

Deloitte Accountancy & Advies B.V.

Schenkkade 47
2595 AR Den Haag
Postbus 90721
2509 LS Den Haag
Nederland

Tel: 088 288 2888
Fax: 088 288 9813
www.deloitte.nl

Stichting International Publishers
Rights Organisation (IPRO)
Amsterdam

Annual report 2016

May 17, 2017

Stichting International Publishers Rights Organisation (IPRO)
Amsterdam

Contents

	Page
Report of the auditors	3
Annual report 2016	5
Introduction by the chairman	6
Report of the board	8
Financial statements	17
Balance sheet for the year ended December 31, 2016	18
Profit and loss account 2016	20
Cash flow statement 2016	21
Notes	22

Stichting International Publishers Rights Organisation (IPRO)
Amsterdam

Report of the auditors

Deloitte Accountancy & Advies B.V.
Schenkkade 47
2595 AR Den Haag
Postbus 90721
2509 LS Den Haag
Nederland

Tel: 088 288 2888
Fax: 088 288 9813
www.deloitte.nl

Compilation report

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

The financial statements of Stichting International Publishers Rights Organisation (IPRO) have been compiled by us using the information provided by you. The financial statements comprise the balance sheet as at 31 December 2016 and the profit and loss account for the year 2016 with the accompanying explanatory notes. These notes include a summary of the accounting policies which have been applied.

This compilation engagement has been performed by us in accordance with Dutch law, including the Dutch Standard 4410, "Compilation engagements", which is applicable to accountants. The standard requires us to assist you in the preparation and presentation of the financial statements in accordance with Part 9 of Book 2 of the Netherlands Civil Code and the stipulations of the "Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector" (WNT). To this end we have applied our professional expertise in accounting and financial reporting.

In a compilation engagement, you are responsible for ensuring that you provide us with all relevant information and that this information is correct. Therefore, we have conducted our work, in accordance with the applicable regulations, on the assumption that you have fulfilled your responsibility. To conclude our work, we have read the financial statements as a whole to consider whether the financial statements as presented correspond with our understanding of Stichting International Publishers Rights Organisation (IPRO). We have not performed any audit or review procedures which would enable us to express an opinion or a conclusion as to the fair presentation of the financial statements.

During this engagement we have complied with the relevant ethical requirements prescribed by the "Verordening Gedrags- en Beroepsregels Accountants" (VGBA). You and other users of these financial statements may therefore assume that we have conducted the engagement in a professional, competent and objective manner and with due care and integrity and that we will treat all information provided to us as confidential.

The Hague, May 17, 2017

Deloitte Accountancy & Advies B.V.
Signed on the original: G.L. van Rijn

Stichting International Publishers Rights Organisation (IPRO)
Amsterdam



Annual accounts 2016

- Introduction by the chairman
- Report of the board
- Financial statements

Introduction by the chairman

The year 2016 was marked by good and constructive conversations between the Dutch Universities, Stichting PRO, a Dutch collective copyright management organisation, and IPRO. These talks led to the establishment of a new agreement for Easy Access that compensates the use of copyright-protected works in educational environments of the universities.

In December, just before Christmas, we managed to arrive at a new set-up that is expected to work better for all parties. The new deal on Easy Access is intended to last for the coming four years, from January 2017 until December 2020.

What the parties representing the Dutch Universities (via VSNU), the Dutch publishers (via PRO) and the international publishers (via IPRO) have agreed on covers educational re-use in digital environments, now estimated to be 70–75 % of all such usage, as well as courseware in print such as readers. By defining a fixed sum, payable up front every year, the new agreement offers the universities better means for more predictable budget management and helps avoid the annoyance of having to settle invoices afterwards for separate registered use or – worse! – unintended breaches of copyright as detected by PRO after the fact. For the publishers the real advantage of the new agreement lies in the much better delivery of usage data to which the universities have committed themselves. These factual data will serve to ensure the right level of the payments, to monitor changes overtime in usage levels and to define correct amounts for the future.

Personally I have enjoyed and appreciated the manner in which our multi-party delegation worked with open minds in an innovative atmosphere on an arrangement that is good for all concerned.

Our common starting point is as simple as it is valid: students need to be able to use the very best literature available. Easy Access promotes usage which, after all, is what publishers like to see happening with the works they publish. At the same time, rightholders of these works deserve remuneration when such is due. And that is exactly what our Easy Access arrangement aims to achieve.

We had the privilege of working with an excellent fact-finding team from the Erasmus University in Rotterdam. Through extensive fact-finding exercises conducted by their library group, educational usage data were made available from which the negotiation team could derive and establish a fair compensation level for future usage.

