

Publishers Licensing Society Annual Transparency Report

For the year ended 31 March 2017

The purpose of this report is to provide information about the activities of The Publishers Licensing Society (PLS) for the financial year ending 31st March 2017 in compliance with The Collective Management of Copyright (EU Directive) Regulations 2016. The information in this report is drawn from the Report and Financial Statements for PLS for the year ended 31st March 2017 and the PLS website and includes more detailed information on distributions.

Financial information:

The following documents and links are attached for ease of reference:

- ✓ Statement of financial position setting out assets and liabilities;
- ✓ Income and expenditure account;
- ✓ Cash flow statement;
- ✓ Directors' report on activities for the year;
- ✓ Analysis of the following for the year:
 - monies received;
 - monies paid to publishers and subvention deducted upon distribution to cover administration fees;
 - monies attributed to publishers not yet signed up to PLS;
 - non-distributable monies and
 - monies distributable to other collective management organisations.

Legal and governance structure of PLS:

PLS is a private company limited by guarantee. It operates on a not-for-profit basis and distributes to publishers any surplus subvention not used to manage the business of PLS.

Membership of PLS is open to all entities who:

- represent publisher rightholders of works in which copyright or like or similar rights subsist under the laws of countries or states which are contracting parties to the Berne Convention and the WIPO Copyright Treaty;
- are a recognised trade association, properly established, registered and maintained as a body corporate under the laws of a member state of the European Union;
- are trading solvently and can be reasonably expected to continue to do so for at least 12 months;
- do not and will not whilst a member of PLS directly engage in the collection and/or distribution of monies from collective licensing; and
- meet such further eligibility criteria for membership as may from time to time be approved by the members and published on the PLS website.

The current members of PLS are four trade associations representing publishers' interests:

- the Association of Learned and Professional Society Publishers (ALPSP);
- the Independent Publishers Guild (IPG);
- the Professional Publishers Association (PPA);
- the Publishers Association (PA).

Up to three directors are nominated by each of the trade association members of PLS and must be approved by the Board and confirmed by the members. The Chairman is appointed by the Board and is independent of the members. The Chief Executive is appointed by the Board.

During the year PLS lent £300,000 to its subsidiary, jointly owned with the Authors' Licensing and Collecting Society Limited (ALCS), Fetter Investments Limited, for the purpose of investing in the development of the Digital Content Store which has been made available to the Copyright Licensing Agency under licence. The loan is repayable in ten years and subject to interest at 8%.

Remuneration:

No remuneration was paid to any individual person exercising the supervisory function other than the Chairman. PLS paid governance fees to each of its trade association members in respect of their participation in and contribution to the Board of PLS at the rate of £10,000 per year in respect of each director elected to the Board. The total paid in the year was £105,000.

The total remuneration paid during the year to the Chairman was £35,000.

The total remuneration paid during the year to the Chief Executive, including pension contributions and healthcare insurance, was £144,509.

Investment income:

Bank interest earned during the year on monies held by PLS amounted to £20,721 and the loan to Fetter Investments Limited earned interest of £23,277. Such monies were applied towards the costs of managing PLS.

Costs of rights management and other services:

PLS's total operating and financial costs for the year amounted to £2,301,119.

These costs were covered by:

- the 6% subvention deducted from reprographic licensing revenue distributed to publishers (£2,160,998);
- interest earned (£43,998)
- Income from Joint Venture (£16,193) and
- reserves (£79,930).

The total costs included expenditure on the following services totalling £143,592:

- PLSclear: developing a permissions clearance service for publishers, authors and others wishing to re-use published content and providing rights management support and advice to publishers. This service also provides education on the use of copyright content (see <http://www.pls.org.uk/services/permissions/>): £143,592

PLS also incurred costs of £80,000 on services relating to lobbying to maintain and defend the copyright framework for collective licensing.

PLS did not contribute to any other social, cultural or educational services during the year.

