

# Publishers' Licensing Services Annual Transparency Report

For the year ended 31 March 2018

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The purpose of this report is to provide information about the activities of Publishers' Licensing Services (PLS) for the financial year ending 31<sup>st</sup> March 2018 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 31<sup>st</sup> March 2018 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 allocated for distribution to publishers and subvention deductible 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 its subsidiary, jointly owned with the Authors' Licensing and Collecting Society Limited (ALCS), Fetter Investments Limited (Fetter), sold its interest in the Digital Content Store to the Copyright Licensing Agency (CLA), having previously made it available to CLA under a licence. Following the sale Fetter repaid to PLS its loan of £300,000.

#### **Entity name change**

With effect from 7 October 2017 the name of the company was changed from Publishers Licensing Society Ltd to Publishers' Licensing Services Limited.

#### **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 £115,000.

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 £164,422.

#### **Investment income:**

Bank interest earned during the year on monies held by PLS amounted to £9,056 and the loan to Fetter earned interest of £17,286. 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 £2,277,608.

These costs were covered by:

- the 6% subvention deducted from reprographic licensing revenue distributed to publishers (£2,266,636);
- interest earned (£26,342)
- Income from Joint Venture (Fetter) (£1,021) and
- PLS Permissions income (£26,130)

The total costs included expenditure on developing and launching a permissions clearance service for publishers, authors and others wishing to re-use published content totalling £140,450.

The total costs also include £60,000 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:**

	2018	2017
	£	£
Non-current assets		
Fixed assets		
Tangible assets	34,246	57,360
Intangible assets	240,567	330,540
Investment in Joint Venture	5	5
	<u>274,818</u>	<u>387,905</u>
Non-current loan receivable	<u>-</u>	<u>300,000</u>
Current assets		
Debtors	1,386,378	1,299,327
Short term bank deposits	3,854,035	2,386,287
Cash at bank and in hand	4,103,927	5,914,561
	<u>9,344,340</u>	<u>9,600,175</u>
Creditors: amounts falling due within one year	(9,046,747)	(9,733,442)
Net current assets/(liabilities)	<u>297,593</u>	<u>(133,267)</u>
PROVISIONS FOR LIABILITIES	(20,618)	(31,510)
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS	<u>551,793</u>	<u>523,128</u>
<b>CAPITAL AND RESERVES</b>		
Profit and Loss Account	<u>551,793</u>	<u>523,128</u>

**Income and expenditure account:**

	2018 £	2017 £
COPYRIGHT FEES RECEIVED	38,365,937	35,077,358
Distributable to rightsholders	(36,073,170)	(32,916,360)
<b>TURNOVER</b>	<b>2,292,767</b>	<b>2,160,998</b>
Income from Joint Venture	1,021	16,193
Administrative expenses	(2,277,608)	(2,301,119)
<b>OPERATING PROFIT/(DEFICIT)</b>	<b>16,180</b>	<b>(123,928)</b>
Interest receivable	26,342	43,998
<b>SURPLUS/(DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>42,522</b>	<b>(79,930)</b>
Taxation	(13,857)	16,536
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>28,665</b>	<b>(63,394)</b>
RETAINED EARNINGS BROUGHT FORWARD	523,128	586,522
<b>RETAINED EARNINGS CARRIED FORWARD</b>	<b>551,793</b>	<b>523,128</b>

## Cash flow statement:

	2018	2017
<b>Cash flows from operating activities</b>		
Surplus/(Deficit) for the financial year	28,665	(63,394)
Depreciation and amortisation of fixed assets	209,481	190,956
Net interest (receivable)	(26,342)	(43,998)
Taxation	13,857	(16,536)
(Increase) in trade and other debtors	(111,178)	(126,863)
(Decrease)/increase in trade creditors	(711,237)	(2,176,866)
<b>Cash absorbed by operations</b>	<u>(596,754)</u>	<u>(2,236,701)</u>
Taxation received/(paid)	23,920	(359)
<b>Net cash (absorbed by) operating activities</b>	<u>(572,834)</u>	<u>(2,237,060)</u>
<b>Cash flows from investing activities</b>		
Purchases of tangible fixed assets	-	(6,293)
Purchases of intangible assets	(96,394)	(153,980)
Interest received	26,342	43,998
Investment in new JV Fetter	-	(5)
Loan (to)/from Fetter JV	300,000	(300,000)
<b>Net cash generated from/(absorbed by) investing activities</b>	<u>229,948</u>	<u>(416,280)</u>
<b>Net (decrease) in cash</b>	<u>(342,886)</u>	<u>(2,653,340)</u>
<b>Net (decrease) in cash and cash equivalents</b>	(342,886)	(2,653,340)
Cash and cash equivalents at beginning of the year	8,300,848	10,954,188
<b>Cash and cash equivalents at end of year</b>	<u><u>7,957,962</u></u>	<u><u>8,300,848</u></u>

# Publishers' Licensing Services Limited

## DIRECTORS' REPORT

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The directors present their report and statement of accounts for the year ended 31 March 2018.

