countries we have distributed funds over the last five years.

Country	2012	2013	2014	2015	2016
Australia	16.09%	12.04%	11.87%	15.65%	15.8%
Canada	1.7%	0.76%	0.91%	1.32%	2.3%
United Kingdom	37.66%	36.41%	41.31%	37.25%	37.93%
USA	41.92%	48.47%	43.28%	43.55%	41.54%
Other	2.63%	2.32%	2.63%	2.23%	2.43%

AUDITOR'S REPORT



Independent Auditor's Report

To the Shareholders of Copyright Licensing Limited

RSM Hayes Audit

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Level 1, 1 Broadway
Newmarket, Auckland 1023

T +64 (9) 367 1656
www.rsmnz.co.nz

Opinion

We have audited the financial statements of Copyright Licensing Limited, which comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive revenue and expense for the year then ended;
- the statement of movements in equity;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

In our opinion, the accompanying financial statements on pages 23 to 33 present fairly, in all material respects, the financial position of Copyright Licensing Limited as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of Copyright Licensing Limited in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, Copyright Licensing Limited.

Other information

The directors are responsible for the other information. The other information comprises the annual report pages 3 to 22 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible, on behalf of Copyright Licensing Limited, for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as those charged with governance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Hayes Audit is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practises in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.



In preparing the financial statements, the directors are responsible, on behalf of Copyright Licensing Limited, for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

Who we report to

This report is made solely to the shareholders, as a body. Our audit has been undertaken so that we might state to the shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the directors as a body, for our work, for this report, or for the opinions we have formed.

RSM Hayes Audit
Auckland

14 June 2017

DIRECTORS' REPORT

The Directors of Copyright Licensing Ltd are pleased to present the company's report for the financial year ended 31 December 2016.

DIRECTORS

The names of the Directors in office at the end of the year are:

- Vanda Symon (Chair) NZSA
- Sam Elworthy PANZ
- Adrian Keane PANZ
- Dana Wensley NZSA
- Professor Pat Walsh Independent
- Andrew McKenzie Independent

PRINCIPAL ACTIVITIES

Copyright Licensing Ltd (CLNZ) is part of a global network of copyright collectives that provide centralised licensing services for the reproduction of extracts from published works. CLNZ makes it easier for users of books, journals and periodicals to gain clearance to copy from a worldwide repertoire of literary works.

Copyright Licensing Ltd is a non-profit company. All licensing revenue is returned to rightsholders after deduction of operating costs, a contribution of 2% of domestic licensing revenue to the CLNZ Cultural Fund and a contribution of 1% of domestic licensing revenue to the CLNZ Legal Fund. The Cultural Fund is used to invest in cultural and social purposes that help to grow the sector. The Legal Fund is provisioned for claims against the indemnity provided in CLNZ licences and other legal matters to which the company may need to respond.

OPERATING RESULTS

Gross revenue for the year was \$6,628,571 (2015 : \$6,793,303) of which \$742,422 (2015 : \$850,867) was received from overseas reproduction rights organisations for distribution to New Zealand rightsholders. Domestic licensing revenue was \$5,618,667 (2015 : \$5,587,254). Additional revenue was generated from interest on investments and administrative services.

After the deduction of operating costs and a contribution of \$112,373 (2015 : \$111,745) to the Cultural Fund and a contribution of \$56,187 (2015 : NIL) to the Legal Fund, \$4,599,924 (2015 : \$4,820,514) was allocated for distribution from domestic licensing revenue.

Operating expenditure represented 17.5% of gross revenue (2015 : 16.0%).

SIGNIFICANT CHANGES

There has been no change in the nature of the business of the company during the financial year.

DIRECTORS' AND OFFICERS' INSURANCE

The company has paid a premium of \$5,850 (2015 : \$5,805) to insure directors and the Chief Executive Officer against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company other than conduct involving a wilful breach of duty in relation to the company.

DIRECTORS' DECLARATION

The Directors of the company declare that the following financial statements give a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the year ended on that date.

The Directors confirm that the company is in a sound financial position.



