

**COPY  
RIGHT**  
LICENSING  
NEW ZEALAND



COPYRIGHT LICENSE CERTIFICATE  
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**TO**  
**COPY**

THIS IS TO CERTIFY THAT:

**ANNUAL REPORT**

Is licensed under the Copyright Licensing New Zealand (CLNZ) Terms and Conditions for copying printed materials.

**2012**

*Paul Manning*  
Signed for and on behalf of Copyright Licensing Limited.

ISSUED BY:

EXPIRY DATE:

Date:

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# ABOUT US

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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 (IFRRO), CLNZ is part of this global network that represents the interests of publishers and authors from around the world. Our tailored licensing options 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 organisation. Net proceeds from licensing are distributed to copyright owners.

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# CEO'S

## REPORT

*In 2011, I ended my report for the year with the statement “It’s going to be a great ride”. How prophetic that was! 2012 certainly had its high points and also a few rough bounces.*

2012 saw the “copy-left” and those who advocate for a free and open internet, significantly increase their lobbying and media presence against our existing copyright laws. Energised by the owner of the Megaupload file-sharing website, the anti-copyright message was ever-present in the media and regularly ill-informed. The focus of this messaging is consistently about the rights of users of creative content and the rights of our writers, musicians, filmmakers and others to earn a living from their creativity is seemingly ignored. To ensure that New Zealand creators have a voice in this debate we will, in conjunction with the other members of the Copyright Council of New Zealand, be stepping up our own lobbying and media activity.

### TPPA

In 2012, the government was scheduled to review the 2008 digital amendments to the Copyright Act. This review has been deferred pending the conclusion of the Trans Pacific Partnership Agreement (TPPA). Round 15 of the negotiations for this agreement took place in Auckland in December 2012. Stakeholders from New Zealand had the opportunity to make presentations to the negotiators from the participating countries. The New Zealand book sector was very fortunate

to be represented by Sam Elworthy from Auckland University Press. Sam spoke of the value of what we publish and how we publish and what this means to New Zealand. Creators from the music, film, television and games sectors also made presentations. The negotiators were left with a very clear message that New Zealand has a thriving creative economy and that we need to ensure we retain a legislative framework that can enable it to maximise its economic potential.

### Education & Licensing

CLNZ’s top priority in 2012 was the negotiations for new licenses in the tertiary education sector. Discussions commenced early in the year but faltered with the universities toward the end of the year. In February 2013, CLNZ filed a reference with the Copyright Tribunal for a new license with the 8 New Zealand universities. We expect that this reference will be heard late in 2013. Negotiations with the Institutes of Technology and Polytechnics have proceeded amicably but are unable to be concluded prior to the decision by the Copyright Tribunal. For 2013, the expired licenses have been extended to ensure that teaching staff continue to be able to access the large repertoire of content made available to them by the CLNZ license.



Our license uptake in the school sector continued to progress steadily. A CLNZ school license is voluntary and each school must make their own decision as to whether or not they need a license or can operate within the exception provided by the Copyright Act. Copyright licenses are offered to schools for book, music and screen/radio content through a "One Stop Shop" managed by NZ School Trustees Association. This year saw a considerable effort to make the licenses and the licensing process easier for schools to understand through a targeted marketing campaign. This resulted in 3% growth in income from this sector for CLNZ.

Another area of license growth is with Private Training Establishments (PTE's). These organisations offer a large variety of training programmes on either a not for profit or commercial basis. CLNZ has increased its marketing activity with PTE's in the past 2 years and is beginning to see the benefits of this with an increasing number of licensed organisations.

### 2012 Frankfurt Book Fair

The book sector's highlight for 2012 was the Frankfurt Book Fair. Through the CLNZ Cultural Fund, we were able to

support the employment of the Project Manager for the Book Programme and we assisted the NZ Society of Authors to fund their own stand at the fair. We have already seen an increased awareness of New Zealand publishing in the follow-on from the October event and this is best demonstrated in the number of rights sales that have eventuated - 10 times more than what is usual. In addition to this, the design of the New Zealand pavilion at Frankfurt has won the Supreme Award in the 2013 Interior Awards, as well as winning the Installation Design category.

