

Publishers' Licensing Services Annual Transparency Report

For the year ended 31 March 2019

The purpose of this report is to provide information about the activities of Publishers' Licensing Services (PLS) for the financial year ending 31st March 2019 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 2019 and also 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.

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 £10,300 per year in respect of each director elected to the Board. The total paid in the year was £123,600.

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 £171,391.

Investment income:

Bank interest earned during the year on monies held by PLS amounted to £20,703. 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 £2,472,784.

These costs were covered by:

- the 6% subvention deducted from reprographic licensing revenue distributed to publishers (£2,451,982);
- interest earned (£20,703)
- Charges for administrating PLS Permissions service (£20,725)

The total costs also include £70,000 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:

	2019	2018
	£	£
Non-current assets		
Fixed assets		
Tangible assets	77,159	34,246
Intangible assets	151,338	240,567
Investment in Joint Venture	5	5
	<u>228,502</u>	<u>274,818</u>
Current assets		
Debtors	1,520,445	1,386,378
Short term bank deposits	4,856,114	3,854,035
Cash at bank and in hand	2,699,785	4,103,927
	<u>9,076,344</u>	<u>9,344,340</u>
Creditors: amounts falling due within one year	(8,719,939)	(9,046,747)
	<u>356,405</u>	<u>297,593</u>
Net current assets	356,405	297,593
PROVISIONS FOR LIABILITIES	(25,160)	(20,618)
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS	<u>559,747</u>	<u>551,793</u>
CAPITAL AND RESERVES		
Profit and Loss Account	<u>559,747</u>	<u>551,793</u>

Income and expenditure account:

	2019	<i>As restated</i>
	£	2018
		£
COPYRIGHT FEES RECEIVED	40,759,644	38,455,027
Distributable to rightsholders	(38,286,937)	(36,162,260)
TURNOVER	<u>2,472,707</u>	<u>2,292,767</u>
Income from Joint Venture	-	1,021
Administrative expenses	(2,472,784)	(2,277,608)
OPERATING (DEFICIT)/PROFIT	<u>(77)</u>	<u>16,180</u>
Interest receivable	20,703	26,342
SURPLUS BEFORE TAXATION	<u>20,626</u>	<u>42,522</u>
Taxation	(12,672)	(13,857)
SURPLUS FOR THE YEAR	<u>7,954</u>	<u>28,665</u>
RETAINED EARNINGS BROUGHT FORWARD	551,793	523,128
RETAINED EARNINGS CARRIED FORWARD	<u>559,747</u>	<u>551,793</u>

Cash flow statement:

	2019	2018
Cash flows from operating activities		
Surplus for the financial year	7,954	28,665
Depreciation and amortisation of fixed assets	188,086	209,481
Net interest (receivable)	(20,703)	(26,342)
Taxation	12,672	13,857
(Increase) in trade and other debtors	(134,067)	(111,800)
(Decrease)/increase in creditors	(312,209)	(710,615)
Cash from operations	<u>(258,267)</u>	<u>(596,754)</u>
Taxation (paid)/received	(22,728)	23,920
Net cash absorbed by operating activities	<u>(280,995)</u>	<u>(572,834)</u>
Cash flows from investing activities		
Purchases of tangible fixed assets	(67,170)	-
Purchases of intangible assets	(74,601)	(96,394)
Interest received	20,703	26,342
Loan from Fetter JV	-	300,000
Net cash absorbed by investing activities	<u>(121,068)</u>	<u>229,948</u>
Net (decrease) in cash	<u>(402,063)</u>	<u>(342,886)</u>
Net (decrease) in cash and cash equivalents	(402,063)	(342,886)
Cash and cash equivalents at beginning of the year	7,957,962	8,300,848
Cash and cash equivalents at end of year	<u>7,555,899</u>	<u>7,957,962</u>

Publishers' Licensing Services Limited

DIRECTORS' REPORT

The directors present their report and statement of accounts for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Publishers' Licensing Services Limited (PLS) is to represent the interests of publishers in the collective management of their rights and to distribute collective licensing revenue to publishers. 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 3,951 (2018: 3,857) 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:

- a) 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 Picture Industry Collecting Society for Effective Licensing (PICSEL).
- b) NLA media access (NLA), 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 collective licensing income for the year of £40.5 million (2018: £38.3 million) from the following sources:

- CLA: £35,236,291 (being the publishers' share of CLA revenues).
- NLA: £5,268,829 (being the publishers', authors' and visual artists' share of NLA revenues).

