



COPYRIGHT

ANNUAL REPORT *2005*

*pls*  
PUBLISHERS LICENSING  
SOCIETY LIMITED

# *Publishers Licensing Society*

## **Directors**

M. P. Long (ALPSP),  
*Chairman to 19 November 2004*

M. J. Richardson (ALPSP),  
*Chairman from 19 November 2004*

A. J. Joseph (PPA)

S. N. McRae (PPA)

I. R. Locks (PPA)

S. C. L. Morris (ALPSP)

D. J. G. Knight (PA)

G. S. Taylor (PA)

A. R. M. Campbell (PA)

A. K. J. Singleton (ALPSP)  
*Appointed 19 November 2005*

## **Chief Executive**

Dr Alicia Wise

## **Manager**

Caroline Elmslie

## **Communications and Marketing Manager**

David Bishop

## **Assistant Manager**

Tom West

## **Administrator**

Kate Crabtree

## **Bankers**

National Westminster Bank PLC  
Tottenham Court Road Branch  
45 Tottenham Court Road  
London W1T 2EA

## **Auditors**

Baker Tilly  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST



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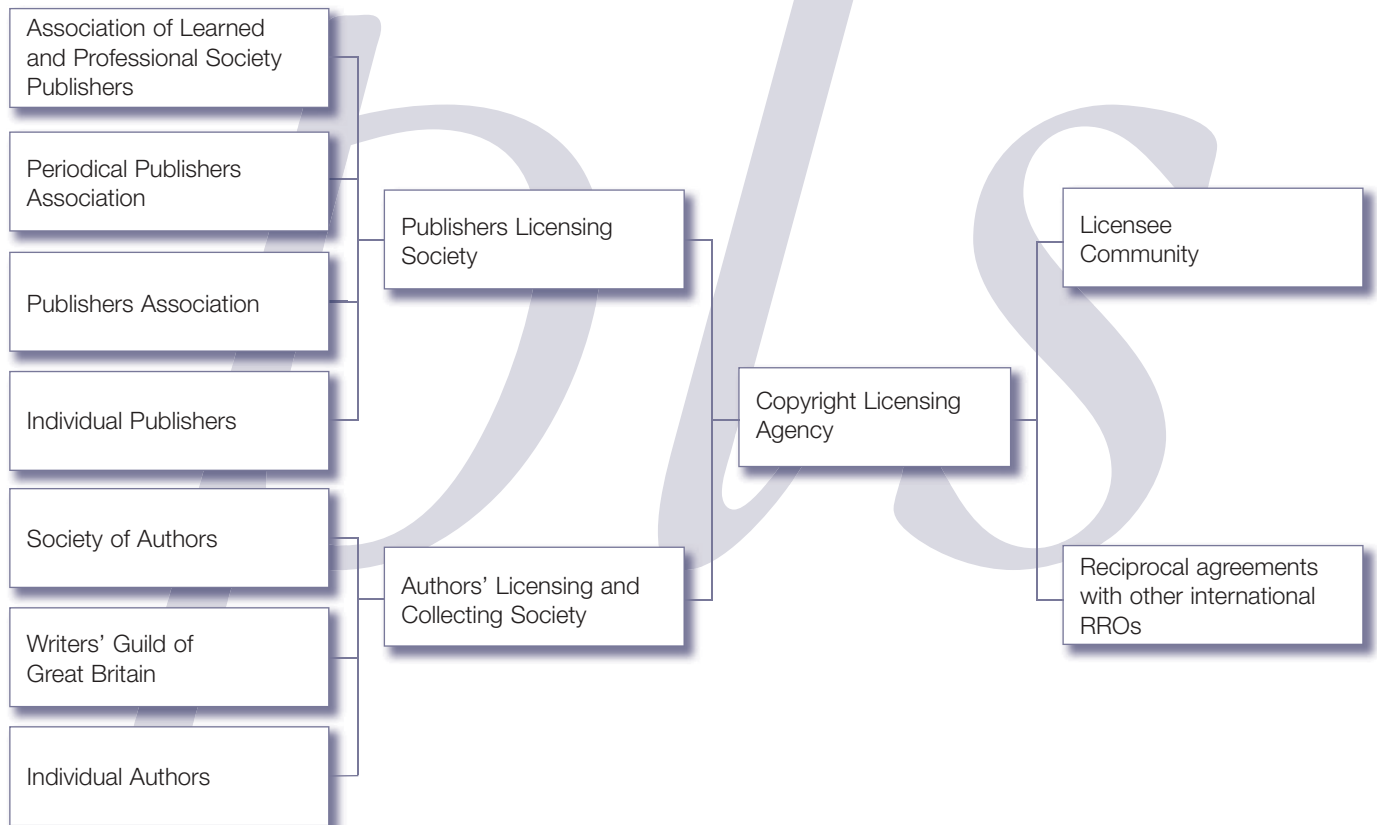