At this point, we are preparing to make the new Easy Access Agreement work in practice in the best possible way. Together with the universities we shall be gathering and analysing usage data on an annual basis at 3 or 4 different universities each year, so that we can continuously assess if usage developments are indeed following the path we have foreseen in the agreement. We look forward to working on that with all involved.

Another milestone in 2016 was the introduction of new legislation for the governance of Collective Management Organisations (CMOs) such as IPRO. In November 2016, the EU guidelines on this were ratified into Dutch law. The main aspects of the new regulation focus on more transparency, fast pay-outs, free choice by rightholders in their preference for a CMO, clearer supervision in its governance and stricter checks on conflicts of interest. As IPRO we welcome all these matters which are perfectly in line and in the spirit of IPRO's own values and operations. IPRO is currently introducing these specific requirements explicitly in its Articles of Associations and Rules and Regulations. We invite stakeholders to follow the process on the IPRO website: www.ipro.nu and provide us with their input.

During the reporting year 2016 we welcomed two new Board members: Aly Bowman from Wiley and Peter Hendriks as an independent member prepared to take on the role of treasurer. Early in 2017 we welcomed two more new Board members: Mark Majurey from Taylor & Francis and Niels Peter Thomas from SpringerNature. We said goodbye to Eric Merkel-Sobotta and to Ian Bannerman who have both served close to the maximum full term of Board members. As Chairman of the IPRO Board and on behalf of all our Board colleagues, I wish to express my appreciation and gratitude for their support and fine input during all their years of loyal and dedicated service.

Stichting International Publishers Rights Organisation (IPRO)
Amsterdam



I am delighted that the IPRO Board is now at full strength again. I'm looking forward to a new and successful year, working together in our new composition. Together we are ready for the future.

May, 2017

Geert Noorman, Chairman of IPRO



Report of the board

2016 Report of the IPRO Board of Directors

Introduction and Summary

In 2016 IPRO collected 1.396 m EUR net, or 6% less income than the year before, from Dutch Reader programme compensations. While most income categories in that programme were down by about 10%, income from policing went up by more than 20%, to an amount of 412 k EUR, thereby somewhat mitigating the downward trend elsewhere.

Just as it was in 2015, this reflects how the intensified efforts made in 2016 to gain better control of what is actually used in digital learning environments in higher education are clearly having an effect. Registered title specific income was down by 15% and showed the steepest decline.

IPRO managed to operate at a similar cost level in 2016 compared to the year before, meaning that the surplus went 9% down to 1.247 m EUR. All in all, this IPRO managed to operate at a cost level of 11.2%, slightly up from the 10% of the year before.

Pay-outs from IPRO for Dutch educational compensation moneys rose to 1.366 m EUR, up 11% compared to the year before and almost similar to the amount received in 2016.

The balance sheet shows a total amount of 1.955 m EUR on 31 December 2016, which is 679 k EUR less than the year before, due mostly to the VAT obligation at the end of 2015 which was cleared early in the 2016.

IPRO has continued to put significant effort into greater organisational and operational transparency throughout 2016.

Mission

IPRO was established in 1995 to ensure proper representation of international publishers in academic and higher education publisher-compensation programmes. This works well in the Netherlands due to the smooth, well-established cooperation with PRO/Centrum Dienstverlening Aanverwante Rechten (CEDAR) that facilitates one invoice as well as a single point of contact for the various educational institutes involved.

In the past decade, IPRO has also become an important intermediary in the repartition of compensation to international rightsholders for document delivery and interlibrary loan. Increasingly, IPRO is expanding its role in voluntary licensing for the business sector, based on mandates from international academic and professional publishers. These strategic shifts are reflected by IPRO's expansion of activities outside the Netherlands, enhancing its remit as a truly international collective management organisation for copyright remuneration.

During 2016 IPRO, representing the international publishers, together with PRO representing the Dutch publishers, managed to establish a new cooperation agreement with Dutch universities, for compensation of educational re-use in the next four years to come. The Easy Access agreement is intended to last until December 2020, and includes detailed usage reporting by all Dutch Universities.

The remainder of this report first covers activities in the Netherlands, and then the international activities.

The Netherlands

IPRO was established in the Netherlands as a foundation legally registered in Amsterdam. The actual collection and administration of Dutch Reader programme monies occurs in close collaboration with Stichting PRO/section PRN representing Dutch publishers, and is carried out by CEDAR, an organisation specifically set up for such services to collective management organisations in the Netherlands. The funds collected by PRO/CEDAR for international publishers are transferred to the IPRO foundation, which distributes them internationally to rightholders and their representatives.

