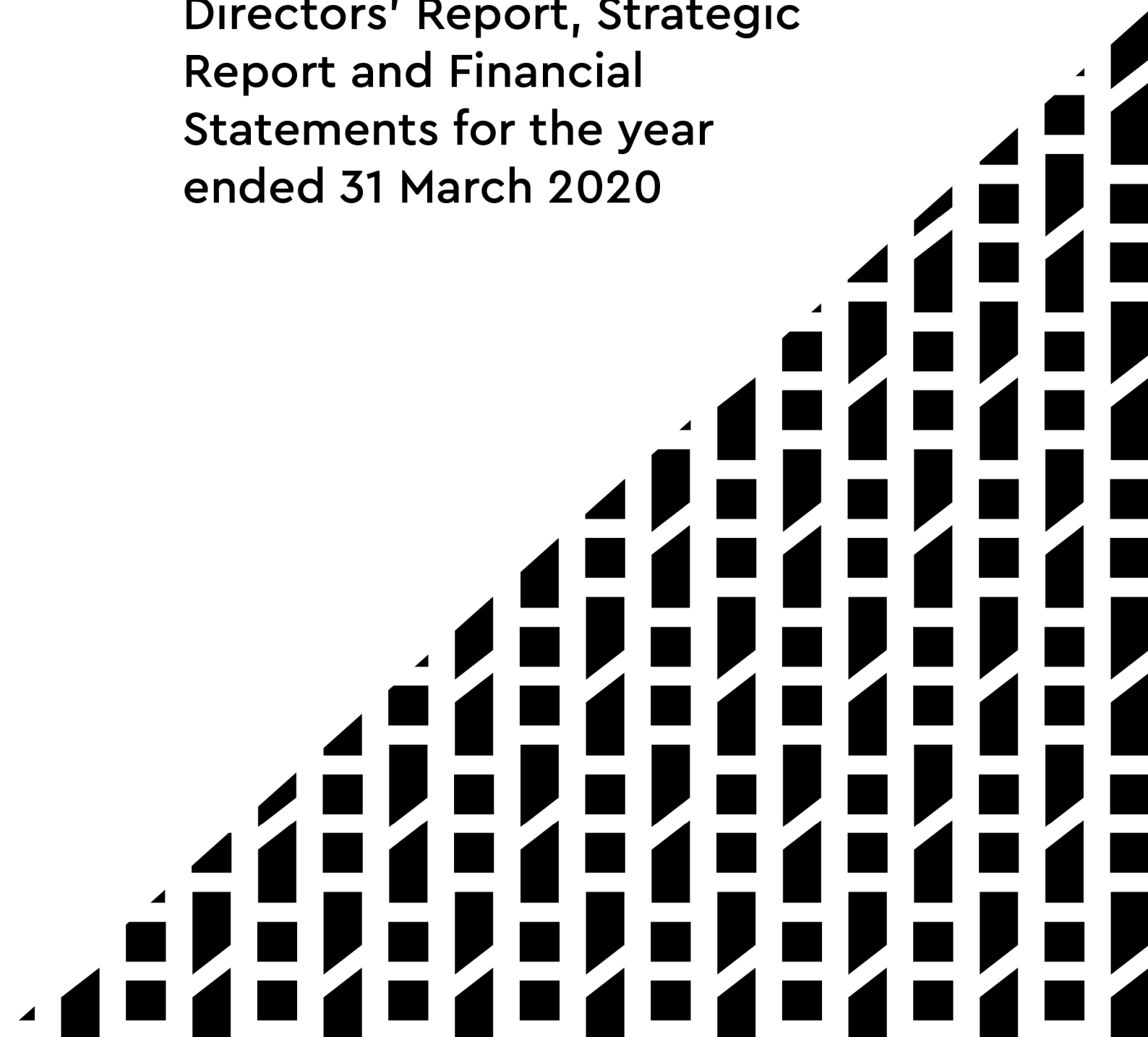


**Authors'
Licensing and
Collecting
Society**

**Directors' Report, Strategic
Report and Financial
Statements for the year
ended 31 March 2020**



AUTHORS' LICENSING AND COLLECTING SOCIETY LIMITED

A company limited by guarantee

Company Registration Number: 01310636

Fifth Floor, Shackleton House
4 Battle Bridge Lane
London
SE1 2HX

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alcs@alcs.co.uk
alcs.co.uk

LIFETIME PRESIDENT

Maureen Duffy

CHAIR

Tony Bradman

DIRECTORS

Tony Bradman (Chair)
Owen Atkinson (Chief Executive Officer)
Faye Bird
Tom Chatfield
Jonathan Fryer (to 23 November 2019)
Maggie Gee
Joanne Harris
James McConnachie (from 23 November 2019)
Diane Redmond
Michael Ridpath
Joan Smith

COMPANY SECRETARY

Owen Atkinson

COMPANY NUMBER

01310636

COMPANY STATUS

The Authors' Licensing and Collecting Society Ltd is a company limited by guarantee.