# Structure Overview

The Publishers Licensing Society (PLS) is a 'not-for-profit' organisation limited by guarantee. It protects the copyright interests of UK publishers, and their secondary rights' royalties. PLS and the Authors' Licensing and Collecting Society (ALCS) together co-own the Copyright Licensing Agency (CLA), and together with DACS (Design and Artists Copyright Society), are responsible for overseeing the CLA. These three rightholder societies also provide CLA with their mandates enabling it to administer photocopy and scanning licences to government bodies (including NHS), schools, Further Education and Higher Education institutions, and businesses throughout the UK. All CLA revenues are shared between the three rightholders' societies after the deduction of a commission (currently 11.7% of income) retained by CLA to cover its administrative costs. PLS is responsible for distributing the appropriate share of this revenue to publishers who have mandated PLS to act on their behalf. PLS is funded through the deduction of a commission (currently 6%) of the total revenue due to publishers.

PLS in turn is responsible to the UK publishing industry, and is owned by three UK publisher trade associations representing the main publishing sectors in which PLS operates: the Association of Learned and Professional Society Publishers (ALPSP), the Periodical Publishers Association (PPA), and the Publishers Association (PA). These three shareholder trade associations receive a management fee from PLS and are responsible for providing a number of services to PLS, including:

- The provision of three senior publisher members from each association who constitute the PLS Board which governs the running of PLS and oversees and agrees PLS corporate strategy and policy. Two-thirds of PLS board members are senior executives from publishing organisations that mandate PLS.
- Direct access to the publishing membership of these associations which helps PLS form a consensus decision which is key for matters such as licence development.
- Facilitating PLS participation in the various copyright committees arranged by the associations.





## *Chairman's Report*

The past year has been a busy one for PLS. Last year we welcomed Alicia Wise as our new Chief Executive. Since her appointment Alicia's breadth of knowledge and leadership skills have been fundamental in taking PLS forward. I feel confident that PLS is in excellent hands to help us respond to the collective licensing needs of the UK publishing industry as market conditions continue to change in a way that would have been inconceivable 10 years ago.

During 2005 PLS has further strengthened its team with the appointment of a new Communications and Marketing Manager. This role was created to ensure that publishers are consulted more thoroughly in relation to licensing developments, distributions and other PLS matters. PLS held a number of important strategic meetings during 2005 including the successful and widely attended 'Is there a role for collecting societies in a digital age?' seminar held in April 2005; moving forward, we will continue to engage with our membership in order to ensure that we continue to serve your needs.

At the beginning of 2005 we had the pleasure of welcoming Alan Singleton, who joined the board to replace Maurice Long who left us last year after many years of service, including two terms as Chair. Alan is Managing Director of Professional Engineering Publishing Ltd, and is one of the ALPSP representatives, though he is also former chair of the Serials Publishers' Executive of the PA. We are also saying goodbye to three board members before the end of 2005; Neil McRae, Bob Campbell, and myself. I would like to thank both Neil and Bob for their contributions to PLS, especially Neil who has

been on the PLS board since 1998 and for the past three years has also somehow managed to find the time to be Chairman of CLA.

Despite the rapid move towards the internet as a primary medium for delivering content in some sectors, photocopying is still our core business, and copying volumes appear to remain robust across most sectors. In the 2004/5 year PLS distributed £17.2 million to publishers, slightly ahead of last year's figure of £17 million. PLS has now paid out over £130 million to publishers with over £70 million of this total being paid over the last five years.

Another key development over the year was the renegotiation and signing of the ALCS/PLS Bipartite agreement. This agreement signals the increased strength of the working relationship between publishers and authors in relation to collective rights management, and sets the foundations for developing the Copyright Licensing Agency over the next five years.

