

# ALCS

## Report and Accounts 2017/18

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## **Authors' Licensing and Collecting Society Limited**

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London  
EC4A 1EN

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[alcs@dalcs.co.uk](mailto:alcs@dalcs.co.uk)  
[alcs.co.uk](http://alcs.co.uk)

**Lifetime President**  
Maureen Duffy

**Chair**  
Tony Bradman

**Directors**  
Tony Bradman (Chair)  
James McConnachie (Vice Chair)  
Owen Atkinson (Chief Executive Officer)  
Faye Bird (from 13 September 2017)  
Tom Chatfield (from 1 June 2017)  
Jonathan Fryer  
Maggie Gee  
Paul Powell (to 12 September 2017)  
Michael Ridpath (from 1 June 2017)  
Joan Smith  
Stevie Spring (to 28 May 2017)

**Company Secretary**  
Owen Atkinson

**Company Number**  
01310636

**Company Status**  
The Authors' Licensing and Collecting Society Limited is a company limited by guarantee

**Registered Office**  
1st Floor, Barnard's Inn  
86 Fetter Lane  
London  
EC4A 1EN

**Auditors**  
haysmacintyre  
Chartered Accountants  
10 Queen Street Place  
London  
EC4R 1AG

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## DIRECTORS' REPORT

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**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 2018.**

### **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.

### **Chair and Vice Chair**

Tony Bradman served as Chair of the Board and James McConnachie as Vice Chair for the duration of the financial year.

## DIRECTORS' REPORT (cont.)

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### Directors

The Directors who served during the year were: Tony Bradman, Owen Atkinson, Faye Bird (from 13 September 2017), Tom Chatfield (from 1 June 2017), Jonathan Fryer, Maggie Gee, James McConnachie, Paul Powell (to 12 September 2017), Michael Ridpath (from 1 June 2017), Joan Smith and Stevie Spring (to 28 May 2017).

### Finance and Audit Committee members

The following Directors were members of the Finance and Audit Committee during the year: James McConnachie (Committee Chair), Owen Atkinson, Tony Bradman, Paul Powell (to September 2017), Michael Ridpath (from July 2017) and Joan Smith. Additionally, Robert Parker as an external independent member and Mark Bispham as Group Chief Financial Officer were members of the Committee.

### Administration and personnel

At the end of the financial year the number of staff working for ALCS was 36 (2017: 33). Owen Atkinson served as Company Secretary for the duration of the year.

### Charitable donations

Charitable donations of £48,185 (2017: £44,240) were made to organisations which have a close affinity to writers – including the National Literacy Trust and CILIP.

### Statement of post-balance-sheet events

There are no post-balance-sheet events to report.

## DIRECTORS' REPORT (cont.)

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### Disclosure of information to Auditors

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

- 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

haysmacintyre have indicated their willingness to continue in office as Auditors to the Company and a resolution to reappoint haysmacintyre as Auditors of the Company will be proposed at the 2018 AGM.

**On behalf of the Board of Directors on 5 July 2018**



**Tony Bradman**  
Director  
Chair of the Board of Directors

**James McConnachie**  
Director  
Chair of the Finance and Audit Committee

## STRATEGIC REPORT

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### 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.

### 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
- any fragmentation of the current licensing partnerships
- any policy developments extending the copyright exceptions regime that fail to recognise writers' right to remuneration.

The Directors seek to minimise these threats at all times through our active lobbying programme in the UK, Europe and globally and through our support of the Copyright Licensing Agency.

### 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.

## STRATEGIC REPORT (cont.)

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### 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.

During this period we have focussed on European proposals for new, broader exceptions to copyright, notably in the field of education. Following a lengthy campaign by ALCS, partner organisations and the All Party Parliamentary Writers Group, during this financial period the UK Government passed legislation extending the Public Lending Scheme to include remote loans of ebooks.

## FINANCIAL REVIEW

### Licence income

There was a 7.1% increase in licence income this year to £34,334,722 from the previous year's value of £32,072,835.

