

**COPY
RIGHT**
LICENSING
NEW ZEALAND



Let's do the right thing

2020
Financial
Report

copyright.co.nz

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About Copyright Licensing New Zealand

Copyright Licensing New Zealand (CLNZ) plays a key role in making creative rights valuable assets for all New Zealanders, be they rightsholders (like creators or publishers), or users such as educators and students.

We enable New Zealand's creative people to record and manage their copyright, as well as package the copyright in such a way that users can access the work through a simple licence. We see ourselves as an empowering organisation, making sure everyone enjoys their rights and gets full value from them. We issue the licences, and collect the revenues to distribute back to the rightsholders.

We are a not-for-profit organisation, jointly owned by the Publishers Association of New Zealand (PANZ) and the New Zealand Society of Authors (NZSA). To support understanding of copyright we provide online learning and information resources, and we advocate for legislation that will support the endeavours of New Zealand's talented creative people.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF COPYRIGHT LICENSING LIMITED**

Opinion

We have audited the financial statements of Copyright Licensing Limited (“the Company”), which comprise the statement of financial position as at 31 December 2020 and the statement of comprehensive revenue and expense, statement of changes in net assets/equity, statement of financial position and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime (“PBE Standards RDR”) 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 the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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, the Company.

Other Matter

The financial statements of the Company for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on 25 May 2020.

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor’s report is information contained in the annual report, but does not include the financial statements and our auditor’s report thereon.

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 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 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.

Directors' Responsibilities for the Financial Statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with PBE Standards RDR, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible on behalf of the Company 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 our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/>.

This description forms part of our auditor's report.

Who we Report to

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state those matters which 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 Company's members, as a body, for our audit work, for this report or for the opinions we have formed.

BDO Auckland
Auckland
New Zealand
25 May 2021

DIRECTORS' REPORT

The Directors of Copyright Licensing Ltd are pleased to present the Company's report for the financial year ended 31 December 2020.

Directors

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

- | | |
|----------------------------|-------------|
| ▪ Emeritus Prof. Pat Walsh | Independent |
| ▪ Dr. Dana Wensley | NZSA |
| ▪ Andrew McKenzie | Independent |
| ▪ Graeme Cosslett | PANZ |
| ▪ Katherine Gordon | NZSA |
| ▪ Tom Rennie | PANZ |

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. In 2019, CLNZ commenced work with New Zealand visual artists to establish licensing schemes for the use of visual art works.

Copyright Licensing Ltd is a not-for-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 Reserve Fund. The Cultural Fund is used to invest in New Zealand cultural and social purposes that help to grow the sector. The Legal Reserve 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 \$6,821,358 (2019 : \$6,630,009) of which \$627,990 (2019 : \$448,514) was received from overseas Reproduction Rights Organisations for distribution to New Zealand rightsholders. Domestic licensing revenue was \$6,016,507 (2019 : \$5,936,003). Additional revenue was generated from interest on investments and administrative services.

After the deduction of operating costs and a contribution of \$120,330 (2019 : \$118,720) to the Cultural Fund and a contribution of \$0 (2019 : \$59,360) to the Legal Reserve Fund, \$4,882,895 (2019 : \$4,796,214) was allocated for distribution from domestic licensing revenue.

Total expenditure represented 17.7% of gross revenue (2019 : 19.5%). This percentage is lower than in previous years due to the emphasis the Company placed, as one part of its response to the 2020 COVID-19 pandemic, on limiting all discretionary expenditure.

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 \$6,330 (2019 : \$6,320) to insure Directors and the Chief Executive 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 2020 and of its performance for the year ended on that date.

