

Publishers' Licensing Services Annual Transparency Report

For the year ended 31 March 2020

The purpose of this report is to provide information about the activities of Publishers' Licensing Services (PLS) for the financial year ending 31st March 2020 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 2020 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 statement;
- ✓ 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 providing collective licensing and rights management services for the publishing sector. It operates on a not-for-profit basis. It deducts a subvention of 6% upon distribution to publishers of revenues received from collective licensing of reprographic rights 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);
- Professional Publishers Association (PPA) and

- the Publishers Association (PA).

Each member may nominate up to three directors to serve on the PLS Board. Subject to the recommendation of the Board, nominees are appointed by the members in general meeting. The Chair 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 to the Chair of the Board. 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 £10,558 per year in respect of each director elected to the Board. The total paid in the year was £126,692.

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

The total remuneration paid during the year to the Chief Executive, including pension contributions and healthcare insurance, was £180,249.

Investment income:

Bank interest earned during the year on monies held by PLS amounted to £72,354. Such monies were applied towards the costs of managing PLS.

Costs of collective rights management and other services:

PLS's total operating and financial costs for the year amounted to £2,236,483.

These costs were covered by:

- the 6% subvention deducted from reprographic licensing revenue distributed to publishers (£2,287,457);
- interest earned (£72,354);
- charges for administering PLS Permissions service (£71,170).

The total costs also include £77,000 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:

	2020	2019
	£	£
Non-current assets		
Fixed assets		
Tangible assets	60,732	77,159
Intangible assets	108,137	151,338
Investment in Joint Venture	5	5
	<u>168,874</u>	<u>228,502</u>
Current assets		
Debtors	1,429,146	1,520,445
Short term bank deposits	4,268,694	4,856,114
Cash at bank and in hand	4,596,611	2,699,785
	<u>10,294,451</u>	<u>9,076,344</u>
Creditors: amounts falling due within one year	(9,730,129)	(8,719,939)
	<u>564,322</u>	<u>356,405</u>
Net current assets	564,322	356,405
PROVISIONS FOR LIABILITIES	(18,576)	(25,160)
	<u>714,620</u>	<u>559,747</u>
TOTAL NET ASSETS	<u>714,620</u>	<u>559,747</u>
CAPITAL AND RESERVES		
Profit and Loss Account	<u>714,620</u>	<u>559,747</u>

Income statement:

	2020	2019
	£	£
COPYRIGHT FEES RECEIVED	40,991,145	40,759,644
Distributable to rightsholders	(38,632,518)	(38,286,937)
TURNOVER	<u>2,358,627</u>	<u>2,472,707</u>
Administrative expenses	(2,236,483)	(2,472,784)
OPERATING SURPLUS / (DEFICIT)	<u>122,144</u>	<u>(77)</u>
Interest receivable	72,354	20,703
SURPLUS BEFORE TAXATION	<u>194,498</u>	<u>20,626</u>
Taxation	(39,625)	(12,672)
SURPLUS FOR THE YEAR	<u><u>154,873</u></u>	<u><u>7,954</u></u>

Cash flow statement:

	2020	2019
	£	£
Cash flows from operating activities		
Surplus for the financial year	154,873	7,954
Depreciation and amortisation of fixed assets	147,400	188,086
Net interest (receivable)	(72,354)	(20,703)
Taxation	39,625	12,672
Decrease/(Increase) in trade and other debtors	91,299	(134,067)
(Decrease)/increase in creditors	973,925	(312,209)
Cash from operations	<u>1,334,768</u>	<u>(258,267)</u>
Taxation (paid)	(9,944)	(22,728)
Net cash (absorbed by)/generated from operating activities	<u>1,324,824</u>	<u>(280,995)</u>
Cash flows from investing activities		
Purchases of tangible fixed assets	(3,593)	(67,170)
Purchases of intangible assets	(84,179)	(74,601)
Interest received	72,354	20,703
Net cash absorbed by investing activities	<u>(15,418)</u>	<u>(121,068)</u>
Net increase / (decrease) in cash	<u>1,309,406</u>	<u>(402,063)</u>
Net increase/(decrease) in cash and cash equivalents	1,309,406	(402,063)
Cash and cash equivalents at beginning of the year	7,555,899	7,957,962
Cash and cash equivalents at end of year	<u>8,865,305</u>	<u>7,555,899</u>

Publishers' Licensing Services Limited

DIRECTORS' REPORT

The directors present their report and statement of accounts for the year ended 31 March 2020.