I have enjoyed chairing the PLS Board and working with the small PLS team, and have been impressed with the dedication and hard work from everyone associated with PLS. I will be sorry to be leaving many friends, but am confident that the PLS team will continue to work tirelessly to safeguard publishers' rights and in stepping up to the challenge of developing collective licensing options which are also appropriate to the needs of our customers.

**Martin Richardson**

*Chairman*

November 2005



## *Chief Executive's Report*

As technology shapes the way user-communities access information, it is becoming ever increasingly evident the importance that PLS's role plays in protecting the copyright interests of publishers. Indeed, it seems to be these technological advances that are helping certain groups form ideas which accuse copyright of hindering the spread of art, information, and knowledge. Whilst it is good news that information can be spread far and wide in a way that seemed impossible only a short time ago, we must not forget that creators, whether they are publishers or authors or artists, should be recognised for their creativity and investment and need to be able to decide how their works can be copied. Copyright creates a gateway which allows creators this choice – a fact that is not well understood or is even disregarded in some quarters.

As the Chair has mentioned, on an operational level PLS welcomed a new member of staff, bringing the PLS team up to five members. The newly created Communications and Marketing Manager role was filled by David Bishop who brings nine years' experience from the academic and business publishing sectors. The need to create this role was reflected in PLS's aim of consulting and communicating more thoroughly with publishers on matters such as licence development. And of course this will help PLS track down those seemingly difficult to find UK publishers who are owed secondary rights royalties. PLS has been encouraged to learn from preliminary discussions with publishers that collective rights management of digital information would be generally welcomed in the publishing community if done in a way that

complements primary licensing. During the long summer months when PLS staff and consultants were busy building PLS's key strategic objectives for the next three years, the development of a digital licence was therefore high up on the agenda. Strategic plans were also formulated for PLS core operations, communications and copyright awareness, and the development of licence encoding standards.

The encoding standards initiative was created as customers have increasing difficulty in complying with the widely differing licence terms applied to digital resources by their creators and publishers, especially as the number of resources to which they have access continues to grow. The ability to express licence terms in a standard XML format, link them to digital resources and communicate them to users has become a pressing need with benefits to both publishers and customers such as libraries. PLS has teamed up with the Digital Library Federation, EDItEUR, and the US National Information Standards Organisation and together we are sponsoring a joint working group to develop the ONIX for Licensing standard. This XML license format will facilitate clear communication about license terms and conditions – and the rights that underlie them – among publishers, libraries, collecting societies, end-users and others in the supply chain.

**Alicia Wise**

*Chief Executive*

November 2005



## *Publishers Licensing Society's Mission*

PLS is dedicated to advancing publishers' interests through protecting and strengthening the copyright framework. PLS currently achieves this through its core functions:

- Manage voluntary licensing schemes, sympathetically optimise revenue streams for mandating publishers, and ensure that photocopying and scanning royalties are distributed accurately, efficiently, swiftly and transparently
- Actively identify and contain threats to publishers' rights in the context of copyright and licensing
- Safeguard publishers' interests within the Copyright Licensing Agency
- Support publishers through the sensitive developments of PLS mandates and CLA licences
- Support the publishing industry in all licensing matters
- Promote copyright awareness and respect
- Promote voluntary licensing systems in the UK and abroad

### **PLS 3 YEAR STRATEGIC OBJECTIVES**

**Core Operations:** review and revise PLS policies, processes and procedures; develop an annual operations plan; develop and implement plans for acquiring and monitoring mandates.

**Licensing:** develop an appropriate mandate for collective management of digital rights in a manner that complements and protects primary markets. Optimise revenue from collective licensing of reprography.

**Rights Management:** engage with rights' managers to identify best practice and the

business case for it, and to raise the profile of rights' management within the industry. Invest in rights' standards development for the supply chain to increase revenues through accurate, timely, and affordable asset management. Monitor DRM developments.

**Promote Copyright:** promote strategic awareness of copyright within the publishing industry. Support copyright education campaigns for government, schools and businesses. Develop awareness of, and respect for, copyright within the Higher Education community and the library/museum/archive communities.

### **SUMMARY OF YEAR'S HIGHLIGHTS**

**New Publisher Mandates:** During 2005, 70 new mandates were received from publishers who have not previously mandated PLS. This has allowed us to distribute a further £207,000 from our 'Non-Mandating Publisher' account.

