

**COPYRIGHT LICENSING LIMITED**  
ANNUAL REPORT 2006





CLL, its Board and its staff are committed to creating a culture of copyright compliance by achieving its financial and business goals.

**These are to:**

maximise licensing in educational institutions,  
develop and encourage licensing in non-educational sectors,  
develop electronic licensing services.

This will provide appropriate returns to creators and encourage creativity.

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## Chairman's Report

We have to create a culture change in the public and private sectors – people need to be made aware that “fair dealing” does not permit copying of works for in-house training or any other information purposes.

The downturn in international students enrolling in New Zealand schools and universities has seen very little growth in licensing revenue over the last year. This indicates that CLL has reached a plateau with regard to licensing revenue from the educational sector .

To be responsive to licensing needs in the public and private sectors, during the year CLL surveyed private business and government organisations throughout New Zealand on photocopying and scanning practices. The majority of organisations participating in the survey used copyright material for research and information purposes. However, many also copied it for information purposes, in-house training, marketing and distribution to customers and filing with regulatory authorities - uses that should be covered by an appropriate licence. Many survey participants mistakenly believed that their copying was acceptable under copyright legislation.

We have been successful over the past twelve months in encouraging a change in attitude to copyright issues in libraries and government departments. After renewed lobbying we were able to persuade the Library Information Association of New Zealand Aotearoa (LIANZA) to update their Guidelines for Librarians in line with recent legal judgments and to clarify the law for librarians using the guidelines. We also succeeded in encouraging the Ministry of Economic Development to review and update their copyright guidelines for employees. We are hopeful that these developments will lead the way to establishing licences in more government departments and businesses over the next year.

Our Business Development Manager (Carmen Vietri) has made progress in understanding and developing strategies to increase licensing in other sectors and in

moving towards offering licences that cover electronic copying and copying from digital works. To develop this area further, we have to create a culture change in the public and private sectors – people need to be made aware that “fair dealing” does not permit copying of works for in-house training or any other information purposes. Nor does it permit the scanning and uploading of extracts from journals or books onto an intranet for dissemination to staff. Creating this culture change will not be easy.

We had hoped to raise awareness of copyright issues during the year in conjunction with the passing of new copyright legislation. Unfortunately, this has not yet happened and the current view is that the bill is unlikely to be passed until mid-2007. We hope to see the draft bill introduced to parliament mid-2006 after which it will be reviewed by a Select Committee. Government proposes to review the law relating to copyright ownership in commissioned works and the relationship between copyright and contract law during the coming year.

As the “Copyright Watchdog” protecting the rights of publishers and authors in New Zealand, CLL has taken action against copyright infringement and abuse in a number of areas throughout the year – schools, polytechnics, students in tertiary institutions and copy shops to name but a few. As most actions are settled

out of court or don’t even get to court, it is very rare such actions are publicised – this is unfortunate since such publicity would raise general awareness of issues of copyright non-compliance.

One of the highlights of the coming year will be to welcome our international colleagues from Reproduction Rights Organisations around the world to our beautiful country when we host the International Federation of Reproduction Rights Organisations (IFRRO) General Meeting and Regional Seminar in Auckland during the week commencing 30 October. We are working towards providing them with a showcase of events to introduce them to the wonderful lifestyle we have in New Zealand, one of which will be the CLL Writers’ Awards.

My thanks to the Board and to Kathy and her staff for another year of solid work in our core business which is creating a culture of copyright compliance which will enhance the returns to rightsholders and encourage the ongoing development of New Zealand’s creative culture.



**Mark Sayes**  
Chairman



# Chief Executive's Report

Total revenue (including interest) for 2005 was \$4,772,684, \$29,312 less than the previous year.

## Revenue

Total revenue (including interest) for 2005 was \$4,772,684, \$29,312 less than the previous year. The biggest drop was in revenue from overseas Reproduction Rights Organisations (RROs) (down from \$369,247 to \$85,960) but this was expected now that we no longer receive revenue for Adis International publications. Revenue from domestic licensing also dropped by 1.6%. This was mainly due to the renegotiation of the licence fee paid by one Wananga but the effect of a drop in international students in universities and private training establishments was also noticed. Increased revenue was received from polytechnics and schools as well as from the non- educational sector and from transactional licensing fees. The increased interest received on term deposits boosted revenue to bring it to 99.4% of the previous year – an overall drop of less than 1% (0.6%).