REGISTERED OFFICE

Shackleton House
Battle Bridge Lane
London
SE1 2HX

AUDITORS

Shipleys LLP
10 Orange Street
Haymarket
London
WC2H 7DQ

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DIRECTORS' REPORT

The Board of Directors herewith presents its Directors' Report and Strategic Report, together with the Audited Financial Statements of the Company for the year ended 31 March 2020.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report, the Strategic Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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 and enable them to ensure that the Financial Statements comply with the Companies Act 2006. 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.

In accordance with section 414(11) of the Companies Act 2006, various matters usually dealt with in the Directors' Report have been included in the Strategic Report, including financial risks and future developments.

CHAIR

Tony Bradman served as Chair of the Board for the duration of the financial year.

DIRECTORS

The Directors who served during the year were: Tony Bradman, Owen Atkinson, Faye Bird, Tom Chatfield, Jonathan Fryer (to 23 November 2019), Maggie Gee, Joanne Harris, James McConnachie (from 23 November 2019), Diane Redmond, Michael Ridpath and Joan Smith.

FINANCE AND AUDIT COMMITTEE MEMBERS

The following Directors were members of the Finance and Audit Committee during the year: Michael Ridpath (Committee Chair), Owen Atkinson, Faye Bird, Tony Bradman and Joanne Harris. Additionally, Robert Parker, as an external independent member, and Mark Bispham, as Group Chief Financial Officer, were members of the Committee.

DIRECTORS' REPORT (cont.)

ADMINISTRATION AND PERSONNEL

At the end of the financial year the number of staff working for ALCS was 37 (2019: 36). Owen Atkinson served as Company Secretary for the duration of the year.

CHARITABLE DONATIONS

Charitable donations of £107,492 (2019: £76,776) were made to organisations that have a close affinity to writers – including the National Literacy Trust, Royal Society of Literature, Writing West Midlands, CILIP, English PEN, First Story, Forward Arts Foundation and the Centre for Literacy in Primary Education.

STATEMENT OF POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each of the Directors at the time of the report approval is aware:

- there is no relevant audit information of which the Company's Auditors are unaware
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

AUDITORS

ALCS governance rules required a change of Auditors at the end of 2018/19. Haysmacintyre LLP duly stood down and Shipleys LLP were appointed as new Auditors at the AGM in November 2019.

On behalf of the Board of Directors on 7 July 2020:



Tony Bradman
Director
Chair of the Board of Directors



Michael Ridpath
Director
Chair of the Finance and Audit Committee

STRATEGIC REPORT

PRINCIPAL ACTIVITIES OF THE COMPANY

The Company represents writers in all genres. It collects and distributes fees for rights that can only, or can most effectively, be administered through collective administration in the UK and abroad. The Company has agreements with over 55 societies in more than 40 countries. Where appropriate, ALCS also collects from UK schemes and distributes to societies in these countries on behalf of their writer members.

STRATEGIC RISKS AND UNCERTAINTIES

The Board monitors, identifies, evaluates and manages risk.

Some of the significant strategic risks relate to:

- a sustained future reduction in licence income
- fragmentation of the current licensing partnerships
- policy developments extending the copyright exceptions regime which fail to recognise writers' right to remuneration.

The Directors at all times seek to minimise these threats through our active advocacy programme in the UK, Europe and globally, and through the support of the Copyright Licensing Agency, International Authors Forum and other pro-copyright organisations.

FINANCIAL RISKS

The Company undertakes regular reviews of its financial policies. The major risks are:

- a fall in interest rates and dividends
- a decline in equity and bond values
- fluctuations in the sterling exchange rate.

Wherever possible the Board takes action to mitigate any risk. Company policies are regularly reviewed by the board (or its relevant sub-committee) and updated where appropriate. Our investments are diversified to minimise risk and volatility while maximising gains. We do not hedge foreign currency, but convert it at the prevailing rate on receipt.

COVID-19

The Company moved to full remote working in March 2020 and successfully completed our main annual distribution in March (£24 million to 89,684 members). The Company has transitioned well to remote working. Given the uncertainty worldwide, it is likely that licence income and investment income will be affected adversely in the current year, but the Board and Executive continue to work tirelessly on behalf of our members to collect and distribute as much as possible being fully aware of the effect the lockdown has had on our industry. In addition, the Board approved a significant contribution to the Society of Authors' Emergency Fund in March.

STRATEGIC REPORT (cont.)