**Higher Education Scanning Licence:** in August 2005 CLA and UUK/SCOP announced agreement on a trial scanning licence which was successfully launched allowing Higher Education institutions to photocopy and digitise (scan) extracts from books, journals and magazines.

**Bipartite Agreement:** the Authors' Licensing and Collecting Society and PLS signed an agreement which sets out the way the two societies work together for the next five years. The agreement also signals that publishers recognise the importance of contributors in the serials sector by agreeing to new revenue splits between publishers and contributors.

**Electronic Communications:** PLS launched new e-bulletin and a secure section of its website exclusively for mandating publishers.



## *Overview of licence development during 2005*

### **CLA FURTHER EDUCATION (FE) LICENCE**

The FE trial licence was extended into its third year on 1 August 2005, and is due to expire on 31 July 2006. This extension followed a review of the impact of scanning on publishers' primary sales. The review, undertaken by RightsCom and IRN Research concluded that there was no evidence to suggest that use of the FE trial licence had any impact on primary sales. Research from a second review carried out by QI Statistics echoed some of the findings of the Rightscom report such as finding no significant levels of scanning, and that scanning does not necessarily replace photocopying.

### **CLA HIGHER EDUCATION (HE) LICENCE**

Following an extensive consultation with publishers, CLA and Universities UK agreed a trial licence that allows member universities and colleges of HE to scan extracts from books, journals and magazines. With these extra rights new obligations were placed on licensees; in particular new requirements for data reporting and auditing of scanning within institutions to determine the overall impact of the trial and to maintain accurate distribution of licence fee revenues to authors, artists and publishers. PLS consultation with publishers will continue to inform negotiations between UUK/SCOP and CLA for the renewal of their photocopy licence in July 2006.

### **CLA BUSINESS LICENCE: NATIONAL HEALTH SERVICE (ENGLAND)**

Following a consultation meeting with rights-holders and NHS (England) a further six-month extension to the current licence was agreed. This licence is now due to expire in March 2006. In the meantime negotiations continue over the value of a new licence and the rights that might be included in that future licence.

### **CLA BUSINESS LICENCE: MODEL LAW LICENCE**

Requests were made by the Law Society of England and Wales for an extension to the rights that are offered with the Model Law Licence. Additional rights being requested are: the ability of a firm to forward copied extracts to their clients, and the right to systematically store scanned extracts.

A consultation exercise showed that the vast majority of law publishers do not wish to grant those additional rights for fear of a detrimental impact on primary sales. PLS will ensure that this situation is maintained until it can be demonstrated that, by granting these additional rights, there will be negligible impact on publishers' primary sales in this specific market.



# Distribution Summary 2005

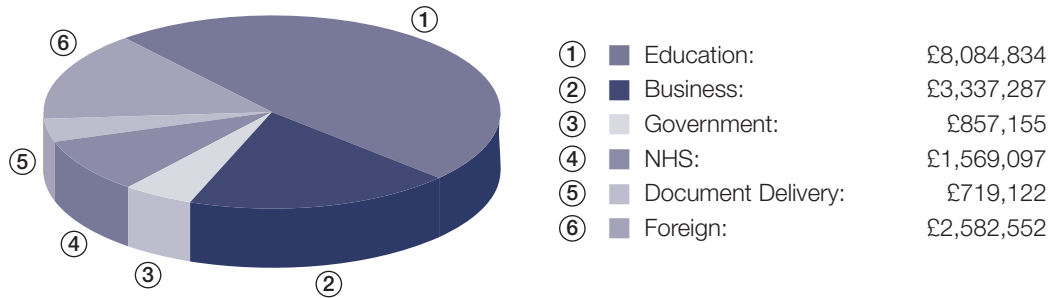
## OVERVIEW

This year PLS had £17.2 million to distribute to publishers which is a slight increase on last year's figure of £17 million. PLS has now paid out over £130 million to publishers with over £70 million of this total allocated over the last five years.