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



Emeritus Prof. Pat Walsh
Chairperson

28 May 2021



Dr. Dana Wensley
Director

28 May 2021

Financial Statements

COPYRIGHT LICENSING LIMITED

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$	2019 \$
REVENUE			
Domestic Licensing		6,016,507	5,936,003
Overseas Reproduction Rights Organisations	3.3	627,990	448,514
Interest Received		130,290	227,074
Other Income		46,571	18,418
Total Revenue		6,821,358	6,630,009
EXPENSES			
Operating Expense			
Audit Fee		16,349	12,350
Depreciation	6	22,748	5,636
Amortisation	7	48,120	37,784
Directors' Costs		94,149	103,357
Legal Expenses		11,097	4,285
Operations		250,279	387,995
Office Lease Costs		113,727	74,342
Salaries & Wages		651,332	658,758
Total Operating Expense		1,207,800	1,284,507
Cultural Fund Expenses	8	362,421	221,668
NET REVENUE AFTER DEDUCTING OPERATING EXPENSES		5,251,137	5,123,834
Distributions Payable for the Year	3.15	5,273,402	5,097,822
(DEFICIT)/SURPLUS BEFORE TAX		(22,265)	26,012
Less Tax Expense		0	10,166
(DEFICIT)/SURPLUS FOR THE YEAR		(22,265)	15,846
OTHER COMPREHENSIVE REVENUE AND EXPENSE		0	0
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR		(22,265)	15,846

The accompanying notes form part of these financial statements.

COPYRIGHT LICENSING LIMITED
STATEMENT OF CHANGES IN NET ASSETS / EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Share Capital	Accumulated Funds	Cultural Reserve	Legal Reserve	Total
			\$	\$	\$	\$
2020						
BALANCE AT 1 JANUARY 2020		100	-	257,361	441,440	698,901
Total Comprehensive Revenue and Expense for the Year		-	(22,265)	-	-	25,854
Transfer (from) and to Reserves	8,9	-	22,265	19,175	(41,440)	0
BALANCE AT 31 DECEMBER 2020		100	-	276,536	400,000	676,636
2019						
BALANCE AT 1 JANUARY 2019		100	-	300,875	382,080	683,055
Total Comprehensive Revenue and Expense for the Year		-	15,846	-	-	15,846
Transfer (from) and to Reserves	8,9	-	(15,846)	(43,514)	59,360	0
BALANCE AT 31 DECEMBER 2019		100	-	257,361	441,440	698,901

The accompanying notes form part of these financial statements.

COPYRIGHT LICENSING LIMITED
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 \$	2019 \$
CURRENT ASSETS			
Cash and bank balance	5	1,842,138	2,245,884
Investments	5	5,883,770	5,928,848
Receivables		52,037	112,389
Accrued Income		115,293	35,777
Taxation Refund		43,137	118,637
GST Refund		12,494	103,896
Prepayments		16,486	9,407
Total Current Assets		7,965,355	8,554,838
NON CURRENT ASSETS			
Property, plant and equipment	6	166,306	166,746
Intangible assets	7	94,721	117,820
Total Non Current Assets		261,027	284,566
TOTAL ASSETS		8,226,382	8,839,404
CURRENT LIABILITIES			
Distributable Funds	3.15	7,421,900	7,729,781
Holiday pay accrual		66,287	63,067
Accruals		16,319	19,283
Accounts Payable		11,022	63,703
PAYE Due		21,178	19,404
NRWT Payable		0	228,084
Photocopier Finance Lease	14	4,528	4,140
Total Current Liabilities		7,541,234	8,127,462
NON CURRENT LIABILITIES			
Photocopier Finance Lease	14	8,513	13,041
TOTAL LIABILITIES		7,549,746	8,140,503
NET ASSETS		676,636	698,901
EQUITY			
Share Capital		100	100
Cultural Fund	8	276,536	257,361
Legal Reserve Fund	9	400,000	441,440
Accumulated Funds		0	0
TOTAL EQUITY		676,636	698,901

The accompanying notes form part of these financial statements.