Vanda Symon
Chair
Dunedin



Pat Walsh
Director
Wellington

12 May 2017
Date

12 May 2017
Date

FINANCIAL STATEMENTS

COPYRIGHT LICENSING LIMITED STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$	2015 \$
REVENUE FROM EXCHANGE TRANSACTIONS			
Domestic Licensing		5,618,667	5,587,254
Overseas Reproduction Rights Organisations		742,422	850,867
Interest Received		253,997	341,068
Other Income		13,485	14,114
Total Revenue		6,628,571	6,793,303
EXPENSES			
Audit Fee		10,250	10,250
Depreciation and amortisation	7, 8	12,949	10,265
Directors' Costs		109,487	97,304
Legal Expenses		77,223	15,653
Operations		363,554	328,162
Office Lease Costs		74,228	74,156
Salaries & Wages		508,593	547,787
Total Expenses		1,156,284	1,083,577
Less Tax Expense		1,901	2,302
Net Licensing Revenue after tax		5,470,386	5,707,424
Less Allocation to Legal Reserve Fund	10	56,187	0
Less Transfers to Cultural Fund			
- Domestic Revenue	9	112,373	111,745
- Unattributable Overseas Revenue	9	26,678	50,229
Comprehensive revenue and expense for distribution to rights holders		5,275,148	5,545,450

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

COPYRIGHT LICENSING LIMITED STATEMENT OF MOVEMENTS IN EQUITY AS AT 31 DECEMBER 2016

2016	Note	Share Equity	Accumulated Funds	Cultural Reserve	Legal Reserve	Development in South Pacific Reserve	Total
Equity at 1 January 2016		100	-	432,381	212,028	12,864	657,273
Net licensing revenue after tax		-	5,470,386	-	-	-	5,470,386
Transfer to reserves		-	(195,238)	139,051	56,187	-	-
Use of reserve funds		-	-	(172,225)	-	-	(172,225)
Funds transferred for distribution		-	(5,275,148)	-	-	-	(5,275,148)
Equity at 31 December 2016		100	-	399,207	268,215	12,864	680,386
2015							
Equity 1 January 2015 (restated)	18	100	-	439,385	212,028	12,864	664,377
Net licensing revenue after tax		-	5,707,424	-	-	-	5,707,424
Transfer to/(from) reserves		-	(161,974)	161,974	-	-	-
Use of reserve funds		-	-	(168,978)	-	-	(168,978)
Funds transferred for distribution		-	(5,545,450)	-	-	-	(5,545,450)
Equity at 31 December 2015		100	-	432,381	212,028	12,864	657,373

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

COPYRIGHT LICENSING LIMITED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$	2015 \$
CURRENT ASSETS			
Cash and bank balance		3,333,852	3,177,723
Investments	6	6,404,237	5,093,180
Receivables		10	0
Taxation Refund		63,266	96,491
GST Refund		82,671	111,318
Prepayments		11,914	9,923
Total Current Assets		9,895,951	8,488,636
NON CURRENT ASSETS			
Property, plant and equipment	7	24,095	32,851
Intangible assets	8	90,257	47,877
TOTAL ASSETS		10,010,299	8,569,361
CURRENT LIABILITIES			
Distributable Funds	4.14	9,067,950	7,833,822
Holiday pay accrual		33,622	39,902
Accruals		24,857	19,597
PAYE Due		19,861	18,667
NRWT Payable		183,623	0
Total Current Liabilities		9,329,913	7,911,988
TOTAL LIABILITIES		9,329,913	7,911,988
NET ASSETS		680,386	657,373
EQUITY			
Share Capital		100	100
Cultural Fund	9	399,207	432,381
Legal Reserve Fund	10	268,215	212,028
Provision for Development in South Pacific	4.13	12,864	12,864
TOTAL EQUITY		680,386	657,373

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

COPYRIGHT LICENSING LIMITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Licensing revenue		6,361,079	7,278,933
Interest received		253,997	341,068
GST received/(paid)		28,647	(224,815)
Other operating activities		13,485	14,114
Tax refund/(paid)		214,947	(232,847)
Payments to suppliers and employees		(1,144,512)	(1,098,607)
Distributions to rights holders		(4,041,020)	(5,614,662)
Payments from cultural fund		(172,224)	(164,382)
Net cash inflow from operating activities		1,514,399	298,802
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(46,572)	(57,959)
Net cash inflow/(outflow) from investing activities		(46,572)	(57,959)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from investments		(1,311,057)	1,259,277
Net cash inflow/(outflow) from financing activities		(1,311,057)	1,259,277
Net increase/(decrease) in cash and cash equivalents		156,770	1,500,120
Cash and cash equivalents at 1 January		3,177,082	1,676,962
Cash and cash equivalents at 31 December	6	3,333,852	3,177,082

The accompanying notes form part of these financial statements.