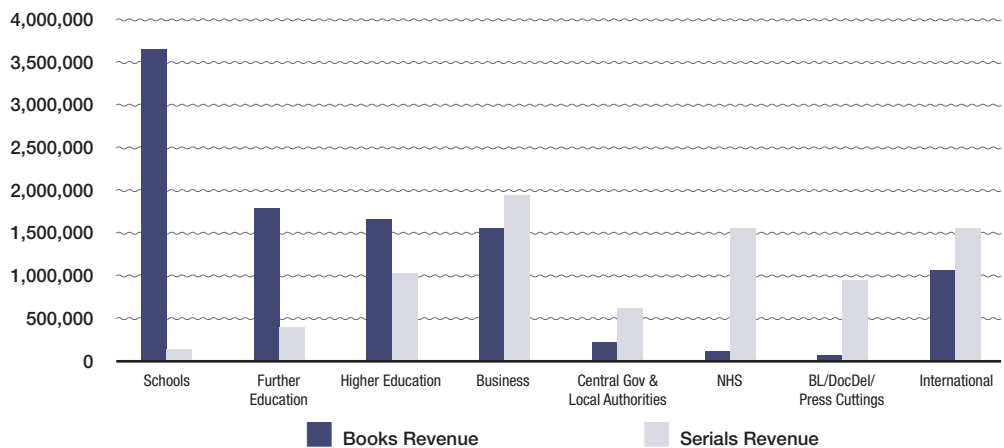
The timings of the distributions have been changing over the last couple of years and it will probably take until next year for the new process to bed in properly. The distribution timetable is now established and is on the PLS website with updates in the newsletters.

Income from the business licence is now paid out twice a year and was over £3 million for the first time, making up 19% of the total. Following the past two years of back payments, the NHS revenue this year was £1.6 million and it seems likely that it will remain roughly at this level next year. Education continues to provide the bulk of the income at £8.1 million. Fees from government licensing grew to £857,000, which included some back payment of fees from central government licences. PLS also distributed £2.6 million which was derived from CLA's reciprocal agreements with foreign RROs.

Distribution Summary 2005



Book vs Serials Revenue 2005



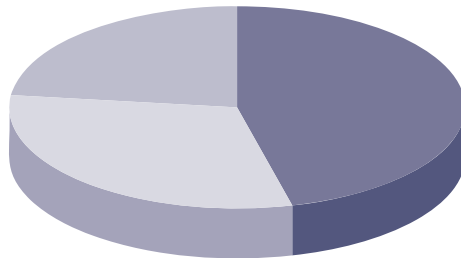


**EDUCATIONAL LICENCES**

Education fees represented 48% of the total distributed in 2005. Money from the schools licence increased by 25% to £3.6 million from last year's £2.9 million. Much of this increase is as a result of a change in distribution phasing

as CLA moved to an annual school distribution which now takes place in November. Further education licence fees covered a nine-month invoicing period and at £2 million showed an increase of 5% on last year's £1.9 million. Income from the higher education licence at £2.6 million was an increase of 11% compared with last year's figure of £2.3 million. This increase is due to higher student numbers. Transactional clearances from HERON for digitisation remained level at £33,000.

**Education Licence Summary**



■ Schools:	£3,814,694
■ Higher Education:	£2,682,811
■ Further Education:	£2,083,582

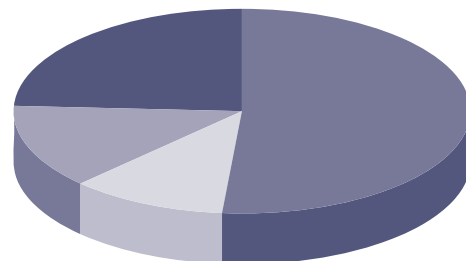
**BUSINESS LICENCE**

2005 revenue from business licensing was £2.9 million from renewals and £392,000 from new licences, and covered eleven months of invoicing by CLA. The fees from public bodies are now included in the business payments. These were distributed separately last year due to the two sectors having different invoicing periods. Fees from licence renewals by businesses and public bodies have increased by 37% from £2.1 million achieved last year, while new licence revenue has declined by 30% from last year's £564,000. The 2004 revenue increase was helped by the UK implementation (October '03) of the EU Copyright Directive 2001. Taking into account the above factors, the 2005 increase is accentuated by a slight shift in the timing of billing in some business sectors.

would better reflect the type of material copied. This may mean that some publishers have seen a change in the sectors from which they are receiving fees. Those sectors now bringing in over £250,000 annually each are: engineering, financial, legal, and pharmaceutical. Sectors raising over £50,000 each are: accountancy, advertising, the chemical industry, electronics, food and drink, manufacturing, press cuttings and publishing. New licences that raised over £25,000 were from: engineering, financial, legal and pharmaceutical.