A share of nearly 60 % of money collected by IPRO in the Netherlands stems from lump sum agreements with institutes for higher education, which compensates and hence allows for use of short excerpts of copyrighted material (up to 10 pages on average). The major share of this compensation for IPRO comes from Dutch Universities united in the VSNU (Vereniging Samenwerkende Nederlandse Universiteiten) under a contract that was signed for the period 2014-2016. The lump sum compensation agreed under this agreement declined by 8 % annually to reflect various factors, including an increase in open access content in coursepacks and an increase of direct licensing with the major publishers that allow educational use in digital environments.

Publishers and universities agreed to monitor usage developments closely in the Netherlands through a working group that was also tasked with the exploration of new solutions to arrange for proper compensation of copyrighted material in digital coursepacks. This working group has provided input to the team tasked with the negotiations for a new contract for the period 2017 and onwards. In December 2016 a new agreement for Easy Access was reached. It includes a prepaid lump sum for short and non-short parts, as well as detailed conditions for usage reporting by the universities on educational re-use in both digital and print formats. The outcomes of this reporting will help define the exact amount due by the universities in each year.

The advantage of prepayment for the universities is that it will make their budget management more predictable. Meanwhile, the publishers expect to benefit from the more detailed usage reporting. For both parties the annoying practice of ex-post invoices with fines for unregistered copyright breach are now no longer necessary, we hope.

PRO and IPRO have also carried out new, independent market research to gain better insight into actual usage. The outcomes are expected to be available in the first half of 2017 and will be used for the new calculations of various rightholder shares. Results of our last survey in 2013 have shown that more than 75% of educational re-use material was distributed digitally at universities. At colleges and vocational training institutes (HBO), the level was approximately 66%. We expect to see a further increase in the digital share. The share of non-Dutch material is higher in the digital environment than in print, and we expect this tendency to also increase further. Proper usage reporting of digital learning environments are therefore a high priority for IPRO. It is a true achievement that the new agreement on Easy Access with the Dutch universities now includes a responsibility for the universities to deliver that.

Repartition Payments to Rightsholders

The surplus that IPRO added in 2016 to the obligations to rightsholders amounts to 1.247 m EUR in total. This is 9 % down compared to 2015. As mentioned in the introduction, the cost level was close to that of 2015 at 166 k EUR, or at 11.2% of net income.

In line with its constant proactive stance on cost reduction, the IPRO Board is very pleased with the cost reductions achieved generally over the past few years. The Board realizes that the very low cost level in 2015 of 10% was an exception to the rule but is pleased to see that the cost level has not crept up unnecessarily in 2016.

At its November 2016 meeting, the Board reiterated its decision of previous years that in terms of trigger events, a ceiling of 50 % of costs as a percentage of reader income would be regarded as a maximum still acceptable under present circumstances. The fact that IPRO in reality adds only a fraction of this to costs is viewed very positively by the Board.

IPRO made repartition payments of 1.366 m EUR for the Dutch Reader programme in 2016. The lump sum pay-outs all regarded money collected after 2014 and were divided according to the scheme presented below.

Table 1: Dutch Reader monies – division of shares

	Shares based on 2013 survey Applied for collections in years 2014-2016
STM	29.50%
CCC	60.14%
CLA	8.90%
VG-Wort	0.50%
CFC	0.96%
TOTAL	100.00 %

As defined in the IPRO Repartition Rules and Regulations, repartition to rightholders for lump sums received is based on market share data gathered in independent surveys. The survey carried out in 2013, first included the use of digital coursepack materials. At its October 2014 meeting, the IPRO Board decided to apply the shares resulting from the 2013 survey to surplus monies of 2014–2016.

IPRO publishes its Repartition Regulations on the IPRO website. These regulations include the requirements for indemnification declarations from rightholders and their representatives as well as a complaints procedure. The IPRO procedure for complaints and appeal is separately available on the IPRO website as well.

As before, it is IPRO policy to disburse its surplus to rightholders as soon as possible after receipt and after processing of the underlying information. At the end of 2016 IPRO kept no reserves of money collected more than 2 years earlier.

Total liability to rightsholders – including money from France, Subito and other compensation schemes in which IPRO is engaged – was 1.071 m EUR at the close of 2016, down from 1.208 m EUR at the start of that year. Obligations from the Dutch Reader programme were at a level of 757 k EUR on December 31.

In line with last year's practice, IPRO has no funds at its disposal that could benefit from intermediate or long-term investment strategies. However, it has made provisions of 375 K EUR in the event of an unexpected forced liquidation; the amount being equal to all outstanding financial obligations under contract, estimated at 200 K EUR, plus, in addition, an operational reserve to cover ongoing operational costs during the running year. In 2015 this was budgeted at 175 K EUR.

IPRO will also maintain a strategic reserve of 250 K EUR to cover unforeseen claimants. By its very nature, such money must be available at short notice and is therefore kept in cash.