As in the past, universities provide the major proportion of domestic licensing revenue (52.8%) with schools contributing 23.4% and polytechnics 17.5%.

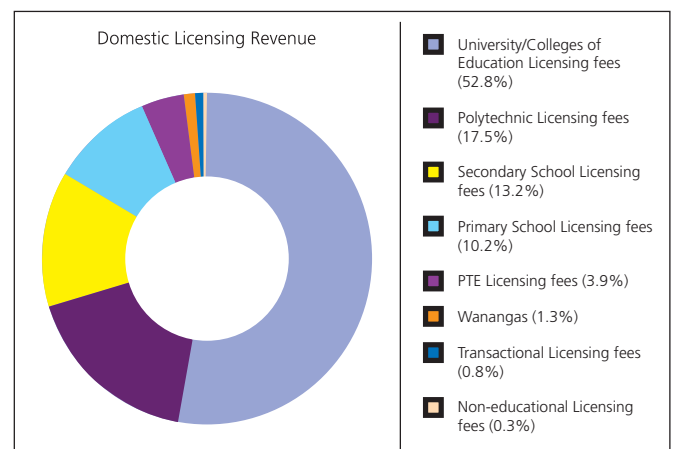


Figure 1

Figure 1 shows the contributions made to domestic licensing revenue by all sectors.

Although we still hope to see an increase in licensing revenue from schools and private training establishments our main focus is to encourage licensing in the professional, business and government sectors and to develop licences that provide for digital access to works in line with licensees' needs.

## Expenditure

Operating costs, although less than budget, were 16.6% up on 2004 representing 19.5% of total revenue for 2005 (2.5% up on 2004). Increased costs relate to market and industry research and an increase in directors' fees. CLL has also budgeted to spend \$25,000 a year on statistical surveys to ensure that we build up historical data on the book publishing industry in New Zealand.

A summary of the operating costs over the last three years is shown in Figure 2 below.

### Operating costs: 2003-2005

	2003	2004	2005
	<b>\$000</b>		
<b>General operating costs</b>	221	356	380
<b>Salaries/wages</b>	258	317	397
<b>Directors fees/expenses</b>	28	37	49
<b>Legal expenses</b>	32	42	44
<b>Depreciation</b>	31	41	33
<b>Audit fees</b>	5	8	3
<b>Industry research</b>	0	0	25
<b>TOTAL</b>	<b>575</b>	<b>799</b>	<b>932</b>

Figure 2

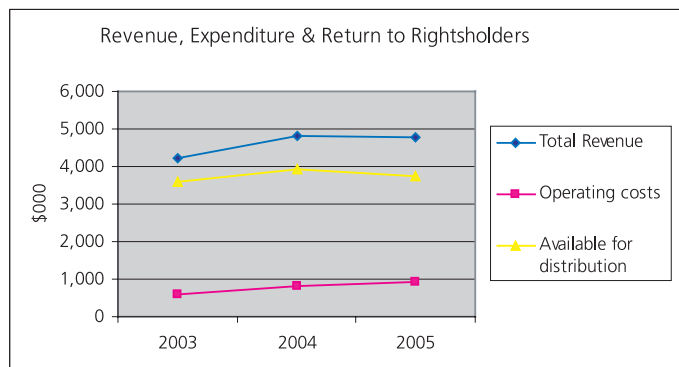


Figure 3

Figure 3 shows the revenue and expenditure trends over the last 3 years and the resulting amounts available for distribution to rightsholders after operating costs and a 2% contribution to the Writers' Fund has been taken into account.

## Sampling & Distribution

After an allocation of \$81,859 to the Writers' Fund, a total of \$3,683,813 has been declared for distribution to copyright owners. This equates to 89.3% of domestic licensing revenue after net operating costs (offset by interest and other income) have been taken into account.



