



DACCS Transparency Report for Financial Year 1 January to 31 December 2015

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

1. DACCS' legal and governance structure (page 1)
2. About DACCS (including a section on granting a licence) (page 2)
3. Board Directors' remuneration and key management personnel (page 2)
4. DACCS Special Report (page 2) including:
 - 4a Operating Results (Income and Expenditure Report by category of rights managed)
 - 4b Amounts due to rightsholders
 - 4c Income arising from the investment of rights revenue
 - 4d Managing artists' rights
 - 4e Costs of rights management
 - 4f Distribution timetable
 - 4g The amount attributed to, but not yet distributed to rightsholders by date of collection
 - 4h Social, cultural and education services.

DACCS 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). DACCS will appoint the auditors approved to audit DACCS' Financial Statements to audit the Transparency Report as required under the CRM Regulation section 2(b). The 2015 Transparency Report has not been audited as DACCS' auditors await guidance on the audit requirements from the Institute of Chartered Accountants in England and Wales (ICAEW).

This report, DACCS' Annual Review and DACCS' Financial Statements are published on DACCS' website. For a copy of DACCS' Annual Audited Accounts please visit dacs.org.uk/about-us/what-is-dacs. They will be available for 5 years.

1. DACCS' legal and governance structure

DACCS is a private company limited by guarantee without share capital incorporated under company number 01780482. The governing document of DACCS is the Articles of Association adopted on 23 March 2016. DACCS is governed by a Board of Directors who ensure that DACCS fulfils its mission to transform the financial landscape for visual artists and artists' estates. The Board consists of Member Directors and Non-Member Directors who, since the introduction of the CRM Directive into UK law through the CRM Regulations in April 2016, will be voted in by an ordinary resolution of the company's members at the Annual General Meeting. DACCS holds four Board meetings per year and Directors also participate in sub-committees of the Board: Business Development, Communications, Finance and Audit, Legal, and Remuneration.

Company information, including a list of Board Directors, can be found on page 1 of DACCS' Financial Statements.

2. About DACCS

Established by artists for artists, DACCS is a not-for-profit visual artists rights' management organisation. We collect and distribute royalties to visual artists and estates through Artist's Resale Right, Copyright Licensing (including Artimage) and Collective Licensing – our Payback campaign.



For artists

DACS campaigns for the rights of visual artists and pays them their due royalties that help them sustain their livelihood and practice.

For beneficiaries and heirs

DACS helps artists and artists' estates receive the royalties they are entitled to, helping to support their legacies.

For Art Market Professionals

DACS works with galleries, dealers and auction houses to fulfil the obligations arising from the Artist's Resale Right.

For copyright clients: Granting a licence

DACS provides a service to clients who require a licence that will give permission for use of an artist's work in anything from merchandise or an advert to a book, film or website. DACS clears the rights required for projects, whether simple or complex. DACS does reserve the right to refuse to grant a licence under certain circumstances, such as when permission has not been given by the rightsholder, in which instance we will inform the client without undue delay. Any unlicensed requests are recorded and reviewed on a quarterly basis.

3. Director's remuneration and Key Management Personnel

Director's remuneration

	2015	2014
	£	£
Director's emoluments	64,087	50,554
Social security costs	279	0
Costs of defined contribution scheme	534	0

	2015	2014
	No.	No.
Average monthly number of non-executive Directors	11	12

Key management personnel

Key management personnel includes those persons having authority and responsibility for planning, directing and controlling the activities of the organisation, directly or indirectly, including Directors, Chief Executive Officer, and Chief Operating Officer (appointed on 9 June 2014). Total remuneration paid to key management personnel during the year was £287,848 (2014 - £230,039).

4. DACS Special Report

The Special Report should be read in conjunction with DACS' Financial Statements and Annual Review, both of which are available on the DACS website.



DACS manages Copyright Licensing, Artimage, Artist's Resale Right (ARR), and collective rights (which for the purpose of this report include Public Lending Rights and Extended Collective Licensing).