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.

The national emergency caused by COVID-19 began in the final month of the financial year. Staff immediately transitioned to working from home without any interruption to business. Whilst there was no financial impact on the business and on distributions to publishers in the financial year, the longer-term impact on revenues is being kept under review and appropriate reductions in expenditure will be made as and when required.

PUBLISHERS AUTHORISING PLS TO MANAGE THEIR COLLECTIVE LICENSING RIGHTS

PLS held active Accounts for 4,085 (2019: 3,951) 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.

REVENUE

PLS received collective licensing revenue for the year of £40.4m (2019: £40.5m) from the following sources:

- CLA: £35,101,450 (being the publishers' share of CLA revenues) and
- NLA: £5,320,854 (being the publishers', authors' and visual artists' share of NLA revenues).

Other sources of revenue for the year included:

- Stichting Reprorecht for publishers' public lending rights in the Netherlands: £7,094 and
- PLS Permissions: generated gross revenues for publishers of £561,746.

	2019/20	2018/19	% change
	£	£	
Collective Licensing			
CLA			
Education	13,823,652	13,884,862	(0.4%)
Business	12,172,881	11,881,044	2.5%
Government	1,448,354	1,651,674	(12.3%)
NHS	1,099,256	1,198,055	(8.2%)
Document delivery	122,434	140,317	(12.7%)
Media monitoring	235,023	178,734	31.5%
Foreign	6,199,851	6,301,605	(1.6%)
CLA Total	35,101,451	35,236,291	(0.4%)
NLA media access	5,320,854	5,268,829	1.0%
	40,422,305	40,505,120	(0.2%)
Other revenue			
PLR (Netherlands)	7,094	41,078	(82.7%)
PLS Permissions	561,746	213,446	163.2%
Total	40,991,145	40,759,644	0.6%

DISTRIBUTIONS

Distributable collective licensing revenue was £38.6m (2019: £38.3m), 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 Reprerecht 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 use 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. As a result of this work, 158 new publishers have signed up to PLS during the year.

PLS SERVICES

The **PLS Permissions** service generated a growing revenue stream for publishers. The service offers publishers a choice of managing their own permissions more efficiently through PLS Permissions Direct or outsourcing the management of their permissions to PLS using PLS Permissions Assist. Whilst the service enables both paid for licences and free of charge licences, PLS charges a handling fee on paid for licences only towards covering its costs. Increasing numbers of permissions requests are flowing through the free to use PLS Permissions Request service from authors and editors.

PLS continued to operate the free to use **Access to Research** service throughout the year. Some 98% of local authorities are now signed up to the service and making it available in over 3,200 public libraries across the UK. The service currently provides free online access to over 30 million academic articles.

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, both in person and online, on various licensing initiatives proposed by CLA and NLA.

PLS's stand at the Frankfurt Book Fair, hosted in partnership with CLA, was used to host multiple meetings with publishers. Following the cancellation of the 2020 London Book Fair on account of COVID-19, meetings were held with publishers either at the PLS offices or virtually, in lieu of on our stand.

PLS's introductory sessions on collective licensing, webinars and permissions and rights management workshops were well attended. The PLS Annual Rights and Licensing Forum, held in July at the Stationers' Hall attracted a large audience of publishers.

PLS sponsored various relevant conferences, events and publications and undertook speaking engagements to raise awareness and understanding of PLS and its collective licensing and permissions services.

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.

