

Stichting International Publishers
Rights Organisation (IPRO)
Amsterdam

Annual report 2011

10 September 2012

Stichting International Publishers Rights Organisation (IPRO)
Amsterdam

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Stichting International Publishers Rights Organisation (IPRO)
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Report of the auditors

Compilation report

To: the Board of Stichting International Publishers Rights Organisation (IPRO) Stichting International Publishers Rights Organisation (IPRO)

Introduction

In accordance with your instructions we have compiled the financial statements 2011 of Stichting International Publishers Rights Organisation (IPRO), Amsterdam, which comprise the balance sheet as at 31 December 2011, the profit and loss account for the year then ended, the cash flow statement and the notes.

Management's responsibility

The distinctive feature of a compilation engagement is that we compile financial information based on information provided by management of the stichting. Management is responsible for the accuracy and completeness of the information provided and the financial statements based thereon.

Accountant's responsibility

Our responsibility as accountant is to perform our engagement in accordance with Dutch Law, including professional and ethical requirements issued by our professional institute.

In accordance with the professional standard applicable to compilation engagements, our procedures were limited primarily to gathering, processing, classifying and summarizing financial information. Furthermore we have evaluated the appropriateness of the accounting policies which are used to compile the financial statements, based on the information provided by management. The nature of our procedures does not enable us to express any assurance on the true and fair view of the financial statements.



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Confirmation

Based on the information provided to us, we have compiled the financial statements in accordance with the Guideline for annual reporting C1 “Small Not-for-profit organisations” of the Dutch Accounting Standards Board.

Den Haag, 10 September 2012

Deloitte Accountants B.V.

Was signed, T.J. Stalvord

Stichting International Publishers Rights Organisation (IPRO)
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Annual report 2011

- Report of the board
- Financial statements

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Report of the board

Since its establishment in 1995, the International Publishers Rights Organisation (IPRO) has as its original mission to represent international publishers in the collection of copyright fees from Dutch Higher Education Institutions (universities and technical colleges) for the compilation of so-called *readers* or *coursepacks*. Readers are in essence anthologies of articles from learned journals, sometimes supplemented by excerpts from books, book chapters and lecture notes, designed to serve as reading material for courses offered at these institutions. These materials are photocopied and distributed either in book format or as class handouts and are nowadays increasingly offered in digital learning environments via pdf's or web-links. In recent years, IPRO expanded its activities outside The Netherlands in its remit of a truly international Collective Management Organisation for Copyright.

The Netherlands

IPRO has been set up as a foundation in The Netherlands and is legally registered in Amsterdam. The actual collection and administration of the Dutch Reader program moneys takes place in close collaboration with Stichting PRO-PRN representing the Dutch publishers and is carried out by the Centrum Dienstverlening Aanverwante Rechten (CEDAR), an organisation especially set up for such services to publishers' and rightsholders' organizations in The Netherlands. The funds collected by PRO/CEDAR for international publishers are transmitted to the IPRO foundation which distributes them to the rightsholders and their representatives.

In 2011 IPRO collected € 1.3 mln in copyright fees on behalf of international publishers in The Netherlands. This reflects a steep decline of approximately 40 percent compared to the € 2.2 mln in 2010 and was related to the unilateral termination by the Dutch Universities at the end of 2010 of a longstanding compensation arrangement. While negotiations for a new arrangement are ongoing, an interim arrangement for 2011 and 2012 was put in place that provides in an advance payment of only approximately 60 percent of the amounts in previous years. The final amounts to be paid over these years will be established on the basis of further research into the actual use of copyright-protected excerpts in courses at Dutch universities for which compensation is due. This research will also try to measure the extent of use of these excerpts in digital learning environment and set the norms for a new compensation arrangement for 2013 onwards. The publishers expect a strong increase in such digital use, possibly replacing partly their share in printed readers.

In certain cases such digital use of copyrighted material does not require copyright compensation and/or can be covered under direct licenses by publishers with the educational institutes. This is particularly the case for the repertoire of some of the larger international publishers, who are also the main rightsholders served by IPRO. This may influence a further decline in reader income for IPRO in the years to come. This phenomenon is further exacerbated, as signalled in our last year's report, by the steadily increasing use of educational materials made available through 'Open Access' for which no copyright fees are to be paid.