Statement of financial position setting out assets and liabilities:

| | 2017 | 2016 |
|---|------------------|-------------------|
| | £ | £ |
| Non-current assets | | |
| Fixed assets | | |
| Tangible assets | 57,360 | 74,853 |
| Intangible assets | 330,540 | 343,730 |
| Investment in Joint Venture | 5 | - |
| | <u>387,905</u> | <u>418,583</u> |
| Non-current loan receivable | <u>300,000</u> | <u>-</u> |
| Current assets | | |
| Debtors | 1,299,327 | 1,148,337 |
| Short term bank deposits | 2,386,287 | 1,533,215 |
| Cash at bank and in hand | 5,914,561 | 9,420,973 |
| | <u>9,600,175</u> | <u>12,102,525</u> |
| Creditors: amounts falling due within one year | (9,733,442) | (11,910,308) |
| Net current assets/liabilities | (133,267) | 192,217 |
| PROVISIONS FOR LIABILITIES | (31,510) | (24,278) |
| TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS | <u>523,128</u> | <u>586,522</u> |
| CAPITAL AND RESERVES | | |
| Profit and Loss Account | <u>523,128</u> | <u>586,522</u> |

Income and expenditure account:

| | 2017 | 2016 |
|---|-----------------------|-----------------------|
| | £ | £ |
| COPYRIGHT FEES RECEIVED | 35,077,358 | 37,534,113 |
| Distributable to publishers | (32,916,360) | (35,182,864) |
| TURNOVER | <u>2,160,998</u> | <u>2,351,249</u> |
| Income from Joint Venture | 16,193 | - |
| Administrative expenses | (2,301,119) | (2,431,525) |
| OPERATING DEFICIT | <u>(123,928)</u> | <u>(80,276)</u> |
| Interest receivable | 43,998 | 34,695 |
| DEFICIT ON ORDINARY ACTIVITIES BEFORE TAXATION | <u>(79,930)</u> | <u>(45,581)</u> |
| Taxation | 16,536 | 12,103 |
| DEFICIT FOR THE YEAR | <u>(63,394)</u> | <u>(33,478)</u> |
| RETAINED EARNINGS BROUGHT FORWARD | 586,522 | 620,000 |
| RETAINED EARNINGS CARRIED FORWARD | <u><u>523,128</u></u> | <u><u>586,522</u></u> |

Cash flow statement:

| | 2017 | 2016 |
|---|--------------------|-------------------|
| Cash flows from operating activities | | |
| (Loss) for the financial year | (63,394) | (33,478) |
| Depreciation and amortisation of fixed assets | 190,956 | 208,741 |
| Net interest (receivable) | (43,998) | (34,695) |
| Taxation | (16,536) | (12,103) |
| (Increase) in trade and other debtors | (127,223) | (133,639) |
| (Decrease)/increase in trade creditors | (2,176,866) | 2,353,771 |
| Cash from operations | (2,237,060) | 2,348,597 |
| Taxation paid | - | (28,219) |
| Net cash (absorbed by)/generated from operating activities | (2,237,060) | 2,320,378 |
| Cash flows from investing activities | | |
| Purchases of tangible fixed assets | (6,293) | (85,706) |
| Purchases of intangible assets | (153,980) | (199,005) |
| Interest received | 43,998 | 34,695 |
| Loan to Fetter JV | (300,000) | - |
| Net cash absorbed by investing activities | (416,275) | (250,016) |
| Cash flows from financing activities | | |
| Investment in new JV Fetter | (5) | - |
| Net cash from financing activities | (5) | - |
| Net (decrease) in cash | (2,653,340) | 2,070,362 |
| Net increase/(decrease) in cash and cash equivalents | (2,653,340) | 2,070,362 |
| Cash and cash equivalents at beginning of the year | 10,954,188 | 8,883,826 |
| Cash and cash equivalents at end of year | 8,300,848 | 10,954,188 |

Publishers Licensing Society Limited

DIRECTORS' REPORT

The directors present their report and statement of accounts for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Publishers Licensing Society (PLS) is to represent the interests of publishers in the collective management of the rights in their works and to distribute licence fee income to publishers from collective licensing of limited copying and related secondary uses of their publications. PLS also offers rights management services in response to publishers' demands where a collective solution is appropriate.

PUBLISHERS AUTHORISING PLS TO MANAGE THEIR COLLECTIVE LICENSING RIGHTS

PLS held Accounts for 3,620 (2016: 3,420) publishers at the year end.