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Publishers' Licensing Services Limited (formerly Publishers Licensing Society Limited) (PLS) is to represent the interests of publishers in the collective management of their rights and to distribute licence fee income to publishers from collective licensing of limited copying and related secondary uses of their publications. PLS also offers a permissions service and other 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 active Accounts for 3,857 (2017: 3,620) 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 the education, public and business sectors for copying and using extracts from books, journals, magazines and websites under (a) licences which it negotiates and issues in the UK and (b) its bilateral agreements with equivalent reproduction rights organisations (RROs) overseas. PLS works in conjunction with the other members of CLA in overseeing its work on behalf of right holders, namely the Authors' Licensing and Collecting Society (ALCS) representing authors and visual artist organisations, Design and Artists Copyright Society (DACS) and the Picture Industry Collecting Society for Effective Licensing (PICSEL).

NLA media access (NLA), is PLS's licensing agent for those magazine publishers that have instructed PLS to license the copying and use of their titles to the business and government sectors through NLA.

### RECEIPTS

PLS received licensing income for the year of £38.3 million (2017: £35.1 million) from the following sources:

- CLA: £33,273,608 (being the publishers' share of CLA revenues).
- NLA: £5,036,399 (being the publishers', authors' and visual artists' share of NLA revenues).
- Stichting Reprorecht for public lending rights: £29,800 (being the publishers' share of such revenues).

	2016/17	2017/18	% change
	£	£	
CLA			
Education	13,101,733	13,610,708	3.9%
Business	9,726,851	10,430,261	7.2%
Government	1,544,926	1,477,251	(4.4%)
NHS	1,076,262	1,219,155	13.3%
Document delivery	114,652	115,621	0.8%
Media monitoring	182,285	167,963	(7.9%)
Foreign	4,411,708	6,252,649	41.7%
Returned monies	12,664	-	(100.0%)
CLA Total	30,171,081	33,273,608	10.3%
NLA media access	4,864,633	5,036,399	3.5%
PLR (Netherlands)	22,866	29,800	30.3%
PLS Permissions	18,778	26,130	39.2%
<b>Total</b>	<b>35,077,358</b>	<b>38,365,937</b>	<b>9.4%</b>

# Publishers' Licensing Services Limited

## DIRECTORS' REPORT

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### DISTRIBUTIONS

Distributable revenue was £36m (2017: £32.9m), after deduction 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](http://www.pls.org.uk).

The distributable revenue from CLA and Stichting Reprorecht was allocated and distributed to publishers.

In the case of the distributable revenue from NLA, PLS allocated the shares of NLA revenues due to authors (17.5%) and visual artists (10%) in accordance with the Rights Valuation, as reflected in the PLS Distribution Charter, for payment to ALCS and to DACS and PICSEL respectively prior to distributing NLA revenues to publishers.

Some 1.2% of the monies PLS received from CLA was for copying and using 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 261 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.

In May 2017 PLS launched its new PLS Permissions service, powered by the bespoke PLSclear software tool. The service enables both paid for licences and free of charge licences. Publishers can choose to increase the efficiency of managing their own permissions by using PLS Permissions Direct. Alternatively they can outsource the management of their permissions to PLS using PLS Permissions Assist. PLS charges a modest handling fee on paid for licences only to cover its costs. Authors and editors requiring permission to use extracts can use the free PLS Permissions Request service. The service has generated considerable interest and is already being well used.

### PUBLISHER ENGAGEMENT

In addition to regular meetings with individual publishers throughout the year:

Consultations were held with publishers throughout the year, both in person and online, on various licensing initiatives proposed by CLA.

PLS's stands at both the London and Frankfurt Book Fairs, hosted in partnership with CLA, were heavily used, allowing for meetings with some 250 publishers.

Introductory sessions on collective licensing, webinars and permissions and rights management workshops attracted over 400 publishers.

Awareness of PLS and its collective licensing and permissions services was raised at relevant industry conferences and events and in publications, in many cases through sponsorship opportunities presented by its trade association members.