### TIGAR

The WIPO (World Intellectual Property Office) TIGAR project enables the Royal NZ Foundation of the Blind to both send overseas and receive from overseas books in a format that is more accessible to the blind. The project has progressed steadily during the year. The systems solution that enables organisations that are signed up to the project to search for titles is nearly fully developed. This will enable more seamless access to digital files of books for the visually impaired in New Zealand. In addition to this, CLNZ is exploring ways for a similar project to be developed in the New Zealand education sector.

### Summary

My most significant highlight for 2012 was the way that our hard-working staff and our Directors embraced and set a path towards achieving our vision for CLNZ to be "New Zealand's leading facilitator of access to print and digital content". The copyright world is currently facing significant disruption and if we are not all working towards the same vision, then we risk losing the rights that ensure that a fair economic return can be derived from creative endeavours. In 2013, everyone at CLNZ will be dedicated to ensuring that the rights of New Zealand authors and publishers continue to be valued and rewarded.

*Paula Browning*

**Paula Browning**



# CHAIR'S

## REPORT

*In January 2012 I celebrated 21 years in the world of educational publishing. For 21 years I have had the privilege of working with an incredible array of people, authors, designers, illustrators and creators of educational content that has enriched the lives of countless learners.*



**Adrian Keane**



CLNZ has existed in New Zealand for a similar time-span as my career in this industry, enabling flexible access to copyright materials to learners across the country. The fundamental principle that underlines this relationship has been the notion of a 'fair' license fee to compensate authors and publishers for their work which sounds entirely reasonable.

In 2012 the existing license with the Universities in New Zealand was due for re-negotiation. I wish I could report that these institutions had agreed to a new license on terms that reflected the underlying principle of 'fair' compensation to authors and publishers. Sadly, this is not where we found ourselves. By the end of 2012 we had entered into a negotiation with a Universities executive who was unwilling and unrespecting of our right to ask for a reasonable return for our rightsholders. As things have progressed we are not only at loggerheads with the Universities (who are happily continuing to copy our works) but have discovered a legislative environment that moves glacially slow when it comes time to mediate.

Despite these ill winds, the Board and CEO of CLNZ were very active in 2012

considering the strategic position of the organisation and the important role it plays in enabling access to copyright materials. It is our goal to be the 'leading facilitator of access to print and digital content'. These are lofty goals with vital importance to the wider community.

In a world where a sycophantic media idolize Kim Dotcom and large technology companies generate huge revenue whilst paying very little tax, we need to ensure that our mission to provide a return to the creator of content is successful. It's fanciful and naïve to believe that content creation of the quality and scale New Zealanders have become accustomed to will continue without a commercial platform to support it. CLNZ needs to continue to speak up on copyright and its importance.

I commend the work of our CEO and her team in 2012. They work tirelessly not only on behalf of the licensors of copyright works, but also on the entire sector of publishing. Through sponsorship and a willingness to participate where there is a need; Paula Browning and her team have become pivotal to the wider industry's success and vibrance.



# DIRECTOR

## PROFILES



### **Adrian Keane**

Adrian Keane started in publishing as a sales rep in Sweden and Finland for US educational publisher Addison Wesley. He then worked for Addison Wesley in Australia before returning to New Zealand. He stayed with the company through mergers and eventually became the Managing Director in 2007 of what is now Pearson Education. Adrian is the current Chair of CLNZ and immediate past president of the Publishers Association of New Zealand (PANZ).



### **Mark Sayes**

Mark is Publisher and Managing Director of privately owned educational publisher, ESA Publications (NZ) Limited. ESA publishes a range of Study Guides and Workbooks, at primary and secondary school level, that meet the requirements of the New Zealand Curriculum and NCEA. Mark has been on the board of CLNZ for some years, including a number of years as Chairman. Mark has an ongoing interest in squash administration.



### **Sam Elworthy**

Sam went to university in Dunedin where he edited the student newspaper and wrote a book about student life, 'Ritual Song of Defiance: A Social History of Students at the University of Otago'. He spent fifteen years in the US, completing a Ph.D. in history. He was Editor-in-Chief at Princeton University Press. He lives in Devonport and is the Director of Auckland University Press.