COPYRIGHT LICENSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. REPORTING ENTITY

Copyright Licensing Limited is a private company registered under the Companies Act 1993. The Directors consider Copyright Licensing Limited to be a non-profit company as the full amount of the net surplus each year is required to be distributed to rights holders in accordance with the company's constitution and Distribution Policy.

The company is a Reproduction Rights Organisation and operates licensing schemes on behalf of copyright owners of published materials. The net returns from licensing are paid out to the copyright owners whose materials have been copied under licence.

These financial statements have been approved and were authorised for issue by the Board of Directors on 12 May 2017.

2. STATEMENT OF COMPLIANCE

The entity's financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR") that have been authorised for use by the External Reporting Board for Not-For-Profit entities. Copyright Licensing Limited is a public benefit entity and is eligible to apply Tier 2 Not-For-Profit PBE standards RDR on the basis that it does not have public accountability and it is not defined as large.

The Board has elected to report in accordance with Tier 2 Not-For-Profit PBE Accounting Standards and in doing so has taken advantage of all applicable Reduced Disclosure Regime ("RDR") disclosure concessions.

3. EFFECT OF FIRST TIME ADOPTION OF PBE STANDARDS ON ACCOUNTING POLICIES AND DISCLOSURES

This is the first set of financial statements of the company that is presented in accordance with PBE standards. Copyright Licensing Limited has previously reported in accordance with old GAAP as defined by Financial Reporting Standards and applicable statements of Standard Accounting Practice. The accounting policies adopted in these financial statements are consistent with those of the previous year, except for instances when the accounting or reporting requirements of a PBE standard are different to requirements under old GAAP as outlined below. The changes to accounting policies and disclosures caused by first time application of PBE accounting standards are as follows:

PBE IPSAS 1 covers the presentation of financial statements. There are minor differences between PBE IPSAS 1 and old NZ GAAP. These differences influence disclosure only.

PBE IPSAS 2 prescribes the financial reporting requirements for preparation of statement of cash flows. This is the first year that

the company has prepared a cash flow statement.

Under PBE standards the cultural reserve, legal reserve and development in the south pacific reserve are considered to no longer meet the definition of a liability. These amounts have been transferred to separate reserves in equity, as disclosed in note 18.

4. SUMMARY OF ACCOUNTING POLICIES

4.1 FUNCTIONAL AND PRESENTATION CURRENCIES

The company's presentation currency is New Zealand Dollars (NZD). The financial statements are prepared in New Zealand dollars, rounded to the nearest dollar.

Transactions in a foreign currency are converted at the exchange rate at the date the transaction is settled. Foreign currency receivables and payables at balance date are translated at exchange rates current at balance date. Any resulting exchange gains or losses are recognised in the Statement of Comprehensive Revenue and Expense.

4.2 BASIS OF MEASUREMENT

These financial statements have been prepared on the basis of historical cost.

4.3 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The company considers that all revenue received is as a result of exchange transactions. The following specific recognition criteria must be met before revenue is recognised.

Revenue from exchange transactions

Domestic Licensing

Domestic licensing revenue is received from license holders in accordance with the terms of licensing schemes that help to make copying, scanning and sharing printed works easy and legal. Licenses are issued annually for the calendar year with invoicing for licenses happening in the year the license is issued. Domestic Licensing revenue is recognised on receipt.

Overseas Reproduction Rights Organisations

Periodically, funds are received from reproduction rights organisations in other countries as a result of New Zealand works being copied overseas. Copyright Licensing Limited has no control over the amount or timing of receipt of those funds. As such, these funds are recognised as revenue when received and distributed to the relevant copyright holders in accordance with the Company's Distribution Policy.

Interest

Interest is recognised as it accrues, using the effective interest method.

COPYRIGHT LICENSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

4.4 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Depreciation is charged on a straight line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

- Furniture & Fittings 15%
- Office equipment 39%
- Computer hardware 40%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted if there is a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset. Gains and losses on disposal of fixed assets are taken into account in arriving at the net surplus for the year.

4.5 INTANGIBLE ASSETS

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The Company's registered trademarks and software development are its only intangible assets. Trademarks are currently not being amortised.