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The surplus over 2011 that IPRO will add from the Dutch Reader program to the obligations to rightsholders amounts to € 931 K, or 70 percent of the collected monies. As a result of the 40 percent decline in copyright collections in 2011, the costs of IPRO as a percentage of collected reader income has increased from 20 percent in 2010 to 32 percent in 2011. The current percentage is higher than budgeted by the Board as a consequence of the steep drop in Readers income during 2011. During its Board meeting in October 2011 in Frankfurt, the Board adopted a norm of 46 % for expenses as a share of reader income in the 2012 budget and regards this an acceptable percentage in view of the importance of having the international publishers represented in the Dutch Reader program.

As defined in the IPRO Repartition Rules and Regulations, repartition to rightsholders takes place on the basis of market share data as gathered through independent surveys. A survey concluded in 2010 has resulted in a shift in shares between the main rightholder representatives to whom IPRO distributes the collected copyright fees from Dutch coursepack compensations:

Rightsholder	Share previously	New share based on 2010 survey
STM	50%	43.24%
CCC	29.05%	31.16%
CLA	17.45%	18.71%
VG Wort	2.7%	4.71%
CFC	0.8%	2.18%
	100%	100%

In its Board meeting of October 2011, the IPRO Board decided to apply these new shares to the repartition of the surplus amounts from 2011 onwards. Henceforth and first introduced in this report, the annual accounts shall distinguish between the cumulation of obligations to rightsholders stemming from years up until 2010 and years 2011 and onwards, to ensure that the new division of shares is correctly handled.

As before, it is IPRO's policy to disburse its surplus as soon as possible to rightsholders after receipt via CEDAR. In line with last year's practice, IPRO has no funds at its disposal that could benefit from intermediate or long term investment strategies. It keeps, however, a reserve in the event of an unexpected forced liquidation of € 600K and a strategic reserve for any unforeseen claimants of € 250K. By its very nature such money would need to be available at very short notice and is therefore kept in cash and is partly invested in bonds of a safe rating. Against the current volatility of financial markets, the IPRO Board re-endorsed in its Board meeting of October 2011 its longstanding asset management policy to always keep at least 50 percent of its liquid assets in cash and invest the remainder conservatively, with a preference for secure euro-bonds of a safe rating. On 31 December 2011, IPRO kept 17.5% of its liquid assets in bonds.

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Against the background of new regulation in The Netherlands, IPRO entered during 2011 the voluntary certification process for Collective Management Organisations (CMOs). As part of this process, financial data and the (preliminary) annual accounts over 2011 are being reported to a governmental supervisory committee, the so-called College van Toezicht Auteursrechtorganisaties (CvTA). IPRO also carried out an evaluation of its Repartition Regulations and published a newer version of these regulations on the IPRO website (see <http://www.ipro.nu/index.php?sa=22&si=322>). These regulations include clearer requirements for indemnification declarations from rightsholders as well as more detailed complaints procedures. The IPRO procedure for complaints and appeal is also available on the IPRO website (see <http://www.ipro.nu/index.php?sa=22&si=323>).

In the same context of new regulation in The Netherlands, IPRO undertakes to comply more formally to the guidelines set for Governance Integrity and as part of this, each of the members of the IPRO Board undersigned the Integrity Guidelines for this purpose. In its Board meeting of October 2011, the IPRO Board also decided to update and refresh IPRO's Articles of Association and Bylaws to this aim. The mentioned Integrity Guidelines are part of the IPRO Bylaws for the Board and Secretariat.

International

In addition to its origin and mission in The Netherlands, IPRO works as an international organisation and with an international remit. Outside The Netherlands, IPRO stepped up in recent years its level of activities to represent international publishers in collective copyright compensation arrangements.

In France, IPRO maintains an alliance with CFC (Centre Français d'exploitation du droit de Copie) and represents non-French publishers for scanned materials used in French coursepacks. As noted in previous reports, the share of compensation for non-french rightsholders is expected to be significantly smaller than in the corresponding case in The Netherlands. French IPRO-partner CFC is currently carrying out surveys in France to determine what the level of compensation for international publishers represented by IPRO would be. Compensations for 2009-2011 are still outstanding, pending the outcomes of these surveys.