### **Vanda Symon**

Vanda Symon is a Dunedin writer and has successfully published five Crime Fiction novels. She is a former Chair of the Otago Southland Branch of the NZSA and is still involved on an organisational level. Vanda had a former career in Pharmacy, co-owning community pharmacies, and also working in palliative care in Cranford Hospice. She is currently a Ph.D. candidate at the University of Otago, in Science Communication.



### **Tony Simpson**

Tony Simpson is a Wellington social and cultural historian. He is the author of fourteen published books and many articles and presentations both in New Zealand and internationally. His books include the award winning 'The Sugarbag Years' and most recently 'A Distant Feast', a social history of some aspects of food in New Zealand.



### **Stephen Stratford**

Stephen Stratford has published more than a dozen books, mostly non-fiction. Stephen works as a freelance book editor and runs the manuscript assessment service Write Right. As a journalist he has worked for Quote Unquote, Metro, Architecture NZ, the Listener and many other publications. He was a founding trustee of the Auckland Writers and Readers Festival and has been a judge of the Wattie Book Awards, the Montana Book Awards and the inaugural NZ Post Book Awards in 2010.



THE  
CULTURAL  
FUND

The Cultural Fund was established in 2001. Like many other RRO's, CLNZ put aside a small percentage (2%) of domestic licensing fees to provide funding for cultural and social purposes that are in the interests of the publishers and authors that we represent.

### CLNZ Writers' Awards 2012

The CLNZ Writers' Awards support the creation of new non-fiction works by New Zealand authors. It is the biggest monetary prize of its kind with the two winners each receiving \$35,000. The application process is not for the faint of heart. Applicants must be a significant way through their research, able to provide sample chapters and outline how they intend to spend their prize money. Never the less, this year we received over 72 applications that were all of a high standard.

### The five finalists for 2012 were:

- **Hazel Petrie**  
*Into the Darkness*
- **David Veart**  
*Hello Boys and Girls*
- **Michael Corballis**  
*The Wandering Mind*
- **Vincent O'Malley**  
*The Waikato War 1863-64*
- **Geoff Chapple**  
*Terrain: North Island*



The selection panel felt the finalists “presented exciting proposals which demonstrated their own enthusiasm for their project.” The selection panel were:

- **Geoff Walker**
- **Gillian Candler**
- **Rae McGregor**
- **Paul Diamond**



This year, we launched the CLNZ Writers' Awards logo. This was designed by a very clever creative who really understood the brief. The Award ceremony was held in the Concert Chamber at the Auckland Town Hall. Guests were very impressed with the new venue and the use of the new branding at the event.

Since the Awards began in 2001, a total of ten projects have been published. Steve Braunias who was presented with an Award in 2010, launched his book titled: *Civilisation: Twenty places on the edge of the world* in 2012. This is set to be a multiple award winning title and is a great example of how the Writers' Awards money is being put to good use to tell New Zealand stories.

## NZSA/CLNZ Research Grants

In association with NZSA, each year, we award two writers of proven merit a Research Grant to assist them to progress their fiction or non-fiction work.

One grant is the CLNZ/NZSA Stout Centre Research Grant which is based in Wellington and the second is the CLNZ/NZSA Open Research Grant which will allow the recipient to research anywhere within New Zealand. Each grant has a monetary component of \$3,500.

## The 2012 Recipients were:

- **Kelly Ana Morey** for a literary novella about Phar Lap
- **David McGill** for a biographical exploration of his great grandfather who became the Mayor of Auckland.

Judging panel convenor Julia Millen commented that “the selection panel found the process interesting and rewarding.” The panel also felt “the grant was a wonderful research opportunity for fiction and nonfiction writers alike.”

**Selection panel:** Julia Millen, Graeme Lay, Geoff Walker.

## CLNZ Educational Publishing Awards

The CLNZ Educational Publishing Awards, managed by the Publishers Association of New Zealand (PANZ), are in their third year and have already expanded from four to six awards. The latest categories are Best Book or Series in Te Reo Maori and a Best Educational Resource or Programme for Export award.