The amortisation periods for the Company's assets are as follows:

- Trademarks 0%
- Computer software 40%

4.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.7 LEASED ASSETS

Payments on operating lease agreements, where the lessor retains substantially the risk and rewards of ownership of an

asset, are recognised as an expense on a straight-line basis over the lease term.

4.8 RECEIVABLES

Receivables are valued at anticipated realisable value. A provision is made for doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified.

4.9 INCOME TAX

The entity qualifies as a non-profit company under the Income Tax Act 2007, section DV 8. The entity does not have the purpose of making a profit for a proprietor, member or shareholder. Under the constitution, the entity prohibits the distribution of property in any form, other than as a rightsholder, to a member, proprietor or shareholder. After expensing operating costs and transfers to reserves, the net surplus is transferred to the distributable funds account so the only funds held in equity are to achieve specific purposes. Due to timing differences, the entity is subject to non-deductible expenditure which may result in an income tax liability.

4.10 GOODS AND SERVICES TAX (GST)

All amounts in these financial statements are stated exclusive of GST, except for receivables that are inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

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

4.11 CONTRIBUTION TO CULTURAL FUND

A contribution of 2% of annual domestic licensing revenue is transferred to the Cultural Fund each year (refer also Note 9). This amount is deducted before arriving at the net surplus.

4.12 LEGAL RESERVE FUND (FORMERLY KNOWN AS INDEMNITY PROVISION)

Unallocated overseas licensing revenue was historically placed into the Indemnity Fund which is held in a separate bank account and shown as a current asset within cash and cash equivalents in the Statement of Financial Position. A corresponding amount is accounted for as a liability at balance date. Funds held to satisfy the indemnity provision are held as term deposits and therefore have not been broken so as to maximise the investment returns to Copyright Licensing Limited. The result at year end is bank accounts identified to cover the indemnity provision exceed the amount of the provision.

COPYRIGHT LICENSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

In 2016 the Board considered the risk to the company from unplanned legal expenditure. It has resolved to rename the Indemnity Provision to the Legal Reserve Fund (refer also Note 10) and to contribute 1% of domestic licensing revenue to this fund each year. This amount is deducted before arriving at the net surplus. This change will be formally adopted at the company's annual general meeting, along with the changes required to the company's Distribution Policy to reflect the allocation of revenue to the fund.

4.13 SOUTH PACIFIC DEVELOPMENT FUND

Unspent money budgeted for the development of copyright licensing in the South Pacific has been set aside for future use.

4.14 DISTRIBUTABLE FUNDS

New Zealand licensing revenue is received from a number of different sectors each year and is accounted for by sector by year. After pro rata deductions are made for operating costs, contributions to the Cultural Fund and contributions to the Legal Reserve Fund, the net surplus is allocated for distribution pending the identification of publishers and authors whose works are copied under licence through the provision of electronic usage data from the New Zealand universities and via annual sampling surveys carried out in all other licence sectors.

4.15 DISTRIBUTION

Revenue from overseas Reprographic Rights Organisations and copyright clearance licensing services is distributed to identified publishers and authors after deduction of an appropriate administrative charge (7.5% for distributions to mandated rightsholders, 15% for distribution to non-mandated rightsholders).

4.16 EMPLOYEE BENEFITS

Wages, salaries, annual leave and sick leave

Liabilities for wages, salaries and annual leave are recognised in surplus or deficit during the period in which the employee provided the related services. Liabilities for the associated benefits are measured at the amounts expected to be paid when the liabilities are settled.

4.17 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

The Company derecognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived, or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full

without material delay to a third party; and either:

- the Company has transferred substantially all the risks and rewards of the asset; or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

FINANCIAL ASSETS

Financial assets within the scope of *PBE IPSAS 29 Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The classifications of the financial assets are determined at initial recognition.

The categorisation determines subsequent measurement and whether any resulting income and expense is recognised in surplus or deficit or in other comprehensive revenue and expenses. The Company's financial assets are classified as either financial assets at fair value through surplus or deficit, or loans and receivables. The Company's financial assets include: cash and cash equivalents, short-term investments and receivables from exchange transactions and investments.

All financial assets except for those at fair value through surplus or deficit are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Financial assets at fair value through surplus or deficit.

