
Transparency Report 2017

Established by artists for artists, DACS 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. DACS did not grant 36 licence requests in 2017 (2016, 14).

DACS is a private company limited by guarantee without share capital incorporated under company number 01780482. The governing document of DACS is the Articles of Association adopted on 26 September 2016. DACS is governed by a Board of Directors who ensure that DACS 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 a at the Annual General Meeting. DACS 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.

Directors

The directors who served during the year were:

Mark Stephens CBE

Ian Coleman

Matthew Flowers

Herman Lelie

Klaus Thymann

Cortina Butler

Jane Wilson

Sarah Taylor Silverwood

Mary Moore

Julia Crabtree

Rut Bles Luxembourg, *appointed 7 September 2017*

Neil Burgess, *appointed 7 September 2017*

Frederique Pierre-Pierre, *appointed 7 September 2017*

Chloe Kinsman, *appointed 7 September 2017, resigned 12 February 2018*

Board Directors' remuneration and key management personnel

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Directors' remuneration costs were as follows:

	2017	2016
	£	£
Directors' Emoluments	58,023	55,198
Costs of defined contribution scheme	781	719

	2017	2016
	No.	No.
Average monthly number of non-executive Directors	11	10

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the organisation, directly or indirectly, including Directors, Chief Executive Officer, Chief Operating Officer and Chief Finance Officer. Total remuneration paid to key management personnel during the year was £333,064 (2016 - £297,058).

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

<https://www.dacs.org.uk/about-us/corporate-resources/annual-reports>

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

DACS' Income and Expenditure 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 paid to artists by category of rights managed. DACS does not use any of the amounts deducted for social, cultural and educational services.

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 as follows.

1

Revenue: revenue is recognised in DACS' Accounts when it is probable that the economic benefits will be realised and the revenue can be reliably measured. The following criteria must 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.

Collective, Extended Collective, and Public Lending Rights are all included in the Income & Expenditure by Category of Rights Managed under Collective revenue. The break-down by royalty type is:

Collective Revenue Details

	2017 £	2016 £
Reprography	3,460,761	3,096,912
International Extended Collective	14,850	221,252
Cable Transmission	235,788	306,276
Educational Recording	220,000	222,600
Public Lending Right	28,931	45
Total	3,960,329	3,847,086

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Amounts due to rightsholders: the amounts due to rightsholders are 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 on pages 10-11 in the section Managing Artists' Rights. Payments to rightsholders are made as per DACS' Distribution Timetable detailed on pages 12-13.

Amounts received from and distributed to Collective Management Organisations

	Artist's Resale Right		Copyright Licensing		Collective Licensing	
	2017	2016	2017	2016	2017	2016
	£	£	£	£	£	£
Total invoiced to CMOs	546,238	657,497	385,046	306,380	3,960,329	3,847,086
Total distributed to CMOs	4,175,214	4,175,751	976,754	801,657	175,617	74,705

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Income arising from the investment of rights revenue: funds that arise because 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 as per DACS investment policy, which is available on DACS' website or upon request.

This income is allocated to each category of rights based on 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, totalling £50,302 in 2017 (2016, £71,746). Fair value movements of £91,704 (2016, £77,303) are excluded from this allocation and are reported separately in the investment revaluation reserve in DACS' reserves and as other activities in the Income and Expenditure by category of rightsholder report. As explained on page 10 Managing Artists' Rights, 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.

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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 under 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 2016 to be distributed in 2016: 16%
- Revenue recognised in 2017 and distributed in 2018: 16%
- Revenue recognised in 2018 and distributed in 2019: 16%

Extended Collective Licensing:
2015 and 2016: 16%;
2017:15%
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%

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Costs of rights management: the cost of rights management is detailed in DACS' Income and Expenditure Report (page 18). This report gives a breakdown 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 service and other direct costs, for example legal costs incurred in relation to a specific right.