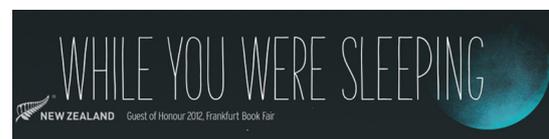
Judges Angela Fitchett, Hone Apanui and Dr Rebecca Jesson found it an interesting and challenging task assessing the texts for fitness of purpose with so many strong entries enhanced by good design and illustration.

## Category winners for 2012 were:

- **Best Book or Series in Primary Publishing**  
*School Journal Part 4 Number 2011* by Susan Paris (ed.)  
Publisher: Learning Media
- **Best Book or Series in Secondary Publishing**  
*Life Processes, Ecology and Evolution – NCEA Level 2* by Rachel Heeney and Professor Peter Shepherd  
Publisher: Pearson NZ
- **Best Book in Higher Education Publishing**  
*He Korero – Words Between Us: First*

*Maori-Pakeha Conversations on Paper* by Alison Jones and Kuni Jenkins  
Publisher: Hiua Publishers

- **Best Book or Series in Te Reo Maori**  
*Te Wharekura 90 – Te Mana o Ruapehu* by Che Wilson; Carol Buchanan (ed.)  
Publisher: Learning Media
- **Best Digital Media Solution**  
*He Reo Tupu, He Reo Ora*  
[www.hereora.tki.org.nz](http://www.hereora.tki.org.nz)  
Publisher: CWA New Media (a business unit of Learning Media Limited) and Huia Publishers
- **Best Educational Resource or Programme for Export**  
*CSI: Comprehension Strategies Instruction*  
By Neale Pitches  
Publisher: South Pacific Press



## While You Were Sleeping New Zealand Guest of Honour 2012 Frankfurt Book Fair

The books and writers programme for Frankfurt Book Fair Guest of Honour 2012 was administered by the Publishers Association of New Zealand. The goal was to have 100 New Zealand books sold for translation into Germany between the 2011 – 2013 book fair events, up from the average of ten per year. In addition, the aim was to have a minimum of 80 author visits within the 2012 programme. The third objective was to raise the profile of New Zealand writers and publishers in the world rights market. CLNZ contributed to the achievement of these objectives by providing the necessary funding for the Project Manager position and supporting the New Zealand Society of Authors so that they could have their own stand at Frankfurt.



FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2012

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# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders of Copyright Licensing Limited

### Report of the Financial Statements

We have audited the financial statements of Copyright Licensing Limited on pages 9 to 16, which comprise the Statement of Financial Position as at 31 December 2012, and the Statement of Financial Performance and Statement of Movements in Equity for the year ended 31 December 2012, and a summary of significant accounting policies and other explanatory information.

### Director's Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

An associated Hayes Knight entity provides other services for the company in the area of taxation advice. The firm and its associates have no other relationship with, or interests in, Copyright Licensing Limited.

### Opinion

In our opinion, the financial statements on pages 9-16:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of Copyright Licensing Limited as at 31 December 2012 and its financial performance for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- We have obtained all the information and explanations that we have required.
- In our opinion, proper accounting records have been kept by Copyright Licensing Limited as far as appears from an examination of those records.

*Hayes Knight Audit NZ*

**Hayes Knight Audit NZ**

Auckland, New Zealand

10 May 2013

# DIRECTOR'S REPORT

The Directors of Copyright Licensing Ltd are pleased to present the company's report for the financial year ended 31 December 2012.

## Directors

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

- Adrian Keane (Chairman) PANZ
- Sam Elworthy PANZ
- Vanda Symon NZSA
- Mark Sayes PANZ
- Tony Simpson NZSA
- Stephen Stratford NZSA

There was one change to the Directors during 2012. Chris Else attended his last meeting in December 2011. Vanda Symon attended her first meeting in February 2012.

## 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 organisation. All licensing revenue is returned to rightsholders after deduction of operating costs and a contribution of 2% of domestic licensing revenue to the CLNZ Cultural Fund. The Cultural Fund is used to recognise excellence in New Zealand writing and publishing.