Given the ongoing uncertainties in financial markets, the IPRO Board continues to re-endorse its long-standing asset management policy (*Beleggingsstatuut*) to keep at least 50% of its liquid assets in cash and invest the remainder conservatively, with a preference for secure Euro bonds with a safe rating. This decision was re-endorsed at the IPRO Board meeting of November 2016. Currently, IPRO holds no bonds at all. All bonds held by IPRO were either sold or expired before and during 2013. At the end of 2013 no more investments were kept and no new investments were made in consecutive years.

Dutch Supervision

As reported previously, IPRO is a certified Collective Management Organisations (CMO) for copyright collection and distribution and acts under supervision of the Dutch Government supervising agency CvTA (College van Toezicht Auteursrechten). VOI@E first awarded IPRO with the Certificate for Collective Management Organisations in 2012. The Certificate was renewed for another 3 years in 2015, until November 2018. Annual assessments by the Dutch Keurmerk Instituut have also taken place in 2016 to the satisfaction of the inspector and without any specific remarks or instructions by the Keurmerk Instituut.

As part of the reporting process to CvTA, financial data and (preliminary) annual accounts are reported regularly throughout the reporting year to the supervising agency. Suggestions from CvTA to adjust certain reporting ways for more transparency and consistency with other CMO reporting have all been implemented. The adjustment in financial reporting as applied in these annual accounts has also been discussed with the CvTA, in February 2016.

In November 2016 the new EU Guidelines for CMOs came into force in the Netherlands. They include stricter deadlines for repartition to rightholders and certain governance requirements. IPRO's current practice already complies with the new rules and in early 2017 IPRO began the process of adjusting its Articles of Association and Rules and Regulations to the new law. This will involve a full revision of the IPRO Repartition Regulations. Stakeholders are kept informed of this process via the IPRO website.

In the same context of regulation in the Netherlands, IPRO complies with the guidelines set for the integrity of governance. The Integrity Guidelines are part of the IPRO by-laws for the Board and Secretariat. Since 2012, all members of the IPRO Board sign and comply to the Integrity Guidelines drafted for this purpose. At its meetings the Board regularly evaluates its governance structure and the repartition rules. The repartition rules were last reviewed in 2015 and are subject to a full revision in 2017 as mentioned above. The Managing Director is annually subject to performance appraisals, shared in a report to the Board. The remuneration of the Managing Director is compliant with Dutch rules regarding allowed transition periods (*Wet Normering Topinkomens* and relevant *Overgangsregelingen*); 114 K EUR in total was paid out to the Managing Director in 2016., This sum includes all allowances, remunerations, pension and other premiums, and any other reimbursements.

IPRO continuously puts significant effort into developing greater organisational and operational transparency. The IPRO website (www.IPRO.nu) contains a wide set of reports and documents to keep stakeholders informed. It also includes information on the Board rotation scheme and additional jobs held by Board members of IPRO.

Part of the increased transparency and new regulation is the required financial reporting structure. This annual report follows the rules and guidelines of the Dutch Civil Code, Book 2, title 9 (BW 2 titel 9). To comply with the new transparency requirements introduced in the CMO law of 2016, IPRO is preparing to publish a transparency report over 2017.

International

Besides its original mission in the Netherlands, IPRO also has an international remit and works on the world stage. In recent years IPRO has stepped up its level of activities outside the Netherlands and represented international publishers in collective copyright compensation arrangements.

IPRO is active in the following countries:

France: IPRO maintains an alliance with CFC (Centre Français d'Exploitation du Droit de Copie) and represents non-French publishers for digital material used in French coursepacks. As noted in previous reports, the share of compensation for non-French rightsholders is expected to be significantly smaller than the corresponding case in the Netherlands. Near the end of 2013, an agreement was reached with CFC, the French IPRO partner, on the percentage of the international share for 2009-2012. In 2016 we received new data from our partners in France, as well as another pay-out by CFC at the end of 2016. IPRO started paying out these sums to individual publishers in early 2017.

This new repartition came from the French ministry's compensation, an amount based on the new law in France on copyright compensation for digital use of coursepacks.

At the end of 2011, IPRO entered into a second agreement with CFC on a bridging licence to cover compensation to international publishers from document delivery by INIST Diffusion SA in 2012 and 2013. The contract has been renewed for 2015 and onwards. This French institute for scientific information merged with CNRS, a central French research institute. Individual publishers lacked the opportunity to replace their document delivery arrangements with the new mother organisation before the merger took place. With mandates from STM, CCC and CLA, IPRO stepped in to represent the international publishers. This bridging licence between IPRO and CFC was intended to be replaced by individual publisher's licences in due course and is now expected to be concluded in the near future.