THE COPYRIGHT REFORM AGENDA

Alongside partner organisations ALCS continues to make strong representations to the UK Government, the European Commission and the World Intellectual Property Organisation on this issue on behalf of writers. A key development during this financial year was the adoption of the EU Directive on Copyright in the Digital Single Market, an important legislative reform which includes measures designed to protect authors' remuneration and introduces new regulations affecting the operation of online content-sharing platforms. ALCS continues to argue for the adoption of the terms of the new Directive in the UK despite the UK's withdrawal from the EU.

FINANCIAL AND BUSINESS REVIEW

LICENCE INCOME

There was a 1% decrease in licence income this year to £36,403,863 from the previous year's amount of £36,728,083.

DISTRIBUTION

The gross distribution paid to Members and overseas societies was a record £36,831,973 (net £33,360,146), (2019: £34,919,425 gross, £31,651,631 net). Details of the ALCS distribution policy can be found on the Company's website (alcs.co.uk).

INVESTMENTS

Our diversified investment strategy continued with a mixture of equities, bonds, a diversified growth fund and a multi-asset credit fund. The purpose of these investments is to both protect the assets of the society and provide an income that helps defray expenses. Stock markets strengthened steadily for ten months of the year, during which time the unrealised gains from these investments fluctuated between £4.562 million and £5.667 million.

In light of this, the Board decided to crystallise £487,000 of the unrealised gains, which was distributed to all members in the March 2020 distribution. The Board also felt that the portfolio as a whole was over-exposed to equities and could be vulnerable to any increased volatility, and it decided to rebalance the portfolio during the first quarter of 2020, a decision that subsequently proved to be very prudent as, in the last two months of our financial year, markets fell sharply. Before that fall, the decision had already been made to dispose of £5 million of equities, with the board agreeing that any gain on this disposal should be split equally between the organisation's reserves and a return to members as a commission refund. Up to 70% of the sales from the portfolio were completed before the market began to fall in February, at which point it was felt prudent not to make any more sales until markets stabilised.

At 31 March 2020 the market value of the portfolio, before deferred taxation, exceeded historic cost by £545,611 (on 31 March 2019 the unrealised gain was £4,423,225). During the financial year our whole portfolio generated £1,002,506, of interest, dividends and distributions, including net realised trading gains of £229,224 (2019: £838,440 and £96,518 respectively). The investment strategy of the Company is determined, and performance is regularly monitored, by the Board and the Finance and Audit Committee.

STRATEGIC REPORT (cont.)

RESULT FOR THE YEAR AND RESERVES

The Statement of Comprehensive Income, which recognises capital gains from the fair value market price at the previous year end, shows a deficit of £418,920 (2019: £nil) before taxation.

In comparison, including the rebalancing exercise above, the normal operating activities of the Company, per our internal management accounts, which recognise capital gains based on the original costs of the investment, generated an operating surplus of £894,419. The Directors have decided to return half of this to the members in the form of a commission refund in the March 2021 distribution, and this has been included in creditors at the year end. The remaining £447,210 has been retained to fund initiatives for the benefit of the Society in the next financial year and transferred to reserves.

This transfer increases the Operating Reserve to £2,314,838 at 31 March 2020, which comprises an operating fund of £1,239,838 plus a legal fund of £1,075,000.

The difference between this transfer to reserves (a surplus of £447,210) and the figure in the Statement of Comprehensive Income (a deficit of £418,920) is entirely due to a changed method of calculating our realised capital gains. In previous years we have used the historical cost basis, but this year we have changed to the 'fair value' approach as stipulated in FRS 102.

Following the crystallisation and rebalancing initiatives (see above) during the year, £866,130 is included within fair value movements on investments, which appears below the Deficit/Surplus on ordinary activities.

SECTION 172(1) STATEMENT

As required under the Companies (Miscellaneous Reporting) Regulations 2018, and in a manner intended to be consistent with the size and complexity of the Company's business, the following part of the Strategic Report (i) describes below how, during the reporting period, the Directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when performing their duties under that section; and (ii) summarises how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year.

RELEVANT ISSUES, FACTORS AND STAKEHOLDERS

The Company's key stakeholders are the members and rightsholders whose rights it manages and represents, and in seeking to promote the success of the Company (including over the long term) the Directors have particular regard to revenue retention and growth, and service improvements. In so doing it is therefore also important to consider the Company's customers (that is, its rights licensees) and employees, and to maintain a good business reputation. While the Company makes use of certain suppliers, such as for technology and professional services to support its business, it does not operate a supply chain as such. Moreover, while the Company has appropriate regard to the community and environment, the nature of its business means that this is also not as directly relevant.

In terms of energy usage, the Company shares its office space with three other Collective Management Organisations. Invoices are shared on the basis of headcount and the Company's energy usage in the year was 74,005.66 kWh.

