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**DIRECTORS' REPORT
AND FINANCIAL REPORT**
FOR THE YEAR ENDED 30 JUNE 2012



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DIRECTORS' REPORT

The directors present their report together with the financial report of Copyright Agency Limited for the year ended 30 June 2012 and auditors report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors' names

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

Bronwyn Bancroft
David Barnett appointed 30 November 2011
Anthony Bertini
Jeremy Fisher
Libby Gleeson, AM
Alexander Grant
Brian Johns, AO
Rodney Martin
Malcolm Knox
Lucrezia Russell
Martin Spears resigned 30 November 2011

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

RESULTS AND REVIEW OF OPERATIONS

The surplus of the company for the year after providing for income tax amounted to \$856,156.

Operating costs of the company are reimbursed from the trust account held on behalf of the company's members. During the year, the company has invested \$1,541,141 in developing software which has been recognised as an intangible asset of the company at balance date. The reimbursement of these costs is included as revenue and the resulting asset will be amortised over its useful life to reflect the benefits to the company and its members. As the amortisation expenses are recognised, the company's accumulated funds will progressively return to historical levels. The company's practice to only hold cash and cash equivalents to cover forecast expenses remains unchanged.

During the year the company also continued its commitment to pay distributions to members on a more timely basis, subject to its underlying principles and policies on equity and the result is that the trust account balance has reduced significantly again this year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the company's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

DIRECTORS' REPORT

COMPANY OBJECTIVES

The company's objectives, set out in the five year plan, are to:

- Enhance equity
- Build trust through transparency
- Expand engagement

To achieve those objectives in 2012/13 and beyond, the company has committed to the following:

Enhance equity

- Implement a direct payment system for eligible works
- Ensure greater returns for rightsholders
- Use data to achieve the best possible and fairest results
- Advocate and lobby government on behalf of rightsholders

Build trust through transparency

- Provide clear and timely communications to all members on changes to our processes which may affect their revenue
- Provide transparent access to our information and analysis through the regular publishing of research and reports
- Ask and listen to our stakeholders through regular member meetings and surveys

Expand engagement

- Place greater emphasis on the needs of our stakeholders in the restructuring of our business
- Support our creative industries and make contributions to our cultural identity through the work of the Copyright Agency's Cultural Fund

In addition and for the longer term, the company has committed to implementing and consolidating systems across the business and to ensure greater returns to rightsholders.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of a copyright collecting society.

No significant change in the nature of these activities occurred during the year.

DIRECTORS' REPORT

COMPANY PERFORMANCE

The company has adopted a five year strategic plan which details the strategies for achieving these objectives and for measuring the company's performance. Key performance indicators include:

- Distributions under the direct payment system to be made for all eligible works by 2014.
 - Maintain an expense to revenue ratio at less than 14%.
 - Improve use of complementary data to more fairly represent rightsholders and content types.
 - Advocacy and representation of rightsholders in the forthcoming review by the Australian Law Reform Commission.
 - Broadening the reach of the Cultural Fund into key sectors relevant to members and other key stakeholders.
-

AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

LIKELY DEVELOPMENTS

The company expects to maintain the present status and level of operations.

ENVIRONMENTAL REGULATION

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

DIVIDENDS PAID, RECOMMENDED AND DECLARED

The company is limited by guarantee. No dividends are permitted to be paid under the constitution of the company.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Bronwyn Bancroft	Director
Qualifications	Dip. VComms, Master of Studio Practice, MVA (Painting)
Experience	Australian artist who has served on the boards of Viscopy, the National Indigenous Arts Advocacy Association and the National Gallery of Australia. Currently a director of Boomalli Limited and an Artist Panel member of the Museum of Contemporary Art, Designer Aboriginals Pty Ltd and the Australian Indigenous Mentoring Experience.
Special responsibilities	Independent Director since 20 November 2008. Member of Copyright Agency's Community Engagement and Cultural Fund Committees and also an observer member of the Art Market Professionals Advisory Panel for the resale royalty scheme managed by Copyright Agency.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

David Barnett	Director
Qualifications	BA, P Grad Dip HRM
Experience	CEO Pearson, Australia and New Zealand; since 2011 member of Australian Government's Digital Education Advisory Group; over 24 years in publishing.
Special responsibilities	Australian Publishers Association appointed Director from 2011. Convenor of Copyright Agency's Education Project committee.