In line with the newly implemented CRM Regulations, DACS' Income and Expenditure Report, at the rear of this report, includes financial information by category of rights managed, showing revenue, the costs of rights management and the amounts that become payable to artists in the financial year. The section on Royalties by Department shows the amount that was actually paid to artists by category of rights managed. DACS does not use any of the amounts deducted for the purpose of social, cultural and educational services, but in 2014 DACS initiated the creation of DACS Foundation, a charity promoting visual arts for the public benefit by making grants, organising events and providing education and training.

Income and Expenditure by category of rights managed

The Income and Expenditure Report gives the operating results for each category of rights managed by DACS. An explanation of each section of the report is given below.

4a Revenue

Revenue is recognised in DACS' Accounts to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Copyright: Individual Administered Rights are those that can be administered on a transaction or on an individual basis. Income is recognised once approval has been obtained.

Collective Rights are those that cannot be administered on a transaction or on an individual basis. They are usually licensed under a blanket licensing scheme operated by a third party, and where there is uncertainty regarding the timing and amount of such funds, the income is recognised on a notification basis only.

Artist's Resale Right is conferred by UK legislation, which allows DACS to collect income on behalf of qualifying artists on secondary sales made by art market professionals. Income under the Artist's Resale Right is invoiced once DACS has been informed that a qualifying sale has been made to a third party by the art market professional. DACS does review each sale and agrees it with the art market professional. Revenue is recognised once the sale has been confirmed with the art market professional.

Further rights management:

DACS also manages the following rights which are collected by DACS' sister societies based overseas. These are included in the collective rights for the purposes of the Transparency Report:

Extended Collective Licensing (ECL) allows collecting societies to run licensing schemes without permission on an individual basis from the copyright owner, such as an artist, photographer, illustrator or artist estate. This means that in addition to granting licences on behalf of its members, a collecting society can also grant licences on behalf of copyright owners who they do not directly represent, but who are covered by the scheme.

Public Lending Rights are received by DACS from sister societies where public lending libraries pay a royalty to the Lending Right Foundation for books that they loan. DACS receives a share of these royalties that are received on our behalf by our sister societies, for instance through the Dutch Public Lending Right.

4b Amounts due to rightsholders

The amounts due to rightsholders is based upon a percentage of the revenue collected by DACS during a financial year, after DACS has covered its costs. The percentage deducted from each category of rights is shown in section 4d on Managing Artists Rights below. Payments to rightsholders is made according to DACS' distribution timetable detailed in section 4c.

4c Income arising from the investment of rights revenue

Funds that arise as a result of a timing difference between payment being made to DACS by clients, art market professionals or other collecting societies and payment being made by DACS to the rightsholder are invested according to DACS investment policy, which is available on DACS' website or upon request. This income is allocated to each category of rights on the basis of the average balance of funds due to, but not yet distributed to, rightsholders during the year and is shown in the Income and Expenditure Report by category of rights managed as interest and investment income. This information is used by the DACS Board to determine the percentage of royalty required to cover DACS' management and administrative costs for each category of rights. This is explained in section 4d Managing Artists Rights.

4d Managing Artists' Rights

DACS deducts a proportion of the rights revenue it receives to cover the cost of managing and administering the royalties and ensuring that they are paid to artists in an accurate and timely manner. The percentage deducted is outlined below and in DACS' distribution policy. The distribution policy is available on the DACS website or upon request.

Rights that are managed directly by DACS are charged at a higher rate than those that are managed by overseas collecting societies with whom DACS has an agreement to collect royalties overseas. The overseas collecting societies are known as sister societies and they license DACS' repertoire in their territories according to their own rules and tariffs. DACS makes the same deduction for repertoire it represents directly or through sister societies for licensing through DACS.