STRATEGIC REPORT (cont.)

METHODS OF ENGAGEMENT AND KEY EXAMPLES FROM THE REPORTING PERIOD

Engagement with key stakeholders is achieved through ALCS' corporate governance framework and reporting to the board from ALCS' executive management team (who in turn utilise a number of engagement methods). In addition, members are kept updated through our regular newsletter (ALCS News) and the website.

CORPORATE GOVERNANCE FRAMEWORK

The structure and scope of ALCS' board and sub-committee framework enables engagement with a broad cross-section of members' interests. The majority of the ALCS Board are directly elected by the membership at the AGM. Other Directors with specific skills and specialities (for example, knowledge of the audio-visual market) are co-opted for a period subject to ratification by the membership at a subsequent AGM. The ALCS board is currently supported by the following sub-committees:

- Finance and Audit Committee
- Distribution and Membership Committee
- Remuneration Committee
- Nominations Committee

EXECUTIVE MANAGEMENT REPORTING

The ALCS Board meets formally five times throughout the year, during which matters of strategic, operational and financial importance are discussed. Board meetings are supported by a robust level of executive management reporting, in the form of both written papers and presentations at each meeting. In addition, key updates and recommendations from sub-committees are also provided where appropriate.

This executive management reporting includes details of company engagement with other key stakeholders. For example, ALCS engages with licensee interests (such as partner international collective management organisations) through our chairing of the Society of Audiovisual Authors (SAA) and membership of the International Federation of Reproduction Rights Organisation (IFFRO); all of which is then covered in board reporting. Similarly, ALCS engages with employees through the day-to-day work of its dedicated Human Resource function and regular company-wide meetings (both formal and informal).

EXAMPLE

The budget for 2020 was approved by the ALCS Board following a comprehensive review of the information and recommendations by the ALCS Finance and Audit Committee. The Directors ensured that the budget was aligned with the broader strategic goals of the Company and also factored in key business risks and likely impact to stakeholders. One of the key considerations in the 2020 budget was to invest in our advocacy and lobbying capacity as our overseas revenues potentially come under pressure from Brexit.

STRATEGIC REPORT (cont.)

KEY PERFORMANCE INDICATORS

The Company uses a range of performance indicators to measure its performance as below:

Licence income has decreased by £324,220 to £36,403,863.

Gross payments to writers exceeded £30 million for the eighth successive year. They were 5.5% up this year at £36.8 million (2019: £34.9 million).

The effective commission rate (after commission refunds) for the year was down by 0.3% to 8.4%.

ALCS membership numbers increased by 5,848 to 108,331.

LIKELY FUTURE DEVELOPMENTS

ALCS continues to work with key stakeholders to develop new opportunities for collecting licence income.

This report was approved by the Board of Directors on 7 July 2020 and signed on its behalf by:



Tony Bradman
Director
Chair of the Board of Directors



Michael Ridpath
Director
Chair of the Finance and Audit Committee

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AUTHORS' LICENSING AND COLLECTING SOCIETY LIMITED

OPINION

We have audited the financial statements of Authors' Licensing and Collecting Society Limited (the 'Company') for the year ended 31 March 2020, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Cash Flow Statement, Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and its result for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

THE IMPACT OF MACRO-ECONOMIC UNCERTAINTIES ON OUR AUDIT

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Directors and the related disclosures, and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Covid-19 and Brexit are among the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AUTHORS' LICENSING AND COLLECTING SOCIETY LIMITED (cont.)

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Directors' conclusions, we considered the risks associated with the Company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this Auditors' Report is not a guarantee that the Company will continue in operation.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

OTHER INFORMATION

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AUTHORS' LICENSING AND COLLECTING SOCIETY LIMITED (cont.)

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the statement Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AUTHORS' LICENSING AND COLLECTING SOCIETY LIMITED (cont.)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Tim Hardy (Senior Statutory Auditor)
For and on behalf of Shipleys LLP, Statutory Auditors
10 Orange Street
Haymarket
London
WC2H 7DQ

STATEMENT OF COMPREHENSIVE INCOME

As at 31 March 2020

		2020	2019
	Notes	£	£
Licence income	2	36,403,863	36,728,083
Royalties payable		(33,875,979)	(33,734,916)
Commission receivable	3	2,527,884	2,993,167
Administration expenses	4	(4,181,132)	(4,065,627)
		(1,653,248)	(1,072,460)
Other operating income	5	172,548	156,147
Operating deficit		(1,480,700)	(916,313)
Investment income	6	1,061,780	916,313
(Deficit)/Surplus on ordinary activities before fair value movements and taxation		(418,920)	–
Fair value movements on investments		(3,011,484)	429,158
(Deficit)/Surplus on ordinary activity before taxation		(3,430,404)	429,158
Tax on ordinary activity	8	295,380	88,662
Total comprehensive income for the year		(3,135,024)	517,820

All amounts relate to continuing activities.