COLLECTIVE LICENSING

PLS works closely with a number of other collective management organisations to deliver the benefits to publishers of effective collective licensing including the following:

The Copyright Licensing Agency (CLA) continues to be PLS's primary licensing agent, collecting revenues from (a) licences which it negotiates and issues in the UK and (b) its bilateral agreements with equivalent reproduction rights organisations (RROs) overseas. PLS, together with the Authors' Licensing and Collecting Society (ALCS) representing authors, have been the sole members of CLA since its establishment. In February 2017 Design and Artists Copyright Society (DACS) and Picture Industry Collecting Society for Effective Licensing (PICSEL), both representing visual artists, were admitted to membership of CLA. CLA had previously licensed the works of visual artists under a separate arrangement with DACS. PLS also works with licensing agent Newspaper Licensing Agency media access (NLA) on behalf of magazine publishers that have instructed PLS accordingly for licensing the secondary use of magazines to the business and government sectors.

RECEIPTS

PLS received licensing income for the year of £35.1 million (2016: £37.5 million) from the following sources:

CLA: £30,171,081

NLA: £4,864,633

Stichting Reprorecht for public lending rights: £22,866

| | 2015/16 | 2016/17 | % change |
|-------------------|-------------------|-------------------|---------------|
| | £ | £ | |
| CLA | | | |
| Education | 14,140,522 | 13,101,733 | (7.3%) |
| Business | 9,849,219 | 9,726,851 | (1.2%) |
| Government | 1,596,442 | 1,544,926 | (3.2%) |
| NHS | 1,072,952 | 1,076,262 | 0.3% |
| Document delivery | 355,131 | 114,652 | (67.7%) |
| Press cuttings | 270,949 | 182,285 | (32.7%) |
| Foreign | 5,736,489 | 4,411,708 | (23.1%) |
| Returned monies | 18,513 | 12,664 | (31.6%) |
| Historic monies | 95,223 | - | (100.0%) |
| CLA Total | 33,135,440 | 30,171,081 | (8.9%) |
| NLA media access | 4,357,257 | 4,864,633 | 11.6% |
| PLR (Netherlands) | 21,930 | 22,866 | 4.3% |
| PLS Clear | 19,486 | 18,778 | (3.6%) |
| Total | 37,534,113 | 35,077,358 | (6.5%) |

Publishers Licensing Society Limited

DIRECTORS' REPORT

DISTRIBUTIONS

Distributable revenue was £32.9m (2016: £35.2m), net of PLS 6% administration fee, and was processed in accordance with the PLS Distribution Charter and the Distribution Timetable, both available on the website at www.pls.org.uk.

In accordance with the decision in the valuation, effective 1 January 2016, and as reflected in the Distribution Charter, PLS has allocated the shares of NLA revenues due to authors (17.5%) and visual artists (10%) for payment to ALCS and to DACS and PICSEL respectively prior to distributing NLA revenues to publishers. In the case of CLA revenues, the shares payable to authors and visual artists are deducted by CLA before distribution to PLS.

A small part of the monies PLS receives is for the copying of works owned by publishers who have not previously signed a Publisher Account Form. PLS continues to employ 2 members of staff who are dedicated to tracing such publishers and inviting them to sign up to PLS so that the monies allocated to the copying of their works can be released to them. Some 430 new publishers have signed up to PLS during the year as a result of this work.

PLS SERVICES

Following the decision of the publishers participating in the **Access to Research** service PLS continued to operate the service throughout the year. The service currently provides free online access to over 15 million academic articles in 3,000 public libraries across the UK.

The second phase of the **PLS permissions clearing service**, providing free permissions within limits set by publishers, was launched during the year. Since inception the service has been used by both publishers and authors for over 18,000 individual searches. In addition some 30 publishers have taken up the option of outsourcing their permissions work to PLS. Development during the year of the third phase, which will enable automated paid for licensing within parameters set by publishers, will culminate in a launch after the year end.

INDUSTRY ENGAGEMENT

PLS once again hosted stands, in partnership with CLA, at both the London and Frankfurt Book Fairs.

PLS's introductory sessions on collective licensing continued to be well attended and new series of topical webinars attracted over 200 publishers. It also held permissions and rights management workshops.

PLS used a number of sponsorship opportunities, largely through its trade association members, to promote awareness amongst publishers of collective licensing.

In addition to several speaking engagements PLS staff attended key industry conferences and events.

COLLABORATION

CLA continues to evolve and maintain the relevance of its licence offering in full consultation with PLS and publishers and in response to licensee needs as appropriate. PLS also scrutinises all CLA's new initiatives to ensure that they complement and support publishers' businesses.

PLS formed a joint venture with ALCS, Fetter Investments Limited, to invest in the development of tools intended to support CLA's licensing. PLS and ALCS have each lent £300,000 to Fetter to date and this has been applied to fund the development of the Digital Content Store, made available to CLA under a licence.