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

COPYRIGHT

PLS works in partnership with its trade association members, and also with CLA and all its members, to support the copyright interests of publishers. Following adoption of European DSM Copyright Directive early in the year and the Government's indications that it has no plans to implement the same, due to the fact that the transition period for Brexit is expected to have ended before the due date for implementation of the Directive in June 2021, the focus has been on defending the current UK copyright framework against any weakening in the course of the Government's negotiation of trade agreements.

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 Regulations.

PLS staff continue to work in accordance with the PLS Code of Conduct. 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 Income Statement on page 9.

DIRECTORS

Up to three directors are nominated by each of the members and approved by the Board. The Chair 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 2019:

M Bide – Chair (Retired 31.05.2019)	NAMD Service (PPA)
SM Faulder – Chief Executive	BC Shine (IPG)
DM Dixon (ALPSP)	WC Sime (ALPSP)
OE Gadsby (IPG)	EJ Tribe (PA)
RP Glazebrook, Chair (appointed 01.04.2019)	TJL Williams (IPG)
SA Lotinga (PA)	HJ Wilson (PPA) (resigned 04.06.2019)
MP Majurey (PA)	TE Wright (ALPSP)
OL Meredith (PPA) (appointed 04.06.19)	ACR Yeates (PPA)

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

Moore 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



SM FAULDER
Director

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15th September 2020

Analysis of collective licensing income and distributions in financial year 1 April 2019 to 31 March 2020:

1. 2019-20 licensing revenue summary

Type of Use	Source	Revenue £
Education	CLA	13,823,651
Business (CLA)	CLA	12,172,881
Business (NLA)	NLA	5,320,854
Government (incl. NHS)	CLA	2,547,610
Document Delivery	CLA	122,434
Media Monitoring	CLA	235,023
Foreign	Various (via CLA)	6,199,851
	Total	40,422,304

- a) Foreign means monies received from overseas collective management organisations (CMOs).
- b) All revenues in the above summary relate to reprographic rights.

2. 2019-20 licensing revenue allocated for distribution to mandating publishers (those with a PLS account)

Type of Use	Source	Gross £	Retained subvention £	Net £
Education	CLA	13,705,022	822,301	12,882,721
Business (CLA)	CLA	11,936,085	716,165	11,219,920
Business (NLA)	NLA	3,602,226	216,134	3,386,092
Government (inc. NHS)	CLA	2,489,302	149,358	2,339,944
Document Delivery	CLA	115,720	6,943	108,777
Media Monitoring	CLA	172,049	10,323	161,726
Foreign	CLA	5,337,429	320,246	5,017,183
	Total	37,357,833	2,241,470	35,116,363

- 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 payment 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 £727,732. Monies are held on mandating accounts:
- until the balance has reached the minimum payment threshold;
 - 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 appears to have ceased trading or cannot be traced .
- 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 2019-20

Type of Use	Source	Gross £
Education	CLA	118,636
Business (CLA)	CLA	218,487
Business (NLA)	NLA	0
Government (inc. NHS)	CLA	58,278
Document Delivery	CLA	3,414
Media Monitoring	CLA	1,132
Foreign	CLA	99,995
	Total	499,942

- 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, signed up and paid.
- b) £533,005 of revenue (net of PLS subvention) attributed in both the current year and previous years was paid to publishers in 2019-20.
- c) Total attributed revenue accumulated in both the current and previous years and not yet distributed at year end was £2,914,868.

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 £3,282,931.

5. Non-distributable revenue received in 2019-20

Type of Use	Source	Gross £
Education	CLA	9,119
Business (CLA)	CLA	23,776
Business (NLA)	NLA	0
Government (inc. NHS)	CLA	12,947
Document Delivery	CLA	282
Media Monitoring	CLA	320
Foreign	CLA	7,223
	Total	53,667

- 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 are 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/>):

- £1,308,369 to Authors' Licensing and Collecting Society (ALCS).
- £404,298 to Design and Artists Copyright Society (DACS).
- £80,492 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 2020. 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 2020.

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. Moore 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 September 2020

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