The notes on pages 17 to 30 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2020

		2020		2019	
	Notes	£	£	£	£
Fixed assets					Restated
Intangible assets	9		400,084		467,915
Tangible assets	10		140,376		57,805
Current assets					
Investments	11	30,401,412		32,788,247	
Debtors	12	477,520		346,431	
Cash at bank and in hand		12,060,364		12,395,999	
		<u>42,939,296</u>		<u>45,530,677</u>	
Creditors: amounts falling due within one year	13	(40,619,307)		(39,765,544)	
Net current assets			<u>2,319,989</u>		<u>5,765,133</u>
Total assets less current liabilities			2,860,449		6,290,853
Provision for deferred taxation	15		–		(295,380)
			<u>2,860,449</u>		<u>5,995,473</u>
Reserves:	17				
Retained earnings:					
Operating fund			1,239,838		792,628
Legal fund			1,075,000		1,075,000
Unrealised surplus on listed investments			545,611		4,127,845
			<u>2,860,449</u>		<u>5,995,473</u>

The notes on pages 17 to 30 form part of these financial statements.

Approved by the Board on 7 July 2020



Tony Bradman
Director
Chair of the Board of Directors



Michael Ridpath
Director
Chair of the Finance and Audit Committee

CASH FLOW STATEMENT

For the year ended 31 March 2020

Reconciliation of total comprehensive (deficit) / income for the year

	2020	2019
	£	£
Total comprehensive (deficit) / income for the year	(3,135,024)	517,820
Adjustments for:		
Fair value movements on investments	3,011,484	(429,158)
Investment income	(1,061,780)	(916,313)
Tax on ordinary activities	(295,380)	(88,662)
Amortisation of bond premiums	29,640	20,876
Depreciation charged for the year	226,595	199,703
Loss on disposal of fixed assets	-	39,852
(Increase) in trade and other debtors	(131,089)	(145,175)
Increase in royalties due to writers	506,394	2,088,215
Increase in other creditors	347,369	31,865
	<u>(501,791)</u>	<u>1,319,023</u>
Cash flows from investing activities		
Purchases of intangible assets	(118,599)	(39,749)
Purchases of tangible assets	(122,736)	(21,231)
Payment to acquire investments	(6,681,036)	(2,940,236)
Receipts from sales of investments	6,255,971	2,245,131
Money market interest	59,274	77,291
Bond interest	232,082	227,488
Dividends	399,485	378,906
Income from managed funds	141,715	136,110
Net cash to investing activities	<u>166,156</u>	<u>63,710</u>

CASH FLOW STATEMENT (cont.)

	2020	2019
	£	£
Net (decrease) / increase in cash and cash equivalents	(335,635)	1,382,733
Cash and cash equivalents at beginning of year	12,395,999	11,013,266
Cash and cash equivalents at end of year	12,060,364	12,395,999

The notes on pages 17 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

Reserves	Retained earnings			Total
	Operating fund	Legal fund	Unrealised surplus on listed investments reserve	
	£	£	£	£
Retained earnings				
At 1 April 2018	792,628	1,075,000	3,610,025	5,477,653
Surplus for the financial year	–	–	517,820	517,820
At 31 March 2019	792,628	1,075,000	4,127,845	5,995,473
(Deficit) for the financial year	(418,920)	–	(2,716,104)	(3,135,024)
Transfer on sale of investments	866,130	–	(866,130)	–
At 31 March 2019	1,239,838	1,075,000	545,611	2,860,449

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

Authors' Licensing and Collecting Society Limited is a company limited by guarantee without share capital, registered in England and Wales, at Shackleton House, Battle Bridge Lane, London, SE1 2HX.

Principal activities of the Company

The Company represents writers in all genres. It collects and distributes fees for rights which can only, or can most effectively, be administered through collective administration in the UK and abroad. The Company has agreements with over 55 societies in more than 40 countries. Where appropriate, ALCS also collects from UK schemes and distributes to societies in these countries on behalf of their writer members.

1 Accounting policies

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit and loss, and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 1.14).

With effect from 1 April 2019, the Company has adopted the amendments to FRS 102 published in the Triennial Review 2017. There are no adjustments to the current or comparative period in relation to these amendments.

The financial statements are prepared in sterling, which is the functional currency of the Company.

Due to the current uncertainty created by the Covid-19 outbreak, the Directors have reviewed the Company's position as a going concern. They consider future cash flows to be sufficient to maintain the Company and meet all liabilities and obligations for a period of at least 12 months from approval of the accounts.

1.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding value added tax and other sales taxes.