PLS continues to seek out opportunities to streamline its back office functions in conjunction with CLA and ALCS and currently outsources its finance, human resources and project management requirements to CLA.

COPYRIGHT

PLS's work, in partnership with CLA and ALCS, to defend the UK's licence override mechanism which allows for education licensing, was validated in the draft Copyright Directive that formed part of the European Commission's Digital Single Market package of proposals published in September 2016. PLS continues to defend the licence override mechanisms in the European Parliament and the Council of Europe.

Publishers Licensing Society Limited

DIRECTORS' REPORT

PLS has been engaged in a variety of ways to support a robust copyright framework, including by pressing for a legislative solution to ensure that publishers are not precluded from sharing in levy monies, as adjudged in recent European and other court decisions, and by supporting the work of its trade association members.

PLS continues to support and work closely with the Copyright Hub Foundation.

COMPLIANCE AND CODE OF CONDUCT

PLS is regulated under the Collective Management of Copyright (EU Directive) Regulations 2016 which came into force in April 2016. PLS has taken the steps necessary to ensure that its governance and operations are in compliance with the new Regulations.

PLS staff have worked in accordance with the PLS Code and no complaints were received during the year.

STATUS

The Company is limited by guarantee and does not have a share capital. In the event of the Company being wound up, each member undertakes to contribute to the assets of the Company such amount as may be required but not exceeding £1. The members of the Company are:

The Association of Learned and Professional Society Publishers (ALPSP)
Independent Publishers Guild (IPG)
Professional Publishers Association Limited (PPA)
The Publishers Association Limited (PA)

RESULTS

The result for the year is shown in the statement of comprehensive income on page 8.

DIRECTORS

Up to three directors are nominated by each of the members and approved by the Board. The Chairman is appointed by the Board and is independent of the members. The Chief Executive is appointed by the Board. The following directors have held office since 1 April 2016:

| | |
|-------------------------------|--------------------------------------|
| M Bide – Chairman | P E H Richardson (ALPSP) |
| S M Faulder – Chief Executive | N Service (PPA) |
| O E Gadsby (IPG) | B Shine (IPG) (Appointed 06/09/2016) |
| J A Holton (ALPSP) | E J Tribe (PA) |
| S A Lotinga (PA) | H J Wilson (PPA) |
| M Majurey (PA) | A C R Yeates (PPA) |
| A I McCulloch (ALPSP) | |

Publishers Licensing Society Limited

DIRECTORS' REPORT

PLS purchased and maintained throughout the financial year directors' liability insurance in respect of itself and for its directors. This gives appropriate cover for any legal action brought against PLS or its directors.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

RSM UK Audit LLP has indicated its willingness to continue office.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemptions.

On behalf of the board

S M FAULDER
Director

Registered Office:
Barnards Inn
86 Fetter Lane
EC4A 1EN

14 June 2016

Analysis of Income & Distribution in financial year 1 April 2016 to 31 March 2017: Breakdown by right and usage

1. 2016/17 licensing revenue summary

| Type of Use | Source | Revenue £ |
|-----------------------|----------------------|-------------------|
| Education | CLA | 13,101,733 |
| Business (CLA) | CLA | 9,726,851 |
| Business (NLA) | NLA | 4,864,633 |
| Government (Inc. NHS) | CLA | 2,621,188 |
| Document Delivery | CLA | 114,652 |
| Media Monitoring | CLA | 182,285 |
| Foreign | Various | 4,411,708 |
| Returned Monies | CLA | 12,664 |
| PLR (Netherlands) | Stichting Reprorecht | 22,866 |
| PLS Clear | PLS | 18,778 |
| | | 35,077,358 |

- a) In addition to the above PLS received revenue of £18,788 for its administration of the PLSclear service.
- b) Foreign monies means monies received from overseas collective management organisations (CMOs).
- c) Returned Monies means monies received from overseas CMOs for titles found to belong to UK publishers.
- d) All revenues in the above summary relate to reprographic rights with the exception of PLR (Public Lending Right).