## Operating Results

Gross revenue for the year was \$6,175,343 of which \$900,232 was received from overseas reproduction rights organisations for distribution to New Zealand rightsholders. Domestic licensing revenue was \$4,968,153. Additional revenue was generated from interest on investments and administrative services.

After the deduction of operating costs and a contribution of \$99,363 to the Cultural Fund, \$4,179,033 was allocated for distribution from domestic licensing revenue.

Total operating costs, (including funding for activities of our partner organisations – NZ Society of Authors (NZSA) and Publishers Association of NZ, (PANZ) represented 17.9% of gross revenue.

## Significant Changes

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

## Events Subsequent to Balance Date

At the date of signing these financial statements no long term license agreement has been agreed with New Zealand Universities, however all universities and institutes of technology and polytechnics have confirmed that in 2013 they will pay licensing fees on the same basis as in 2012. There will therefore be no impact on income in the 2013 financial year, however for the 2014 year and beyond, the rate at which licensing fees will be received is at present uncertain.

## Directors' and Officers' Insurance

The company has paid a premium of \$5,775 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 comply with Accounting Standards (with the exception of a matter of non-consolidation as noted in the Notes to the Financial Statements Section 1 (xv)), the Companies Act 1993 and the Financial Reporting Act 1993 and give a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the year ended on that date.

The company has taken advantage of the exemptions to exclude certain information required in Section 211 (1)(a) (ii),(e), (f), (g), (h) and (j) of the Companies Act.

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

This Declaration is made in accordance with a resolution of the Board of Directors dated 10 May 2013.



**Adrian Keane**  
Chairman  
10 May 2013  
Auckland



**Stephen Stratford**  
Director  
10 May 2013  
Auckland



# STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 December 2012	Note	2012	2011
		\$	\$
<b>Revenue</b>			
Domestic Licensing		4,968,153	4,895,692
Overseas Reproduction Rights Organisations		905,875	525,871
Interest Received		292,450	335,764
Other Income		8,865	8,614
<b>Total Revenue</b>		<b>6,175,343</b>	<b>5,765,941</b>
<b>Expenditure</b>			
Audit Fee		10,000	10,000
Depreciation		16,327	16,016
Directors' Costs		57,422	59,063
Operations		442,072	397,858
Partner Development		36,000	33,000
Office Lease Costs		70,173	69,480
Salaries & Wages		474,629	420,071
<b>Total Expenditure</b>		<b>1,106,624</b>	<b>1,005,489</b>
Less Tax Expense	(vii)	3,766	4,715
Less Transfers to Culture Fund	(xi)		
- Domestic Revenue		99,363	97,914
- Unattributable Overseas Revenue		14,114	36,115
<b>Net Available for Distribution to Rightsholders</b>		<b>4,951,476</b>	<b>4,621,708</b>

# STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 31 December 2012	Note	2012	2011
		\$	\$
Equity brought forward		100	100
Net licensing revenue for the year	1(xii)	4,951,476	4,621,708
Funds transferred for distribution		(4,951,476)	(4,621,708)
<b>Equity carried forward</b>		<b>100</b>	<b>100</b>

The accompanying notes form part of these financial statements.