Germany: IPRO engaged in the pay-out distribution of the Subito settlement, an arrangement for document delivery compensation as reported in previous annual reports. This case between the International Association of STM Publishers and the Subito document delivery service resulted in a settlement with substantial amounts of compensation to the plaintiffs. STM commissioned IPRO to handle the distribution. By 31 December 2015, a total of 4.8 million EUR had been made available via pay-outs from IPRO. IPRO expects to be able to conclude the Subito settlement repartitions in 2017/early 2018.

Other Countries: IPRO distributes comparable settlement payments for incidental document delivery services in other countries in a similar manner. In 2016, these pay-outs were insignificant compared to previous years.

Organisation

During 2016, two new members were appointed to the IPRO Board. We welcomed Aly Bowman from Wiley, and Peter Hendriks who is the new Treasurer and acts as an independent member. Early 2017, two more new Board members were appointed: Mark Majurey from Taylor & Francis and Niels Peter Thomas from Springer Nature. With these appointments the IPRO Board of Directors is at maximum strength again.

During 2016, IPRO held three Board meetings, one of which was dedicated to IPRO's long-term strategy, also in the light of the negotiations with the Dutch universities. This strategy meeting was held in July, in person in Amsterdam. The other two meetings (June and November) were conducted as web meetings. During the year, the Treasurer and Managing Director had regular meetings with Deloitte auditors.

The IPRO Board has established a risk register, which is now a permanent agenda item at all Board meetings. Developments in open access and copyright reforms are among the main drivers that may affect IPRO considerably in the next few years, meaning that compensation for re-use may drop commensurably as educational exceptions are introduced and the share of open access material rises. Other impactful developments include the new EU proposals for copyright in the Digital Single Market and the way new sharing and collaboration networks are used. Explorations are ongoing what the impact of this may be for some of IPRO's activities.

The IPRO Board regards the increased supervision and tightening of government rules regarding CMOs as a positive opportunity. Transparency and a service attitude to rightholders have always been core values for IPRO. The Board believes that the playing field will improve if national organisations also become more accountable in this regard and offer free choice for rightholders in their preference to deal via certain CMO's. In that respect IPRO welcomes the new rules imposed via the EU guidelines into Dutch law, but warns of a bureaucratic burden in the way national supervisors apply the tighter supervision, especially if it leads to very detailed reporting requirements.

Board members and the Managing Director list their IPRO roles and additional positions on the website and in this annual report. No conflicts of interest were reported during 2016 or thereafter.

Budget 2017

For the budget of 2017, IPRO expects income from the reader programme to be close to 1.16 m EUR, resulting in a surplus of just under 1 m EUR. Costs will be at a level of 14 %.

Table 2: Overview of Annual Accounts for 2016/ Budget 2017

	Actual 2016	Budget 2017
Reader income	1,745 K EUR	1,450 K EUR
CEDAR costs	-349 K EUR	-290 K EUR
Net reader income	1,396 K EUR	1,160 K EUR
IPRO costs	-149 K EUR	-167 K EUR
Surplus	1,247 K EUR	993 K EUR

Regarding the 2017 budget, we wish to note that the estimated income level for 2017 is expected to be adjusted as soon as the division of shares between Dutch and international publishers is better defined in the new Easy Access Agreement with Dutch Universities. These shares will be derived from the outcome of market research still underway at time of writing and the research findings may alter the current projection.

Stichting International Publishers Rights Organisation (IPRO)
Amsterdam



Approval of Annual Accounts

These Annual Accounts of the International Publishers Rights Organisation are scheduled to be officially approved by the IPRO Board on June 8, 2017 by the undersigned:

MEMBERS OF THE BOARD:

Geert Noorman, *Chairman/Treasurer*

Peter Hendriks, *Treasurer*

Jan Bij de Weg, *Secretary*

Jayne Marks, member

Alyson Bowman, member

Mark Majurey, member

Niels Peter Thomas, member

MANAGING DIRECTOR:

Eefke Smit

ADDITIONAL POSITIONS OF IPRO BOARD MEMBERS AND MANAGING DIRECTOR

June 2017

(with remunerated positions indicated)

Geert Noorman, Chairman/Treasurer, IPRO

Independent

Additional functions:

- Chairman, NVPI (platform for creative media industry in NL) (remunerated)
- Non-exec Board member of Boom Publishers (remunerated)
- Non-exec Board member of Centraal Boekhuis (remunerated)
- Member of the Board, Lucas-Ooms Fonds (Treasurer)
- Chairman, Stichting Vrienden Kinderhospice Binnenveld

Peter Hendriks, Treasurer

Independent (July 2016 - May 2017)

Managing Director, Malmberg Uitgeverij per 1 May 2017 (remunerated)

Additional functions :

- Member of the Supervisory Board of Amsterdam University Press (remunerated)
- Member of the Advisory Board, Stipp (remunerated)
- Non-executive director, Peerwith (remunerated)
- Member of the Advisory Board, Medicom