In addition to a number of speaking engagements PLS staff attended key industry conferences and events throughout the year.

### COLLABORATION

CLA and NLA continue to evolve and maintain the relevance of their licence offerings in full consultation with PLS and publishers and in response to licensee needs. PLS strives to ensure that all new initiatives complement and support publishers' businesses.

# Publishers' Licensing Services Limited

## DIRECTORS' REPORT

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PLS garnered widespread support from publishers for CLA's application for extended collective licensing.

During the year Fetter Investments Limited, the joint venture with ALCS formed in the previous year, sold its interest in the Digital Content Store to CLA and repaid to PLS and ALCS their respective loans of £300,000 each.

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 functions to CLA.

### COPYRIGHT

PLS has continued to work in partnership with its trade association members, and also CLA and ALCS, to defend the copyright interests of publishers in the passage of the draft European Directive on copyright in the Digital Single Market, including in particular in education licensing and sharing in European levy monies

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 and continues to ensure that its governance and operations are in compliance with the new Regulations.

PLS staff have worked in accordance with the PLS Code of Conduct 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 2017:

M Bide – Chairman	N Service (PPA)
S M Faulder – Chief Executive	B Shine (IPG)
O E Gadsby (IPG)	E J Tribe (PA)
J A Holton (ALPSP) (resigned 22.03.2018)	T Williams (IPG) (appointed 12.09.2017)
S A Loting (PA)	H J Wilson (PPA)
M Majurey (PA)	T Wright (ALPSP) (appointed 28.11.2017)
A I McCulloch (ALPSP)	A C R Yeates (PPA)
P E H Richardson (ALPSP) (resigned 31.12.2017)	

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.



# Publishers' Licensing Services Limited

## DIRECTORS' REPORT

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### 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

Kingston Smith LLP was appointed as auditor of the company during the year and 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:

Barnard's Inn  
86 Fetter Lane  
EC4A 1EN

16<sup>th</sup> June 2018

## Analysis of collective licensing and public lending right income & distributions in financial year 1 April 2017 to 31 March 2018:

### 1. 2017-18 licensing revenue summary

Type of Use	Source	Revenue £
Education	CLA	13,610,708
Business (CLA)	CLA	10,430,261
Business (NLA)	NLA	5,036,399
Government (inc. NHS)	CLA	2,696,406
Document Delivery	CLA	115,621
Media Monitoring	CLA	167,963
Foreign (various territories)	CLA	6,252,649
PLR (Netherlands)	Stichting Reprorecht	29,800
	<b>Total</b>	<b>38,339,807</b>

- a) Foreign means monies received from overseas collective management organisations (CMOs).
- b) All revenues in the above summary relate to reprographic rights with the exception of PLR (Public Lending Right).

### 2. 2017-18 licensing revenue allocated for distribution to mandating publishers

Type of Use	Source	Gross £	Retained subvention £	Net £
Education	CLA	13,494,829	809,690	12,685,139
Business (CLA)	CLA	10,164,239	609,854	9,554,385
Business (NLA)	NLA	3,613,928	216,836	3,397,092
Government (inc. NHS)	CLA	2,644,343	158,661	2,485,682
Document Delivery	CLA	108,831	6,530	102,301
Media Monitoring	CLA	154,879	9,290	145,589
Foreign (various territories)	CLA	5,968,397	358,104	5,610,293
PLR (Netherlands)	Stichting Reprorecht	29,800	1,788	28,012
	<b>Total</b>	<b>36,179,246</b>	<b>2,170,753</b>	<b>34,008,493</b>

- a) All monies received from CLA are distributable to publishers, after deduction of PLS's subvention, CLA having already deducted the share payable to authors and visual artists. Similarly all monies received from Stichting Reprorecht are distributable to publishers after deduction of PLS's subvention. In contrast, 72.5% of monies received from NLA are distributable to publishers after deduction of PLS's subvention. PLS is responsible for distributing the balance to the CMOs representing authors and visual artists (see section 6 below).

- b) Subvention is “retained” pending distribution of the relevant licensing revenue to a publisher. It is only recognised in PLS’s accounts upon actual distribution to each publisher.
- c) Revenues allocated to mandating publishers are distributed in the calendar month following receipt unless there is good reason preventing this, such as when a publisher’s account balance is below the minimum threshold (see PLS Distribution Charter <https://www.pls.org.uk/publishers/distribution-charter-new>).
- d) Total accumulated revenue held on mandating accounts at year end was £905,126. Monies are held on mandating accounts:
- until outstanding queries (e.g. following a change in ownership of titles or in contact details for a publisher) are resolved;
  - pending the conclusion of a diligent search process when a publisher has ceased trading or has become untraceable.
- e) 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.