Individually Administered Rights: Copyright

Managed directly by DACS: 25%

Managed by DACS' sister societies overseas: 15%

Individually Administered Rights: Artimage

Managed directly by DACS (Artists): 35%

Managed directly by DACS (Collections): 30%

Collectively Administered Rights

Collective photocopying and television re-transmission or recording for educational use distributed in DACS Payback scheme:

- Revenue recognised in 2014 and distributed in 2015: 18%
- Revenue recognised in 2015 to be distributed in 2016: 16%
- Revenue recognised in 2016 to be distributed in 2016: 16%

Extended Collective Licensing: 2015 and 2016: 16%
Public Lending Right: 15%

Artist's Resale Rights (ARR)

Collected by DACS from UK auction houses, art dealers or galleries: 15%
Collected by DACS' sister societies overseas: 0%

4e Costs of rights management

The cost of rights management is detailed in DACS' Income and Expenditure Report. This report gives a break-down of all costs incurred by DACS. The Income and Expenditure Report by category of rights managed shows the cost of managing each category of rights, split into direct and indirect costs.

Direct costs

These are costs incurred exclusively for managing a specific category of rights. The direct costs include the cost of staff employed to manage or administer that particular service and other direct costs, for example legal costs incurred in relation to a particular right that will not benefit the other rights.

Indirect Costs

Costs that cannot be directly attributed to a particular right but are for administration and other services that benefit from all rights managed by DACS are allocated to the particular category of rights based on either revenue or direct staff. The method considered most appropriate as a driver of the cost has been adopted. Occupancy costs are allocated on the basis of the number of staff directly employed to manage or administer a category of rights, all other costs have been allocated on a revenue basis.

4f Distribution timetable

The distribution timetable is established by the Distribution Policy: Distribution of amounts due to rightsholders is put before the Annual General Meeting, and repeated here:

- **Copyright - Individually Administered Rights** are distributed to DACS direct members each quarter,
 - 60 days after the end of the quarter (this usually occurs around the 20th of the second month after the quarter-end).
 - The distribution includes all royalties from copyright sales invoices which have been issued and paid on or before the last working day of that quarter.

- **Artist's Resale Right (ARR) Distribution to Individuals**
 - ARR due to individuals is distributed monthly before the last working day of the month, but usually on the 15th.
 - The distribution includes all royalties resulting from invoices that have been issued and paid on or before the last working day of the previous month.
 - If DACS receives notification that the ARR had been remitted to DACS in error (usually, but not always, due to a sale being cancelled) after a distribution has been made, DACS reserves the right to collect this incorrect payment from the rightsholder. Where

possible this will be collected by deducting the amount paid incorrectly from the next payment due to the artist. If this is not practical the artist will be asked to send payment back to DACS. DACS is obliged to refund the art market professional for ARR remitted to DACS in error.

- **Copyright Individually Administered Rights and ARR Distribution to Sister Societies**
 - DACS' sister societies are paid every quarter, 60 days after the end of the quarter (this usually occurs around the 20th of the second month after the quarter-end).
 - The distribution will pay out all royalties from copyright and ARR sales invoices which have been issued and paid on or before the last working day of that quarter.
- **Public Lending Rights**

DACS pays Public Lending Rights royalties annually in September, 9 months from the end of the financial year. Payment will be made for royalties collected in the previous financial year; for example royalties collected by DACS in 2016 will be paid in September 2017. Public Lending Rights is distributed on the basis of claims submitted by royalty holders.
- **Extended Collective Rights**

DACS pays Extended Collective Royalties quarterly for monies collected in the previous financial year; for example royalties collected by DACS in 2016 will be paid quarterly throughout 2017, with the last payment in the financial year being August. Royalties will be paid when the required compliance procedures have been met by the rightsholders (e.g. with-holding tax forms received and bank details provided).
- **Collectively Administered Rights**

DACS' current distribution policy is annual distributions in retrospect, as sufficient time is needed to consolidate the data and to establish and find the correct rightsholders.