Jan Bij de Weg, Secretary/Legal Counsel, IPRO

Official Title: General Counsel EMEA, APAC, LA, Elsevier (remunerated)

Additional functions:

- Member of the Copyright and Legal Affairs Committee STM (CLAC),
- Member Copyright Committee, NUV, Amsterdam

Jayne Marks, Board member IPRO, head of Finance Committee

Official title: Vice President, Publishing, Wolters Kluwer Health, Learning, Research and Practice (remunerated)

Additional functions:

- Treasurer and Board member of the International Association of STM Publishers (per October 2016),
- Member of the Public Affairs and Library Relations Committee, STM
- Member Finance Oversight Committee Research for Life, R4L

Stichting International Publishers Rights Organisation (IPRO)
Amsterdam



Alyson Bowman, Board member

Official title: VP Corporate Sales Strategy and Rights & Licensing – Wiley and Sons, Oxford, UK

(remunerated)

Additional functions :

- mentor for the Aspire Foundation

Mark Majurey, Board member IPRO

Official title: Commercial Director & VP, Digital, at Taylor & Francis Books (remunerated)

Additional functions:

- Board member of Publishers Licensing Society (representing the Publishers Association)
- Board member of BIC (Book Industry Communication)

Niels Peter Thomas, Board member IPRO

Official title: Chief Book Strategist, Springer Nature (remunerated)

Additional functions:

- Managing Director of Springer Campus GmbH (remunerated)
- Elected Member of Synod Evangelische Kirche Hessen Nassau, EKHN

Eefke Smit, Managing Director IPRO

Official Title: Managing Director IPRO (remunerated)

Additional functions:

- Director of Standards and Technology, International Association of STM Publishers (remunerated)
- Board member of PRO (since December 2012)
- Board member of IFRRO (elected October 2014, re-elected October 2016)
- Board member of the Supervisory Board, Nai Publishing/ 010 (2008–2012 and since 2016)
- Board member of the Lucas-Ooms Fonds (Secretary since 2002)
- Board member of Thim (Theater in Muziek, Treasurer, since 2008)
- Director/ owner of BV In den Gulden Fonteyn

Stichting International Publishers Rights Organisation (IPRO)
Amsterdam



Financial statements

- Balance sheet
- Profit and loss account
- Cash flow statement
- Notes

Balance sheet for the year ended December 31, 2016

(after appropriation of result)	Notes	31.12.2016	31.12.2015
		EUR	EUR
Assets			
Fixed assets			
Tangible fixed assets	1]	2,612	4,411
Current assets			
Receivables			
Stichting Publicatie- en Reproductie rechten Organisatie (PRO)	2]	-	690,004
Receivable from STM		-	15,000
Other receivables and prepaid expenses		15,369	17,739
		15,369	722,743
Cash			
Banks		1,937,114	1,907,177
		1,955,095	2,634,331

	Notes	<u>31.12.2016</u>	<u>31.12.2015</u>
		EUR	EUR
Equity and liabilities			
Reserve funds			
	3]	250,000	250,000
Strategic reserve			
Earmarked reserves		<u>375,000</u>	<u>375,000</u>
		625,000	625,000
Short-term liabilities			
Creditors		14,922	16,757
Repartition creditors		51,526	34,102
Taxes and social securities	4]	161,866	681,062
Other liabilities and accrued expenses	5]	18,345	103,004
CNRS/INIST	6]	58,168	53,049
CFC	7]	130,499	23,843
Subito	8]	124,740	191,609
Obligations to rightsholders 2015		5,878	905,905
Obligations to rightsholders 2016		<u>764,151</u>	-
		1,330,095	2,009,331
		<u>1,955,095</u>	<u>2,634,331</u>

Profit and loss account 2016

	Notes	2016 EUR	2015 EUR
Readers income	9]	1,744,585	1,855,082
Administration fee CEDAR	10]	(348,917)	(371,017)
Net income		<u>1,395,668</u>	<u>1,484,065</u>
Salaries and social security charges	11]	122,474	87,267
Depreciation of tangible fixed assets	12]	1,799	1,061
Other operating expenses	13]	32,457	60,693
Total expenses		<u>156,730</u>	<u>149,021</u>
<i>Expenses as a percentage of net income</i>		<u>11.2</u>	<u>10.0</u>
Operating result		1,238,938	1,335,044
Exceptional items	14]	-	19,297
Financial income and expenses	15]	8,199	12,989
Surplus over the year		1,247,137	1,367,330
Charged to obligations to rightsholders		<u>(1,247,137)</u>	<u>(1,367,330)</u>
Net result		<u>-</u>	<u>-</u>