At the end of 2011, IPRO entered into a second agreement with CFC for a bridging license to cover compensations for international publishers from document delivery by INIST Diffusion SA during 2012. This French institute for scientific information is being merged into CNRS, a central French research institute, and individual publishers were lacking the opportunity to replace their document delivery arrangements with the new mother organisation before the merger was effectuated. Instead, IPRO had stepped in the place of international publishers represented by means of mandates from STM and CCC. This bridging license between IPRO and CFC is to be replaced by individual publisher's licenses in the course of 2012/ 2013.

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In Germany IPRO engaged in the pay-out distribution of the so-called Subito-settlement, a document delivery compensation arrangement as also reported in previous annual reports. This case between the International Association of STM Publishers and document delivery service Subito resulted in a settlement with substantial amounts of compensation to the plaintiffs, for which STM charged IPRO to handle the distribution. During 2011 good progress was made in the further pay-out of the damage settlements to the plaintiffs involved and by December 2011 a total of € 3.9 mln has been made available via pay-outs from IPRO. IPRO expects to be able to conclude the Subito settlement repartitions around 2016.

Similar settlement payments for incidental document delivery services in other countries were distributed by IPRO in a similar manner; these concerned much more modest amounts during 2011 of € 0.3 mln.

Organisation

In April 2011 IPRO's Managing Director, Lex Lefebvre reached a pensionable age. He kindly consented to finish his involvement with the Subito project and to deliver the FY 2010 accounts to our 2011 Board meeting. The Board expresses its appreciation and gratitude for the dedication with which Mr. Lefebvre has managed IPRO during the recent years. In view of the uncertainty of IPRO's future money streams the IPRO Board decided to hold off on appointing a full time successor and is happy to announce that Mrs. Eefke Smit was prepared to take over the reins as Acting Managing Director until such time that more certainty has been achieved on how to best organize the IPRO operations in the longer run

Approval of the Annual Accounts

As was the case in previous years, the Board of IPRO decided to schedule the approval of the 2011 annual accounts for its Board meeting in Frankfurt during the October 2012 Bookfair so that the responsible Board members have the opportunity to discuss relevant IPRO developments in-depth between themselves in person. Every year, the October Board meeting is the first occasion where Board members meet face to face upon completion of all necessary financial data over the previous calendar year. These Annual Accounts of the International Publishers Rights Organisation will be officially approved by the IPRO Board on 10 October 2012 by the undersigned:

Pieter Bolman, Chairman of the Board
Geert Noorman, Treasurer
Jan Bij De Weg, Secretary/ Legal Counsel
Ian Bannerman, member
Jean-Frank Cavanagh, member
Eric Merkel-Sobotta, member

Eefke Smit, Interim Managing Director

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Composition of the IPRO Board of Directors

The IPRO Board of Directors represents the international publishers community. Members come from or have a background at publishing houses operating internationally for many years in the area of academic and professional publishing. At the same time, Board members act independently and take their decisions without the prevalence of any partial interest. The composition of the Board as a whole reflects a broad representation of the international publishing industry in the different geographical regions prominent in IPRO's objectives and activities covered.

The current IPRO Board members have the following jobs and functions:

Pieter Bolman, Chair of IPRO, independent, UK
Previously at Academic Press (US), Elsevier (UK and NL), Pergamon (UK).

Ian Bannerman, Board Member, UK,
Official Title: Managing Director, Journals, Taylor & Francis Group (remunerated)
Additional functions:
- Board member Crossref, Treasurer
- Board member International Association of STM publishers
- Member of the Serials Publisher Executive Publishers Association

Jan Bij de Weg, Secretary/ Legal Counsel, NL
Official Title: Deputy General Counsel, Elsevier (remunerated)
Additional functions:
- Member Copyright Committee, NUV, Amsterdam

Jean-Frank Cavanagh, Board Member, France
Official Title: Directeur des relations extérieures/Government affairs counsel, Reed Elsevier (remunerated)
Additional functions:
- Member of the board of the Groupement Francais de l Industrie de l Information (GFII)
- Member of the board of the Association Francaise pour la Protection Internationale du Droit d Auteur (AFPIDA)
- Member of the board of the Syndicat de la Presse Culturelle et Scientifique (SPCS)
- Member of the Conseil Supérieur de la Propriété Littéraire et Artistique (CSPLA)

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Eric Merkel-Sobotta, Board Member, Germany
Official title: Executive Vice President Corporate Communications,
Springer Science+Business Media (remunerated)

Additional functions:

