

# Annual Transparency Report 16/17

# Message from the Chairman



The Copyright Licensing Agency exists to simplify copyright for content users and copyright owners. In 2016/2017, CLA distributed more than £65m to authors and publishers based in the UK and overseas, helping to ensure that copyright owners are paid when their work is used.

We were delighted to welcome the Design and Artists Copyright Society (DACS) and Picture Industry Collecting Society for Effective Licensing (PICSEL) into CLA membership in February 2017, ensuring CLA has the necessary rights from visual creators to deliver relevant licensing solutions to content users. In summary, a very positive year for CLA, a result of hard work from the whole team and continued support from the members.

**Tony Bradman**, Chairman

# Annual summary by the CEO

This latest financial year to March 2017 was a record year for CLA with licence fee revenues exceeding £81m. This 5% year on year growth was primarily driven by new corporate licensing sales in the UK and increased overseas royalties. During this period CLA continued to evolve its product and service offering to better serve the changing needs of content users and reduce the historical administrative burden of copyright licensing.

Key highlights for the year included:

- The launch of the Digital Content Store (DCS) in July 2016 for Higher Education customers. The DCS is an innovative content and workflow system that helps university academic and library services to manage the provision of student course packs. The system has now been adopted by 80 UK institutions and serves over 50% of full-time equivalents (FTEs) in the UK. Since its launch, it has grown significantly into a richly populated content platform with over 160,000 items of content that has seen more than 2.1m student downloads to date
- The launch of our new corporate website in February 2017 providing our customers with the ability to manage their licence and account details online and search for repertoire via an improved 'Check Permissions' search tool
- The creation of a number of new working groups with licensees and negotiating bodies to improve how we work with our customers and adjust our offering to meet their changing needs.

**Mat Pfleger**, CEO

# About CLA



We are the Copyright Licensing Agency and we exist to simplify copyright for content users and copyright owners.

We help our customers to legally access, copy and share the published content they need, while also making sure that copyright owners are paid royalties for the use of their work.

For more than 30 years we've been providing rights and licences, as well as a growing range of services that simplify copyright and make it easier to access content. Our blanket licences allow customers to copy and share extracts from published content, without having to seek permission from copyright owners each time. We also offer a growing number of technology based services that help our customers to manage content and workflow.

We are non profit-making, so our revenue is paid out as royalties to copyright owners, such as authors, publishers and visual artists.

The efficiency of our service, depth of our expertise and our innovative services make us the provider of choice for content users and copyright owners.

# Legal & governance structure



CLA is a collective management organisation (CMO) and is controlled by its members, the Authors' Licensing and Collecting Society (ALCS), Publishers' Licensing Services (PLS) and as of February 2017, the Design and Artists Copyright Society (DACs) and Picture Industry Collecting Society for Effective Licensing (PICSEL).

We are a private company limited by guarantee and are governed by a Board of Directors. The majority of the non-executive Board Directors are nominated by the members, with one Independent Director and provision for additional appointments. An additional Independent Director was appointed and joined the Board in June 2017. All Directors must submit themselves for re-election at least every three years if they wish to continue serving and are considered by the Board to be eligible.

Membership of CLA is open to any Collective Management Organisation which can demonstrate;

- That it represents rights holders
- That it has acquired the necessary mandates relevant to CLA Licences
- That it operates under the terms of and complies with, an effective code of conduct compliant with the established regulatory regime

Any Collective Management Organisation which considers itself eligible for membership may apply to for admission.

# Membership of other bodies



During this financial period CLA has been a member of, or affiliated to, the following bodies:

- Alliance For Intellectual Property
- Association of Learned and Professional Society Publishers (ALPSP)
- British Copyright Council (BCC)
- The Chartered Institute of Library and Information Professionals (CILIP)
- The Chartered Trading Standards Institute
- International Federation of Reproduction Rights Organisations (IFRRO)
- Press Database and Licensing Network (PDLN)
- Professional Publishers Association (PPA)
- STM



## Relationships with other CMOs

We have contractual relationships with other CMOs whereby we act in two particular capacities:

### i. Reciprocal agreements with overseas CMOs

We have reciprocal agreements with overseas CMOs enabling us to include their repertoire in CLA licences sold in the UK and for our repertoire to be included in licences sold in their territories overseas. These agreements generate significant revenue for CLA with money from overseas licensing through international CMOs making up 21% of CLAs total revenue in 2016/17.