Anthony Bertini	Director
Qualifications	BA
Experience	Chair of Thumper One Pty Ltd, a corporate advisory firm investing in and incubating new technologies in ICT, clean technology and medical devices. Also Chair of Organic Technology Holdings Pty Ltd and ARCA Group Investments Pty Limited. Former publisher of IPC Magazines Australia and founder of Hyro Ltd. Current directorships also include Wavefront Biometrics Pty Ltd and Hydrogen Assist Pty Ltd.
Special responsibilities	Independent director since May 2010. Convenor of Copyright Agency's International Development Committee and member of its Audit and Finance, Cultural Fund and IT Strategy Committees.

Jeremy Fisher	Director
Qualifications	DCA, MA, BA Dip DesStud, Dip Ed
Experience	Author, Senior Lecturer, School of Arts, University of New England. Former Executive Director of the Australian Society of Authors. Former General Manager for Harcourt Brace Jovanovich and McGraw-Hill. Board member of Australian Publishers Association 1998-2000 and the Australian Copyright Council 2004-2009.
Special responsibilities	Australian Society of Authors appointed Director since 2010. Member of Copyright Agency's IT Strategy, Cultural Fund, International Development, Learning in the Digital Age and Community Engagement Committees.

Libby Gleeson, AM	Director
Qualifications	BA (Hons), Dip Ed, Cert TESOL
Experience	Former high school and tertiary education teacher, widely published writer of children's and youth literature. Adjunct Professor, Faculty of Education and Social Work, University of Sydney; a director of Bookmite Pty Limited since 1996 and OzAuthors 2000-04; former Treasurer and Chair of the Australian Society of Authors. AM, 2007 for services to literature and literacy education; winner of the 2005 Meritorious Service to Public Education and Training Award.
Special responsibilities	Australian Society of Authors appointed Director since 2005. Convenor of Copyright Agency's Community Engagement Committee and member of its Cultural Fund Committee.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Alexander Grant	Chair
Qualifications	BA
Experience	Chief Executive, Hardie Grant Publishing; former CEO Reed Books UK; former Managing Director Reed Books Australia; past President and Director of Australian Publishers Association; Director of Explore Australia Pty Ltd; Chair of Hardie Grant Magazines; Chair of Hardie Grant Egmont; Director of Hardie Grant Books.
Special responsibilities	Australian Publishers Association appointed Director since 2002 then independent director since November 2009. Member of Copyright Agency's Audit and Finance, IT Strategy, Education Project and Community Engagement Committees.
Brian Johns, AO	Director
Qualifications	Honorary Doctorate Social Sciences, RMIT, Doctor of the University, QUT.
Experience	Adjunct Professor Creative Industries Faculty QUT 2000 - 2004; former Managing Director Australian Broadcasting Corporation and Special Broadcasting Services; former Chair Australian Broadcasting Authority; former Publishing Director Penguin Books Australia; journalist and news executive.
Special responsibilities	Independent Director since 2001 and Chair 2003-2009. Convenor of Copyright Agency's Cultural Fund Committee and member of Copyright Agency's Audit and Finance, Learning in the Digital Age and International Development Committees.
Malcolm Knox	Director
Qualifications	BA (Hons), M Phil
Experience	Author and journalist.
Special responsibilities	Author elected Director since 2006. Convenor of Copyright Agency's Audit and Finance Committee and member of Copyright Agency's Cultural Fund Committee.
Rodney Martin	Director
Qualifications	AdvDipT, BEd, MBA, FEA
Experience	Founder of Era Publications; former Director of the Exporters' Club in Adelaide; Convenor of the Adelaide Publishing Cluster; Convenor of the Family Business Australia Hall of Fame, former director of Australian Multimedia Enterprise Limited.
Special responsibilities	Publisher elected Director since 2004. Convenor of Copyright Agency's Learning in the Digital Age and IT Strategy Committee and member of Copyright Agency's Audit and Finance, Community Engagement and International Development Committees.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Lucrezia Russell Director
 Qualifications BA, CPA
 Experience Formerly General Manager of John Wiley & Sons Higher Education Division and former Convenor of the APA Tertiary and Professional Committee. Over 20 years in higher education publishing.
 Special responsibilities APA appointed Director since 1 July 2010. Member of Copyright Agency's Audit and Finance, IT Strategy, Learning in the Digital Age, Education Project and Community Engagement Committees.