During the year CLA refined the way business sectors are defined for survey and distribution purposes. The number of separate sectors increased from 11 to 23. Historically the business distributions followed the classifications on the CLA business rate card, but a review of some of the categories indicated that the type of business activity

**Business and Government Summary 2005**



■ Business:	£3,319,147
■ Document Delivery (inc BL):	£719,122
■ Government:	£857,155
■ NHS:	£1,569,097



**GOVERNMENT, DOCUMENT DELIVERY AND FOREIGN REVENUE**

Government fees for renewals were a total of £823,000 with £453,000 from central government, and £370,000 from local authorities. New licence income was £35,000 from local authorities. Central government has been licensed for some time and the data collection process is being reviewed. Publishers may see revenue fluctuate over the next couple of years as new distribution information is collected from the different departments and the fees are allocated. Government fees made up 5% of the total 2005 distribution compared with 2% last year.

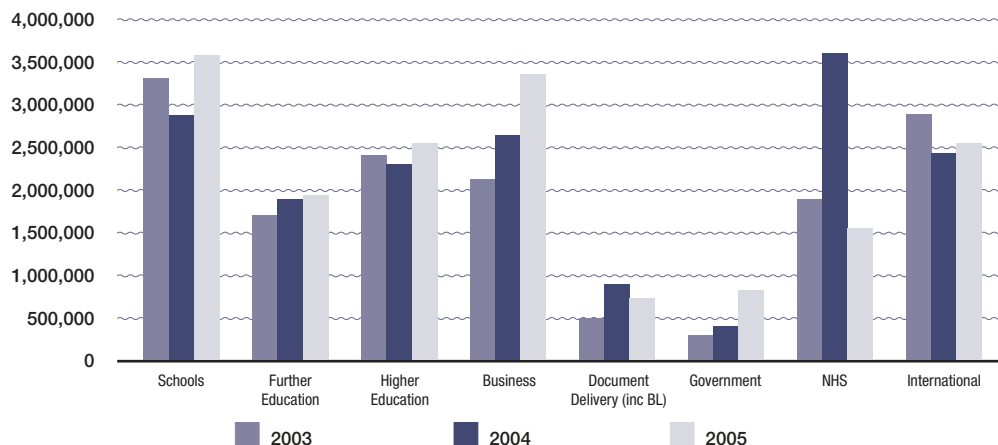
Money from the National Health Service licence was £1.6 million compared with £3.7 million last year. Fees last year covered the final phase of the payments from the first three years of the NHS licence and this decrease in revenue was expected. Additionally, the fees this year included only six months' fees from NHS England as payments were delayed during the negotiation of the licence extension. The NHS money represents 9% of the overall total compared with 22% last year.

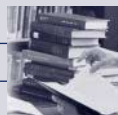
Document delivery fees were £719,000 which was a decrease from £827,000 last year, and

made up 4% of this year's total. Most of this revenue – £645,000 – is from the British Library. The money from the British Library transactional licence was £552,000 from 12 months' fees, compared with £331,000 last year from nine months' fees. The rest of the document delivery revenue is from smaller transactional licences. Included in the British Library amount is £93,000 where the information was incomplete and the fees were pro-rated using previous British Library allocations. Last year's document delivery fees included a back payment of £481,000 where the data had been incomplete.

Foreign revenue this year was £2.6 million, up 6% on last year's £2.4 million. Title-specific revenue declined slightly from £1.7 million to £1.6 million. Most of the money came from the Copyright Clearance Center in the USA with £1.1 million for a full year of fees from all the CCC photocopying licences, including £107,000 of reallocated fees. Money from New Zealand nearly doubled to £64,000 during the year. Non-title specific receipts increased by 27% to £959,000 from £753,000. Over £588,000 was received from Norway covering 2003 and 2004, compared with £69,000 last year, plus £127,000 from Sweden which also included some back payment.

