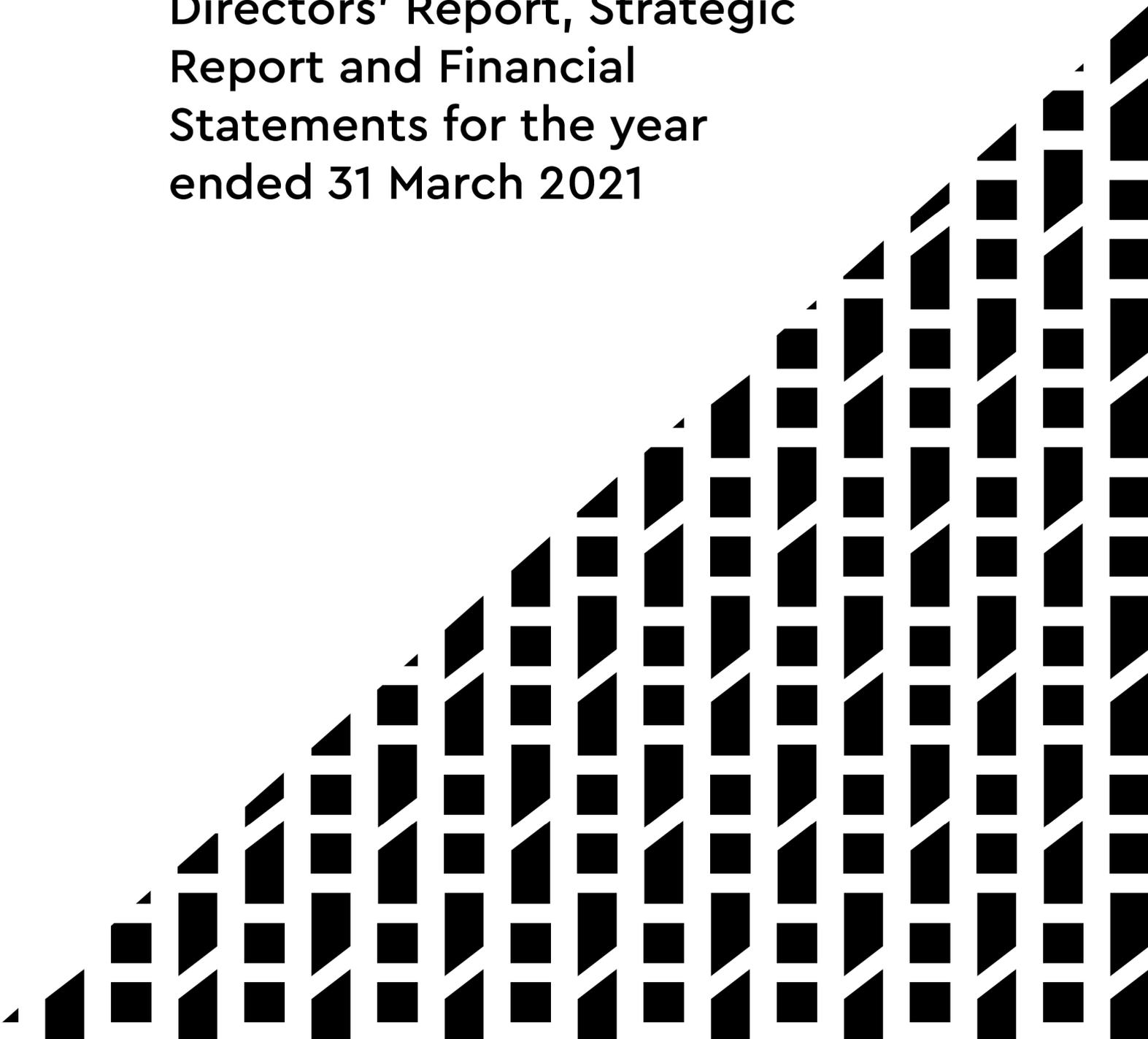


**Authors'
Licensing and
Collecting
Society**

**Directors' Report, Strategic
Report and Financial
Statements for the year
ended 31 March 2021**



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

020 7264 5700
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
Maggie Gee
Joanne Harris
James McConnachie
Diane Redmond
Michael Ridpath (resigned 5th April 2021)
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 2021.

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, Maggie Gee, Joanne Harris, James McConnachie, 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, Joanne Harris. Additionally, Deborah Rees (as an external independent member, from November 2020, replacing Robert Parker) 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 (2020: 37). Owen Atkinson served as Company Secretary for the duration of the year.