- Chairman International Association of STM publishers (elected October 2010)
- Börsenverein des Deutschen Buchhandels, Landesverband Berlin-Brandenburg, Germany, Alternate Member of the Board (elected 2009, ends May 2012)

Geert Noorman, Treasurer, NL
Official Title: Director, NUV, Amsterdam (remunerated)

Additional functions:

- Member of the Board Lucas-Ooms Fonds (Treasurer)
- Member of the Board Tiele Stichting
- Member of the Board Museum Oud Amelisweerd/Armando Museum

Eefke Smit, Interim Managing Director IPRO,

Additional functions:

- Director of Standards and Technology, International Association of STM Publishers (remunerated)
- Director and Board member of EDItEUR
- Director and Board member of the Alliance of Permanent Access APA
- Director and Board member of Dryad-US
- Director and Board member of PRO
- Board member of Lucas-Ooms Fonds (Secretary)
- Board member of THIM, Theater in Muziek (Treasurer)
- Director/ Owner of BV In den Gulden Fonteyn (remunerated)
- Board member of Lucas-Ooms Fonds (Secretary)

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Balance sheet for the year ended 31 December 2011

	Notes	<u>31.12.2011</u>	<u>31.12.2010</u>
		€	€
Assets			
Fixed assets			
Tangible fixed assets			
	1]		
Car		3,000	6,000
Other tangible fixed assets		<u>7,259</u>	<u>7,400</u>
		10,259	13,400
Current assets			
Receivables			
Stichting Publicatie- en Reproductie rechten Organisatie (PRO)	2]	1,134,700	1,439,291
Receivable from STM		93,763	-
Accrued interest bonds		11,782	22,099
Accrued interest deposits		8,528	5,754
Other receivables and prepaid expenses		<u>15,941</u>	<u>18,412</u>
		1,267,714	1,485,556
Securities			
Bonds	3]	684,244	888,442
Cash			
Deposits with banks		1,783,002	1,565,631
Current accounts		<u>1,432,023</u>	<u>375,541</u>
		3,215,025	1,941,172
Total		<u><u>5,174,242</u></u>	<u><u>4,328,570</u></u>

	Notes	31.12.2011	31.12.2010
		€	€
Capital and liabilities			
Reserve funds			
	4]		
Strategic reserve		250,000	250,000
Earmarked reserves		<u>600,000</u>	<u>-</u>
		850,000	250,000
Short-term liabilities			
Creditors		36,828	21,110
Taxes and social securities		1,535	6,107
Liability STM		11,069	7,994
Other liabilities and accrued expenses	5]	279,612	315,535
Incidental settlements	6]	628,016	14,130
Subito	7]	1,290,197	1,967,849
Obligations to rightsholders up to 2010	8]	1,146,045	1,746,045
Obligations to rightsholders as of 2011	8]	<u>930,940</u>	<u>-</u>
		4,324,242	4,078,570
Total		<u><u>5,174,242</u></u>	<u><u>4,328,570</u></u>

Statement of income and expenditure for the year 2011

	Notes	Budget 2011 €	Outcome 2011 €	Outcome 2010 €
Income				
Readers income	9]	2,140,000	1,337,338	2,287,387
Income VAT previous years		-	-	181,942
Total income		<u>2,140,000</u>	<u>1,337,338</u>	<u>2,469,329</u>
Expenses				
Salaries and social security charges	10]	226,722	204,765	165,624
Depreciation of tangible fixed assets	1]	4,437	5,086	4,622
Administration fee CEDAR	11]	357,000	259,291	298,462
Other operating expenses	12]	121,797	120,572	115,236
Recharging extra costs to STM		(98,202)	(93,763)	(82,670)
Operating expenses Subito		58,500	42,802	57,115
Recharging Subito settlement		<u>(104,952)</u>	<u>(104,952)</u>	<u>(100,000)</u>
Total expenses		<u>565,302</u>	<u>433,801</u>	<u>458,389</u>
<i>Expenses as a percentage of reader income</i>		<u>26.4</u>	<u>32.4</u>	<u>20.0</u>
Operating result		1,574,698	903,537	2,010,940
Total Financial income and expense	13]	<u>47,000</u>	<u>27,403</u>	<u>48,813</u>
Surplus over the year		1,621,698	930,940	2,059,753
Charged to obligations to rightsholders	8]	<u>(1,621,698)</u>	<u>(930,940)</u>	<u>(2,059,753)</u>
Net result		<u>-</u>	<u>-</u>	<u>-</u>

Expenses as a percentage of reader income were 20% in 2010 and 32.4% in 2011 (budgeted at 26.4%). The current percentage is higher than budgeted by the Board as a consequence of the steep drop in Readers income during 2011. During its Board meeting in October 2011 in Frankfurt, the Board has adopted a norm of 46% for expenses as a share of reader income in the 2012 budget and regards this an acceptable percentage in view of the importance of having the international publishers represented in the Dutch Reader program.