Indirect Costs

Costs that cannot be directly attributed to a specific right but are for administration and other services that benefit all rights managed by DACS are allocated to each 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 based on the number of staff directly employed to manage or administer a category of rights, all other costs have been allocated on a revenue basis.

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Distribution Timetable

The distribution timetable is established by the Distribution Policy. Distribution of amounts due to rightsholders is put before the Annual General Meeting for agreement. It is available on DACS website here dacs.org.uk/about-us/corporate-resources/distribution-policy, and repeated here for ease of reference:

Copyright - Individually Administered Rights

- 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 2017 will be paid quarterly throughout 2018, with the last payment in the financial year being August.
- Royalties will be paid when the required compliance procedures have been met by the rights holders (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, nine 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 included funds received from the Copyright Licensing Agency (CLA) in 2016 that relate to 2015 CLA licences
 - The allocation of payments to rightsholders will be claims based, with claims being made through DACS' annual Payback scheme. In 2016 this scheme operated 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.

- 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.

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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 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 is pleased to be a project partner of Art360 Foundation (formerly DACs Foundation), a registered charity that takes the lead in safeguarding at-risk cultural assets for present and future generations by investing in the skills and expertise of artists and estates. The Foundation's flagship project, Art360, is supported by public funding by the National Lottery through Arts Council England Grants for the Arts and brings together partners from Art Fund, The National Archives and The Henry Moore Foundation.

DACS – creating value through cultural and educational activities:

DACS operates within a cultural and business context and specifically invests in activity which creates opportunities to engage potential new members for our ARR, Payback and Licensing services. 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 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 with whom have a synergy of interests in areas of artists' rights.

We have invested resources in partnership with Higher Education research with Oxford University 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'. DACS received a grant from Art Fund in 2014 and from The Arts Council in 2015 to fund its work on Art360, a legacy planning project. 'Other activities' also includes unrealised gains on investments.

Income & Expenditure

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Income & Expenditure

	2017	2016
	£	£
Turnover	18,211,649	16,692,860
Payable to Artists	(15,288,349)	(14,058,517)
Other Cost of Sales	(6,112)	(24,262)
Gross Profit	2,917,188	2,610,081
Occupancy	87,904	89,060
Directors' Remuneration	58,023	55,198
Salaries and Other Staff Costs	1,923,663	1,820,448
Professional Fees	184,286	255,867
Finance Charges	33,854	26,962
Communications	118,090	110,769
Telephone, Stationery and Office Costs	113,191	210,333
Travel & Subsistence	19,384	16,129
Other Expenses	96,969	56,513
Depreciation & amortisation	136,354	183,197
Research & Development	35,544	34,502
Grant Delivery Costs	60,468	175
Total Expenses	(2,867,730)	(2,859,154)
Other Operating Income	84,902	84,195
Fair Value Movements	91,704	77,303
Interest Receivable & Similar Income	11,020	29,054
Investment income	39,283	42,692
Exceptional Items	0	(39,212)
Profit Before Taxation	276,367	(55,040)
Tax on profit	(40,884)	(2,601)
Total Income	235,482	(57,641)

Income & Expenditure by Category of Rights: Artist's Resale Right

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Income & Expenditure by Category of Rights: Artist's Resale Right

	2017 £	2016 £
Revenue	11,673,848	10,740,774
Payable to Artists	10,003,748	9,228,282
*Other Cost of Sales	5,809	14,437
Other income	—	—
Net Income	1,664,291	1,498,055
*Direct Costs	252,166	235,484
Gross profit	1,412,125	1,262,571
Interest & Investment Income	21,642	19,731
Contribution	1,433,767	1,282,302
*Administration Costs	1,256,481	1,291,689
*Occupancy Costs	29,301	29,101
Net Profit	147,984	(38,489)
*Exceptional Items	0	0
Profit before taxation	147,984	(38,489)
Costs of rights management (items indicated with *)	1,543,758	1,570,711
Costs (before exceptionals) as a % of Revenue	13%	15%