Allocation of these funds to publishers and authors is based on sampling data collected from educational institutions during 2005 which is currently being processed by CLL staff. Now that CLL staff has experience in entering sampling data onto the Copyright Management System operated by Copyright Agency Ltd in Australia, we can enjoy the flow on effect of earlier distributions to rightsholders. We hope to be in touch with New Zealand publishers about distribution from 2005 licensing revenue in the July-September quarter.

## Future Outlook

The coming year looks both promising and interesting.

We have been advised that the New Zealand Qualifications Authority will be updating their audit process to include copyright compliance which is likely to encourage private training establishments to ensure they have a licence with CLL. We have recommended that the Education Review Office follow their example and do the same for schools.

The Ministry of Education is developing copyright compliance guidelines for schools for uploading onto the TKI (Te Kete Ipurangi - The Online Learning Centre) website.

Select Committee hearings on the new Copyright Bill are likely to be held in the second half of the year.

But most of all, we look forward to hosting our colleagues from all around the world for the IFRRO Conference and Regional Seminar to be held in Auckland in October/November this year. Information on the events planned for this conference can be found on CLL's website.

As always, thanks to my loyal team of workers, for their commitment and support throughout the highs and lows of the last year.

**Kathy Sheat**  
Chief Executive Officer

## CLL Staff



Carmen Vietri (Business Development Manager),



**FROM LEFT:** Carol Hayes (Data Research), Jennifer Yates (Distribution Manager), Linda Barnes (Data Research), Marina Benade (Supervisor – Data Research)



**FROM LEFT:** Kathleen Maulgue (Office/Accounts Administrator), Monika McCracken (Sampling Officer) & Annabel Bailey (Data Research)



# Director's Report

**For the year ended 31  
December 2005**

Copyright Licensing Ltd directors  
present their report on the company for  
the financial year ended 31 December  
2005.

## Directors

The names of Directors in office at any time during or since the end of the year are:

Mark Sayes (Chairman)  
Rosemary Stagg  
Helen Scott (resigned 28/1/05)  
Jenny Jones  
Jane Westaway  
Chris Else  
Gail Forbes Allen (appointed 22/4/05)

## Principal Activities

Copyright Licensing Ltd has a mandate to act as the agent of publishers and authors from New Zealand and overseas in licensing the reproduction of extracts from printed copyright works by educational and other institutions. It is a non-profit organisation that distributes the net surplus from licensing to copyright owners based on sampling survey data after deduction of operating costs and a contribution of up to two percent of domestic licensing revenue to the CLL Writers' Support Fund.

## Operating Results

A net surplus of \$3,658,991 from domestic licensing revenue was transferred to Distributable Funds after the:

- \* deduction of operating costs;
- \* contribution to the Writers' Fund; and
- \* distribution of Overseas Revenue and Transactional licensing fees.

## Review of Operations

Gross revenue for the year ended 31 December 2005 was \$4,772,684. Domestic licensing revenue amounted to \$4,126,475 and \$85,960 came from reproduction rights organisations overseas. Additional revenue was generated from interest on investments and administrative services.

Operating costs represented 19.5% of gross revenue and included funding for a statistical analysis of book publishing in New Zealand. After an allocation of \$81,859 to the Writers' Fund, a total of \$3,683,813

has been declared for distribution to rightsholders. This equates to 89.3% of domestic licensing revenue after net operating costs (offset by interest and other income) have been taken into account.

## Significant Changes

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

## Interests Register

There were no entries to the interests register during the financial year.

## Directors' Emoluments

Directors	Total \$
Mark Sayes (Chairman)	8,325
Rosemary Stagg (Pearson Education NZ Ltd)	5,650
Jenny Jones	5,650
Jane Westaway	5,650
Chris Else	5,650
Gail Forbes Allen	4,650

## Employee Remuneration

Only one employee of the company receives a remuneration package in excess of \$100,000.

## Donations

The company has made no donations during the financial year.

## Events Subsequent to Balance Date

The directors are not aware of any matter or circumstance since the end of the financial year that has significantly affected or may significantly affect the future operations of Copyright Licensing Ltd.