2003, 2004, 2005 Comparison, split by sector





## *Income and Expenditure Account*

For the year ended 30th September 2005

	2005	2004
	£	£
<b>Turnover</b>	<b>18,141,196</b>	18,020,803
Distributable to publishers	<u>(17,150,342)</u>	<u>(17,003,860)</u>
<b>Gross surplus</b>	<b>990,854</b>	1,016,943
Administrative expenses	<u>(1,049,411)</u>	<u>(884,384)</u>
<b>Operating surplus/(deficit)</b>	<b>(58,557)</b>	(132,559)
Bank interest receivable	<b>170,741</b>	139,945
Other interest	<u>—</u>	<u>—</u>
<b>Surplus on ordinary activities before taxation</b>	<b>112,184</b>	272,504
Taxation	<u>(22,238)</u>	<u>(31,923)</u>
<b>Surplus for the financial year</b>	<b>89,946</b>	240,581
<b>Surplus brought forward</b>	<u><b>270,491</b></u>	<u>29,910</u>
<b>Surplus carried forward</b>	<u><b>360,437</b></u>	<u>270,491</u>

The company had no recognised gains or losses in the years ended 30 September 2005 and 2004 other than as shown above. All activities are classified as continuing activities.



# Balance Sheet

30th September 2005

	2005	2004
	£	£
<b>Fixed assets</b>		
Tangible assets	<u>10,485</u>	<u>9,405</u>
<b>Current assets</b>		
Debtors	4,932,580	280,107
Cash at bank and in hand	<u>3,154,619</u>	<u>6,075,946</u>
	<b>8,087,199</b>	6,356,053
<b>Creditors:</b> amount falling due within one year	<u>(7,737,247)</u>	<u>(6,094,967)</u>
<b>Net current assets</b>	<u>349,952</u>	<u>261,086</u>
<b>Net assets</b>	<u><u>360,437</u></u>	<u><u>270,491</u></u>
<b>Reserves</b>		
Income and expenditure account	<u><u>360,437</u></u>	<u><u>270,491</u></u>

This Annual Report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The Income and Expenditure Account and the Balance Sheet have been extracted from the audited statutory accounts for the year ended 30 September 2005. These accounts have been delivered to the Registrar of Companies and carry an audit report which was unqualified and did not contain a statement under either Section 237 (2) or (3) of the Companies Act 1985.



## Association Profiles

### **ASSOCIATION OF LEARNED AND PROFESSIONAL SOCIETY PUBLISHERS**

South House, The Street, Clapham, Worthing, West Sussex, BN13 3UU

The Association of Learned and Professional Society Publishers (ALPSP) is the international trade association for non-for-profit publishers and those who work with them. It currently has over 300 members in more than 30 countries.

The Association provides representation to this particular sector of publishing and offers cooperative services such as the ALPSP Learned Journals Collection, professional development training and activities, good practice guidelines, and a wealth of information and advice.

Representative members from ALPSP on the PLS board are Alan Singleton, Sally Morris and Martin Richardson who replaced Maurice Long as PLS Chairman.

### **PERIODICAL PUBLISHERS ASSOCIATION**

Queen's House, 28 Kingsway, London, WC2B 6JR

The Periodical Publishers Association is the organisation representing publishers in the £6.2 billion consumer, consumer specialist, business to business and professional magazine sector in Britain. Its 400 members produce more than 2,300 magazine titles which account for over

80 per cent, by volume and value, of magazine publishing in the UK. The aim of PPA is to promote and protect the interests of magazine and B2B media publishers. The association's 30-member board represents most major publishing houses, as well as the interests of small and medium-sized companies. The 35-strong secretariat employs specialist staff who deal with advertising, marketing, circulation, credit control, copyright, production and training issues, as well as political lobbying, and advice to members as required.

Anne Joseph, Ian Locks and Neil McRae represent the PPA on the PLS board.

### **PUBLISHERS ASSOCIATION**

29b Montague Street, London, WC1B 5BW

The Publishers Association gives the £4 billion book and journal publishing industry strength and unity on common problems by representing the interests of over 200 British publishers. Its priorities include protecting copyright interests world wide (including the fight against piracy), tackling European opportunities and threats, campaigning against the imposition of VAT on books and journals, maintaining the wide availability of books and journals to world markets, and analysing market trends on behalf of its members.

Robert Campbell, Dominic Knight and Graham Taylor represent the PA on the PLS Board and Philip Walters will replace Robert Campbell from 14 November 2005.