Financial assets at fair value through surplus or deficit include items that are either classified as held for trading or that meet certain conditions and are designated at fair value through surplus or deficit upon initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment. The Company's cash and cash equivalents, short-term investments, receivables from non-exchange transactions, receivables from exchange transactions and non-equity investments fall into this category of financial instruments.

IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses at the end of reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred

COPYRIGHT LICENSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

FINANCIAL LIABILITIES

The Company's financial liabilities include trade and other creditors (excluding GST and PAYE) and employee entitlements.

All financial liabilities are initially recognised at fair value (plus transaction cost for financial liabilities not at fair value through surplus or deficit) and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus or deficit.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made certain judgements in the preparation of these financial statements. The directors consider that none of these judgments are material to the financial statements.

Estimates and assumptions

The determination of some balances within the financial statements use key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The main estimate used relates to the useful lives of property, plant and equipment and intangible assets and the resulting depreciation and amortisation rates. The estimated remaining useful lives of these assets is reviewed annually and are reported in notes 4.4 and 4.5.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

6. CASH AND INVESTMENTS

	2016	2015
Cash and cash equivalents	3,333,852	3,177,723
Investments	6,404,237	5,093,180
	9,738,089	8,270,903

Investments are comprised of term deposits at registered banks with original maturities of over 90 days. Term deposits of less than 90 days are included in cash and cash equivalents.

7. FIXED ASSETS

Furniture and Fittings

At cost	23,246	23,246
Loss on disposal	0	0
Accumulated depreciation	(11,732)	(8,962)
	11,514	14,284
<i>Depreciation expense for year</i>	2,770	2,789

Office Equipment

At cost	11,562	11,562
Loss on disposal	0	0
Accumulated depreciation	(10,750)	(10,565)
	812	998
<i>Depreciation expense for year</i>	185	245

Computer Hardware/Software

At cost	56,909	55,639
Loss on disposal	0	0
Accumulated depreciation	(45,140)	(38,074)
	11,768	17,565
<i>Depreciation expense for year</i>	7,070	7,231

	2016	2015
Opening Book Value	32,851	33,036
Plus additions	1,269	10,377
Plus Work in Progress	0	0
Less disposals	0	256
Less depreciation	10,025	10,265
Closing Book Value	24,095	32,851

COPYRIGHT LICENSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

8. INTANGIBLE ASSETS

	2016	2015
System Development		
At cost	436,770	349,080
Work in Progress (TBC in 2016)	0	42,387
Accumulated amortisation	(352,006)	(349,080)
	84,765	42,387
<i>Depreciation expense for year</i>	2,923	0

Trademarks

At cost	5,490	5,490
Accumulated depreciation	(0)	(0)
	5,490	5,490

	2016	2015
Opening Book Value	47,877	0
Plus additions	45,303	5,490
Plus Work in Progress	0	42,387
Less disposals	0	0
Less depreciation	2,923	0
Closing Book Value	90,257	47,877

9. CULTURAL FUND

Annual contributions of up to two percent of domestic licensing revenue are made to this fund which is then invested in cultural and social purposes to benefit the rights owners the Company represents. The sum of \$112,373 (2015: \$111,745) has been transferred from 2016 domestic licensing revenue. The fund has also benefitted from non-title-specific revenue received from overseas RROs.

	2016	2015
	\$	\$
Opening balance	432,381	439,385
Less Awards and Grants payments	172,225	168,978
Unattributable overseas revenue	26,678	50,229
Contribution from licensing revenue	112,373	111,745
Closing balance	399,208	432,381

10. LEGAL RESERVE FUND

Annual contributions of one percent of domestic licensing revenue are to be made to this fund from 2016 onwards. The funds are set aside for any claim against the indemnity provided by the licences the Company sells and for any unplanned legal expenditure on matters that impact the rightsholders the Company represents. The sum of \$56,187 (2015 : NIL) has been transferred from 2016 domestic licensing revenue. Unspent funds may be reallocated to revenue at a later date in accordance with the provisions of the Company's Distribution Policy.

