



Publishers Licensing Society



Annual Review

April 2016 – March 2017

Report from the Chairman

New regulations governing the activities of Collective Management Organisations (CMOs) came into force this year, and have imposed new compliance obligations on the Publishers Licensing Society as on every collective management organisation in the UK. These regulations make some differences to the way in which we report to stakeholders, specifically in publishing our first Annual Transparency Report, a detailed disclosure of our activities. This is the last change that we need to make to bring us into line with the regulations that now become “business as usual”.

As a not-for-profit collective, responsible to and overseen by publishers, the Board and Management of PLS have greatly welcomed the opportunity that the new regulations have afforded us to review all aspects of the way that PLS is governed and managed.

The same regulations, of course, apply equally to the Copyright Licensing Agency. In the same way that PLS extended its membership to the

Independent Publishers Guild, CLA has now also extended its membership to two CMOs representing photographers and other visual artists – the Design and Artists Copyright Society (DACS) and the newly formed PICSEL. We welcome DACS and PICSEL into membership of the CLA, and look forward to working closely with them on delivering the digital future that is the key objective of CLA management.

Part of the mechanism of building that future was the establishment of Fetter Investments Ltd, a for-profit joint venture established with the Authors’ Licensing and Collecting Society (ALCS), our long-term partners in establishing and managing the CLA. Fetter Investments funded the development of CLA’s Digital Content Store, and stands to benefit PLS and ALCS stakeholders over time.

I welcome Tony Bradman, the new Chair of ALCS, who replaced Adam Singer at the end of last year. Equally, I thank Adam for his considerable contribution to



Mark Bide, Chairman

the beneficial changes that came about during his three years as ALCS Chair (and latterly Co-Chair with me of CLA). I am much looking forward to a similarly productive period of working with Tony as business development at CLA gathers pace.

This is the first annual report I have written in which I do not have to say goodbye to any PLS Board members. We have welcomed Bridget Shine (IPG) as a new Director and I would like to thank her and all members of the Board for their invaluable contribution to PLS during another excellent year for Sarah and the PLS team.

Foreword

Collective licensing revenue comes from a wide range of sectors and inevitably there are fluctuations according to the current state of each sector and consequently for each publisher. This is why it can be unpredictable and we encourage publishers to budget conservatively for PLS revenue.

Overall revenues were down by about 6.5% on the previous year, in part due to the implementation of the Independent Rights Valuation. Whilst this impacted publishers in different ways, the distributable revenue of £32.9 million is in line with revenues over the last seven years. There is, however, no room for complacency, which is why PLS works closely with its licensing agents, Copyright Licensing Agency (CLA) and NLA media access (NLA), to maintain the value of licensing.

A significant step was taken in this regard with the launch of CLA's Digital Content Store (DCS). The DCS is a workflow tool which streamlines the process for creating online coursepacks and automates usage reporting under the CLA licence, so relieving universities of a considerable

administrative and costs burden. Universities have welcomed the DCS and the rate of adoption in the first few months has been impressive. Another benefit of the DCS has been an improvement in the data that we have been able to make available to publishers in PLSe.

PLS has put special effort during the year into identifying publishers not signed up to PLS but whose materials have been copied under CLA licences and for whom we have been holding revenue. We are supported in this by the new regulations referred to by Mark Bide (opposite), distributing to over 400 newly signed up publishers as a result of this effort.

We have continued to develop our services in response to publisher needs. Our Access to Research service still plays an important role in enabling free access to journals in public libraries whilst publishers transition to open access. Our permissions service started to make its mark with the launch of automated free-of-charge licensing using our proprietary tool, PLSclear (see p12).



Sarah Faulder, Chief Executive

The European Commission published its draft directive for modernising copyright law in the Digital Single Market in September. Whilst they supported the UK's framework for education licensing, the source of some 37% of the revenue we distribute to publishers, we have continued to work with both our trade association owners and with CLA and the Authors' Licensing and Collecting Society (ALCS) to ensure that the European Parliament also supports our position in the final directive.