COPYRIGHT LICENSING LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Licensing revenue		6,601,809	6,940,500
Interest received		153,816	282,003
Other operating activities		46,571	48,212
Tax refund/(paid)		75,500	(3,625)
Payments to suppliers and employees		(1,103,261)	(1,242,370)
Distributions to rightsholders	3.15	(5,809,368)	(7,697,573)
Payments from Cultural Fund	8	(362,421)	(221,668)
Net cash inflow/(outflow) from operating activities		(397,354)	(1,894,522)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(47,329)	(126,668)
Net proceeds from investments		45,077	1,207,520
Net cash inflow/(outflow) from investing activities		(2,252)	1,080,852
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease repayments		(4,140)	(6,423)
Net cash inflow/(outflow) from financing activities		(4,140)	(6,423)
Net increase/(decrease) in cash and cash equivalents		(22,150)	(820,093)
Cash and cash equivalents at 1 January		2,245,884	3,065,977
Cash and cash equivalents at 31 December	5	2,223,734	2,245,884

The accompanying notes form part of these financial statements.

COPYRIGHT LICENSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. REPORTING ENTITY

Copyright Licensing Ltd is a private company registered under the Companies Act 1993. The Directors consider Copyright Licensing Ltd to be a not-for-profit public benefit entity as the full amount of the net surplus each year is required to be distributed to rightsholders in accordance with the Company's Constitution and Distribution Policy.

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

These financial statements have been approved and were authorised for issue by the Board of Directors on 28 May 2021.

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 Ltd 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. SUMMARY OF ACCOUNTING POLICIES

3.1 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.

3.2 BASIS OF MEASUREMENT

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

COPYRIGHT LICENSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3.3 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 licence-holders in accordance with the terms of licensing schemes that help to make copying, scanning and sharing printed works easy and legal. Licences are issued annually for the calendar year with invoicing for licences happening in the year the licence 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 Ltd has no control over the amount or timing of receipt of those funds. As such, these funds are recognised as revenue when received in accordance with the Company's Distribution Policy.

Interest

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

3.4 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 diminishing value basis over the useful life of the asset for furniture & fittings, office equipment and computer hardware. Depreciation is charged on a straight line basis over the lease term for leased assets. 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 and fittings	7%-17.5% (per Fixed Asset register)
• Office equipment	15% - 39% (per Fixed Asset register)
• Computer hardware	40%
• Leased Asset	4 years

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.

COPYRIGHT LICENSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3.5 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%

3.6 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.

3.7 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.

3.8 LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date. The substance of the arrangement depends on whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the lease item to the entity. Assets held under finance lease are capitalised at the commencement of the lease at fair value of the leased asset or, if lower, at the present value of the future minimum lease payments. The Company also recognises the associated lease liability at the inception of the lease, at the same amount as the capitalised leased asset.

3.9 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.

COPYRIGHT LICENSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3.10 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.

3.11 GOODS AND SERVICES TAX (GST)

All amounts in the 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.

3.12 TRANSFERS

Revenue and expenses associated with the Cultural Fund (refer note 3.13) and Legal Reserve Fund (refer note 3.14) are shown in the Statement of Comprehensive Revenue and Expense and recorded as transfers in the Statement of Changes in Net Assets/Equity.

3.13 CONTRIBUTION TO CULTURAL FUND

A contribution of 2% of annual domestic licensing revenue is transferred to the Cultural Fund each year (refer also note 8). This amount is deducted before arriving at the net surplus.

3.14 LEGAL RESERVE FUND

The Legal Reserve Fund was established in 2016 to help to manage a significant risk to the Company from unplanned legal expenditure. This amount is deducted before arriving at the net surplus. The Company has adopted a formal policy on the management of the fund including its purpose, setting a cap on the maximum value of funds to be held, and how the repatriation of unused funds will be handled in future years.

3.15 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.

COPYRIGHT LICENSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3.16 DISTRIBUTION

Revenue from overseas Reproduction Rights Organisations and copyright clearance licensing services is distributed to identified publishers and authors after deduction of the relevant administration charge.

