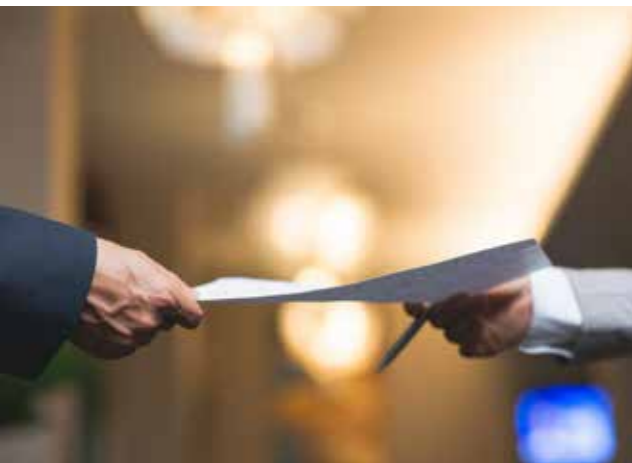


Annual Transparency Report 18/19

Message from the Co-Chair



The Copyright Licensing Agency exists to simplify copyright for content users and copyright owners. In 2018/2019, CLA distributed a record £75.6m to authors, publishers and visual artists based in the UK and overseas, helping to ensure that copyright owners receive fair payment when their works are used. A very positive year for CLA - a result of hard work from the team at CLA and continued support from all the members. I would also like to recognise the contribution of my Co-Chair Mark Bide who retired in May 2019.

Tony Bradman, Co-Chair

Annual summary by the CEO

This latest financial year to March 2019 was a record year for CLA with licence fee revenues exceeding £86m. This 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 consumers and reduce the burden of copyright licensing. Key highlights for the year included:

Mat Pflieger, CEO

- **Development of the Education Platform, a new digital service for licensed schools.** During the year our product and education teams, working closely with educational publishers, the DfE, schools and teachers made great progress with the development of an online Education Platform that gives schools access to digital versions of the books they own, to make copies of extracts for use in teaching. The Platform offers a more flexible and convenient way for teachers to work. After making copies of extracts they can share them with students by sending a link direct to their devices, adding the link to a VLE or printing out copies. The BETA version of the Platform was made available to early adopters during the Summer 2019.
- **Growth in adoption of the Digital Content Store (DCS) by our 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 113 UK institutions and serves over 58% of full-time equivalent students (FTEs) in the UK. Since its launch, it has grown significantly into a richly populated content platform, with c.200,000 items of content, that has seen more than 6m student downloads to date.
- Commencement of a series of technology initiatives to modernise and connect the systems and processes that underpin the day to day operations of CLA.
- **DSM Directive.** CLA worked with its stakeholders, namely ALCS, PLS, DACS, PICSEL and IFRRO to ensure rightsholders were not adversely affected by changes to copyright law at a European level. CLA welcomed the passing of the Directive in April 2019 and will continue to work with its stakeholders and the UK Intellectual Property Office on potential developments to UK copyright law.

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 the copyright owners - authors, publishers and visual artists.

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), 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. CLA has two Co-Chairs who are nominated by ALCS and PLS and who alternate annually in performing the Chair role at meetings but co-chair other activities together. The majority of the non-executive Board Directors are nominated by the members, with two Independent Directors. 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 for admission.

Membership of other bodies



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

- Association of Learned and Professional Society Publishers (ALPSP)
- British Educational Suppliers Association (BESA)
- The Chartered Institute of Library and Information Professionals (CILIP)
- Independent Publishers Guild (IPG)
- International Federation of Reproduction Rights Organisations (IFRRO)
- Press Database and Licensing Network (PDLN)
- Professional Publishers Association (PPA)
- STM (the leading global trade association for academic and professional publishers). Membership ceased in December 2018.
- Trading Standards Institute (TSI)



Relationships with other CMOs

We have contractual relationships with other CMOs whereby we act in two 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 a member 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 (including in Wales and Northern Ireland) 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 the 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

In 2017, CLA entered into a commercial partnership with Kortext Limited to develop and deliver a Resource List Management Tool for the education sector.



Financial statements



The Financial Statements for the financial year 2018 / 19, are published annually on our website:

www.cla.co.uk

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

Remuneration of Chief Executive Officer and Board of Directors

	2019	2018
Directors' emoluments	£ 261,667	£ 248,204
Company contributions to defined contribution pension schemes	£ 19,666	£ 19,328
Directors' fees	£ 20,096	£ 20,096
	£ 301,429	£ 287,628

	2019	2018
Directors at year end	11	11
Average number of directors during the year	11	10
CEO		
Emoluments and other remuneration	£ 164,763	£ 162,244
Pension contributions (to a defined contributions scheme)	£ 19,666	£ 19,328
	£ 184,430	£ 181,572

Fees paid to Non-Executive Directors (received as individuals)

Tony Bradman	£ 15,048	£ 15,048
Toby Faber	£ 1,871	£ 11,223
James McConnachie	£ 10,929	£ 10,048
Mark Bide	£ 15,048	£ 15,048
Philip Graf	£ 10,929	£ 10,048
Nick Service	£ 10,342	£ 11,223
Dr Sally Howes	£ 10,048	£ 10,048
Neil Burgess	£ 10,048	£ 2,512
Thomas Chatfield	£ 8,373	-
Lis Tribe	£ 3,349	-
	£ 95,985	£ 85,198
Benefits	£ 918	£ 762

Fees paid to Non-Executive Directors (received via service company)

	2019	2018
Audrey McCulloch	£ 10,048	£ 10,048
Stephen Lotinga	£ 10,048	£ 10,048
	£ 20,096	£ 20,096
Total payments to Directors	£ 301,429	£ 287,628
Total remuneration of highest paid Director	£ 184,430	£ 181,572

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 40% 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 £10,465,888 which represents 12.1% of gross fees invoiced in the year.

Summary	Gross Fees Invoiced in Year	Distributed in Year	Undistributed	Admin Charge Allocation
Schools	21,302,464	20,682,436	(620,028)	2,494,358
FE	4,672,709	4,664,850	(7,859)	547,139
HE	16,270,045	16,046,005	(224,040)	1,905,100
Government	6,784,220	6,661,431	(122,789)	794,381
Business & Transactional	22,633,183	17,115,691	(5,517,491)	2,650,175
International	15,287,055	9,253,591	(6,033,463)	1,789,999
	86,949,675	74,424,004	(12,525,671)	10,181,153
UK & Ireland	71,896,076	65,403,868	(6,492,208)	8,418,490
Europe	7,933,535	5,718,058	(2,215,477)	928,957
USA & Canada	1,172,980	456,606	(716,374)	137,347
ROW	2,730,363	762,394	(1,967,969)	319,705
Australia & NZ	3,216,720	2,083,078	(1,133,643)	376,654
	86,949,675	74,424,004	(12,525,671)	10,181,153

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 (ATR) of The Copyright Licensing Agency Limited for the year ended 31 March 2019. 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 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), (iii), (iv), (v), (vi) and j(i), (ii), (iii), (v), (vi), (vii) of the Annual Transparency Report as at 31 March 2019 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 2019.

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), matters 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

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