Cash flow statement 2011

	2011	2010
	€	€
Net result for the year	-	-
Adjustments for:		
Depreciation of tangible fixed assets	5,086	4,622
Changes in receivable PRO	310,352	(59,367)
Change in other receivables	(83,749)	74,718
Change in obligation to rightsholders	925,179	(150,417)
Change in liability Incidental settlements	613,886	14,130
Change in other short term liabilities	(21,502)	(87,908)
Change in liability Subito	(677,652)	(997,535)
Cash flow from operating activities	1,071,600	(1,201,757)
Investments in tangible fixed assets	(1,945)	(1,835)
Cash flow from investment activities	(1,945)	(1,835)
Sale of bonds	206,134	40,000
Change in bonds	(1,936)	1,506
Cash flow from financing activities	204,198	41,506
Net cash flow	1,273,853	(1,162,086)
Cash as at 1 January	1,941,172	3,103,258
Cash as at 31 December	3,215,025	1,941,172
	<u>1,273,853</u>	<u>(1,162,086)</u>

Positive effects in the cash flow were an effect of:

- Settlement money received for incidental document delivery cases of which € 614,000 remains for pay-out in 2012;
- Reader programme receipts by the end of 2011 for which pay-out was arranged early 2012 at an amount of € 929,000.

Negative effects on cash flow were an effect of:

- Accumulation of receivables from PRO for the Dutch reader programme as a consequence of the interim arrangement with Dutch Universities;
- For the Subito settlement an amount of € 677,000 has been paid out to rightsholders and other creditors.

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Notes

General

The ‘Stichting International Publishers Rights Organisation (IPRO)’, having its legal seat at Amsterdam, having its office at Prins Willem-Alexanderhof 5 in The Hague, registered at Siriusdreef 22-28 in Hoofddorp primarily collects, on behalf of international publishers, the fees for the reproduction of anthologies for educational purposes (readers) in the Netherlands and other European countries. Occasionally, IPRO also redistributes to international publishers copyright compensations received for occasional document delivery. The funds collected by the foundation are distributed to these rightsholders and the foundation acts as a so-called Collective Management Organisation on behalf of these rightsholders.

General accounting principles for the preparation of the financial statements

The financial statements are prepared in accordance with the Guideline for annual reporting C1 “Small Not-for-profit organisations” of the Dutch Accounting Standards Board.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are valued according to the cost model.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Principles of valuation of assets and liabilities

Tangible fixed assets

Tangible fixed assets are presented at cost less accumulated depreciation and, if applicable, less impairments in value. Depreciation is based on the estimated useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use.

Receivables

Upon initial recognition the receivables are included at fair value and then valued at amortised cost. The fair value and amortized cost equal the face value. Any provision for doubtful accounts deemed necessary is deducted. These provisions are determined by individual assessment of the receivables.

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Securities

Bonds are stated at historical costs or at lower market value. The Board of IPRO has established for the management of its assets the following principles as a general policy:

- At least 50% of liquid assets on the balance sheet shall be kept in cash;
- Never more than 50% of liquid assets on the balance sheet may be invested in bonds, provided that they are of a reasonably reliable nature and with a preference for EURO bonds of countries holding an AAA-status.

Principles for the determination of the result

Revenues from services are recognised in proportion to the services rendered.

Pensions

The Dutch plans are financed through contributions to an insurance company. The pension obligations of the Dutch plans are valued according to the „valuation to pension fund approach“. This approach accounts for the contribution payable to the pension provider as an expense in the profit and loss account.

As at year-end 2011 (and 2010) no pension receivables and no obligations existed in addition to the payment of the annual contribution due to the pension provider.

Principles for preparation of the consolidated cash flow statement

The cash flow statement is prepared according to the indirect method.

The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents can be considered as highly liquid investments.

Interest received and paid is presented under the cash flow from financing activities.