Licence income shows the amount of royalties received during the year under ALCS licensing agreements. Commission is recognised on the distribution of royalties to members. Income is the amount derived from ordinary activities, stated net of VAT.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

1.3 Intangible fixed assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses.

Amortisation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method. The estimated useful lives range as follows:

Computer software

General software – 3 years

Main IT system – 8 years

1.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Fixtures and fittings, office equipment

5–10 years

Computer equipment

3–5 years

1.5 Operating leases: lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

1.6 Valuation of investments

Investments in listed equity investments and fixed-term securities are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

Where a premium is paid for a fixed-term security, over the redemption value, the amount is amortised over the period to redemption or the period to the call date, if that is earlier.

The profit or loss on disposals of investments constitutes the difference between the proceeds received from the sale of listed investments and the accumulated cost and revaluation to the preceding reporting date. Any such profit or loss in the year is recorded as investment income within the operating surplus or as fair value movements on investments if previously recognised.

Investments in debt instruments are measured at amortised cost using the effective interest method.

1.7 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.9 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

1.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument, and subsequently, at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the income statement. For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.11 Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange gains and losses are recognised in the Income and Expenditure Account.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

1.12 Pension scheme

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid, the Company has no further payments obligations.

The contributions are recognised as an expense in the income statement when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

1.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.14 Judgments in applying accounting policies and key sources of estimation uncertainty

The Directors consider depreciation to be an expense based on a source of estimation uncertainty. Depreciation is based on estimates of useful lives based on historical experience of the time assets are retained and utilised by the Company.

The Directors consider that realised investment gains or losses should be presented within investment income rather than within fair value movements on investments in order to properly reflect the Company's performance (see note 1.6 above) in respect of accumulated reserves and operating surpluses refundable to members.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

2	Income: analysis of licence income	2020	2019
		£	£
	Analysed geographically		
	UK	27,967,170	27,289,557
	Rest of Europe	8,855,728	9,292,096
	North America	68,262	106,623
	Oceania	–	5,347
	Asia		34,460
	Adjustment for investment income	(487,297)	–
		<u>36,403,863</u>	<u>36,728,083</u>
<p>In the year £4,316,989 (2019: £4,528,549) was received from UK sources which originated outside the UK. The gain taken on investments for distribution to members was incorporated into licence income for the purposes of these analyses, but has been adjusted in accordance with FRS 102.</p>			
	Analysed by licence		
	Copyright Licensing Agency Ltd	23,968,306	23,817,384
	Publishers' Licensing Services Ltd	1,308,392	1,188,447
	BBC Worldwide Ltd	556,525	553,486
	Educational Recording Agency Ltd	1,632,813	1,601,875
	Other international bilateral agreements	9,425,124	9,566,891
	Adjustment for investment income	(487,297)	–
		<u>36,403,863</u>	<u>36,728,083</u>
	Analysed by right and use		
	Reprographic	25,100,415	24,839,364
	Retransmission	5,785,971	5,522,904
	Private Copying	1,899,013	2,477,012
	Educational Audiovisual	1,875,178	1,708,248
	Lending	1,299,862	1,424,212
	Other Literary	19,647	15,992
	Other Audiovisual	649,571	502,835
	Visual Arts	261,503	237,516
	Adjustment for investment income	(487,297)	–
		<u>36,403,863</u>	<u>36,728,083</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

3	Commission receivable	2020	2019
		£	£
	Receivable from 9.5% commission on members' royalty income	3,462,390	3,267,794
	Commission refund	(447,209)	(274,627)
	Investment Income refund	(487,297)	–
	Total commission receivable	<u>2,527,884</u>	<u>2,993,167</u>
4	Administration expenses	2020	2019
		£	£
	Staff costs – see note 7	2,137,506	2,022,292
	Chief Executive Officer's remuneration – see note 7	261,837	258,566
	Non Executive Directors remuneration – see note 7	120,576	118,260
	Rent and services (including dilapidations provision)	251,543	454,216
	Travel and meetings	60,639	46,286
	Publishing and communications	300,326	262,399
	Donations to charities and other organisations	198,533	69,925
	Computer facilities and services	460,526	427,989
	Subscriptions, insurance and other administrative costs	82,654	78,738
	Legal, audit and other professional costs	80,397	112,549
	Depreciation of tangible assets	226,595	214,408
		<u>4,181,132</u>	<u>4,065,627</u>
	Included within administrative expenses are the following:		
	Auditors' remuneration for audit work	13,500	13,500
	Auditors' remuneration for non audit work	4,350	7,965
5	Other operating income	2020	2019
		£	£
	Members' subscriptions	119,398	121,247
	Writers' Digital Payments (WDP) fees	50,000	25,000
	Sundry income	3,150	9,900
		<u>172,548</u>	<u>156,147</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