CHARITABLE DONATIONS

Charitable donations of £137,531 (2020: £107,492) were made to organisations that have a close affinity to writers – including the National Literacy Trust, Royal Society for Literature, Writing West Midlands, CILIP, English PEN, First Story, Forward Arts Foundation and New Writing North.

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

Shipleys LLP have indicated their willingness to continue in office as auditors to the Company and a resolution to reappoint Shipleys LLP as auditors of the Company will be proposed at the 2021 AGM.

On behalf of the Board of Directors on 8 July 2021:



Tony Bradman
Director
Chair of the Board of Directors



James McConnachie
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 which can only, or can most effectively, be administered through collective administration in the United Kingdom and abroad. The Company has agreements with over 57 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 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 sustained 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 worked remotely throughout the financial year and successfully completed both of its annual distributions (totalling £38 million). Licence income exceeded £40 million for the first time. Given the continued uncertainty worldwide, it remains likely that licence income and investment income will be affected adversely in the current year ending March 2022, but the Board and Executive continue to work tirelessly on behalf of members to collect and distribute as much as possible, being fully aware of the effect the lockdown has had on our industry. In order to ensure the stability of our operations, the Board approved an increase to Reserves in November 2020.

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 Organization on this issue on behalf of writers. This financial year saw the process of implementing the EU Directive on Copyright in the Digital Single Market, an important legislative reform which includes measures designed to protect authors' remuneration alongside new regulations affecting the operation of online content-sharing platforms. ALCS continues to argue for the adoption of certain provisions of the Directive in the UK, despite the UK's withdrawal from the EU.

FINANCIAL AND BUSINESS REVIEW

LICENCE INCOME

This year, we collected a record £40,900,198 (2020: £36,403,863), an increase of 12.4% and the first time receipts have exceeded £40 million.

DISTRIBUTION

The distribution paid to members and overseas societies was a record £38,272,968 (2020: £36,831,973). Details of the ALCS distribution policy can be found on the Company's website (alcs.co.uk).

INVESTMENTS

While our diversified investment strategy continued with a mixture of equities, bonds, a diversified growth fund and a multi-asset credit fund, this year the Board transferred £5 million of equity assets into a Socially Responsible Investment (SRI) fund. The purpose of all of these investments is to both protect the assets of the society and provide an income that helps defray expenses. Stock markets recovered from the initial shock of the pandemic in February/March 2020, meaning the market value of the portfolio before deferred taxation at 31 March 2021 exceeded historic cost by £5,125,610 (on 31 March 2020 the unrealised gain was £545,611).

During the financial year the whole portfolio generated £808,484 of interest, dividends and distributions, including net realised trading gains of £98,159 (2020: £1,002,506 and £229,224 respectively). The investment strategy of the Company is determined by the Board and performance is regularly monitored by the Finance and Audit Committee.

RESULT FOR THE YEAR AND RESERVES

The total surplus shown in the Statement of Comprehensive Income for the year before fair value movements and taxation is £1,054,408 (2020 showed a deficit of £418,920). Despite a record year for both licence income and Distributions, the Board thought it prudent given the ongoing uncertainties around the pandemic and Brexit to strengthen the reserves to enable ALCS to continue to deliver its current strategic aims. The operating surplus therefore includes £447,206, which is the cancellation of last year's proposed Commission Refund, and £405,807, which is the repurposing of amounts identified as 'Undistributable' in the Annual Transparency Report. The Directors have decided to retain also the normal operating surplus of £201,395.

This therefore takes the Operating Reserve to £3,369,246 at 31 March 2021, which comprises an operating fund of £2,294,246 plus a legal fund of £1,075,000.

STRATEGIC REPORT (cont.)

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 57,981.73 kWh. (2020: 74,005.66 kWh)

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 audiovisual 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
- Advocacy Committee

STRATEGIC REPORT (cont.)

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 both of 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 2021–2022 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 budget was to continue to invest in our advocacy and lobbying capacity as our overseas revenues potentially come under pressure from Brexit and the enduring effects of the pandemic. To this end, the Directors approved a strengthening of ALCS reserves by the repurposing of the undistributable sums identified in the 2020 Annual Transparency Report and the retention of the proposed commission refund, thereby ensuring the Company can continue its strategy through these challenging times.

KEY PERFORMANCE INDICATORS

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

Licence income has increased by £4,496,335 (12.4%) to £40,900,198.

Gross payments to writers exceeded £30 million for the ninth year in succession. They were up by 3.9% this year at a record £38.3 million (2020: £36.8 million).