The annual distribution will pay out royalties received from collective sales invoices which have been included in the Financial Accounts for that financial year and therefore meet DACS' revenue recognition criteria in that year. From 2017, the distribution will be made annually in September, 9 months from the end of the financial year. Adjustments to the amount payable are made for the following reasons:

- A small contingency is retained by DACS to allow for a fair and equitable distribution in case of any unforeseen problems.
- Any unclaimed contingency from one year will be added to the following year's distribution.
- Any claims that DACS has not been able to pay out of the previous year's distribution and are considered to be no longer payable (see note on requirements from claimants below) will be added to the distributable amount.
- If the Board of Directors deem it appropriate funds received in the year of distribution, but normally payable the following year, will be distributed early. The 2016 distribution will include funds received from the Copyright Licensing Agency (CLA) in 2016 that relate to 2015 CLA licences.
- The allocation of payments to rightsholders will be claim-based, with claims being made through DACS' annual Payback scheme. In 2016 this scheme will operate on the basis of availability only for publications and television. This means that if the claimant can show that their work was available for copying through the inclusion in the relevant media they will be allocated a proportion of the publications/programmes royalties received by DACS for distribution.

DACS

From 2017 onwards steps will be made to increase the use of usage data provided by the CLA and other collective bodies to facilitate the distribution. DACS will ensure that members are kept informed of any changes to distribution as they occur.

- DACS' terms and conditions for Payback members have been changed to include the provision that although Payback members can terminate their membership with DACS with one month's notice, their termination will only take effect from the next financial year. This is to align the claimants claim period with the royalties received by DACS for distribution.
- The claims process includes the requirement that the correct VAT, tax and bank details are provided to DACS in order for payment to be made. In the event that these details are not provided DACS will allocate a payment to the claimant, but will hold this until the relevant criteria are met. If these criteria cannot be met before the closure of the following year's Payback campaign and no communication has been received from the claimant despite at least 3 attempts by DACS using the information provided by the claimant on their claim form, the funds will be added to the following year's total amount due for distribution as noted above.

4g Social, cultural, educational and other activities

DACS does not use royalties collected to fund social, cultural, educational and other activities. However DACS does conduct a programme of research and innovation in order to ensure we are in a good position to make the most of opportunities to develop income for artists and artists' estates from royalties and to defend artists' rights.

DACS: Creating value through cultural and educational activities

Like many organisations, DACS operates within a number of cultural and business contexts and specifically invests in activity which creates opportunities to actively engage potential new members for our ARR, Payback and Licensing income streams. The social and cultural profile of DACS is focused mainly through dynamic talks programmes that explore issues facing contemporary artists such as copyright and infringement, commissioning in the public realm, and working in collaboration with the public.

We also engage in research and education, which allows for our knowledge and expertise to find applications within emerging fields such as visual intellectual property in fashion. To develop this dynamic interface with the public we work independently curating our own special projects and events and also in partnership with organisations such as SPACE, an - The Artists Information Company,- and Artquest whom have a synergy of interests in areas of artists' rights.

We have invested resources in partnership with HE research with Oxford University in order to ensure that DACS is positioned to capitalise on key emerging ideas which are relevant to our membership. As these activities form part of DACS' research and development activities they are allocated to specific licensing activities as part of the indirect cost allocation. Research and development is allocated to each business category on a revenue basis.

Activity that exists outside of the main activities of DACS is shown under 'other activities'. This includes the costs of setting up DACS Foundation. DACS initially provided some practical support to help set up the DACS Foundation. The costs incurred by DACS on behalf of DACS Foundation have been recharged to the Foundation and are included in 'other income'. In addition to this DACS has received other income from sales of the *The Economy of Art* publication. DACS also received a grant from Art Fund in 2014 and from The Arts Council in 2015 to fund the work of Art360, a legacy planning project.

DACS

DACS has purchased some art works from DACS Foundation. The art works were donated to DACS Foundation for the DACS Foundation Auction, which raised money for DACS Foundation's projects. In our accounts the art works form part of DACS' fixtures and fitting in Fixed Assets.