Cash flow statement 2016

	<u>2016</u>	<u>2015</u>
	EUR	EUR
Net result for the year	-	-
Adjustments for:		
Depreciation of tangible fixed assets	1,799	1,799
Changes in receivable PRO	690,004	(690,004)
Change in other receivables	17,370	20,771
Change in obligation to rightsholders	(135,876)	179,086
Change in earmarked reserves	-	(25,000)
Change in liability CNRS/INIST	5,119	(316,905)
Change in other short term liabilities	(588,266)	778,105
Change in liability CFC	106,656	(225,236)
Change in liability Subito	(66,869)	(53,269)
Cash flow from operating activities	<u>29,937</u>	<u>(330,653)</u>
Net cash flow	<u>29,937</u>	<u>(330,653)</u>
Cash as at 1 January	1,907,177	2,237,830
Cash as at 31 December	<u>1,937,114</u>	<u>1,907,177</u>
	<u>29,937</u>	<u>(330,653)</u>

Notes

General

The activities of Stichting International Publishers Rights Organisation (IPRO), with its registered office in Amsterdam and its actual place of business in The Hague, and filed with the Trade Register at the Chamber of Commerce under number 41215506, primarily consist of collecting, on behalf of international publishers, the fees for the reproduction of coursepack materials for educational purposes (readers) in the Netherlands and other European countries. In addition, IPRO also redistributes to international publishers copyright compensations received for document delivery. The funds collected by the foundation are distributed to these rightsholders and their representative organizations 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 have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention, unless presented otherwise.

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

Financial instruments

Financial instruments are both primary financial instruments (such as receivables and debts), and derivative financial instruments (derivatives).

Primary financial instruments:

For the principles of primary financial instruments, reference is made to the recognition per balance sheet item of the 'Principles for the valuation of assets and liabilities'.

Derivative financial instruments:

The company don't use derivative financial instruments.

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. Depreciation is based on the expected future 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.

Cash

The cash is valued at face value. If cash equivalents are not freely disposable, then this has been taken into account upon valuation.

Short-term liabilities

Upon initial recognition, the loans and liabilities recorded are stated at fair value and then valued at amortised cost.

Principles for the determination of the result

Revenues from services are recognised in proportion to the services rendered, based on the cost incurred in respect of the services performed up to balance sheet date, in proportion to the estimated costs of the aggregate services to be performed. The cost price of these services is allocated to the same period.

Net income

The net income consists of the difference between the net turnover and the costs of sales, as well as the other operating income. Net turnover represents amounts invoiced for services supplied during the financial year reported on, net of discounts and value added taxes.

Principles for preparation of the 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 operating activities.

Notes to specific items of the balance sheet

1) Tangible fixed assets

The movements in the tangible fixed assets are as follows:

	<u>Other tangible fixed assets</u> EUR
Book value as at 1 January 2016	4,411
Depreciation 2016	<u>1,799</u>
Book value as at 31 December 2016	<u><u>2,612</u></u>
Depreciation rate	<u>20%</u>
Acquisition cost as at 31 December 2016	20,741
Accumulated depreciation as at 31 December 2016	<u>18,129</u>
Book value as at 31 December 2016	<u><u>2,612</u></u>

Receivables

2) Stichting Publicatie- en Reproductierechten Organisatie (PRO)

The receivable can be specified as follows:

	<u>EUR</u>
Receivable at 1 January 2016	690,004
Received related to VAT previous years	<u>(690,004)</u>
Receivable at 31 December 2016	<u><u>-</u></u>

3) Reserve funds

Strategic reserve

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

The strategic reserve has not been changed during the year, but has been subject to the annual review by the IPRO Board during its annual meeting.

Earmarked reserves

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. In 2013 it was decided that the earmarked reserve should be split-up in a liquidation reserve of EUR 200,000 - this amount is equal to all outstanding financial obligations under contract, in the event of an unexpected forced liquidation - and an operational reserve, which is kept at the level of twelve months of operational costs; in 2016 this was budgeted at EUR 175,000.

As per December 31, 2016 the earmarked reserves can be specified as follows:

	<u>EUR</u>
Liquidation reserve	200,000
Operational reserve	<u>175,000</u>
	<u><u>375,000</u></u>

Proposed appropriation of the surplus

The board proposes that the surplus over the year 2016 amounting to EUR 1,247,137 should be distributed to the rightsholders. The financial statements do reflect this proposal.