In the absence of a commission refund this year, the effective commission rate was up by 1.0% to 9.4%.

Overall ALCS membership numbers increased by 3,500 to 111,831.

LIKELY FUTURE DEVELOPMENTS

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

STRATEGIC REPORT (cont.)

This report was approved by the Board of Directors on 8 July 2021 and signed on its behalf by:



Tony Bradman
Director
Chair of the Board of Directors



James McConnachie
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 2021, 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 2021 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 Auditor's 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.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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
- 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 of 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 Auditor's 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

THE EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES INCLUDING FRAUD

We obtained an understanding of the Company's activities, controls and laws and regulations and assessed the susceptibility of the Company's financial statements to material misstatement from irregularities, including fraud. We determined that the laws and regulations that are most significant to the Company are those relating to the reporting framework (FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)), the Companies Act 2006 and the Collective Rights Management (CRM) Directive.

Based on this understanding we designed our audit procedures to detect irregularities including fraud. Testing undertaken included making enquiries about the management; journal entry testing; review of bank letters; review of Board minutes; review of transactions for any undisclosed related party transactions; reviewing financial statement disclosures, and testing of supporting documentation to assess compliance with applicable laws and regulations. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.

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 Auditor's 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 Auditor's 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.

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



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

For the year ended 31 March 2021

		2021	2020
	Notes	£	£
Licence income	2	40,900,198	36,403,863
Royalties payable		(36,460,775)	(33,875,979)
Commission receivable	3	4,439,423	2,527,884
Administration expenses	4	(4,352,470)	(4,181,132)
		86,953	(1,653,248)
Other operating income	5	164,262	172,548
Operating surplus/(Deficit)		251,215	(1,480,700)
Investment income	6	803,193	1,061,780
Surplus/(Deficit) on ordinary activities before fair value movements and taxation		1,054,408	(418,920)
Fair value movements on investments		4,579,999	(3,011,484)
Surplus/(Deficit) on ordinary activity before taxation		5,634,407	(3,430,404)
Tax on ordinary activities	8	(557,174)	295,380
Total comprehensive income/(Deficit) for the year		5,077,233	(3,135,024)

All amounts relate to continuing activities.

The notes on pages 17 to 31 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

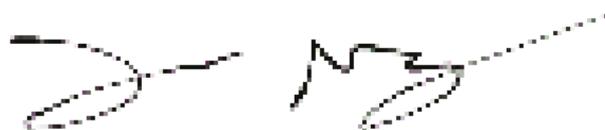
	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Intangible assets	9		277,039		400,084
Tangible assets	10		109,930		140,376
Current assets					
Investments	11	35,413,656		30,401,412	
Debtors	12	393,841		477,520	
Cash at bank and in hand		14,963,026		12,060,364	
		<u>50,770,523</u>		<u>42,939,296</u>	
Creditors: amounts falling due within one year	13	(42,662,636)		(40,619,307)	
Net current assets			8,107,887		2,319,989
Total assets less current liabilities			8,494,856		2,860,449
Provision for deferred taxation	15		(557,174)		–
			<u>7,937,682</u>		<u>2,860,449</u>
Reserves					
Retained earnings					
Operating fund			2,294,246		1,239,838
Legal fund			1,075,000		1,075,000
Unrealised surplus on listed investments			4,568,436		545,611
			<u>7,937,682</u>		<u>2,860,449</u>

The notes on pages 17 to 31 form part of these financial statements.

Approved by the Board on 8 July 2021



Tony Bradman
Director
Chair of the Board of Directors



James McConnachie
Director
Chair of the Finance and Audit Committee

CASH FLOW STATEMENT

For the year ended 31 March 2021

Reconciliation of total comprehensive (deficit)/income for the year	2021	2020
	£	£
Total comprehensive (deficit)/income for the year	5,077,233	(3,135,024)
Adjustments for:		
Fair value movements on investments	4,579,999	3,011,484
Investment income	803,193	(1,061,780)
Tax on ordinary activities	557,174	(295,380)
Amortisation of bond premiums	39,298	29,640
Amortisation of intangible fixed assets	252,764	186,430
Depreciation of tangible fixed assets	42,596	40,165
Decrease/(Increase) in trade and other debtors	83,679	(131,089)
Increase in royalties due to writers	2,180,021	506,394
(Decrease)/Increase in other creditors	136,692	347,369
	<u>2,634,285</u>	<u>(501,791)</u>
Cash flows from investing activities		
Purchases of intangible assets	(129,719)	(118,599)
Purchases of tangible assets	(12,150)	(122,736)
Payment to acquire investments	(10,394,693)	(6,681,036)
Receipts from sales of investments	10,099,905	6,255,971
Money market (charges)/interest	(5,291)	59,274
Dividends from SRI Fund	43,541	-
Bond interest	303,005	232,082
Dividends	215,866	399,485
Income from managed funds	147,913	141,715
Net cash to investing activities	<u>268,377</u>	<u>166,156</u>

CASH FLOW STATEMENT (cont.)