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Notes to specific items of the balance sheet

1) Tangible fixed assets

The movements in the tangible fixed assets are as follows:

	Car	Other tangible fixed assets	Total
	€	€	€
Book value as at 1 January 2011	6,000	7,400	13,400
Acquisitions	-	1,945	1,945
Depreciation 2011	(3,000)	(2,086)	(5,086)
Book value as at 31 December 2011	<u>3,000</u>	<u>7,259</u>	<u>10,259</u>
Depreciation rate	<u>20%</u>	<u>20%</u>	
Accumulated depreciation as at 31 December 2010	<u>38,078</u>	<u>5,872</u>	<u>43,950</u>
Accumulated depreciation as at 31 December 2011	<u>41,078</u>	<u>7,958</u>	<u>49,036</u>

Receivables

2) Stichting Publicatie- en Reproductierechten Organisatie (PRO)

This is the amount invoiced by PRO, but not yet received by IPRO. The receivable can be specified as follows:

	€
Receivable at 1 January 2011	1,439,291
Invoiced during the year	941,378
Amounts not yet invoiced regarding VSNU	449,760
Other transactions	(53,800)
Payments received from PRO	(1,641,929)
Receivable at 31 December 2011	<u>1,134,700</u>

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3) Securities

The amount can be specified as follows:

	2011
	€
Balance sheet at 1 January	888,442
Repayment of bonds	(206,134)
Revaluations during the year	1,936
Balance sheet at 31 December	<u>684,244</u>

Specification according to the stock exchange value and accounting value of the bonds as at 31 December 2011:

	Stock exchange value	Accounting value
	€	€
EUR 150,000 4.375% BNG 2003-2013	156,570	149,205
EUR 140,000 5% NEDERLAND 2002-2012	143,570	143,570
EUR 285,000 4,625% BNG 2002-2012	291,469	291,469
EUR 100,000 4.5% ABN-AMRO 2014	101,900	100,000
	<u>693,509</u>	<u>684,244</u>

4) Reserve funds

Strategic reserve

This strategic reserve is considered to be a reserve for indemnity expenses. At the Executive Board Meeting held on 6 October 2004 in Frankfurt, the Board decided that the strategic reserve should amount to € 250,000.

The strategic reserve has not changed during the year, but will be annually reviewed by the IPRO Board during its annual Frankfurt meeting.

Earmarked reserve

At the Executive Board Meeting held at October 12, 2011 it was decided that an amount sufficient to cover one year of operational expenses would be earmarked as a liquidation reserve. For this purpose, an amount of € 600,000 would be transferred in 2011 from the 'obligation to rightsholders' to the 'earmarked reserves' as a reserve for one year operational costs. The amount will be annually reviewed by the IPRO Board during its annual Frankfurt meeting.

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Short-term liabilities

5) Other liabilities and accrued expenses

This amount can be specified as follows:

	<u>31.12.2011</u>	<u>31.12.2010</u>
	€	€
Administration fee CEDAR	259,291	298,460
Auditors' and administration fee	8,296	7,923
Other liabilities	12,025	8,952
	<u>279,612</u>	<u>315,535</u>

6) Incidental settlements

The receipts from incidental settlements concerns compensation amounts for occasional document delivery and relate to a settlement reached between a third party and STM on behalf of its members as international rightsholders. STM has mandated IPRO to carry out the distribution of its share of the received sum to the international publishers concerned.

The movements can be specified as follows:

	<u>2011</u>
	€
Liability at 1 January	14,130
Financial compensation received	879,380
Payments to rightsholders	(329,197)
Costs charged to the incidental settlement	(2,420)
Currency exchange revaluation for the year	66,123
Liability at 31 December	<u>628,016</u>

7) Subito

The Subito project relates to a settlement reached between STM and the German Publisher Association, on the one hand, and Subito, a document delivery service of a large German library consortium. The settlement includes an arrangement regarding Subito's behaviour regarding document delivery and Subito's payment of a substantial amount of financial compensation to rightsholders. STM has mandated IPRO to carry out the distribution of its share of the received sum to the non-German publishers concerned.