# STATEMENT OF FINANCIAL POSITION

**As at 31 December 2012**

	Note	2012 \$	2011 \$
<b>CURRENT ASSETS</b>			
Cash and bank balance		280,260	537,365
Investments	2	6,511,817	5,631,061
Indemnity Fund	1(x)	342,210	330,050
South Pacific Development Fund	1(xi)	11,750	11,332
Receivables	1(vi)	5,663	203,830
Taxation refund	1(vii)	54,201	65,899
GST refund		166,811	136,165
NRWT refund		0	1,210
Prepayments		11,132	5,441
<b>Total Current Assets</b>		<b>7,383,844</b>	<b>6,922,352</b>
<b>FIXED ASSETS</b>	3	84,488	69,290
<b>Total Assets</b>		<b>7,468,332</b>	<b>6,991,642</b>
<b>CURRENT LIABILITIES</b>			
Distributable Funds	1(xii)	6,800,394	6,268,577
Cultural Funds	4	226,985	263,008
Holiday pay accrual		25,365	18,884
Income in Advance		100	0
Accruals		21,743	31,192
PAYE Due		16,069	13,380
Digital Publishing NZ Clearing Account		16,678	49,625
Indemnity provision	1(x)	348,906	335,347
Provision for Development in South Pacific		11,992	11,529
<b>Total Current Liabilities</b>		<b>7,468,232</b>	<b>6,991,542</b>
<b>Total Liabilities</b>		<b>7,468,232</b>	<b>6,991,542</b>
<b>Net Assets</b>		<b>100</b>	<b>100</b>
<b>EQUITY</b>			
Share capital	7	100	100
<b>Total Equity</b>		<b>100</b>	<b>100</b>

The accompanying notes form part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

## 1. Statement of Accounting Policies

### (i) Basis of Reporting

Copyright Licensing Ltd is a private company registered under the Companies Act 1993.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993 and in compliance with generally accepted accounting practise.

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

Copyright Licensing Ltd has chosen to adopt generally accepted accounting practice in New Zealand (GAAP) as defined by financial reporting standards and statements of standard accounting practise. The company is a qualifying entity within the Differential Reporting Framework and has taken advantage of the differential reporting concessions available to it. The company qualifies for differential reporting exemptions as it is not publicly accountable and the company is "not large" as defined by the framework for differential reporting.

### (ii) Foreign Currencies

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 Financial Performance. At present all monies are received and paid in New Zealand dollars.

### (iii) Fixed Assets & Depreciation

Fixed assets costing \$1,000 or more are recorded at original cost less depreciation. Depreciation, using the straight line method, is calculated at 15% on Furniture & Fittings, 25% on Motor Vehicles, 39% on Office Equipment and 40% on Computer hardware and software. Gains and losses on disposal of fixed assets are taken into account in arriving at the net surplus for the year.

### (iv) Leased Assets

Assets acquired under finance leases are capitalised and included as fixed assets in the statement of financial position. They are depreciated accordingly and any interest payable is expensed.

Assets obtained under an operating lease are expensed over the period of the lease.

### (v) Investments

Investments are valued at cost.

### (vi) 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.

### (vii) 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 dividends, bonuses or otherwise by way of profits to a member, proprietor or shareholder. After expensing operating costs and the cultural fund contribution, the net surplus is transferred to the distributable funds account resulting in a zero net surplus. Due to timing differences, the entity is subject to non-deductible expenditure which may result in an income tax liability.

### (viii) Goods & Services Tax (GST)

The financial statements have been prepared so that all components are stated exclusive of GST except for accounts receivable and accounts payable.

### (ix) Contribution to Cultural Fund

A contribution of 2% of annual domestic licensing revenue is transferred to the Cultural Fund each year (refer also Note 6). This amount is deducted before arriving at the net surplus. Unattributable overseas income is also transferred to the cultural fund.

### (x) Indemnity Provision

Unallocated overseas licensing revenue is placed into the Indemnity Fund which is shown as a current asset in the Statement of Financial Position. A corresponding amount is accounted for as a liability at balance date.

### (xi) South Pacific Development Fund

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

### (xii) 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 and contributions to the Cultural Fund, the net surplus is



# NOTES TO THE FINANCIAL STATEMENTS

allocated for distribution pending the identification of publishers and authors whose works are copied under licence through annual sampling surveys carried out in each sector.

## (xiii) Distribution

Revenue from overseas Reprographic Rights Organisations and transactional 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).

## (xiv) Changes in Accounting Policies

There have been no changes in accounting policies.