I thank the entire PLS team once again for delivering an excellent service to publishers.

Income and Expenditure

For the year ended 31 March 2017

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

* This figure includes £199,384 (2016 £193,532) for Directors' remuneration including pensions.

Balance Sheet

At 31 March 2017

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

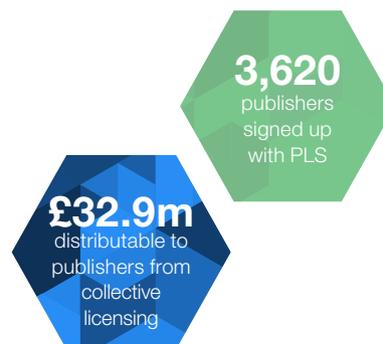
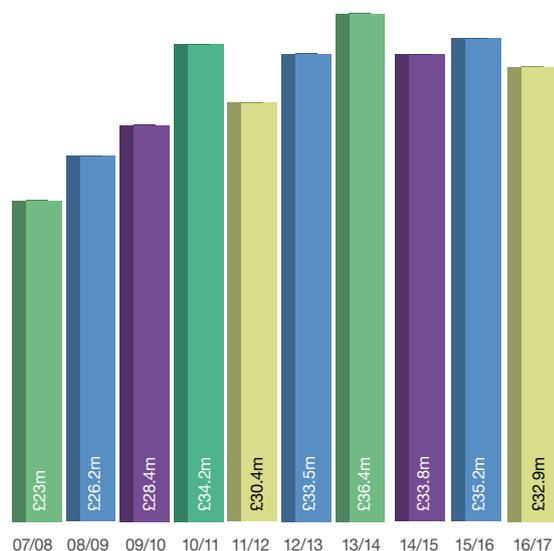
Commentary

The financial information on pages 4 and 5 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The income and expenditure account and the balance sheet have been extracted from the audited statutory accounts for the year ended 31 March 2017.

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 Section 495(4) of the Companies Act 2006.

Summary of Distributions

Total distributable revenue from all sources



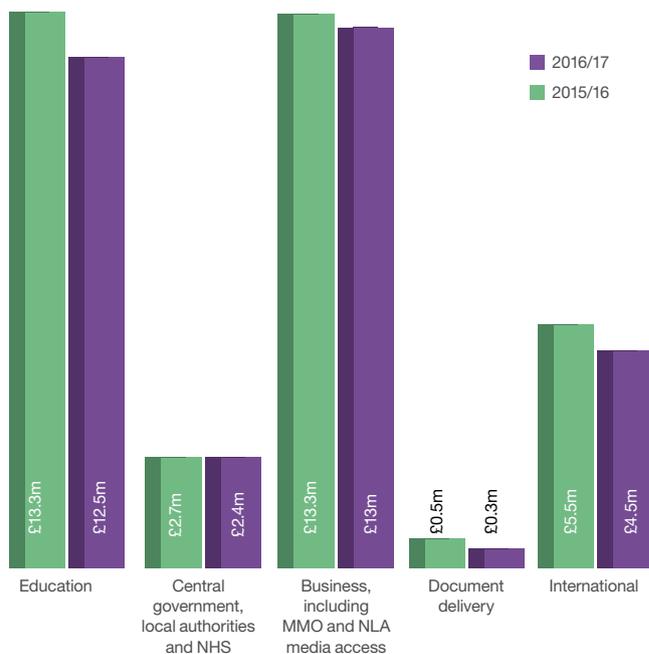
Overview

Distributable revenue in the year ended March 2017 was down 6.5% on the previous year. To a large degree this decrease was due to distributions reflecting the new publisher shares provided for in the Independent Rights Valuation (see "Deductions" opposite), particularly in Business and Education which showed decreases of 1% and 5% respectively. International revenue was down 18% due to a number of factors including timing of payments and pressures on licensing sectors (such as education licensing in Canada).