Martin Spears Director
 Qualifications BA
 Experience Managing Director Pearson Education Australia. Former director of Australian Publishers Association; former convenor of the Schools Educational Publishing Committee.
 Special responsibilities Australian Publishers Association appointed Director 2003 - 2011. Member of Copyright Agency's IT Strategy and Cultural Fund Committees.

Caroline Morgan Company secretary
 Qualifications BA, LLB, MBA
 Experience Copyright Agency's General Manager since 2003.
 Special responsibilities Company secretary.

MEETINGS OF DIRECTORS

Directors	Directors' meetings		Audit and Finance		Learning in the Digital Age		Cultural Fund	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Bronwyn Bancroft	6	6	-	-	-	-	6	6
David Barnett	5	5	-	-	-	-	-	-
Anthony Bertini	6	6	6	6	6	4	6	6
Jeremy Fisher	6	6	-	-	6	4	3	3
Libby Gleeson, AM	6	5	-	-	-	-	6	5
Alexander Grant	6	6	6	6	4	4	-	-
Brian Johns, AO	6	6	3	2	6	6	6	6
Rodney Martin	6	6	6	6	6	6	-	-
Malcolm Knox	6	6	6	4	-	-	6	5
Lucrezia Russell	6	6	6	6	6	6	-	-
Martin Spears	1	1	-	-	2	2	1	1

DIRECTORS' REPORT

Directors	Branding/ Community Engagement		IT Strategy		Education Project		International Development	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Bronwyn Bancroft	6	6	-	-	-	-	-	-
David Barnett	-	-	-	-	3	3	-	-
Anthony Bertini	-	-	3	3	-	-	3	3
Jeremy Fisher	6	4	3	3	-	-	3	2
Libby Gleeson, AM	6	6	-	-	-	-	-	-
Alexander Grant	6	6	3	2	3	3	-	-
Brian Johns, AO	-	-	-	-	-	-	3	3
Rodney Martin	6	6	3	3	3	2	3	3
Malcolm Knox	-	-	-	-	-	-	-	-
Lucrezia Russell	6	6	3	3	3	3	3	2
Martin Spears	-	-	1	1	-	-	-	-

MEMBERS GUARANTEE

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute to a maximum of \$20 each towards meeting any outstandings and obligations of the group. At 30 June 2012 the number of members was 24,342.

INDEMNIFICATION OF OFFICERS

The company has paid premiums to insure each of the following directors and officers 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. The amount of the premium paid in this financial year was \$8,500 and covered all directors and company secretaries as detailed above together with management team members Jim Alexander and Ansari Hamid.

Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the contract.

INDEMNIFICATION OF AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the company.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's declaration under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

DIRECTORS' REPORT

DIRECTORS' REMUNERATION

Under Article 38 of Copyright Agency's Constitution, Directors' remuneration is determined by the company in general meeting.

Details of the nature and amount of each element of the emoluments of each director of the company are as follows:

	Base Remuneration \$	Superannuation Contributions \$	Total \$
Bronwyn Bancroft	28,710	-	28,710
David Barnett	15,556	1,400	16,956
Anthony Bertini	28,710	-	28,710
Jeremy Fisher	26,340	2,370	28,710
Libby Gleeson, AM	26,340	2,370	28,710
Alexander Grant	57,419	-	57,419
Brian Johns, AO	28,710	-	28,710
Rodney Martin	26,340	2,370	28,710
Malcolm Knox	26,340	2,370	28,710
Lucrezia Russell	26,340	2,370	28,710
Martin Spears	10,784	971	11,755

Signed on behalf of the board of directors.