## Directors' and Officers' Insurance

The company has paid a premium of \$3,510 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 willful 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, 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 2005 and of its performance for the year ended on that date.

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.



**Mark Sayes**  
Director  
Auckland



**Chris Else**  
Director  
Auckland



## CLL Directors



**DIRECTORS FROM LEFT:** Chris Else (Author), Gail Forbes Allen (Publisher), Mark Sayes (Publisher & Chairman), Jenny Jones (Author), Jane Westaway (Author)

**Below:** Rosemary Stagg (Publisher)



# Statement of Financial Performance

For the year ended 31 December 2005

	Note	2005	2004
		\$	\$
Gross revenue	2	4,772,684	4,801,996
Operating costs	3	(932,473)	(799,536)
Distribution:	1(xii)		
Transactional Licensing revenue		(24,821)	(17,970)
Overseas Licensing revenue		(74,540)	(355,198)
Contribution to Writers' Fund	6	(81,859)	(83,297)
<b>Net Surplus Transferred to Distributable Funds</b>	<b>1(xi)</b>	<b>3,658,991</b>	<b>3,545,995</b>

# Statement of Movement In Equity

	Note	2005	2004
		\$	\$
Equity brought forward		100	100
<b>Net surplus for the year</b>		<b>3,658,991</b>	<b>3,545,995</b>
Funds transferred for distribution		(3,658,991)	(3,545,995)
Equity carried forward		100	100



# Statement of Financial Position

At 31 December 2005

CURRENT ASSETS	Note	2005	2004
		\$	\$
Cash and bank balance		617,337	85,931
Investments	4	5,089,383	6,450,188
Royalty Trust Account		0	56,115
Indemnity Fund	1(x)	170,383	139,674
Receivables	1(vi)	89,319	43,062
Taxation refund	1(vii)	154,468	45,393
GST refund		95,048	51,979
PAYE refund		105	0
Accrued interest		91,971	0
Prepayments		10,536	5,956
<b>Total Current Assets</b>		<b>6,318,550</b>	<b>6,878,298</b>
Fixed Assets	5	54,014	61,628
<b>TOTAL ASSETS</b>		<b>6,372,564</b>	<b>6,939,926</b>
CURRENT LIABILITIES			
Distributable Funds		5,676,904	6,416,675
Writers' Fund	6	121,335	109,476
Accounts payable		175,932	192,279
Non-resident withholding tax		207,515	0
Royalty Creditors Fund		0	56,115
Fuji Lease – current		7,325	7,325
Indemnity provision	1(x)	170,383	139,674
<b>Total Current Liabilities</b>		<b>6,359,394</b>	<b>6,921,544</b>
LONGTERM LIABILITIES			
Fuji Xerox Lease	7	13,070	18,282
<b>TOTAL LIABILITIES</b>		<b>6,372,464</b>	<b>6,939,826</b>
<b>NET ASSETS</b>		<b>100</b>	<b>100</b>
EQUITY			
Shared capital	8	100	100
<b>TOTAL EQUITY</b>		<b>100</b>	<b>100</b>

The accompanying notes form an integral 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. As all owners are represented on the Board of Directors the company is not publicly accountable. The company is a qualifying entity within the Differential Reporting Framework of the Institute of Chartered Accountants of New Zealand and has taken advantage of differential reporting concessions available to it.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

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

### (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 expensed.

### (iii) Fixed assets & depreciation

Fixed assets are recorded at original cost less depreciation. Depreciation, using the straight line method, is calculated at 15% on Furniture & Fittings, 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.

An estimate 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 company is registered as a non-profit company with the Inland Revenue Department. After expensing operating costs and the Writers' Fund contribution, the net surplus is transferred to Distributable Funds accounts. The company does not make a profit and has no income tax liability. Therefore resident withholding tax deducted from interest is refundable at year end.

### (viii) Goods & services tax (GST)

The financial statements have been prepared so that all components are stated exclusive of GST.

### (ix) Writers' fund contribution

A contribution of up to 2% of annual domestic licensing revenue is transferred to the Writers Fund each year. (refer also Note 6). This amount is deducted before arriving at the net surplus.