2. Allocated to mandating publishers

| Type of Use | Source | Gross £ | Retained subvention £ | Net £ |
|-------------------|----------------------|-------------------|-----------------------------|-------------------|
| Education | CLA | 12,971,430 | 778,286 | 12,193,144 |
| Business (CLA) | CLA | 9,237,265 | 554,236 | 8,683,029 |
| Business (NLA) | NLA | 3,415,154 | 204,909 | 3,210,245 |
| Government | CLA | 2,507,863 | 150,472 | 2,357,391 |
| Document Delivery | CLA | 107,373 | 6,442 | 100,931 |
| Media Monitoring | CLA | 174,212 | 10,453 | 163,759 |
| Foreign | Various | 4,329,535 | 259,772 | 4,069,763 |
| Returned Monies | CLA | 12,367 | 742 | 11,625 |
| PLR (Netherlands) | Stichting Reprorecht | 22,866 | 1,372 | 21,494 |
| | | 32,778,065 | 1,966,684 | 30,811,381 |

- a) Revenues allocated to mandating publishers are paid in the calendar month following receipt unless there is good reason preventing this, as explained on the attached analysis.
- b) Total accumulated revenue held on mandating accounts at year end was £4,050,000.
- c) The various revenue sources are distributed in accordance with the PLS distribution timetable: <http://www.pls.org.uk/publishers/distribution-timetable> and the PLS Distribution Charter <https://www.pls.org.uk/publishers/distribution-charter-new>
- d) *Retained Subvention does not include the following amounts that are included under "Subventions Retained" in the PLS Financial Statements for the year ended 31 March 2017:
 - £18,788 for administering the PLSclear permissions clearance service.
 - Subvention earned on revenue identified in previous years as "Attributed" and "Unattributed" that has been paid out in 2016/17 (see note (b) under section 3 below).

3. Attributed revenue received in 2016/17

| Type of Use | Source | Gross £ |
|-------------------|----------------------|----------------|
| Education | CLA | 131,408 |
| Business (CLA) | CLA | 450,806 |
| Business (NLA) | NLA | 0 |
| Government | CLA | 90,243 |
| Document Delivery | CLA | 3,891 |
| Media Monitoring | CLA | 8,073 |
| Foreign | Various | 81,849 |
| Returned Monies | CLA | 297 |
| PLR (Netherlands) | Stichting Reprorecht | 0 |
| | | 766,567 |

- a) Attributed revenue is revenue allocated to titles belonging to publishers that did not mandate PLS at the time of distribution. These monies are held in trust until publishers can be identified, located and paid.
- b) £1,245,751 of revenue attributed in both the current year and previous years was paid to publishers in 2016/17.
- c) Total attributed revenue accumulated in both the current and previous years and not yet distributed at year end was £3,141,000.

4. Collected but not yet attributed revenue

- a) Unattributed revenue consists of:

- Revenue received from overseas CMOs without accompanying title data that has not yet been allocated to publishers.
 - Revenue received for titles that are not part of licensed repertoire e.g. “excluded categories” and which is therefore due to be redistributed in accordance with the PLS Distribution Charter.
- b) Total unattributed revenue accumulated in the current year and previous years and not distributed at year end was £874,000.

5. Non-distributable revenue received in 2016/17

| Type of Use | Source | Gross £ |
|-------------------|----------------------|---------------|
| Education | CLA | 19,097 |
| Business (CLA) | CLA | 39,685 |
| Business (NLA) | NLA | 0 |
| Government | CLA | 5,758 |
| Document Delivery | CLA | 294 |
| Media Monitoring | CLA | 131 |
| Foreign | Various | 6,042 |
| Returned Monies | CLA | 0 |
| PLR (Netherlands) | Stichting Reprorecht | 0 |
| | | 71,007 |

- a) Non-distributable includes:
- Allocations to publishers found to have ceased trading ("Ceased") or who cannot be located ("Untraceable") following completion of a diligent search process.
 - Allocations to titles ineligible to receive revenue under the terms of the PLS Distribution Charter.
- b) Non-distributable monies will be re-allocated as being non-title specific monies and distributed accordingly to publishers on a pro rata basis in accordance with the PLS Distribution Charter: <http://www.pls.org.uk/publishers/distribution-charter-new>.

6. Distributions to other CMOs

£715,582 was distributed to ALCS from revenues received by PLS from NLA in accordance with the Rights Valuation (<https://www.pls.org.uk/rights-valuation-effective-jan-2016/>).

At the year end PLS held the following amounts in escrow from NLA revenue:

- a) £350,002 for distribution to ALCS; and
- b) £608,905 for distribution to CMOs representing visual artists under an agreement still to be concluded.