Director:
Alexander Grant



Director:
Malcolm Knox

Dated this 27 September 2012



PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF COPYRIGHT AGENCY LIMITED

In relation to the independent audit for the year ended 30 June 2012, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.

R M SHANLEY

Partner

28 September 2012

PITCHER PARTNERS

Sydney

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FINANCIAL REPORT

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
Revenue	4	19,504,439	19,457,698
Less: expenses			
Depreciation and amortisation expense	5	-1,319,681	-555,916
Employee benefits expense		-11,051,455	-10,642,464
Occupancy expenses		-1,055,445	-1,025,025
Consultancy costs		-321,227	-90,206
Sampling costs		-1,265,169	-949,692
Legal costs		-209,995	-184,581
Directors fees		-315,806	-306,898
Employment taxes and costs		-639,188	-426,811
IT costs		-381,085	-386,286
Office running costs		-410,051	-452,058
Other expenses		-1,679,181	-1,591,515
		<u>-18,648,283</u>	<u>-16,611,452</u>
Surplus before income tax expense		856,156	2,846,246
Income tax expense		-	-
Net surplus from continuing operations		<u>856,156</u>	<u>2,846,246</u>
Other comprehensive income for the year		-	-
Total comprehensive income		<u><u>856,156</u></u>	<u><u>2,846,246</u></u>

The accompanying notes form part of these financial statements.

FINANCIAL REPORT

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2012 \$	2011 \$
Current assets			
Cash and cash equivalents	7	771,529	1,208,857
Receivables	8	4,788	51,798
Other assets	11	1,078,625	966,655
Total current assets		<u>1,854,942</u>	<u>2,227,310</u>
Non-current assets			
Intangible assets	10	4,144,323	3,519,993
Property, plant and equipment	9	953,315	1,045,953
Total non-current assets		<u>5,097,638</u>	<u>4,565,946</u>
Total assets		<u>6,952,580</u>	<u>6,793,256</u>
Current liabilities			
Payables	12	1,951,574	2,422,425
Provisions	13	570,223	745,887
Total current liabilities		<u>2,521,797</u>	<u>3,168,312</u>
Non-current liabilities			
Payables	12	38,880	56,160
Provisions	13	630,724	663,761
Total non-current liabilities		<u>669,604</u>	<u>719,921</u>
Total liabilities		<u>3,191,401</u>	<u>3,888,233</u>
Net assets		<u>3,761,179</u>	<u>2,905,023</u>
Accumulated funds			
Retained surplus		<u>3,761,179</u>	<u>2,905,023</u>
Total accumulated funds		<u>3,761,179</u>	<u>2,905,023</u>

The accompanying notes form part of these financial statements.

FINANCIAL REPORT

STATEMENT OF CHANGES IN ACCUMULATED FUNDS FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$	2011 \$
Total accumulated funds		
Balance at beginning of the year	2,905,023	58,777
Movements in accumulated funds from:		
Retained surplus	856,156	2,846,246
Balance at the end of the year	<u>3,761,179</u>	<u>2,905,023</u>
Retained surplus		
Balance at beginning of the year	2,905,023	58,777
Profit for the year	856,156	2,846,246
Total comprehensive income	856,156	2,846,246
Balance at the end of the year	<u>3,761,179</u>	<u>2,905,023</u>

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
Cash flow from operating activities			
Receipts from customers		19,050,129	19,411,327
Payments to suppliers and employees		-17,473,098	-15,993,479
Interest received		126,500	116,778
Net cash provided by operating activities	15(b)	<u>1,703,531</u>	<u>3,534,626</u>
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		-	250
Payment for property, plant and equipment		-311,667	-431,927
Payment for intangible assets		-1,550,447	-3,090,662
Payment of grants from Cultural Fund		-2,251,551	-1,784,887
Receipts allocated to Cultural Fund		1,972,806	2,286,437
Net cash provided by / (used in) investing activities		<u>-2,140,859</u>	<u>-3,020,789</u>
Reconciliation of cash			
Cash at beginning of the financial year		1,208,857	695,020
Net increase / (decrease) in cash held		-437,328	513,837
Cash at end of financial year	15(a)	<u>771,529</u>	<u>1,208,857</u>

The accompanying notes form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report was approved by the directors as at the date of the directors' report.