3.17 EMPLOYEE BENEFITS

Wages, salaries, annual leave and sick leave

Liabilities for wages and 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.

3.18 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.

COPYRIGHT LICENSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

3.18 FINANCIAL INSTRUMENTS (continued)

Financial Assets - Continued

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 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.

COPYRIGHT LICENSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. 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.

Judgments

In the process of applying the Company's accounting policies, management has made certain judgments 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 3.4 and 3.5.

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.

5. CASH AND INVESTMENTS

	2020	2019
	\$	\$
Cash and cash equivalents	1,842,138	2,245,884
Investments	5,883,770	5,928,848
	7,725,908	8,174,732

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

6. FIXED ASSETS

	2020	2019
	\$	\$
<i>Furniture and Fittings</i>		
At cost	158,042	140,895
Loss on disposal	0	0
Less accumulated depreciation	(15,129)	(3,744)
	142,913	137,151
<i>Depreciation expense for year</i>	<i>11,386</i>	<i>273</i>
<i>Office Equipment</i>		
At cost	8,816	5,559
Loss on disposal	0	0
Less accumulated depreciation	(6,347)	(5,116)
	2,469	443
<i>Depreciation expense for year</i>	<i>1,231</i>	<i>112</i>
<i>Computer Hardware/Software</i>		
At cost	53,668	51,763
Loss on disposal	0	537
Less accumulated depreciation	(45,063)	(39,551)
	8,605	12,212
<i>Depreciation expense for year</i>	<i>5,512</i>	<i>3,710</i>
<i>Leased Asset (Photocopier)</i>		
At cost	18,480	18,480
Loss on disposal	0	0
Less accumulated depreciation	(6,160)	(1,540)
	12,320	16,940
<i>Depreciation expense for year</i>	<i>4,620</i>	<i>1,540</i>
	2020	2019
	\$	\$
Opening Book Value	166,746	19,426
Plus additions	22,308	165,360
Plus Work in Progress	0	0
Less disposals	0	12405
Less depreciation	22,748	5,636
Closing Book Value	166,306	166,746

COPYRIGHT LICENSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2020

7. INTANGIBLE ASSETS

	2020	2019
	\$	\$
<i>Software and Operating Systems</i>		
At cost	586,459	575,834
Work in Progress	14,396	0
Less accumulated amortisation	(511,624)	(463,504)
	89,231	112,330
<i>Amortisation expense for year</i>	48,120	37,784
<i>Trademarks</i>		
At cost	5,490	5,490
Less accumulated amortisation	0	0
	5,490	5,490
	2020	2019
	\$	\$
Opening Book Value	117,820	140,028
Plus additions	10,625	14,576
Plus Work in Progress	14,396	0
Less disposals	0	0
Less amortisation		37,784
Closing Book Value	94,721	117,820

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FOR THE YEAR ENDED 31 DECEMBER 2020

8. CULTURAL FUND

Annual contributions of 2% of domestic licensing revenue are made to this fund which is then invested in New Zealand cultural and social purposes to benefit the rightsholders the Company represents. The sum of \$120,330 (2019 : \$118,720) has been transferred from 2020 domestic licensing revenue. The fund has also benefitted by \$49,371 (2019 : \$6,542) from non-title-specific revenue received from overseas RROs in 2020, and from \$91,895 (2019 : \$6,542) of non-title-specific revenue received from overseas RROs in prior years. In April 2020 the Board approved an allocation to the Cultural Fund of \$120,000 from an historic pool of Distributable Funds. No survey data was available on which to base a distribution from this pool. These funds were allocated to an additional round of Contestable Funding to support the industry during the initial stages of the COVID-19 pandemic.