6	Investment income	2020	2019
		£	£
	Money market interest	59,274	77,291
	Bond interest	232,082	227,488
	Dividends	399,485	378,906
	Income from managed funds net of management fees	141,715	136,110
	Net surplus / (deficit) on sale of investments	229,224	96,518
		<u>1,061,780</u>	<u>916,313</u>

7	Directors and employees	2020	2019
		£	£
	a) Staff costs		
	Wages and salaries	1,557,936	1,500,333
	Social security costs	232,273	224,337
	Pension costs	188,865	185,453
	Other staff costs	158,432	112,169
		<u>2,137,506</u>	<u>2,022,292</u>

Pension contributions of £nil (2019: £nil) were outstanding at 31 March 2020.

b) Directors' remuneration

Chief Executive Officer:

Emoluments	250,472	247,409
Pension costs	10,000	10,000
	<u>260,472</u>	<u>257,409</u>
Benefits (included within 'Other staff costs' – see note 7a)	1,365	1,157
	<u>261,837</u>	<u>258,566</u>

Non-Executive Directors:

Tony Bradman (Chair)	40,720	40,000
Faye Bird	9,910	9,735
Tom Chatfield	9,910	9,735
Jonathan Fryer (to 23 November 2019)	6,607	9,735
Maggie Gee	9,910	9,735
Joanne Harris	9,910	3,635
James McConnachie (from 23 November 2019)	3,580	12,677
Diane Redmond	10,152	3,538
Michael Ridpath	9,967	9,735
Joan Smith	9,910	9,735
	<u>120,576</u>	<u>118,260</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

In addition to their basic salaries, Non-Executive Directors are reimbursed through the payroll for travel and subsistence costs from their home to/from ALCS. No Non-Executive Director received a pension contribution in the year (2019: nil)

	2020	2019
	Number	Number
c) The average monthly number of employees during the year was as follows:		
Chief Executive's Office and Policy Unit	3	3
Membership and Communications	16	17
Distribution	10	10
Other administration	8	6
	<u>37</u>	<u>36</u>

8	Taxation	2020	2019
		£	£
	a) Tax charge/(Credit) in the year:		
	Total current tax	–	–
	Deferred tax		
	Capital gains and losses	(295,380)	(88,662)
	Tax on ordinary activities	<u>(295,380)</u>	<u>(88,662)</u>
	b) Tax charge/(Credit) reconciliation		
	Surplus/(Deficit) on ordinary activities before tax	<u>(3,430,404)</u>	<u>429,158</u>
	(Deficit)/Surplus before tax multiplied by the CT rate of 19% (2019: 19%)	(651,777)	81,540
	Effects of:		
	Expenses not deductible for tax purposes	19,703	9,963
	Income not taxable for tax purposes	–	(112,550)
	Exempt dividend income	(76,512)	(77,029)
	Chargeable gains	294,327	91,938
	Recognition of deferred tax assets in respect of taxable losses	118,879	(82,524)
	Tax credit for the year	<u>(295,380)</u>	<u>(88,662)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

9	Intangible assets	Computer software	Assets under construction	Total
			£	
	Cost			
	At 1 April 2019	1,156,718	28,949	1,185,667
	Additions	83,024	35,575	118,599
	Transfers	64,524	(64,524)	-
	At 31 March 2020	1,304,266	-	1,304,266
	Amortisation			
	At 1 April 2019	717,752	-	717,752
	Charge for the year	186,430	-	186,430
	At 31 March 2020	904,182	-	904,182
	Net book value			
	At 31 March 2020	400,084	-	400,084
	At 31 March 2019 (restated)	438,966	28,949	467,915
10	Tangible assets	Fixtures and fittings	Computer and office equipment	Total
			£	
	Cost			
	Additions	59,811	212,954	272,765
	Transfers	105,823	16,913	122,736
	At 31 March 2020	165,634	229,867	395,501
	Depreciation			
	At 1 April 2019	29,806	185,154	214,960
	Charge for the year	25,903	14,262	40,165
	At 31 March 2020	55,709	199,416	255,125
	Net book value			
	At 31 March 2020	109,925	30,451	140,376
	At 31 March 2019 (restated)	30,005	27,800	57,805