The financial report is for the entity Copyright Agency Limited as an individual entity. Copyright Agency Limited is a company limited by guarantee, incorporated and domiciled in Australia. Copyright Agency Limited is a not-for-profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by the company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) Revenue

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

Interest revenue is recognised when it becomes receivable on a proportional basis taking in to account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(c) Property, plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Plant and equipment

Plant and equipment is measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets are depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

NOTES TO FINANCIAL STATEMENTS

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements at cost	5-33%	Straight line
Office equipment at cost	5-20%	Straight line
Furniture, fixtures and fittings at cost	1-20%	Straight line
Computer equipment at cost	20-40%	Straight line
Pooled assets less than \$1,000	19-38%	Diminishing value

d) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Specific provisions, applicable to copyright collecting societies, ensure (a) copyright income collected and held on behalf of the members, pending allocation to the member; and (b) non copyright income that falls within certain limits, are not subject to income tax.

(f) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, accumulated sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave and accumulated sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

NOTES TO FINANCIAL STATEMENTS

(g) Borrowing costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings.

Borrowing costs are expensed as incurred.

(h) Impairment

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(i) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(j) Financial instruments

Classification

The company classifies its financial assets into the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

NOTES TO FINANCIAL STATEMENTS

(k) Intangibles

Internally developed software

Internally developed software is initially recorded at the purchase price and amortised on a straight line basis over the period of 5 years. The balances are reviewed annually and any balance representing future benefits the realisation of which is considered to be no longer probable are written off.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

NOTE 2: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

There is not expected to be any significant impact on the entity's financial report on the initial application of Australian Accounting Standards issued at reporting date but not yet effective.

NOTES TO FINANCIAL STATEMENTS

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. No estimates or assumptions are considered to have the potential to materially impact the assets or liabilities of the company in the next financial year.

(a) Impairment of internally developed software

Intangible assets with a indefinite life or are not yet available for use are required to be tested for impairment annually at balance date. Intangible assets with a finite life are required to be tested for impairment annually at each reporting date where any indicators of impairment exist in relation to the continued use of the asset by the company. Indicators of impairment include technology changes, adverse changes in the economic or political environment or future expectations.

Internally developed software has been tested for impairment by determining the recoverable amount of the asset. The recoverable amount of assets is based on value-in-use calculations. These calculations are based on current financial forecasts and projected cash flows approved by management covering a period not exceeding five years. Management's determination of cash flow projections are based on past performance and its expectation for the future.

NOTE 4: REVENUE

	2012 \$	2011 \$
Rendering of services	18,677,641	18,922,563
Interest income	120,038	111,747
Other revenue	706,760	423,388
Total revenue	<u>19,504,439</u>	<u>19,457,698</u>

NOTE 5: OPERATING PROFIT

Profit / (losses) before income tax has been determined after:		
Depreciation	391,130	374,995
Amortisation	928,551	180,921
Loss on disposal/revaluation of non current assets	1,436	280
Remuneration of auditors for:		
<i>Pitcher Partners</i>		
Audit and assurance services		
- Audit or review of the financial report	36,000	36,000
- Agreed upon procedures - distributions	26,000	17,000
- Due dilligence	6,000	-
Other non-audit services		
- Taxation services	4,000	4,000
	<u>72,000</u>	<u>57,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

	2012 \$	2011 \$
Compensation received by key management personnel of the company		
- short-term employee benefits	750,107	725,001
- post-employment benefits	<u>29,996</u>	<u>29,021</u>
	<u><u>780,103</u></u>	<u><u>754,022</u></u>