How we pay publishers

We allocate the licence fees we receive from CLA and NLA by linking the usage data they supply to us to the relevant publishers on the PLSe database. This usage data indicates which titles have been used under each licence and is gathered from a representative sample of licensees through a combination of surveys, audits and record keeping returns. We deduct 6% from the monies we receive to meet our administration costs and we distribute the balance of licence fees, as allocated, in accordance with our Distribution Charter and Distribution Timetable (available on our website at www.pls.org.uk).

Total distributable revenues from each sector



Deductions

Before distribution to PLS the following deductions are applied:

- Copyright Licensing Agency (CLA)
 - CLA's administration fee to cover the costs of its operations.
 - The shares payable to authors and visual artists in accordance with the Independent Rights Valuation.
- NLA media access (NLA)
 - NLA's administration fee to cover the costs of its operations.

On receipt of net revenues from CLA and NLA, PLS applies the following deductions:

- From NLA revenues: the shares payable to authors and visual artists in accordance with the Independent Rights Valuation.
- From CLA and NLA revenues: a 6% administration fee to cover the costs of its operations upon distribution to publishers.

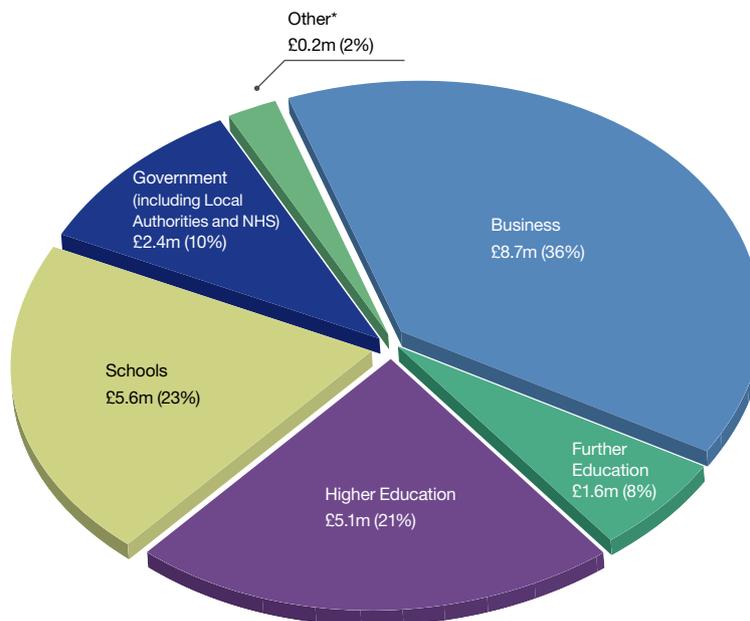
Further details about these deductions and the Independent Rights Valuation can be found in the PLS Distribution Charter at www.pls.org.uk/distribution-charter.

Sources of Distributable Revenue

Copyright Licensing Agency

UK licensing: £23.9m

- Business, Education and Government all showed decreases this year, largely due to the implementation of the Rights Valuation decision.
- Adjusting for the impact of the new publisher shares, CLA's performance in all sectors remained strong.



*Other: Includes Document Delivery and Media Monitoring.