	2020	2019
	\$	\$
Opening balance	257,361	300,875
Transfer of Funds and Payment During the Year		
Transfer of funds per Board Covid-19 response	120,000	0
Unattributable overseas revenue :		
Current Year	49,371	6,542
Prior Year	91,895	52,892
Contribution from licensing revenue	120,330	118,720
Less expenses paid from Cultural Fund (a)	(337,181)	(221,668)
Less wages cost for Copyright communications campaign (b)	(25,240)	0
Net Transfers for the Year	19,175	(43,514)
Closing balance	276,536	257,361

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 FOR THE YEAR ENDED 31 DECEMBER 2019

9. LEGAL RESERVE FUND

Annual contributions of 1% of domestic licensing revenue are made to this fund, up to a cap of \$400,000. The funds are set aside for any claim against the indemnity provided by the licenses the Company sells and for any unplanned legal expenditure on matters that impacts the rightsholders the Company represents. In 2020 no contribution was allocated to the fund given that it is already at its cap (2019 : \$59,360). Unspent funds may be reallocated to revenue at a later date in accordance with the provisions of the Company's Distribution Policy.

	2020	2019
	\$	\$
Opening balance	441,440	382,080
Less payments made	0	0
Return to distributions/Contribution from licensing revenue	(41,440)	59,360
Closing balance	400,000	441,440

10. CAPITAL AND LEASING COMMITMENTS

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

	2020	2019
	\$	\$
Premises (Operating lease) - expires August 2023		
Payable		
- not later than one year	101,340	101,340
- later than one year but not later than five years	169,182	270,522
Motor Vehicles (Operating leases) - expires June 2022		
Payable		
- not later than one year	8,905	8,905
- later than one year but not later than five years	2,100	11,005

A two-month rent holiday provided on the signing of the new premises lease is reflected in the office lease cost expense.

11. COMPANY CREDIT CARDS

Company credit cards used by senior staff have a combined limit of \$20,000.

12. SHARE CAPITAL

Authorised, issued and fully paid up capital

100 Ordinary shares of \$1	100	100
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13. RELATED PARTY TRANSACTIONS

Shareholders

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

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NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2020

13. RELATED PARTY TRANSACTIONS - CONTINUED

New Zealand Society of Authors	2020	2019
	\$	\$
Contestable Fund Grant	7,500	20,000
Administration costs for Research Grants	3,235	5,666
Administration costs for Writers Award	3,187	5,057
Total	13,922	30,723

**From 2019, NZSA undertook all promotion and management of the CLNZ Writers' Award and Research Grants.*

Publishers Association of New Zealand	2020	2019
	\$	\$
Professional Development Training	20,000	20,000
Contribution to NZ Market sizing report	18,750	-
Total	38,750	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

Tom Rennie and Graeme Cosslett are both employed by publishing companies that receive distribution payments.

Key Management Personnel

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

Senior Management	2020	2019
	\$	\$
Total remuneration	417,923	407,401
Total FTE's (Full Time Equivalent)	3	3
Directors	86,706	85,099
Total remuneration		
Total FTE's (Full Time Equivalent)	0.1	0.1

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NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2020

14. 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:

Financial Assets	2020	2019
	\$	\$
<i>Financial Assets at Fair Value through Surplus or Deficit</i>		
Cash and cash equivalents	7,725,908	8,174,732
Receivables from Exchange Transactions	64,531	216,285
	7,790,439	8,391,017
Financial Liabilities	2020	2019
	\$	\$
<i>At amortised cost</i>		
Trade and other creditors	11,022	63,703
Accrued Expenditure	16,319	19,266

15. FINANCE LEASE

The Company has a Finance Lease with Canon NZ which expires in September 2023.

Total liability of \$13,041 remains after balance date as follows:

Photocopier - expires September 2023	2020	2019
	\$	\$
Payable		
- not later than one year	4,528	4,140
- later than one year but not later than five years	8,513	13,041

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 sheet that would materially affect these financial statements. (2019 : Nil)