NOTE 7: CASH AND CASH EQUIVALENTS

Cash on hand	1,000	1,000
Cash at bank	<u>770,529</u>	<u>1,207,857</u>
	<u><u>771,529</u></u>	<u><u>1,208,857</u></u>

NOTE 8: RECEIVABLES

CURRENT		
Trade debtors	<u>4,788</u>	<u>51,798</u>

It is expected that all trade debtors will be received when due. There are no trade debtors that are past due at reporting date.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

Leasehold improvements		
At cost	147,309	147,309
Accumulated amortisation	<u>-60,244</u>	<u>-48,504</u>
	<u>87,065</u>	<u>98,805</u>
Office equipment, furniture and computer equipment		
Office equipment, furniture and computer equipment at cost	3,447,937	3,571,312
Accumulated depreciation	<u>-2,581,687</u>	<u>-2,624,164</u>
	<u>866,250</u>	<u>947,148</u>
Total property, plant and equipment	<u><u>953,315</u></u>	<u><u>1,045,953</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2012 \$	2011 \$
(a) Reconciliations		
Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year		
<i>Leasehold improvements</i>		
Opening carrying amount	98,805	110,176
Additions	-	1,380
Amortisation expense	-11,740	-12,751
Closing carrying amount	<u>87,065</u>	<u>98,805</u>
<i>Office equipment, furniture and computer equipment</i>		
Opening carrying amount	947,149	892,127
Additions	311,667	430,547
Disposals	-1,436	-530
Depreciation expense	-391,130	-374,995
Closing carrying amount	<u>866,250</u>	<u>947,149</u>

NOTE 10: INTANGIBLE ASSETS

Internally developed software at cost	5,229,304	3,688,163
Accumulated amortisation and impairment	-1,084,981	-168,170
	<u>4,144,323</u>	<u>3,519,993</u>

(a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

Internally developed software at cost

Opening balance	3,519,993	677,115
Additions	1,541,141	3,011,048
Amortisation expense	-916,811	-168,170
Closing balance	<u>4,144,323</u>	<u>3,519,993</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 11: OTHER ASSETS

	2012 \$	2011 \$
CURRENT		
Prepayments	311,309	199,339
Lease security deposit	767,316	767,316
	<u>1,078,625</u>	<u>966,655</u>

NOTE 12: PAYABLES

CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	1,007,581	845,065
Cultural fund	618,629	897,374
Deferred revenue	239,855	621,137
GST credits	68,229	41,569
Lease incentive	17,280	17,280
	<u>1,951,574</u>	<u>2,422,425</u>
NON CURRENT		
<i>Unsecured liabilities</i>		
Lease incentive	38,880	56,160

NOTE 13: PROVISIONS

CURRENT		
Employee benefits	(a) 570,223	615,736
Restructure costs	-	130,151
	<u>570,223</u>	<u>745,887</u>
NON CURRENT		
Employee benefits	(a) 630,724	663,761
(a) Aggregate employee benefits liability	1,200,947	1,279,496

NOTES TO FINANCIAL STATEMENTS

NOTE 13: PROVISIONS (CONTINUED)

	2012 \$	2011 \$
(b) Reconciliations		
Reconciliation of the carrying amounts of provisions at the beginning and end of the current financial year		
<i>Restructure costs</i>		
Opening balance	130,151	254,921
Additional amounts recognised	-	130,151
Amounts used	-129,489	-239,399
Unused amounts reversed	-662	-15,522
Closing balance	<u>-</u>	<u>130,151</u>

Provision for Restructuring Costs

A provision for restructuring costs has been recognised for estimated redundancy, recruitment and consulting costs in relation to the restructuring of the divisions within the company. The provision has been recognised as a liability as the expenditure has been committed to at balance date.