In relation to this we are members of the International Federation of Reproduction Rights Organisations (IFRRO), the international CMOs network. As a member we comply with the IFRRO Code of Conduct, which sets out what is expected in terms of their representation of copyright owners and relationships with users. Membership of IFRRO and compliance with the Code is a necessary condition to exchange a bilateral agreement with another country.

### ii. Agency licensing agreements with UK CMOs

We also act as agents for other UK CMOs in selling their licences within UK markets where we have an established presence and well developed relationships. We currently represent two UK CMOs in this way:

- a. We are agents for NLA media access Ltd (NLA) and sell licences on their behalf across the education sector including schools, further education and higher education. Under this agreement we market and sell the licences and distribute the licence fees to NLA and take an agency fee in the form of a subvention from the monies distributed to NLA.
- b. We also act for Printed Music Licensing Limited in marketing and selling the Schools Printed Music Licence to the UK state and independent schools sector. Some state schools are covered under central licence arrangements with regional government departments and others through licences held by local authorities. In the independent sector the licence is sold through the Independent Association of Preparatory Schools (IAPS) in England and the Scottish Council of Independent Schools (SCIS) in Scotland with others licensed directly by CLA. In these agreements CLA receives an agency fee in the form of a subvention from monies distributed to PMLL.

No disclosure has been made in connection with analysing our amounts received from or distributed to other CMOs on the grounds that this is deemed sensitive information.



### Deductions for social, cultural & educational services

We have not made any deductions for social, cultural or educational services.



### Information on refusals to grant a licence

We have not refused to grant any licences in the period of this report.



### Activities separate to normal collective rights management activities

CLA did not undertake any activities other than collective rights management.



# Financial statements



The Financial Statements for the financial year 2016 / 17, are published annually on our website:

[www.cla.co.uk/who-we-are](http://www.cla.co.uk/who-we-are)

A summary of financial activities for the financial year is set out below:

## Remuneration of Chief Executive Officer and Board of Directors

	2017	2016
<b>Directors' emoluments</b>	£ 234,311	£ 212,409
<b>Other pension contributions</b>	£ 19,328	£ 19,030
<b>Amounts paid to third parties in respect of directors' services</b>	£ 25,876	£ 24,432
	<b>£ 279,515</b>	<b>£ 255,871</b>

	2017	2016
Directors at year end	9	6
Average number of directors during the year	8	6
<b>CEO</b>		
Emoluments and other remuneration	£ 162,352	£ 155,442
Pension contributions (to a defined contributions scheme)	£ 19,328	£ 19,030
<b>Total remuneration of highest paid Director</b>	<b>£ 181,680</b>	£ 174,472

### Fees paid to Non-Executive Directors

Tony Bradman	£ 5,016	–
Toby Faber	£ 11,223	£ 11,223
Dave Jago	–	£ 7,536
James McConnachie	£ 10,048	£ 1,675
Mark Bide	£ 15,048	£ 15,048
Jonathan Turner	–	£ 8,373
Philip Graf	£ 11,331	£ 5,024
Nick Service	£ 11,223	£ 876
	<b>£ 63,889</b>	£ 49,755
<b>Benefits</b>	<b>£ 7,780</b>	£ 7,212
	<b>£ 253,349</b>	£ 231,439

The other non-Executive directors were not paid directly by CLA for their services as directors, and instead the companies they represent were paid equivalent fees.

	2017	2016
<b>Adam Singer</b>	£ 14,952	£ 15,048
<b>Audrey McCulloch</b>	£ 10,048	£ 876
<b>Stephen Lotinga</b>	£ 876	–
<b>Richard Mollet</b>	–	£ 8,508
	<b>£ 25,876</b>	£ 24,432

## Financial Information on Rights Revenue

CLA makes monthly distributions based on the timing of income and cash receipts.

All administrative overheads and costs relate to the management of rights and are allocated in direct proportion to gross fees invoiced in the year.

During this financial year, in accordance with the distribution policy, commission of 11% was deducted on renewed licenses and commission of 25% deducted on new licenses by CLA at the point of invoicing to cover operational costs. Commission rate deductions for CMOs with agency agreements with CLA are at individually agreed rates. As a result of this policy, the actual commission rate charged to members during this year was £8,789,102 which represents 10.8% of gross fees invoiced in the year.