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The movements can be specified as follows:

	<u>2011</u>
	€
Liability at 1 January	1,967,849
Payments to rightsholders	(610,710)
Interest deposit Subito	38,010
Costs charged to Subito settlement	<u>(104,952)</u>
Liability at 31 December	<u><u>1,290,197</u></u>

8) Obligations to rightsholders

The obligation to the rightsholders consists of the balance of invoiced reader proceeds from universities and higher professional educational institutions and the amounts paid to the international rightsholders. The reader proceeds concern compensation for copyrighted material from international publishers used in course pack readers compiled by universities and other higher educational institutions; these proceeds under deduction of the related expenses are distributed to the international rightsholders and their representatives such as reproduction right organisations in the related countries.

Research into the provenance of readers monies for the years 1999-2002 revealed that of the total funds recovered at least 50% derive for reproductions from rightsholders belonging to the membership of the International Association of Scientific, Technical and Medical Publishers (hereafter "STM"), who are therefore entitled to be recompensated. Based on this research an allocation scheme of reader monies was determined at the time.

A new survey was came available in 2010 about the share of international copyrighted material in readers at Dutch Universities. Based on the data in the survey the current allocation of reader monies has been revised for receipts as from 2011. At the IPRO Board meeting of October 12, 2011 it has been decided that for the receipts under the Dutch reader programme per January 1, 2011 the following allocation of reader monies will be applied:

	<u>As from 2011</u>	<u>Up to 2010</u>
	%	%
STM	43.24	50.00
CCC	31.16	29.05
CFC	2.18	0.80
CLA	18.71	17.45
VG Wort	4.71	2.70
	<u>100.00</u>	<u>100.00</u>

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Since the allocation of reader monies changed as per January 1, 2011 the obligation to rightsholders is split-up in two parts, namely an obligation to rightsholders up to 2010 and an obligation to rightsholder as of 2011. The total obligation per rightsholder can be specified as follows:

	<u>STM</u> €	<u>CCC</u> €	<u>CFC</u> €	<u>CLA</u> €	<u>VG-Wort</u> €	<u>Total</u> €
Obligation up to 2010	552,942	344,085	8,389	208,208	32,421	1,146,045
Obligation as of 2011	402,539	290,081	20,294	174,179	43,847	930,940
Total obligation	<u>955,481</u>	<u>634,166</u>	<u>28,683</u>	<u>382,387</u>	<u>76,268</u>	<u>2,076,985</u>

Ageing of liability

Originating from 2010	552,942	344,085	8,389	208,208	32,421	1,146,045
Originating from 2011	402,539	290,081	20,294	174,179	43,847	930,940
	<u>955,481</u>	<u>634,166</u>	<u>28,683</u>	<u>382,387</u>	<u>76,268</u>	<u>2,076,985</u>

Obligation to rightsholders up to 2010:

The movements on the obligation per rightsholder up to 2010 during the year can be specified as follows:

	<u>STM</u> €	<u>CCC</u> €	<u>CFC</u> €	<u>CLA</u> €	<u>VG-Wort</u> €	<u>Total</u> €
Obligation at 1 January	852,942	518,385	13,189	312,908	48,621	1,746,045
Transfer to 'Other reserves'	<u>(300,000)</u>	<u>(174,300)</u>	<u>(4,800)</u>	<u>(104,700)</u>	<u>(16,200)</u>	<u>(600,000)</u>
Obligation at 31 December	<u>552,942</u>	<u>344,085</u>	<u>8,389</u>	<u>208,208</u>	<u>32,421</u>	<u>1,146,045</u>

Ageing of liability

> 2 years	-	-	-	-	-	-
2010	552,942	344,085	8,389	208,208	32,421	1,146,045
	<u>552,942</u>	<u>344,085</u>	<u>8,389</u>	<u>208,208</u>	<u>32,421</u>	<u>1,146,045</u>

It was agreed that an amount sufficient to cover one year of operational costs would not be paid out from the obligation to rightsholders up to 2010, but be considered as a liquidation reserve. Reference is made to the note on the Strategic and Earmarked reserve.

During 2011 no pay-out could be made and instead early 2012 an amount of € 929,656 was distributed among the international rightsholders. These were paid out from the obligation to rightsholders up to 2010. The remaining obligation after this pay-out amounts to € 216,389 and originates from 2010.