NOTE 14: CAPITAL AND LEASING COMMITMENTS

(a) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable

- not later than one year	1,202,892	1,192,716
- later than one year and not later than five years	<u>2,812,970</u>	<u>3,998,148</u>
	<u>4,015,862</u>	<u>5,190,864</u>

Operating lease commitments are in respect of leased premises and office equipment.

NOTES TO FINANCIAL STATEMENTS

NOTE 15: CASH FLOW INFORMATION

	2012 \$	2011 \$
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:		
Cash on hand	1,000	1,000
Cash at bank	770,529	1,207,857
	<u>771,529</u>	<u>1,208,857</u>
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit from ordinary activities after income tax	856,156	2,846,246
Adjustments and non-cash items		
Amortisation	928,551	180,921
Depreciation	391,130	374,995
Net (gain) / loss on disposal of property, plant and equipment	1,436	280
Changes in assets and liabilities		
(Increase) / decrease in receivables	47,010	-11,237
(Increase) / decrease in other assets	-111,970	14,863
Increase / (decrease) in payables	-200,081	161,393
Increase / (decrease) in provisions	-208,701	-32,835
	<u>847,375</u>	<u>688,380</u>
Cash flows from operating activities	<u>1,703,531</u>	<u>3,534,626</u>

NOTE 16: RELATED PARTY TRANSACTIONS

(a) Transactions with other related parties

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The only transactions with related parties during the year were distributions to directors made under the constitution to copyright holders from trust declared distribution pools.

NOTES TO FINANCIAL STATEMENTS

NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2012 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2012, of the company, or
 - (b) the results of those operations, or
 - (c) the state of affairs, in financial years subsequent to 30 June 2012, of the company.
-

NOTE 18: COMPANY DETAILS

The registered office and principal place of business of the company is:

Copyright Agency Limited
Level 15
233 Castlereagh Street
Sydney NSW 2000

NOTE 19: STATEMENT OF OPERATIONS BY SEGMENTS

The company was established in 1974 to act as agent for its members authors and publishers to collectively administer the copying of their works in educational institutions and other organisations. The company commenced business in 1986 and is based in Sydney.

Copyright Agency Limited has been declared by the Commonwealth Attorney General to be the collecting society to administer the statutory licence created under Part VB of the Copyright Act 1968, for the copying and communication of copyright material by educational institutions, institutions assisting handicapped readers and institutions assisting intellectually handicapped persons.

Copyright Agency Limited has been declared by the Copyright Tribunal as the collecting society to administer the statutory licence in Division 2 of Part VII of the Copyright Act 1968 in relation to government copies of works and published editions of works, other than works included in a sound recording, cinematograph film or a television or sound broadcast.

Copyright Agency Limited has been appointed by the Australian Government as the collecting society under the Resale Royalty Right for Visual Artists Act 2009 for collection of resale royalties payable in respect of artworks of eligible artists.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 38 - 51, are in accordance with the *Corporations Act 2001*:
 - (a) comply with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 30 June 2012 and performance for the year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director:
Alexander Grant



Director:
Malcolm Knox

Dated this 27 September 2012



PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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COPYRIGHT AGENCY LIMITED
ABN 53 001 228 799

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF COPYRIGHT AGENCY LIMITED

We have audited the accompanying financial report of Copyright Agency Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in accumulated funds and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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COPYRIGHT AGENCY

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF COPYRIGHT AGENCY LIMITED

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion, the financial report of Copyright Agency Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.