Other income for the year included:

- Stichting Reprorecht for public lending rights: £41,078 (being the publishers' share of such revenues).
- PLS Permissions generated gross revenue of £213,446 (being the publishers' share of such revenues).

	2017/18	2018/19	% change
	£	£	
Collective Licensing			
CLA			
Education	13,610,708	13,884,862	2.0%
Business	10,430,261	11,881,044	13.9%
Government	1,477,251	1,651,674	11.8%
NHS	1,219,155	1,198,055	(1.7%)
Document delivery	115,621	140,317	21.4%
Media monitoring	167,963	178,734	6.4%
Foreign	6,252,649	6,301,605	0.8%
CLA Total	33,273,608	35,236,291	5.9%
NLA media access	5,036,399	5,268,829	4.6%
	38,310,007	40,505,120	5.7%
Other income			
PLR (Netherlands)	29,800	41,078	37.8%
PLS Permissions	115,220	213,446	85.3%
Total	38,455,027	40,759,644	6.0%

Publishers' Licensing Services Limited

DIRECTORS' REPORT

DISTRIBUTIONS

Distributable revenue was £38m (2018: £36m), 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.

The distributable revenue received by PLS from CLA and Stichting Reprorecht was allocated and distributed to publishers. CLA deducts the shares payable to authors and visual artists before distribution to PLS.

The distributable revenue received by PLS from NLA included the shares payable to authors and visual artists. In accordance with the decision in the valuation, effective 1 January 2016, and as reflected in the Distribution Charter, PLS allocated the shares 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.

A small part of the monies PLS receives from CLA is 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 153 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 over 3,000 public libraries across the UK.

The **PLS Permissions** service, launched in May 2017, had 111 publishers signed up to it by the end of the financial year. 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. They can alternatively outsource the management of their permissions to PLS using PLS Permissions Assist. PLS charges a modest handling fee on paid for licences only towards covering its costs. PLS earned fees of £20,725 during the year. Authors and editors requiring permission to use extracts can use the free PLS Permissions Request service.

PUBLISHER ENGAGEMENT

In addition to regular meetings with individual publishers throughout the year and attendance at key industry conferences and events:

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

PLS's stands at both the London and Frankfurt Book Fairs, hosted in partnership with CLA, were heavily used, allowing for meetings with over 200 publishers.

The introductory sessions on collective licensing, webinars and permissions and rights management workshops attracted some 290 publishers.

Over 180 Publishers registered for the annual Rights and Licensing Forum held in July at the Stationers' Hall.

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.

Publishers' Licensing Services Limited

DIRECTORS' REPORT

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 as appropriate. PLS strives to ensure that all new initiatives complement and support publishers' businesses.

CLA withdrew its application for extended collective licensing (ECL), for which PLS had garnered publishers' support, pending the outcome of the draft DSM Copyright Directive which was addressing ECL.

PLS, together with CLA, ALCS and the Educational Recording Agency, moved during the year to new premises in London Bridge. These office sharing arrangements have proved to be very successful and have enabled and encouraged increased collaboration.

PLS continues to outsource its finance, human resources and project management requirements to CLA.

COPYRIGHT

PLS has continued to work in partnership with its trade association members, and also with CLA and all its members, to defend the copyright interests of publishers in the passage of the draft DSM Copyright Directive including in particular in education licensing and the right for publishers to share in European levy monies.

PLS continues to support and work closely with the Copyright Hub Foundation. Publishers signed up to PLS are starting to sign up to the Copyright Hub and are finding that this is driving up permissions requests which are then handled by the PLS Permissions service.

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 compliant 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 9.