	2021	2020
	£	£
Net (decrease)/increase in cash and cash equivalents	2,902,662	(335,635)
Cash and cash equivalents at beginning of year	12,060,364	12,395,999
Cash and cash equivalents at end of year	14,963,026	12,060,364

The notes on pages 17 to 31 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

Retained earnings

Reserves	Operating fund £	Legal fund £	Unrealised surplus on listed investments reserve £	Total £
Retained earnings				
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 2020	1,239,838	1,075,000	545,611	2,860,449
Surplus for the financial year	1,054,408	–	4,022,825	5,077,233
At 31 March 2021	2,294,246	1,075,000	4,568,436	7,937,682

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 United Kingdom and abroad. The Company has agreements with over 57 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 United Kingdom 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 judgment in applying the Company's accounting policies (see *note 1.14*)

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 2021

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 2021

1.6 Valuation of investments

Investments in listed equity investments and fixed-term securities are remeasured to fair value (being its 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 2021

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 out-right 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 2021

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 profit
- 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 that 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 2021

2 Income: analysis of licence income

	2021	2020
	£	£
Analysed geographically		
UK	28,542,910	27,967,170
Rest of Europe	12,243,324	8,855,728
North America	95,100	68,262
South America	3,295	-
Oceania	15,569	-
Adjustment	-	(487,297)
	<u>40,900,198</u>	<u>36,403,863</u>

In the year £4,221,973 (2020: £4,316,989) was received from UK sources which originated outside the UK. In the prior year, 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.

Analysed by licence

Copyright Licensing Agency Ltd	25,437,268	23,968,306
Publishers' Licensing Services Ltd	837,210	1,308,392
BBC Worldwide Ltd	556,695	556,525
Educational Recording Agency Ltd	1,650,000	1,632,813
Other international bilateral agreements	12,419,025	9,425,124
Adjustment (see above)	-	(487,297)
	<u>40,900,198</u>	<u>36,403,863</u>

Analysed by right and use

	26,013,271	25,100,415
Reprographic	8,976,677	5,785,971
Retransmission	2,098,144	1,899,013
Private copying	1,695,590	1,875,178
Educational Audiovisual	749,741	1,299,862
Lending	153,733	19,647
Other Literary	929,763	649,571
Other Audiovisual	283,279	261,503
Visual Arts	-	(487,297)
Adjustment (see above)	<u>40,900,198</u>	<u>36,403,863</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

3 Commission receivable	2021	2020
	£	£
Receivable from 9.5% commission on members' royalty income	3,586,407	3,462,390
P/Y commission refund retained	447,209	–
Undistributable royalties repurposed	405,807	–
Commission refund	–	(447,209)
Investment Income refund	–	(487,297)
Total commission receivable	<u>4,439,423</u>	<u>2,527,884</u>

Due to the uncertainty caused by Brexit and the pandemic, the Board decided to strengthen the Company's reserves by withholding the proposed commission refund (£447,209) and repurposing the undistributable amounts (£405,807) identified in the Annual Transparency Report for 2020.

4 Administration expenses	2021	2020
	£	£
Staff costs – see note 7	2,241,383	2,137,506
Chief Executive Officer's remuneration – see note 7	254,464	261,837
Non-Executive Directors' remuneration – see note 7	122,160	120,576
Rent and services (including dilapidations provision)	249,881	251,543
Travel and meetings	1,131	60,639
Publishing and communications	362,885	300,326
Donations to charities and other organisations	76,533	198,533
Computer facilities and services	553,782	460,526
Subscriptions, insurance and other administrative costs	53,807	82,654
Legal, audit and other professional costs	141,084	80,397
Amortisation of intangible fixed assets	252,764	186,430
Depreciation of tangible assets	42,596	40,165
	<u>4,352,470</u>	<u>4,181,132</u>

Included within administrative expenses are the following:

Auditors' remuneration for audit work	15,550	13,500
Auditors' remuneration for non-audit work	11,072	4,350