## 2. Investments

	2012	2011
	\$	\$
National Bank – Term Deposits	5,431,752	4,583,664
Westpac – Term Deposit	1,080,065	1,047,397
	<b>6,511,817</b>	<b>5,631,061</b>

## 3. Fixed Assets

	2012	2011
	\$	\$
<b>Furniture and Fittings</b>		
At cost	11,687	11,687
Loss on disposal	0	0
Accumulated depreciation	(9,702)	(8,620)
	<b>1,905</b>	<b>3,067</b>
<i>Depreciation expense for year</i>	1,082	1,503
<b>Office Equipment</b>		
At cost	22,875	21,400
Loss on disposal	0	0
Accumulated depreciation	(20,838)	(20,328)
	<b>2,037</b>	<b>1,071</b>
<i>Depreciation expense for year</i>	510	934



# NOTES TO THE FINANCIAL STATEMENTS

<b>Computer Hardware / Software</b>	<b>2012</b>	<b>2011</b>
At cost	88,820	70,769
Accumulated depreciation	(69,550)	(61,614)
	<b>19,270</b>	<b>9,155</b>
<i>Depreciation expense for year</i>	7,936	9,976

<b>System Development</b>		
At cost	349,080	349,080
Accumulated depreciation	(349,080)	(349,080)
	<b>0</b>	<b>0</b>
<i>Depreciation expense for year</i>	0	3,603

<b>Website Development</b>		
At cost (work in progress)	68,000	56,000
Accumulated depreciation	6,800	0
	<b>61,200</b>	<b>56,000</b>
<i>Depreciation expense for year</i>	6,800	0

## 4. Cultural Fund

In 2001, CLNZ established a Cultural Fund to provide funding for the cultural development of the industry it represents. Annual contributions of up to two percent of domestic licensing revenue are made to this fund. The sum of \$99,363 has been transferred from 2012 domestic licensing revenue. The fund has also benefitted from non-title-specific revenue received from overseas reproduction rights organisations (RROs) and transferred from domestic licensing pools during the year.

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Opening balance	263,008	340,055
Less Awards and Grants payments	149,500	168,250
Less Contribution to Digital Publishing New Zealand	0	50,000
Unattributable domestic revenue	8,471	0
Unattributable overseas revenue	5,643	43,289
Contribution from licensing revenue	99,363	97,914
<b>Closing Balance</b>	<b>226,985</b>	<b>263,008</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 5. Capital and Leasing Commitments

	2012	2011
Obligations payable after balance date on financial and operating leases are as follows:		
<b>Premises (Operating Lease) expires November 2013</b>		
Payable		
- not later than one year	61,367	57,480
- later than one year but not later than five years	0	51,060
<b>Motor Vehicle (Operating Lease) expires May 2013</b>		
Payable		
- not later than one year	3,695	8,868
- later than one year but not later than five years	0	3,695
<b>Photocopier (Operating Lease) expires November 2015</b>		
Payable		
- not later than one year	3,318	3,660
- later than one year but not later than five years	6,082	4,880

## 6. Company Visa Card

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

## 7. Share Capital

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

## 8. 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). Each year Copyright Licensing Limited funds are invested in support of these organisations and their members.



# NOTES TO THE FINANCIAL STATEMENTS

## **NZ Society of Authors**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Research Grant Funds (paid to grant winners)	7,000	7,000
Administration of Research Grants	1,000	1,000
Christchurch Writers' Workshops	5,000	0
<b>Total</b>	<b>13,000</b>	<b>8,000</b>

## **Publishers Association of New Zealand**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Educational Publishing Awards (paid to grant winners)	10,000	20,000
Administration of Educational Publishing Awards	10,000	10,000
Residential Publishing Forum	10,000	10,000
Professional Development Seminars	10,000	10,000
Grants to Christchurch Publishers to attend Booksellers Conference	0	3,000
<b>Total</b>	<b>40,000</b>	<b>53,000</b>

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.

## **9. Subsequent Events**

Subsequent to balance date, the agreement held between Copyright Licensing Limited and the universities in New Zealand has lapsed. Income from universities represents the majority of revenue for Copyright Licensing Limited. Copyright Licensing Limited has engaged in negotiations with the various universities around the country regarding the renewal of copyright license fees for student course packs. No agreement has been reached at the date of signing these financial statements to confirm the amount of revenue Copyright Licensing Limited will receive from the universities in the future. As a result, legal claims have been made against the universities which may result in significant legal costs being incurred in the next financial year.

## **10. 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.