International distributable revenues: £4.5m

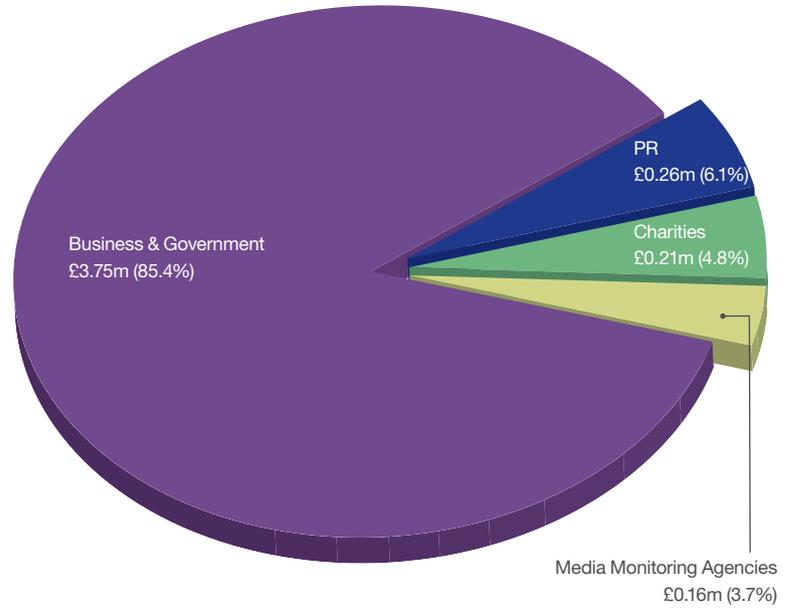
Australia £780k (17%)	Denmark £493k (11%)	Canada £119k (3%)	Germany £66k (1%)
Norway £675k (15%)	France £365k (8%)	South Africa £98k (2%)	Others combined £58k (1%)
Japan £641k (14%)	Italy £262k (6%)	Greece £82k (2%)	
USA £563k (13%)	Ireland £224k (5%)	Finland £75k (2%)	



NLA media access

Total licensing: £4.4m

- The above figure is before the deduction by PLS of the shares payable to authors and visual artists in accordance with the Independent Rights Valuation (see “Deductions”).
- Allowing for the impact of the new publisher shares under the terms of the Independent Rights Valuation, NLA revenues showed positive growth on the previous year.



Year in Brief

The regulatory environment



Compliance is now a significant part of every collective management organisation's

work. As trailed in our last Annual Review, the Collective Management of Copyright (EU Directive) Regulations 2016 came into force in April 2016, the start of the financial year in review. In the case of PLS it is publishers who are the direct beneficiaries of the new universal standards of good governance, transparency and non-discrimination underlying the Regulations. A key feature is the obligation to publish an Annual Transparency Report and so we introduce our first Report on p11.

The European Commission's long awaited draft legislation for modernising copyright in the Digital Single Market was published in September 2016. Its aim is to ensure that copyright laws are adapted to the digital environment; and in particular that they allow for access to copyright

content across borders. The draft directive contains a hotchpotch of provisions to supplement the existing 2001 Copyright Directive, but it is broadly balanced.

We were pleased that the Commission had accepted the case we put, together with ALCS and CLA, for ensuring that the revised exception for 'Illustration for teaching' should not apply where licences are available. Licensing the education sector accounts for nearly 40% of the revenues we distribute to publishers each year. Whilst this provision appears to be supported by the Council of Europe, the Members of the European Parliament have a very wide range of views so this is where lobbying efforts are concentrated. Given the importance to publishers of education licensing, we continue to engage in this process notwithstanding the fact that the UK may have left the European Union either before the Directive is adopted or (more likely) during the one year implementation

period after adoption.

The issues outlined here all emanate from Europe and so the inevitable question is what will be the position once the UK has left the European Union. At time of writing, the uncertainty remains as to what our future relationship with the EU will look like.

However, there is a clear drive to transpose all UK legislation derived from Europe into UK law. The copyright based industries, including publishing, have lobbied for no changes to be made to our current copyright law. It is working well and is fairly balanced, having been subjected to scrutiny over several years, culminating in the 2014 legislative reforms following the Hargreaves review. As a net exporter of creativity, we would expect British content to be in no less demand in Europe than it is currently. Sharing a common copyright code will facilitate the protection and enforcement of UK copyright in future.

Annual Transparency Report



PLS has published on its website its first ever Annual Transparency Report (ATR), covering the year under review. The new regulatory regime established by the

Collective Management of Copyright (EU Directive) Regulations 2016 (Regulations) requires all collective management organisations (CMOs), which includes PLS, to compile an ATR and to publish it on their respective websites. As their title suggests, the Regulations are derived from European legislation. The Directive received strong support from the UK CMOs, including PLS, in the expectation that it would result in CMOs, at least those in Europe, having to adhere to common standards.