### 3. Attributed revenue received in 2017-18

Type of Use	Source	Gross £
Education	CLA	114,786
Business (CLA)	CLA	230,348
Business (NLA)	NLA	0
Government (inc. NHS)	CLA	52,093
Document Delivery	CLA	3,806
Media Monitoring	CLA	2,485
Foreign (various territories)	CLA	79,393
PLR (Netherlands)	Stichting Reprorecht	0
	<b>Total</b>	<b>482,911</b>

- 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, contacted, and paid.
- b) £1,136,856 of revenue attributed in both the current year and previous years was paid to publishers in 2017/18.
- c) Total attributed revenue accumulated in both the current and previous years and not yet distributed at year end was £3,190,387.

#### 4. Collected but unattributed 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 £623,720.

#### 5. Non-distributable revenue received in 2017/18

Type of Use	Source	Gross £
Education	CLA	3,927
Business (CLA)	CLA	15,339
Business (NLA)	NLA	0
Government (inc. NHS)	CLA	7,013
Document Delivery	CLA	259
Media Monitoring	CLA	133
Foreign (various territories)	CLA	11,894
PLR (Netherlands)	Stichting Reprorecht	0
	<b>Total</b>	<b>38,565</b>

- a) Non-distributable revenue 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 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

The following distributions were made of revenues received by PLS from NLA in accordance with the Rights Valuation (<https://www.pls.org.uk/rights-valuation-effective-jan-2016/>):

- £873,822 to Authors' Licensing and Collecting Society (ALCS).
- £393,623 to Design and Artists Copyright Society (DACS).
- £43,671 to Picture Industry Collecting Society for Effective Licensing (PICSEL).

## Report of Factual Findings

### To: The Directors of Publishers' Licensing Services Limited

We have performed the procedures agreed with you and set out below with respect to the annual transparency report of Publishers' Licensing Services Limited for the year ended 31 March 2018. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely for the purpose of your compliance with Regulation 21(2)(b) of the Collective Management of Copyright (EU Directive) Regulations 2016 and are summarised in the guidance on collective management of Copyright (EU Directive) Regulations 2016: annual transparency reports and audit issued by the Intellectual Property Office in October 2017.

The procedures are set out in *Annex A: Agreed upon procedures for the audit of an annual transparency report* of the "Guidance on the collective management of Copyright (EU Directive) Regulations 2016: supplementary guidance on annual transparency reports and audit" issued by the Intellectual Property Office in October 2017.

Solely on the basis of the above procedures we report that:

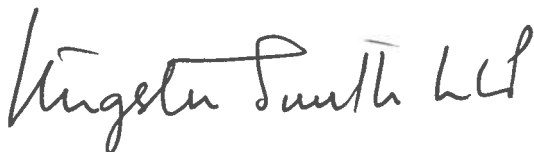
- We carried out the procedures as set out in *Annex A: Agreed upon procedures for the audit of an annual transparency report* of the "Guidance on the collective management of Copyright (EU Directive) Regulations 2016: annual transparency reports and audit" issued by the Intellectual Property Office in October 2017. There were no errors or exceptions found as a result of our testing.

Although the above procedures are of an audit nature, they do not constitute a full scope audit or review engagement performed in accordance with International Standards on Auditing (UK) or the International Standard for Review Engagements (UK and Ireland). Accordingly, we do not express any assurance on the annual transparency report for the year ended 31 March 2018.

Had we performed additional procedures or had we performed engagements in accordance with International Standards on Auditing (UK) or the International Standard for Review Engagements (UK and Ireland), other matters might have come to our attention that would have been reported to you.

### Use and purpose of our report

Our Report is prepared solely for the use of Publishers' Licensing Services Limited and solely for the purpose of its compliance with Regulation 21(2)(b) of the Collective Management of Copyright (EU Directive) Regulations 2016. It may not be relied upon by Publishers' Licensing Services Limited for any other purpose whatsoever. Our Report was not prepared for the benefit of any party other than Publishers' Licensing Services Limited. Kingston Smith LLP neither owes nor accepts any duty to any other party (including any copyright owner, heirs to copyright owners, agents or licensees) and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by their reliance on our Report.



Date 15 June 2018

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