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Obligation to rightholders as of 2011:

The movements on the obligation per rightholder as of 2011 during the year can be specified as follows:

	<u>STM</u> €	<u>CCC</u> €	<u>CFC</u> €	<u>CLA</u> €	<u>VG-Wort</u> €	<u>Total</u> €
Obligation at 1 January	-	-	-	-	-	-
Surplus 2011	<u>402,539</u>	<u>290,081</u>	<u>20,294</u>	<u>174,179</u>	<u>43,847</u>	<u>930,940</u>
Obligation at 31 December	<u><u>402,539</u></u>	<u><u>290,081</u></u>	<u><u>20,294</u></u>	<u><u>174,179</u></u>	<u><u>43,847</u></u>	<u><u>930,940</u></u>
<u>Ageing of liability</u>						
> 1 year	-	-	-	-	-	-
2011	<u>402,539</u>	<u>290,081</u>	<u>20,294</u>	<u>174,179</u>	<u>43,847</u>	<u>930,940</u>
	<u><u>402,539</u></u>	<u><u>290,081</u></u>	<u><u>20,294</u></u>	<u><u>174,179</u></u>	<u><u>43,847</u></u>	<u><u>930,940</u></u>

In 2011 an amount of € 930,940 is added to the obligation of rightholder as of 2011. For the obligation as per 2011 a new repartition distribution will be applied as explained in the Board report and here above.

Notes to specific items of statement of income and expenditure

9) Readers income

The lower than budgeted Readers income mainly is the result of the fact that the Association of Dutch Collaborating Universities (VNSU) has terminated the existing agreement with IPRO unilaterally per 2011. Negotiations on a new contract were started, and for 2011 and 2012 an interim arrangement was agreed in terms of an advance payment of € 449,760 for each of the two years. The advance payment for 2011 is invoiced in June 2012. As a consequence the invoiced amounts decreased significantly by approximately 40% compared to 2010.

Income for 2011 can be specified as follows:

	<u>Budget</u> 2011 €	<u>Outcome</u> 2011 €
Polytechnics	470,000	208,884
Universities	630,000	449,760
Longer parts	940,000	656,638
Policing	100,000	-
	<u><u>2,140,000</u></u>	<u><u>1,337,338</u></u>

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Expenses

10) Salaries and social security charges

This amount can be specified as follows:

	Budget 2011	Outcome 2011	Outcome 2010
	€	€	€
Salaries	106,134	102,867	119,806
Social security costs	8,580	9,006	9,540
Pension costs	55,230	28,185	36,278
(Interim) consultancy costs	56,778	64,707	-
	<u>226,722</u>	<u>204,765</u>	<u>165,624</u>

Personnel

During 2011 Stichting International Publishers Rights Organisation (IPRO) employed 2 persons (1.3 fte), 2010: 2 persons (1.4 fte).

11) Administration fee CEDAR

The expenses incurred by CEDAR decreased and thus resulted in a considerable lower Administration fee invoice from CEDAR.

12) Other operating expenses

This amount can be specified as follows:

	Budget 2011	Outcome 2011	Outcome 2010
	€	€	€
Travel costs	41,200	22,903	42,476
Future scenarios CFC	20,600	31,371	16,985
Administration and advisory costs	25,750	27,010	25,694
Car costs	13,390	14,749	8,559
Office costs	5,407	10,377	6,968
IFRRO	3,605	2,550	2,443
Telecommunication	7,210	6,877	7,701
Housing	4,635	4,735	4,410
	<u>121,797</u>	<u>120,572</u>	<u>115,236</u>

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13) Financial income and expense

	Budget 2011	Outcome 2011	Outcome 2010
	€	€	€
Financial income	50,000	52,959	52,531
Financial expense	(3,000)	(25,556)	(3,718)
	<u>47,000</u>	<u>27,403</u>	<u>48,813</u>

Financial Income

	Budget 2011	Outcome 2011	Outcome 2010
	€	€	€
Interest bonds	40,000	33,275	44,785
Other financial income	10,000	17,748	7,746
Revaluation bonds	-	1,936	-
	<u>50,000</u>	<u>52,959</u>	<u>52,531</u>

Financial Expense

	Budget 2011	Outcome 2011	Outcome 2010
	€	€	€
Bank costs	3,000	1,759	2,211
Revaluation bonds	-	-	1,507
Interest Subito	-	23,797	-
	<u>3,000</u>	<u>25,556</u>	<u>3,718</u>

Signing of the financial statements

Amsterdam, 10 September 2012

The board of
Stichting International Publishers Rights Organisation (IPRO)

P.S.H. Bolman
Chairman

G. Noorman
Treasurer

E. Smit
Managing Director (interim)