The purpose of an ATR is to ensure that CMOs provide full transparency in relation to their governance and, in particular, their management of the monies they collect and distribute from collective licensing and of the deductions they make from such monies. It is worth bearing in mind that CMOs operate in several creative sectors, including music and audio-visual as well as publishing. Between them all they handle multimillion pounds worth of licensing revenues on behalf of their rightsholder constituencies each year. The UK CMOs have counterparts throughout Europe and the rest of the world. That they should all be subject to scrutiny in a more public way is hardly surprising.

ATRs are a means of ensuring that CMOs are accountable to the right holders they represent, both at home and abroad. They also ensure that the general public can easily access information on a range of matters, including the governance of CMOs, their conditions of membership, and their policies on charging and on monies they have collected for right holders they have not been able to locate and pay.

Why is this important?

Publishers, and indeed all right holders, need to be able to make informed decisions about how they want their rights to be managed and by whom. Their right to make choices as copyright owners is reiterated in the Regulations. An ATR conveniently draws together in a single place the key facts in relation to the work of CMOs. Furthermore, ATRs provide a means of comparing CMOs managing the same types of rights in different parts of Europe.

ATRs must be independently audited, so providing further assurance to right holders that the information provided is accurate and complete.

We hope publishers find our ATR clear and helpful.

To view the PLS Annual Transparency Report for 2016/17, please visit:
www.pls.org.uk/annual-transparency-report-2017

Year in Brief

PLS Services Update

Introducing PLS Permissions

For many that work in the creative industries, seeking permission to reuse extracts from published content in a new work can be challenging. Questions facing those requesting permission include which organisation currently owns the rights? Who is the right person within that organisation to grant permission? What information should I provide? How long will it take?

Equally on the receiving end, permissions can be both time consuming and costly to administer. Publishers often grant permissions for very small fees or for no charge. Whilst permissions fees could provide a valuable secondary revenue stream for publishers if handled efficiently, all too often they are given low priority, regarded as an administrative burden and a diversion of key resources from the core business. The length of time it takes to grant permissions can run into several weeks. This is damaging to publishers' reputations and often results in content being used without permission.

The offer

In March 2017, PLS completed the third major development phase of our PLSclear permissions management tool. PLS now offers a comprehensive permissions management service with fully automated paid-for permissions licensing.

Suitable for all sectors of publishing, powered by PLSclear, and supported by our UK-based team, PLS Permissions enables publishers to take a tailored approach to handling permissions requests and to generate additional revenues as a result of increased efficiencies in the process. The service also encourages better copyright compliance amongst permissions requestors which in turn supports copyright, the keystone of economically viable publishing.

The service has been carefully developed to complement publishers' primary business and to operate seamlessly with the collective licensing services already offered by PLS.

How does it work?

PLS Permissions encompasses three simple offers:

PLS PermissionsRequest

For those seeking permission, whether they are authors, editorial staff or any other individual or organisation, the PLSclear tool, at www.plsclear.com, enables them to:

- Search a database of over 50 million titles.
- Provide the information that a publisher typically requires to process a request.
- Obtain immediate permission if the request falls within the parameters set by the publisher and, if the request cannot be licensed immediately, to track progress of their request in real-time.
- Manage all of their requests through a convenient online account.

We are pleased to be rolling out this full permissions service after a long period of development in consultation with publishers and rights experts.

PLS PermissionsDirect

For publishers handling permissions requests and wanting to retain day to day control. Publishers are provided with a user friendly PLSclear account through which they can:

- Receive and handle requests in a single convenient inbox.
- Manage their permissions efficiently with maximum flexibility and the option to automate their licensing.
- Track requests, licences and revenues generated through detailed reporting.
- Benefit from a credit control service.

PLS PermissionsAssist

For publishers who prefer to be relieved of the task of handling permissions and outsource the entire process. PLS will:

- Manage all incoming permissions requests.
- Issue licences based on the publisher's chosen pricing and licensing models.
- Provide the publisher with

regular and fully detailed reports on requests, licences issued and revenues generated.