Income & Expenditure by Category of Rights: Copyright Licensing

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Income & Expenditure by Category of Rights: Copyright Licensing

	2017 £	2016 £
Revenue	2,453,461	2,026,114
Payable to Artists	1,876,382	1,546,482
*Other Cost of Sales	303	2,162
Other income	–	–
Net Income	576,775	477,470
*Direct Costs	241,801	218,571
Gross profit	334,974	258,899
Interest & Investment Income	6,953	2,028
Contribution	341,928	260,927
*Administration Costs	264,071	243,661
*Occupancy Costs	39,690	38,754
Net Profit	38,167	(21,488)
*Exceptional Items	0	0
Profit before taxation	38,167	(21,488)
Costs of rights management (items indicated with *)	545,865	503,147
Costs (before exceptionals) as a % of Revenue	22%	25%

Income & Expenditure by Category of Rights: Collective Licensing

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Income & Expenditure by Category of Rights: Collective Licensing

	2017 £	2016 £
Revenue	3,960,329	3,847,086
Payable to Artists	3,327,101	3,231,453
*Other Cost of Sales	0	7,650
Other income	14,093	–
Net Income	647,321	607,983
*Direct Costs	103,554	111,060
Gross profit	543,768	496,923
Interest & Investment Income	21,708	49,838
Contribution	565,476	546,761
*Administration Costs	426,259	462,652
*Occupancy Costs	7,790	9,262
Net Profit	131,427	74,848
*Exceptional Items	0	39,212
Profit before taxation	131,427	35,636
Costs of rights management (items indicated with *)	537,602	590,624
Costs (before exceptionals) as a % of Revenue	14%	15%

Income & Expenditure by Category of Rights: Other Activities

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Income & Expenditure by Category of Rights: Other Activities

	2017	2016
	£	£
Revenue	124,011	78,887
Payable to Artists	81,119	52,300
*Other Cost of Sales	0	13
Other income	70,809	84,195
Net Income	113,701	110,769
*Direct Costs	222,145	197,440
Gross profit / (loss)	(108,445)	(86,671)
Interest & Investment Income	91,704	77,402
Contribution	(16,741)	(9,269)
*Administration Costs	13,348	9,487
*Occupancy Costs	11,123	11,943
Net Profit / (loss)	(41,211)	(30,699)
*Exceptional Items	0	0
Profit / (loss) before taxation	(41,211)	(30,699)

Royalties by Category

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Royalties by Category

	Artist's Resale Right		Copyright Licensing		Collective Licensing	
	2017	2016	2017	2016	2017	2016
	£	£	£	£	£	£
Opening Balance	2,977,940	2,979,026	883,040	884,930	2,876,929	5,538,267
Current Year Collection	10,003,748	9,228,282	1,876,382	1,546,482	3,327,101	3,231,453
Total Payable to Artists	12,981,688	12,207,308	2,759,422	2,431,412	6,204,029	8,769,720
Total Distributed	9,945,002	9,227,509	1,748,161	1,597,571	4,408,237	5,890,785
*Not yet distributed	3,036,686	2,977,940	1,011,261	883,040	1,795,792	2,876,929
Not Yet Due/Payable	825,236	580,862	370,678	407,547	7,490	127,923
2017	1,657,895	–	605,083	–	1,566,932	–
2016	169,401	1,624,109	13,229	419,581	119,775	2,627,378
2015	96,364	223,493	3,332	31,650	91,282	97,963
2014	77,724	177,553	5,468	8,782	6,808	9,483
2013	117,284	194,381	5,173	6,218	2,876	13,515
2012	48,885	74,352	7,935	8,117	629	667
2011	22,532	36,552	264	420	0	0
2010	7,398	21,753	0	553	0	0
2009	11,040	14,985	101	173	0	0
2008	1,265	24,157	0	0	0	0
2007	1,660	5,743	0	0	0	0

* These figures represent the amount attributed, but not yet distributed, to rights holders by date of collection.

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