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

11	Investments	Cost £	Unrealised gain/(loss) £	Total at fair value £
	Bonds			
	At 1 April 2019	6,814,804	(61,723)	6,753,081
	Amortisation of bond premiums	(29,640)	–	(29,640)
	Additions	1,905,866	–	1,905,866
	Disposals	(1,684,535)	–	(1,684,535)
	Current year valuation (loss)	–	(323,351)	(323,351)
	At 31 March 2020	<u>7,006,495</u>	<u>(385,074)</u>	<u>6,621,421</u>
	Equities			
	Cost: at 1 April 2019	11,547,277	3,563,521	15,110,798
	Additions	4,775,170	–	4,775,170
	Disposals	(3,476,082)	–	(3,476,082)
	Current year valuation (loss)	–	(2,650,948)	(2,650,948)
	At 31 March 2020	<u>12,846,365</u>	<u>912,573</u>	<u>13,758,938</u>
	Other listed investments			
	Cost: at 1 April 2019	10,002,941	921,427	10,924,368
	Disposals	–	–	–
	Current year valuation (loss)	–	(903,315)	(903,315)
	At 31 March 2020	<u>10,002,941</u>	<u>18,112</u>	<u>10,021,053</u>
	Net totals value			
	At 31 March 2020	<u>29,855,801</u>	<u>545,611</u>	<u>30,401,412</u>
	At 31 March 2019	<u>28,365,022</u>	<u>4,423,225</u>	<u>32,788,247</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

12	Debtors	2020 £	2019 £
	Trade and sundry debtors	165,973	92,899
	Other debtors	6,883	6,475
	Prepayments and accrued income	304,664	247,057
		<u>477,520</u>	<u>346,431</u>

There was no bad debt expense recognised during the year (2019: £nil).

13	Creditors: amounts falling due within one year	2020 £	2019 £
	Trade creditors	4,254	37,137
	Other taxes and social security	605,520	374,939
	Royalties due to writers – see note 14	39,347,059	38,840,665
	Accruals and other creditors	662,474	512,803
		<u>40,619,307</u>	<u>39,765,544</u>

14	Royalties due to writers	2020 £	2019 £
	a) Included in creditors		
	Amounts falling due within one year	<u>39,347,059</u>	<u>38,840,665</u>

	2020 £	2019 £
b) Age of royalties included in creditors in year to 31 March:		
Licence income undistributed at end of current year	15,148,559	14,374,597
Licence income undistributed for more than 1 year	7,499,654	8,138,652
Licence income undistributed for more than 2 years	5,407,933	5,660,284
Licence income undistributed for more than 3 years	3,336,778	2,629,181
Licence income undistributed for more than 4 years	1,821,571	1,952,571
Licence income undistributed over 5 years	6,132,564	6,085,380
	<u>39,347,059</u>	<u>38,840,665</u>

The 'Age of royalties' shows the amount of each year's income that has yet to be distributed to the writers.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

15	Deferred taxation	Total
		£
	Provision at 1 April 2019	295,380
	Credited to income statement	(295,380)
	Provision at 31 March 2020	-

The deferred tax provision consists entirely of chargeable gains.

16	Financial instruments	2020	2019
		£	£
	Financial liabilities measured at amortised cost	30,401,412	32,788,247

Financial assets measured at fair value comprise listed equities and investment funds and investments in fixed income securities.

17 Reserves

Retained earnings includes all current and prior period retained realised profits and losses.

It is split into an operating fund and a legal fund.

Unrealised surplus on listed investments reserve comprises the unrealised gain or loss on our investments and is a part of retained earnings.

18 Related party transactions

During the year, the following Directors of ALCS were also Directors of the Copyright Licensing Agency Ltd (CLA), a company in which ALCS has an investment. Remuneration paid by CLA to these Directors is also reported in the accounts of CLA.

	2020	2019
	£	£
Tony Bradman	15,766	15,048
Toby Faber	-	1,871
James McConnachie (to December 2019)	9,057	10,929
Tom Chatfield	10,300	8,373
Faye Bird (from January 2020)	858	-
	35,981	36,221

Licence income received from CLA during the year was £23,968,306 (2019: £23,817,384).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

	£	£
Key management personnel remuneration	<u>561,403</u>	<u>522,543</u>

(for those who have an executive influence on the Company but are not statutory Directors)

19 Controlling party

The Board of Directors considers that there is no ultimate controlling party.

20 Operating lease commitments

There were no operating leases of a material nature.

The Company has entered into a licence to share costs for the offices at Barnard's Inn (vacated November 2018) and Shackleton House with the Copyright Licensing Agency, Publishers' Licensing Services and the Educational Recording Agency. The share is based on fluctuating headcount numbers, so cannot be reliably estimated prospectively. In the current year the shared premises costs (rent, rates and service charge) amounted to £214,236 (2019: £232,752).

The lease (for Shackleton House) in the name of the Copyright Licensing Agency is for four and a half years from August 2018.

21 Prior period adjustment

Computer software was recognised as a tangible asset in the prior year accounts. In accordance with FRS 102, this has been reclassified as an intangible asset in these accounts. This change is presentational only. It does not impact the opening reserves or the reporting surplus/(deficit).