### (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) 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 Writers' Fund, the net surplus is 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.

### (xii) 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 unmandated rightsholders).

### (xiii) Changes in accounting policies

There have been no changes in accounting policies.



## 2. Gross revenue

	2005 \$	2004 \$
Revenue from overseas Reproduction Rights Organisations	85,960	369,247
Revenue from domestic licensing services	4,126,475	4,194,368
Interest	551,447	226,799
Other Income	8,802	11,581
	<b>4,772,684</b>	<b>4,801,995</b>

## 3. Operating costs

Depreciation and amortisation expense	32,984	40,615
Salaries and wages	396,773	316,719
Directors fees and expenses	49,353	37,189
Legal expenses	44,453	41,557
Audit fees	3,200	7,660
Industry research	25,439	0
Other expenses from ordinary activities	380,271	355,796
	<b>932,473</b>	<b>799,536</b>

## 4. Investments

National Bank – Call Account	160,831	201,882
National Bank – Term Deposits	4,928,552	6,248,306
	<b>5,089,383</b>	<b>6,450,188</b>

## 5. Fixed assets

At cost	28,081	22,716
Accumulated depreciation	(15,435)	(9,060)
	<b>12,646</b>	<b>13,656</b>
Depreciation expense for year	3,357	2,043
<b>Office equipment</b>		
At cost	36,418	33,523
Loss on disposal	(317)	0
Accumulated depreciation	(22,194)	(12,915)
	<b>13,907</b>	<b>20,608</b>
Depreciation expense for year	8,229	8,742
<b>Computer hardware/software</b>		
At cost	109,922	82,031
Accumulated depreciation	(82,462)	(54,667)
	<b>27,460</b>	<b>27,364</b>
Depreciation expense for year	21,398	29,830
<b>TOTAL FIXED ASSETS</b>	<b>54,014</b>	<b>61,628</b>

## 6. Writers' Support Fund

In 2001, CLL established a Writers' Support Fund to give creative support to New Zealand writers to be funded from annual deductions of up to two percent of domestic licensing revenue. The sum of \$81,859 has been allocated to the Fund from 2005 domestic licensing revenue.

## 7. Capital and leasing commitments

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

### Premises (Operating lease) expires 13/5/08

Payable:

not later than one year	23,360	23,360
later than one year but not later than five years	32,064	55,424

### Motor Vehicle (Operating lease) expires 23/1/07

Payable:

not later than one year	7,861	7,861
later than one year but not later than five years	655	8,516

### Fuji Xerox Photocopier machine (Finance lease) expires 12/6/09

Payable:

not later than one year	7,325	7,325
later than one year but not later than five years	13,070	18,282

## 8. Company Visa card

The company Visa card used by senior staff has a limit of \$9,000

## 9. Share capital

Authorised, issued and fully paid up capital.

100 ordinary shares of \$1	100	100
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## 10. Related party information

The Book Publishers Association of New Zealand Inc. (BPANZ) holds shares in Copyright Licensing Ltd, which provides administrative services to BPANZ at normal market rates.



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**AUDIT REPORT**  
**TO THE SHAREHOLDERS OF**  
**COPYRIGHT LICENSING LIMITED**

We have audited the financial statements on pages 4 to 9. The financial statements provide information about the past financial performance of Copyright Licensing Limited and its financial position as at 31 December 2005. This information is stated in accordance with the accounting policies set out on pages 6 and 7.

**Directors' Responsibilities**

The directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and of the results of its operations for the year ended 31 December 2005.

**Auditor's Responsibilities**

It is our responsibility to express an independent opinion on the financial statements presented by the directors and report our opinion to you.

**Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.



We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

#### **Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 4 to 9
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the Copyright Licensing Limited as at 31 December 2005 and the results of its operations for the year ended on that date.

Our audit was completed on 7<sup>th</sup> April 2006 and our unqualified opinion is expressed as at that date.

*Hayes Knight Audit*

HAYES KNIGHT AUDIT

AUCKLAND, NEW ZEALAND





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New Zealand

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Hayes Knight & Hayes Knight Audit  
Chartered Accountants & Business Advisors  
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