Short-term liabilities

4) Taxes and social securities

This amount can be specified as follows:

	<u>31.12.2016</u>	<u>31.12.2015</u>
	EUR	EUR
Salary taxes and social security charges	5,559	5,617
VAT	156,307	117,483
VAT previous years	-	557,962
	<u>161,866</u>	<u>681,062</u>

5) Other liabilities and accrued expenses

This amount can be specified as follows:

	<u>31.12.2016</u>	<u>31.12.2015</u>
	EUR	EUR
Auditors' and administration fee	8,440	9,655
Penalty tax and interest VAT previous years	-	83,181
Other liabilities	9,905	10,168
	<u>18,345</u>	<u>103,004</u>

6) CNRS/INIST

The receipts from CNRS/INIST concern compensation amounts for document delivery.

7) CFC

The receipts from CFC concern compensation to STM publishers for re-use of copyrighted materials at higher education institutes.

8) 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 under supervision by the STM Settlements Oversight Committee (SSOC).

The movements can be specified as follows:

	<u>2016</u>	<u>2015</u>
	EUR	EUR
Liability at 1 January	191,609	244,878
Payments to rightsholders	(53,000)	(30,000)
Interest deposit Subito	1,131	1,731
Costs charged to Subito settlement	<u>(15,000)</u>	<u>(25,000)</u>
Liability at 31 December	<u>124,740</u>	<u>191,609</u>

Notes to specific items of statement of income and expenditure

9) Readers income

Income can be specified as follows:

	2016	2015
	EUR	EUR
Lump sum Polytechnics	227,966	252,897
Lump sum Universities	756,356	844,933
Income title specific	348,427	420,752
Income policing	411,836	336,500
	1,744,585	1,855,082

10) Administration fee CEDAR

PRO/CEDAR charges a fixed administrative charge of 15% and an extra charge of 5% for policing activities.

11) Salaries and social security charges

This amount can be specified as follows:

	2016	2015
	EUR	EUR
Salaries	135,560	132,907
Social security costs	15,476	17,946
Sickness benefit	-	(18,405)
General costs	2,166	1,916
Allocation of staff costs to projects	(30,728)	(47,097)
	122,474	87,267

During 2016 Stichting International Publishers Rights Organisation (IPRO) had 2 employees employed. On an annual basis the average number of employees amounted to 0.9 fte compared to 2015: 0.9 fte.

Wet Normering Topinkomens

The Managing Director (0,6 fte) was paid out a total sum of EUR 113,710, this includes salary, social security charges, bonuses, expenses, pension and any other remuneration. The remuneration of the Managing Director is compliant to the Dutch norm for this (Wet Normering Topinkomens) under the transitional provisions of the regulation.

12) Depreciation of tangible fixed assets

This amount can be specified as follows:

	2016	2015
	EUR	EUR
Depreciation other tangible fixed assets	1,799	1,799
Book result disposals tangible fixed assets	-	(738)
	1,799	1,061

13) Other operating expenses

This amount can be specified as follows:

		<u>2016</u>	<u>2015</u>
		EUR	EUR
General operating expenses	A]	71,416	104,865
Operating expenses		9,041	28,546
Recharging costs		<u>(48,000)</u>	<u>(72,718)</u>
		<u>32,457</u>	<u>60,693</u>

A) General operating expenses

This amount can be specified as follows:

		<u>2016</u>	<u>2015</u>
		EUR	EUR
Housing		5,000	5,391
Office costs		3,027	3,257
Telecommunication and postage		442	764
Administration and advisory costs		26,122	52,622
IFRRO		2,660	2,205
Future scenarios		16,137	22,364
Certification costs		15,267	10,893
Travel costs		<u>2,761</u>	<u>7,369</u>
		<u>71,416</u>	<u>104,865</u>

14) Exceptional items

This amount can be specified as follows:

		<u>2016</u>	<u>2015</u>
		EUR	EUR
Correction obligations to rightsholders previous years adjusting distribution		-	29,565
Penalty tax and interest VAT previous years		-	83,181
Correction VAT previous years		-	<u>(132,043)</u>
		<u>-</u>	<u>19,297</u>

15) Financial income and expenses

		<u>2016</u>	<u>2015</u>
		EUR	EUR
Interest bank		9,249	13,325
Financial income		<u>9,249</u>	<u>13,325</u>
Bank costs		284	336
Interest tax authorities		766	-
Financial expense		<u>(1,050)</u>	<u>(336)</u>
Total financial income and expenses		<u>8,199</u>	<u>12,989</u>

Stichting International Publishers Rights Organisation (IPRO)
Amsterdam



Other notes

Remuneration of the board

For the year 2016 no remuneration of the board was charged to the entity.

Signing of the financial statements

Amsterdam, May 17, 2017

The board of
Stichting International Publishers Rights Organisation (IPRO)

Geert Noorman
Chairman

Mark Majurey
Member

Peter Hendriks
Treasurer

Alyson Bowman
Member

Jan Bij de Weg
Secretary/Legal Counsel

Niels Peter Thomas
Member

Jayne Marks
Finance Committee

Eefke Smit
Managing director