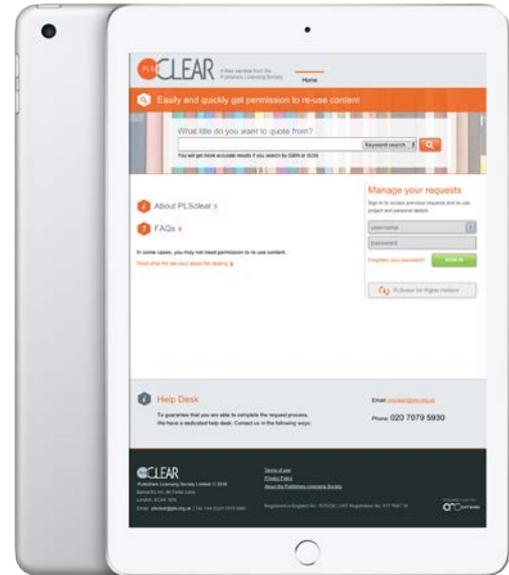
- Provide a full credit control service.

Licensing revenues will be paid to publishers quarterly along with their normal distributions from collective licensing.

How much does it cost?

As with all of our services, PLS does not seek to make a profit but only to recover its costs of developing and operating the service. We are charging a handling fee on all charged-for permissions at the rate of 12% for PLS PermissionsDirect and 20% for PLS PermissionsAssist. There are no sign-up or other upfront fees and no charges for free-of-charge licences issued. This being a new service we are keeping these charges under review and reserve the right to adjust them from time to time as necessary.

More information:
www.pls.org.uk/permissions



Any questions? Contact our team



Tom West
Chief Operating
Officer



Jeremy Brinton,
Head of Publisher
Relations

Vision, Aims and Values



Our Vision

To provide efficient and effective copyright and licensing solutions to support publishers in providing access to their content.

Our Aims

We aim to achieve our Vision:

Through collective licensing by:

- Facilitating access to the widest possible repertoire through the most appropriate licensing channels;
- Representing publishers' interests in licensing the use of their works on a collective basis, both in the UK and overseas;
- Ensuring publishers are remunerated for the use of their publications;
- Maintaining publishers' rights data to the highest standards;
- Distributing revenue generated from collective licensing regularly, diligently and accurately.

Through wider services by:

- Continuing to adapt to new technologies and to develop new services in response to publishers' needs, whether economic or political, using our technical rights management framework (PLSe);
- Promoting a strong copyright framework and a better understanding and awareness of copyright amongst publishers.

Our Values

At PLS, we uphold the following principles:

- Transparency
- Efficiency
- Responsiveness
- Accountability
- Collaboration

People at PLS

As at 31 March 2017

Directors

Chair

Mark Bide

ALPSP

Jen Holton

Audrey McCulloch

Peter Richardson

IPG

Oliver Gadsby

Bridget Shine¹

PA

Stephen Lotinga

Mark Majurey

Lis Tribe

PPA

Nick Service

Harriet Wilson

Andrew Yeates

Directors

Up to three directors are nominated by each of the trade association members of PLS (ALPSP, the IPG, the PA and the PPA) and are approved by the members. The Chairman is appointed by the Board and is independent of the members. The Chief Executive is appointed by the Board.

¹ Appointed September 2016

Executive Director

Chief Executive and Director

Sarah Faulder

PA to the Chief Executive

Mia Copas

Publisher Relations

Head of Publisher Relations

Jeremy Brinton

Publisher Relations Executive

Evie Ioannidi

Legal

Legal and Policy Manager

Ara Iskanderian

Communications

Communications and

Events Manager

Joanna Franaszczuk

Operations

Head of Operations

Tom West

IT Manager

Mohammed Anisuzzaman

Distributions Administrator

Amy Moss

Product Manager

(PLS Permissions)

Rachel Hunt

Product Manager

(PLS Permissions)

Amy Ellis

Project Coordinator

(Monies in Trust)

Pan Joannou

Publisher Liaison Officer

(Monies in Trust)

Claire Houguez

Operations Administrator

Martin Dixon



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ASSOCIATION



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