



PICSEL Annual Transparency Report for 2016

This report has been compiled in accordance with the terms of The Collective Management of Copyright (EU Directive) Regulations (2016), the 'Regulations'. Further information is available on the website www.picssel.org.uk

About PICSEL

PICSEL was registered as a private company (Reg. No. 9899186) limited by guarantee on 2nd December 2015 and is a collective management organisation (CMO) run by and for its members who are creative rights holders and their representatives.

In accordance with the 'Regulations' PICSEL recognises a Rights Holder as:

Any person or entity other than a CMO that:

- Holds a copyright or related right, or
- Under an agreement for the exploitation of rights or by law is entitled to a share in the rights revenue.

PICSEL is governed by a Board of Directors, the majority of whom are Members and are elected by the Members. Under the Articles of Association the Board is also permitted to appoint non-members as Directors where appropriate, subject to ratification by Members at the General Assembly.

As a not-for-profit organisation PICSEL operates in the interests of all Rights Holders to ensure fair, equal and timely distribution of revenue to Rights Holders.

Report on Activities

During the first half of 2016 PICSEL led negotiations with ALCS and DACS for the allocation and distribution of CLA license revenue for the Visual Artists (VA) sector following the introduction in April 2016 of The Collective Management of Copyright (EU Directive) Regulations (2016) which gave rights holders the opportunity to choose which CMO should represent their interests in collective rights management.

As no consensus could be found, Mediation took place in October and November of 2016. Agreement was reached and Heads of Terms were signed on 18th November 2016. The final Long Form agreement was signed on 24th July 2017.

In February 2017 PICSEL was able to prove 'significant representation' and was accepted as a member of the CLA with observer status on their Board. Together with DACS, PICSEL became the first new members of the CLA since it was founded over 30 years ago.

Throughout 2016, and 2017, PICSEL has engaged fully in extensive discussions with the IPO recognising that we are very much a test case for the implementation of the 'Regulations'. Throughout, PICSEL has sought clarity and transparency in the reading and implementation of the 'Regulations' for the benefit of all Rights Holders.

PICSEL is a radical alternative, focused on the interests of all Rights Holders, and made possible by the adoption into UK Law of the Regulations.

Strategic Review

PICSEL will face direct and indirect challenges in the coming months and years. The new competitive environment between representative VACMOs, the evolving environment within collective licensing itself and the uncertainty of Brexit may create significant change.

The competitive environment will see a change in membership levels and hence market share, but it will bring a more transparent and equitable distribution of revenue to Rights Holders.

PICSEL's membership for 2017 has increased in line with expectations, and is growing.

PICSEL embraced the new data driven model for revenue distribution proposed by the CLA which proved a greater success for PICSEL members than expected. With 25% of claimed titles matching CLA survey data, this was considerably above the industry average. Revenue was also above expectation with several individual images being allocated over £1700.

With an increase in the allocation to matching next year to 15%, from 10% this year, PICSEL Members should see an improved return, with PICSEL applying a record low 15% administration fee.

The mediated agreement with CLA, ALCS and DACS was above expectation, with an annual increase in revenue allocated for matched titles until 2021. For educational licenses this begins with 10% and increases to 40%. For non-educational licenses it will start at 10% and increase to 30%.

Market share was decided by an independent auditor appointed by the CLA. His allocation for PICSEL was above expectation and budget. Increased membership should see an increase in market share in 2018.

The nature of collective rights management is evolving and PICSEL will work with the CLA, and others, to ensure that a robust environment can be sustained. As a member of the CLA, PICSEL is in a position to be involved at an early stage in any developments that will impact on visual arts rights holders and can ensure that the allocations for VA's decided by the FTI Valuation are maintained.

The coming years will see reassessments of the valuations and PICSEL will work with all VACMO's to ensure that an equitable allocation is made to the VA sector.

Brexit will pose unknown challenges. The IPO has engaged with all CMO's in regular meetings since the referendum and continue to do so. Whilst this has been mainly concerned with the Regulations and the EU Digital Single Market, the volatile currency market is already having an effect on international revenue income.

PICSEL has concentrated initially on the traditional UK market of Book, Magazine and Journal licensing. There are other sectors that PICSEL will explore to offer a radical, and equitable, alternative.

Financial Report

Readers of this Transparency Report are asked to refer to PICSEL's audited Financial Statements which comprise an income and expenditure account, a balance sheet, a statement of changes in equity, a statement of cash flows and a strategic report. The strategic report provides information on PICSEL's activities during the financial year. The PICSEL Transparency Report contains the remaining relevant information that is required by the Collective Rights Management (CRM) Regulations.

PICSEL intends that in future years the Transparency Report will be audited by a person who is eligible for appointment as a statutory auditor under Part 42 of the Companies Act 2006(a). PICSEL will appoint the auditors approved to audit PICSEL's Financial Statements to audit the Transparency Report as required under the CRM Regulations (regulation 21(2)(b)). The 2016 Transparency Report has not been audited as PICSEL's auditors were awaiting guidance on the audit requirements from the Institute of Chartered Accountants in England and Wales (ICAEW) at the time this report was produced. Guidance was released shortly before final approval of this report, but it was considered disproportionate to perform these procedures on the 2016 Transparency Report on the basis that the audit of the statutory Financial Statements had already been completed and given the minimal amount of transactions during the period. The above approach was discussed with the Intellectual Property Office, who, without prejudice to their monitoring and enforcement functions under the CRM Regulations, recognised the particular reasons for this approach given the circumstances of the financial year to which the Report relates.

This report and PICSEL's Financial Statements are published on PICSEL's website, www.PICSEL.org.uk. They will be updated on an annual basis.

Remuneration of Chief Executive Officer and Board of Directors

Paul Seheult (Chief Executive Officer)	Total Remuneration £0.00
Isabelle Doran (Chair, Director)	Fees Received as a PICSEL Director £0.00
Tim Harris (Director)	Fees Received as a PICSEL Director £0.00
John Balean (Director)	Fees Received as a PICSEL Director £0.00

Distribution of revenue

There is no distributable or non-distributable revenue to report on in 2016.

From August 2017 revenue will come from various collective management schemes, primarily those operated by the CLA (Copyright Licensing Agency).

General Distribution Policies

Distribution of this revenue is outlined in PICSEL's Distribution Policy which is available on our website www.picssel.org.uk

However the principles, and execution, can be briefly summarised.

The PICSEL Board, working with the Distribution Group, is responsible for the formulation and implementation of the Distribution Policy and is required to ensure that the policy is fair, transparent and cost effective. It will regularly review the policy in response to:

- Any changes in the terms of the licences;
- Any change in the availability of data that has the potential to impact upon a distribution;
- Member dissatisfaction with current policy.

License revenue is allocated to PICSEL in two distinct ways:

- To titles that match survey data. For 2016 revenue this is 10%, rising each year until 2021 to 40% for educational licenses and 30% for non-educational.
- To all titles that do not match survey data or where data is unavailable. For 2016 revenue this is 90% decreasing each by until 2021 to 60% for educational licenses and 70% for non-educational licenses.

The Distribution Group have advised the Board that revenue allocated to titles in the matching process should be paid to those titles following the principle of revenue following rights, and that the availability allocation should be shared out amongst claimants based on the number of uses claimed for.

All claims from all rights holders are treated equally without discrimination or prejudice to ensure PICSEL's principle to ensure fair, equal and timely distribution of revenue to rights holders.