Summary	Gross Fees Invoiced in Year	Distributed in Year	Undistributed	Admin Charge Allocation
<b>Schools</b>	20,235,243	19,610,619	<b>(624,624)</b>	2,057,780
<b>FE</b>	5,020,005	4,992,321	<b>(27,684)</b>	510,499
<b>HE</b>	15,499,317	14,756,603	<b>(742,713)</b>	1,576,170
<b>Government</b>	6,451,962	5,998,422	<b>(453,540)</b>	656,119
<b>Business &amp; Transactional</b>	19,314,898	15,382,443	<b>(3,932,455)</b>	1,964,188
<b>International</b>	14,537,305	8,093,745	<b>(6,443,559)</b>	1,478,340
	81,058,730	68,834,153	<b>(12,224,577)</b>	8,243,096
<b>UK &amp; Ireland</b>	64,663,503	60,285,940	<b>(4,377,563)</b>	6,575,818
<b>Europe</b>	6,936,605	4,164,274	<b>(2,772,331)</b>	705,403
<b>USA &amp; Canada</b>	3,581,835	1,486,140	<b>(2,095,695)</b>	364,247
<b>ROW</b>	2,631,870	851,708	<b>(1,780,162)</b>	267,643
<b>Australia &amp; NZ</b>	3,244,917	2,046,091	<b>(1,198,826)</b>	329,985
	81,058,730	68,834,153	<b>(12,224,577)</b>	8,243,096

## Independent chartered accountants' review report to the Copyright Licensing Agency Limited

To the directors of The Copyright Licensing Agency Limited

We have performed the procedures agreed with you and appended to the Letter of Engagement dated 7 November 2017 with respect to the Annual Transparency Report of The Copyright Licensing Agency Limited for the year ended 31 March 2017. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely for the purpose of your compliance with Regulation 21(2)(b) of the Collective Management of Copyright (EU Directive) Regulations 2016 and are summarised in the draft guidance provided by the IPO available as at 2 November 2017 as appended to the Letter of Engagement dated 7 November 2017.

### We report our findings as follows:

Based on our review, nothing has come to our attention that causes us to believe that the information included within sections 21.4a, h(i)(ii), i(ii)(iv)(v)(vi) and j(i)(ii)(iii)(v)(vi)(vii) of the Annual Transparency Report (ATR) as at 31 March 2017 is incomplete or misleading, or that the ATR has not been compiled in accordance with the requirements of the Regulations.

### We would comment as follows on the following sections:

- i.** Section 4(g), no report was produced as no amounts were deducted for the purpose of social, cultural or educational services,
- ii.** Sections 4(i)(i), (iii) and (vii), as the only category of rights managed is reprography and there are no other services provided other than rights management, operating expenses were not split between different categories of rights managed or between different services,
- iii.** Sections 4(j)(iv), the amounts due to rights holders were not split to show amounts collected but not yet attributed to rights holders, but a breakdown of total amount due to rights holders has been provided in the ATR, and
- iv.** Section 4(k), no further breakdowns were provided for amounts and management fees received from and paid to other CMOs as this is deemed sensitive information.

Although the procedures performed are of an audit nature, they do not constitute a full scope audit or review engagement performed in accordance with International Standards on Auditing (UK) or the International Standard for Review Engagements (UK and Ireland). Accordingly, we do not express any assurance on the annual transparency report for the year ended 31 March 2017.

Had we performed additional procedures or had we performed engagements in accordance with International Standards on Auditing (UK) or the International Standard for Review Engagements (UK and Ireland), matter other than those highlighted above might have come to our attention that would have been reported to you.

## Use and purpose of our report

Our Report is prepared solely for the use of The Copyright Licensing Agency Limited and solely for the purpose of its compliance with Regulation 21(2)(b) of the Collective Management of Copyright (EU Directive) Regulations 2016. It may not be relied upon by The Copyright Licensing Agency Limited for any other purpose whatsoever. Our Report was not prepared for the benefit of any party other than The Copyright Licensing Agency Limited. Berg Kaprow Lewis LLP neither owes nor accepts any duty to any other party (including any copyright owner, heirs to copyright owners, agents or licensees) and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by their reliance on our Report.

## Directors' Responsibilities

The directors are responsible for the preparation of the Transparency Report, and for being satisfied that it is complete and compliant with the requirements of the Regulations.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors have undertaken to make available to us as and when required, all the company's accounting records and related financial information, including minutes of management and directors' meetings that we need to do our work. This includes excerpts from relevant legal documentation, and any other explanations they believe are relevant to enable us to fulfil our responsibilities.

### **Myfanwy Neville FCA**

For and on behalf of

### **BERG KAPROW LEWIS LLP**

Chartered Accountants

London

20 November 2017

**The Copyright Licensing Agency Limited.**

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