R M SHANLEY

Partner

28 September 2012



PITCHER PARTNERS

Sydney

TRUST ACCOUNT STATEMENT

TRUST ACCOUNT STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$	2011 \$
Balance as at 1 July	79,678,544	92,371,097
Add:		
Licence and other copying fees		
- Statutory licence agreements	106,525,751	108,882,301
- Voluntary licence agreements	16,042,696	15,587,950
- Other collecting societies	2,302,217	1,805,632
- Resale royalty	396,266	171,685
	<u>125,266,930</u>	<u>126,447,568</u>
Interest and investment income received	3,655,490	5,212,559
GST paid by licensees on voluntary licence fees	<u>1,516,209</u>	<u>1,465,151</u>
Less:		
Distributions		
- current year	-141,644,452	-121,240,032
- movement in payments in transit	-146,308	44,194
- GST	<u>-1,415,296</u>	<u>-1,107,748</u>
	<u>-143,206,056</u>	<u>-122,303,586</u>
Reimbursement of operating costs	-18,677,641	-18,908,367
GST paid	-1,826,482	-2,118,488
Transfer to Cultural Fund	-2,143,058	-2,486,043
Bank and other charges	<u>-63,930</u>	<u>-1,347</u>
Balance as at 30 June	<u><u>44,200,006</u></u>	<u><u>79,678,544</u></u>
Represented by funds held with:		
Myer Family Company	44,200,006	-
Cash at bank	<u>-</u>	<u>79,678,544</u>
	<u><u>44,200,006</u></u>	<u><u>79,678,544</u></u>

NOTES TO TRUST ACCOUNT STATEMENT

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The trust account statement is a special purpose financial report that has been prepared in accordance with with requirements of Copyright Act 1968, Trustee Act 1925, the company's constitution and guidelines for Copyright Collecting Societies issued by the Attorney General's Department.

The statement is prepared on a cash basis.

NOTE 2: FAIR VALUE OF FUNDS HELD

The fair value of listed investments included in funds held are based on quoted market bid price at balance date adjusted for transaction costs expected to be incurred to realise.

NOTE 3: APPLICATION OF FUNDS TO CULTURAL FUND

Following changes to Copyright Agency's constitution passed at the 2010 AGM, the Board of Directors has agreed to apply an amount not exceeding 1.5% (increased from 1%) of monies received by the company during the financial year from licence and other copying fees for:

- (a) cultural or benevolent purposes in accordance with regulation 23JM (1) (d) of the Copyright Regulations and articles 74(b)(iii) and 83(a)(iv) of the company's Constitution and Rules - in the case of equitable remuneration received by the company under the Copyright Act 1968; and
 - (b) special purpose (including cultural and/or charitable purposes) in accordance with article 73(b) of the company's Constitution and Rules - in the case of monies received by the company on behalf of members under its voluntary licence agreements and all other revenue.
-

NOTE 4: FINANCIAL RISK MANAGEMENT

The trust account is subject to interest rate, market and liquidity risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with distributions to members.

The directors of Copyright Agency Limited are responsible for the management of these risks in respect of the trust account funds and appoint professional portfolio managers to prudently manage the funds under strict, risk averse guidelines approved by the Board. These guidelines include capital preservation of members' funds and a return no less than 90 day bank bill rates.

The Audit and Finance Committee have also been delegated responsibility by the Board to monitor the performance of the portfolio managers against these guidelines.



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**INDEPENDENT AUDITOR'S REPORT
ON THE TRUST ACCOUNT STATEMENT
TO THE MEMBERS OF COPYRIGHT AGENCY LIMITED**

We have audited the accompanying Trust Account Statement of Copyright Agency Limited for the year ended 30 June 2012.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of this financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine are necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

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**INDEPENDENT AUDITOR'S REPORT
ON THE TRUST ACCOUNT STATEMENT
TO THE MEMBERS OF COPYRIGHT AGENCY LIMITED**

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion, the Trust Account Statement of Copyright Agency Limited for the year ended 30 June 2012, presents fairly, in all material respects, movements in the trust account in accordance with the cash basis of accounting.

Report on Other Legal and Regulatory Requirements

In our opinion, the Trust Account Statement of Copyright Agency Limited for the year ended 30 June 2012, and the distribution of fees collected on behalf of members and other copyright owners during the year ended on 30 June 2012, comply with the requirements of:

- (a) articles 73 to 76 of Copyright Agency Limited's constitution;
- (b) ss 135ZZB and s153F of the Copyright Act 1968;
- (c) guidelines for Collecting Societies issued by the Attorney-General's Department; and
- (d) provisions of the Trustee Act 1925.



R M SHANLEY

Partner

28 September 2012



PITCHER PARTNERS

Sydney