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 2018:

Publishers' Licensing Services Limited

DIRECTORS' REPORT

M Bide – Chairman until 31.05.2019 (resigned 31.05.2019)	N A M D Service (PPA)
R Glazebrook – Chair from 01.06.2019 (appointed 01.04.2019)	B C Shine (IPG)
S M Faulder – Chief Executive	W C Sime (ALPSP) (appointed 27.11.2018)
D M Dixon (ALPSP) (appointed 20.09.2018)	E J Tribe (PA)
O E Gadsby (IPG)	T J L Williams (IPG)
J A Holton (ALPSP) (resigned 31.03.2018)	H J Wilson (PPA)
S A Lotinga (PA)	T E Wright (ALPSP)
M P Majurey (PA)	A C R Yeates (PPA)
A I McCulloch (ALPSP) (resigned 22.10.2018)	

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

Kingston Smith LLP has indicated its willingness to continue in 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:
Shackleton House 5th floor
4 Battle Bridge Lane
SE1 2HX

 June 2019

**Analysis of collective licensing income and distributions in financial year 1
April 2018 to 31 March 2019:**

1. 2018-19 licensing revenue summary

Type of Use	Source	Revenue £
Education	CLA	13,884,862
Business (CLA)	CLA	11,881,044
Business (NLA)	NLA	5,268,829
Government (inc. NHS)	CLA	2,849,729
Document Delivery	CLA	140,317
Media Monitoring	CLA	178,734
Foreign	Various	6,301,605
	Total	40,505,120

a) Foreign means monies received from overseas collective management organisations (CMOs).

b) All revenues in the above summary relate to reprographic rights.

2. 2018-19 licensing revenue allocated for distribution to mandating publishers

Type of Use	Source	Gross £	Retained subvention £	Net £
Education	CLA	13,783,193	826,992	12,956,201
Business (CLA)	CLA	11,632,533	697,952	10,934,581
Business (NLA)	NLA	3,819,901	229,194	3,590,707
Government (inc. NHS)	CLA	2,794,840	167,690	2,627,150
Document Delivery	CLA	134,623	8,077	126,546
Media Monitoring	CLA	177,250	10,635	166,615
Foreign	CLA	6,237,717	374,263	5,863,454
	Total	38,580,057	2,314,803	36,265,254

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.

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 £880,960. 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 2018-19

Type of Use	Source	Gross £
Education	CLA	101,691
Business (CLA)	CLA	216,341
Business (NLA)	NLA	0
Government (inc. NHS)	CLA	54,873
Document Delivery	CLA	3,219
Media Monitoring	CLA	1,485
Foreign	CLA	83,394
	Total	461,003

- 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) £484,329 of revenue attributed in both the current year and previous years was paid to publishers in 2018-19.
- c) Total attributed revenue accumulated in both the current and previous years and not yet distributed at year end was £3,006,227.

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 £77,204.

5. Non-distributable revenue received in 2018-19

Type of Use	Source	Gross £
Education	CLA	7,653
Business (CLA)	CLA	19,152
Business (NLA)	NLA	0
Government (inc. NHS)	CLA	14,319
Document Delivery	CLA	355
Media Monitoring	CLA	64
Foreign	CLA	9,541
	Total	50,974

- 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/>):

- £908,776 to Authors' Licensing and Collecting Society (ALCS).
- £401,894 to Design and Artists Copyright Society (DACS).
- £53,276 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 2019. 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:

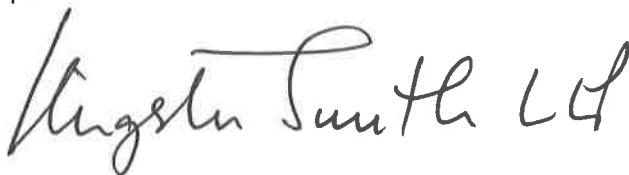
- We carried out the procedures as set out in *Annex A: Agreed upon procedures for the audit of an annual transparency report* of the "Guidance on the collective management of Copyright (EU Directive) Regulations 2016: annual transparency reports and audit" issued by the Intellectual Property Office 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 2019.

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: 24 June 2019

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