Income & Expenditure by Category of Rights

	ARR		COPYRIGHT		ARTIMAGE		COLLECTIVE		Other Activities	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue	12,060,286	10,045,790	1,966,303	2,088,659	76,654	49,499	5,404,933	5,628,725	0	0
Payable to Artists	10,319,727	8,567,414	1,497,896	1,542,980	50,864	33,262	4,540,400	4,617,320	0	0
Other Cost of Sales	42,727	0	15,027	0	0	0	15,704	0	0	0
Net Income	1,697,832	1,478,375	453,380	545,679	25,790	16,238	848,828	1,011,405	60,848	17,262
Direct Costs	248,468	238,397	243,464	194,453	83,197	160,544	86,564	68,435	52,816	19,171
Gross profit	1,449,364	1,239,978	209,916	351,226	-57,407	-144,306	762,264	942,970	8,032	-1,908
Interest & Investment Income	20,057	26,285	1,276	1,672	62	81	52,097	68,558	0	0
Contribution	1,469,421	1,266,264	211,192	352,897	-57,346	-144,226	814,360	1,011,528	8,032	-1,908
Administration Costs	1,262,808	1,146,313	205,888	238,334	8,026	5,648	565,939	642,287	0	0
Occupancy Costs	26,400	55,200	30,841	64,486	8,635	18,056	8,716	18,225	0	0
Net Profit	180,213	64,751	-25,537	50,077	-74,007	-167,930	239,705	351,016	8,032	-1,908
Exceptional Items	0	0	0	0	0	0	47,066	191,150	0	0
Profit before taxation	180,213	64,751	-25,537	50,077	-74,007	-167,930	192,639	159,866	8,032	-1,908
Costs of rights management	1,580,403	1,439,910	495,220	497,273	99,859	184,248	676,924	728,947	52,816	19,171
Costs (before exceptionals) as a % of Revenue	13%	14%	25%	24%	130%	372%	13%	13%	0%	0%

Royalties by Category

Opening Balance	2,668,021	3,611,509	764,671	720,653	11,029	0	6,313,279	5,795,853
Current Year Collection	10,319,727	8,567,414	1,497,896	1,542,980	50,864	33,262	4,540,400	4,617,320
Total Payable to Artists	12,987,748	12,178,923	2,262,567	2,263,633	61,893	33,262	10,853,680	10,413,173
Total Distributed	9,965,271	9,591,222	1,419,812	1,408,307	47,209	32,737	5,313,466	4,099,894
Closing Balance	2,979,026	2,668,021	884,930	764,671	18,137	11,029	5,538,267	6,313,279
Not Yet Due/Payable	1,113,793	767,705	368,821	323,673	4,161	0	0	0
2015	1,237,070	0	488,110	0	13,506	0	5,192,731	0
2014	228,351	1,382,383	8,444	416,420	470	11,029	169,336	5,901,889
2013	227,577	284,842	8,953	12,480	0	0	121,816	356,617
2012	79,326	112,074	8,978	10,613	0	0	54,384	54,773
2011	39,182	43,644	440	483	0	0	0	0
2010	24,727	25,858	846	852	0	0	0	0
2009	25,534	33,740	338	150	0	0	0	0
2008	1,646	15,804	0	0	0	0	0	0
2007	296	374	0	0	0	0	0	0
2006	1,522	1,597	0	0	0	0	0	0



Income & Expenditure

	2015	2014
Turnover	19,508,176	17,812,673
Payable to Artists	(16,408,887)	(14,760,976)
Other Cost of Sales	(108,652)	0
Gross Profit	2,990,637	3,051,697
Occupancy	74,593	155,967
Directors Remuneration	64,087	50,554
Salaries and Other Staff Costs	1,743,259	1,645,777
Professional Fees	217,394	213,442
Finance Charges	29,406	27,957
Communications	88,308	93,495
Telephone, Stationery and Office Costs	191,993	285,858
Travel & Subsistence	17,037	22,316
Other Expenses	40,116	49,818
Depreciation/Loss on Disposals	255,537	262,924
Research & Development	73,149	42,296
Grant Delivery Costs	1,693	19,171
Total Expenses	(2,796,572)	(2,869,575)
Other Operating Income	60,848	17,262
Fair Value Movements	13,434	22,714
Exceptional Items	(47,066)	(191,150)
Operating Profit	221,281	30,947
Income from Current Asset Investments	20,925	8,409
Profit/(Loss) on Disposal of Investments	3,201	(3,910)
Interest Receivable & Similar Income	35,932	69,940
Interest Payable & Expenses		(530)
Profit Before Taxation	281,339	104,856
Tax on profit	(11,487)	0
Total Income	269,851	104,856