5 Other operating income	2021	2020
	£	£
Members' subscriptions	103,612	119,398
Writers' Digital Payments (WDP) fees	50,000	50,000
Sundry income	10,650	3,150
	<u>164,262</u>	<u>172,548</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

6 Investment income	2021	2020
	£	£
Money market interest net of bank charges	5,291	59,274
Bond interest	303,005	232,082
Dividends	215,866	399,485
Dividends from SRI Fund	43,541	–
Income from managed funds net of management fees	147,913	141,715
Net surplus/(deficit) on sale of investments	98,159	229,224
	<u>803,193</u>	<u>1,061,780</u>

During the year, the company sold investments with an original cost of £5,001,745 for sales proceeds of £5,099,904 giving a net surplus on sale of investments of £98,159.

Under FRS 102 the investment portfolio is accounted for under fair value. Some of the surplus/deficit on these sales has already been recognised within fair value movements in previous periods. The net surplus on sale of investments from the current year is £282,300, while from prior years there is a net deficit of £184,141.

7 Directors and employees	2021	2020
	£	£
a) Staff costs		
Wages and salaries	1,651,220	1,557,936
Social security costs	235,663	232,273
Pension costs	207,278	188,865
Other staff costs	147,222	158,432
	<u>2,241,383</u>	<u>2,137,506</u>

Pension contributions of £Nil (2020: £Nil) were outstanding at 31 March 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

b) Directors' remuneration	2021	2020
<i>Chief Executive Officer:</i>	£	£
Emoluments	242,803	250,472
Pension costs	10,000	10,000
	252,803	260,472
Benefits (included within 'Other staff costs' – see note 7a)	1,661	1,365
	<u>254,464</u>	<u>261,837</u>
<i>Non-Executive Directors:</i>		
Tony Bradman (Chair)	41,456	40,720
Faye Bird	10,088	9,910
Tom Chatfield	10,088	9,910
Jonathan Fryer (to 23 November 2019)	–	6,607
Maggie Gee	10,088	9,910
Joanne Harris	10,088	9,910
James McConnachie (from 23 November 2019)	10,088	3,580
Diane Redmond	10,088	10,152
Michael Ridpath	10,088	9,967
Joan Smith	10,088	9,910
	<u>122,160</u>	<u>120,576</u>

No Non-Executive Director received a pension contribution in the year (2020: £Nil).

	2021	2020
c) The average monthly number of employees during the year was as follows:	Number	Number
Chief Executive's Office and Policy Unit	3	3
Membership and Communications	16	16
Distribution	11	10
Other administration	7	8
	<u>37</u>	<u>37</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

8	Taxation	2021	2020
			£
	a) The tax charge/(credit) in the year was as follows:		
	Total current tax	–	–
	Deferred tax		
	Capital gains and losses	557,174	(295,380)
	Tax on ordinary activities	<u>557,174</u>	<u>(295,380)</u>
	b) Tax credit reconciliation		
	Surplus/(Deficit) on ordinary activities before tax	<u>5,634,407</u>	<u>(3,430,404)</u>
	(Deficit)/Surplus before tax multiplied by the CT rate of 19% (2020: 19%)	1,070,537	(651,777)
	Effects of:		
	Expenses not deductible for tax purposes	5,598	19,703
	Exempt dividend income	(49,926)	(76,512)
	Chargeable gains	(100,855)	294,327
	Recognition of deferred tax assets in respect of taxable losses	(368,180)	118,879
	Tax credit for the year	<u>557,174</u>	<u>(295,380)</u>
9	Intangible assets	Computer software	Total
		£	£
	Cost		
	At 1 April 2020	1,304,266	1,304,266
	Additions	129,719	129,719
	Transfers	–	–
	At 31 March 2021	<u>1,433,985</u>	<u>1,433,985</u>
	Amortisation		
	At 1 April 2020	904,182	904,182
	Charge for the year	252,764	252,764
	At 31 March 2021	<u>1,156,946</u>	<u>1,156,946</u>
	Net book value		
	At 31 March 2021	<u>277,039</u>	<u>277,039</u>
	At 31 March 2020 (restated)	<u>400,084</u>	<u>400,084</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