	2016	2015
	\$	\$
Opening balance	212,028	221,018
Less payments made	0	8,990
Contribution from licensing revenue	56,187	0
Closing balance	268,215	212,028

11. CAPITAL AND LEASING COMMITMENTS

Obligations payable after balance date on financial and operating leases are as follows:

	2016	2015
	\$	\$

Premises (Operating lease) Expires November 2019

<i>Payable</i>		
not later than one year	69,250	48,060
later than one year but not later than five years	138,500	0

Motor Vehicle (Operating lease) Expires May 2019

<i>Payable</i>		
not later than one year	8,076	2,851
later than one year but not later than five years	16,152	0

Photocopier (Operating lease) Expires April 2019

<i>Payable</i>		
not later than one year	6,480	0
later than one year but not later than five years	12,960	0

12. COMPANY VISA CARD

A Company Visa card used by senior staff has a limit of \$10,000.

COPYRIGHT LICENSING LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016

13. SHARE CAPITAL

Authorised, issued and fully paid up capital 100 Ordinary shares of \$1 **100** **100**

14. RELATED PARTY TRANSACTIONS

SHAREHOLDERS

The shareholders in Copyright Licensing Limited are the Publishers Association of New Zealand (PANZ - 50 shares) and New Zealand Society of Authors (NZSA – 50 shares).

NZ Society of Authors

	2016	2015
	\$	\$
Research Grant Funds (paid to grant winners)	20,000	20,000
Administration of Research Grants	1,000	1,000
National Writers Forum	15,000	0
	36,000	21,000

Publishers Association of New Zealand

	2016	2015
	\$	\$
Professional Development Training	20,000	20,000
	20,000	20,000

None of the above payments have been made as dividends, bonuses or payments of profits to these organisations and therefore do not contravene clause 2.6 of the Company's Constitution. There are no amounts owed to or by related parties at year end

DIRECTORS

Sam Elworthy was employed by the University of Auckland during the year and did not take part in any discussions regarding transactions with or matters related to the University of Auckland.

Vanda Symon was employed by the University of Otago during the year and did not take part in any discussions regarding transactions with or matters related to the University of Otago.

Dana Wensley was an elected councillor with Tasman District Council and Deputy Chair of Committee with responsibility for Tasman District Council libraries.

Key Management Personnel

The key management personnel, as defined by PBE IPSAS 20 Related Party Disclosures, are the directors of the Board, Chief Executive, Licensing and Administration Manager and Business Information Manager. The aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration is as follows:

	2016	2015
	\$	\$
<i>Senior Management</i>		
Total remuneration	299,780	289,942
Total FTE's (Full time equivalent)	3	3

	2016	2015
	\$	\$
<i>Directors</i>		
Total remuneration	85,472	85,128
Total FTE's (Full time equivalent)	0.1	0.1

15. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial instruments presented in the statement of financial position relate to the following categories of assets and liabilities:

	2016	2015
	\$	\$
Financial Assets		
<i>Financial Assets at Fair Value through Surplus or Deficit</i>		
Cash and cash equivalents	9,738,089	8,270,904
Receivables from Exchange Transactions	10	-
	9,738,099	8,270,904

	2016	2015
	\$	\$

Financial Liabilities

<i>At amortised cost</i>		
Trade and other creditors	-	-
Accrued Expenditure	24,856	19,595
Employee Entitlements	33,622	39,902

COPYRIGHT LICENSING LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016

16. GOING CONCERN

The financial statements have been prepared using the going concern assumption. The directors have adopted the going concern assumption based on the future cash flows expected to be received in the year after balance date and the cash reserves that are able to be utilised to fund operating activities.

17. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events occurring after balance date that would materially affect these financial statements. (2015 : NIL)

18. EXPLANATION OF THE TRANSITION TO PBE IPSAS

The Company's financial statements for the year ended 31 December 2016 are the first annual financial statements prepared in accordance with PBE Standards RDR. The Company has applied PBEFRS 47 "First time adoption of PBE standards by entities other than those previously applying NZ IFRSs" in preparing these financial statements.

The Company's transition date is 1 January 2015 and it has prepared its opening PBE IPSAS Statement of Financial Position as at that date.

The only adjustment on transition was to recognise various reserves previously recorded as liabilities in net assets as separate equity reserves. This adjustment has no impact on the statement of comprehensive revenue and expense.

Reconciliation of Net Assets

	\$
Net assets as at 1 January 2015 under Old NZ GAAP:	100
Reclassification of reserve liabilities as equity reserves:	
Cultural Reserve	432,381
Legal Reserve	212,028
South Pacific Development Reserve	12,864
Restated net assets as at 1 January 2015	<u><u>657,373</u></u>



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