10	Tangible assets	Fixtures and fittings	Computer and office equipment	Total
		£	£	£
	Cost			
	At 1 April 2020	165,634	229,867	395,501
	Additions	3,462	8,688	12,150
	At 31 March 2021	<u>169,096</u>	<u>238,555</u>	<u>407,651</u>
	Depreciation			
	At 1 April 2020	55,709	199,416	255,125
	Charge for the year	26,595	16,001	42,596
	At 31 March 2021	<u>82,304</u>	<u>215,417</u>	<u>297,721</u>
	Net book value			
	At 31 March 2021	<u>86,792</u>	<u>23,138</u>	<u>109,930</u>
	At 31 March 2020	<u>109,925</u>	<u>30,451</u>	<u>140,376</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

11 Investments	Cost £	Unrealised gain/(loss) £	Total at fair value £
Bonds			
At 1 April 2020	7,006,495	(385,074)	6,621,421
Amortisation of bond premiums	39,298	–	39,298
Additions	2,371,175	–	2,371,175
Disposals	(2,117,662)	–	(2,117,662)
Current year valuation gain	–	443,994	443,994
At 31 March 2021	<u>7,299,306</u>	<u>58,920</u>	<u>7,358,226</u>
Equities			
Cost: at 1 April 2020	12,846,365	912,573	13,758,938
Additions	2,895,772	–	2,895,772
Disposals	(7,763,453)	–	(7,763,453)
Current year valuation gain	–	2,272,144	2,272,144
At 31 March 2021	<u>7,978,684</u>	<u>3,184,717</u>	<u>11,163,401</u>
SRI Fund			
Cost: At 1 April 2020	–	–	–
Additions	5,127,746	–	5,127,746
Disposals	(120,631)	–	(120,631)
Current year valuation gain	–	160,559	160,559
At 31 March 2021	<u>5,007,115</u>	<u>160,559</u>	<u>5,167,674</u>
Other listed investments			
Cost: at 1 April 2020	10,002,941	18,112	10,021,053
Disposals	–	–	–
Current year valuation gain	–	1,703,302	1,703,302
At 31 March 2021	<u>10,002,941</u>	<u>1,721,414</u>	<u>11,724,355</u>
Net totals value			
At 31 March 2021	<u>30,288,046</u>	<u>5,125,610</u>	<u>35,413,656</u>
At 31 March 2020	<u>29,855,801</u>	<u>545,611</u>	<u>30,401,412</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

12 Debtors	2021	2020
	£	£
Trade and sundry debtors	77,471	165,973
Other debtors	5	6,883
Prepayments and accrued income	316,365	304,664
	<u>393,841</u>	<u>477,520</u>

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

13 Creditors: amounts falling due within one year	2021	2020
	£	£
Trade creditors	105,300	4,254
Other taxes and social security	326,649	605,520
Royalties due to writers – see note 14	41,527,080	39,347,059
Accruals and other creditors	703,607	662,474
	<u>42,662,636</u>	<u>40,619,307</u>

14 Royalties due to writers	2021	2020
	£	£
a) Included in creditors		
Amounts falling due within one year	41,527,080	39,347,059
b) Age of royalties included in creditors in year to 31 March:		
Licence income undistributed at end of current year	15,476,500	15,148,559
Licence income undistributed for more than 1 year	7,847,590	7,499,654
Licence income undistributed for more than 2 years	5,175,671	5,407,933
Licence income undistributed for more than 3 years	3,213,712	3,336,778
Licence income undistributed for more than 4 years	2,355,205	1,821,571
Licence income undistributed over 5 years	7,458,402	6,132,564
	<u>41,527,080</u>	<u>39,347,059</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

15 Deferred taxation	Total
	£
Provision at 1 April 2020	-
Charged to income statement	557,174
Provision at 31 March 2021	<u>557,174</u>

The deferred tax provision consists entirely of chargeable gains.

16 Financial instruments	2021	2020
	£	£
Financial assets measured at fair value through the profits and losses	<u>35,413,656</u>	<u>30,401,412</u>

Financial assets measured at fair value comprise listed equities and investment funds, the SRI fund 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.

	2021	2020
	£	£
Tony Bradman	15,425	15,766
James McConnachie (to December 2019)	-	9,057
Tom Chatfield	10,300	10,300
Faye Bird (from January 2020)	12,017	858
	<u>37,742</u>	<u>35,981</u>

NB: £1,717 of Faye Bird's remuneration paid in 2021 was in respect of 2020.

Licence income received from CLA during the year was £25,437,268 (2020: £23,968,306).

Key Management personnel remuneration	£	£
	549,484	561,403

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 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 £222,285 (2020: £214,236).

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

21 Analysis of changes in net debt

	At 1 April 2020	Cash flows	At 31 March 2021
	£	£	£
Cash and cash equivalents	12,060,364	2,902,662	14,963,026