### Distribution

The gross distribution paid to Members and overseas societies was £34,142,330 (net £30,944,956), (2017: £32,607,272 gross, £29,555,597 net). Details of the ALCS distribution policy can be found on the Company's website ([alcs.co.uk](http://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. At 31 March 2018 the market value of this portfolio, before deferred taxation, exceeded cost by £3,994,067 (2017: £4,149,720). During the year these investments generated £954,155 of interest, dividends and distributions, including net realised trading gains of £180,697 (2017: £780,543 and £82,214 respectively). The investment activities of the Company are determined and monitored by the Board and the Finance and Audit Committee.

## STRATEGIC REPORT (cont.)

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### Result for the year and reserves

The normal operating activities of the Company for the year generated a surplus of £389,083, which the Directors have decided will be returned to Members in the form of a commission refund in the March 2019 distribution.

The income and expenditure account, therefore, shows no profit or loss before taxation and fair value movements. This leaves the Operating Reserve unmoved at £1,867,628 at 31 March 2018, which comprises an operating fund of £792,628 plus a legal fund of £1,075,000.

### Key performance indicators

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

- Licence income has increased by £2,261,887 to £34,334,722.
- Gross payments to writers exceeded £30 million for the sixth successive year. They were up by 4.7% this year at £34.1 million (2017: £32.6 million).
- The effective commission rate (after commission refunds) for the year was up by 0.1% to 8.32%.
- ALCS membership numbers increased by 5,646 to 95,673.

### Likely future developments

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

**This report was approved by the Board of Directors on 5 July 2018 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 AUDITOR'S 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 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Cash Flow Statement, Statement of Changes in Equity and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (UK 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 2018 and its result for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

## 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 Financial Reporting Council'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.

# INDEPENDENT AUDITOR'S 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
- 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 12 months from the date when the Financial Statements are authorised for issue.

## 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 Auditor's 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.

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 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.

## 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.

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

## 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
- the Financial Statements are not in agreement with the accounting records and returns
- certain disclosures of Directors' remuneration specified by law are not made
- 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 AUDITOR'S REPORT TO THE MEMBERS OF AUTHORS' LICENSING AND COLLECTING SOCIETY LIMITED (cont.)**

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### **Auditor's 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.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at [frc.org.uk/auditorsresponsibilities](http://frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.



**George Crowther (Senior Statutory Auditor)  
For and on behalf of haysmacintyre, Statutory Auditors  
10 Queen Street Place  
London  
EC4R 1AG**

**5 July 2018**

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Note	2018	2017
		£	£
<b>Licence income</b>	2	34,334,722	32,072,835
<b>Royalties payable</b>		(31,526,431)	(29,419,891)
<b>Commission receivable</b>	3	2,808,291	2,652,944
<b>Administration expenses</b>	4	(4,038,002)	(3,660,956)
		(1,229,711)	(1,008,012)
<b>Other operating income</b>	5	201,943	89,524
<b>Operating deficit</b>		(1,027,768)	(918,488)
<b>Investment income</b>	6	1,027,768	918,488
<b>Surplus on ordinary activities before fair value movements and taxation</b>		-	-
<b>Fair value movements on investments</b>	10	(155,653)	2,859,516
<b>(Deficit)/Surplus on ordinary activity before taxation</b>		(155,653)	2,859,516
<b>Tax on ordinary activity</b>	8	178,674	(371,258)
<b>Total comprehensive income for the year</b>		23,021	2,488,258

All amounts relate to continuing activities.

The notes on pages 16 to 31 form part of these Financial Statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018	2017
		£	£
<b>Fixed assets</b>			
Tangible assets	9	704,295	799,016
<b>Current assets</b>			
Investments	10	31,588,342	30,833,974
Debtors	11	201,256	496,753
<b>Cash at bank and in hand</b>		<u>11,013,266</u>	<u>11,056,483</u>
		<u>42,802,864</u>	<u>42,387,210</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(37,645,464)</u>	<u>(37,168,878)</u>
<b>Net current assets</b>		<u>5,157,400</u>	<u>5,218,332</u>
<b>Total assets less current liabilities</b>		<u>5,861,695</u>	<u>6,017,348</u>
<b>Provision for deferred taxation</b>	14	<u>(384,042)</u>	<u>(562,716)</u>
		<u><b>5,477,653</b></u>	<u><b>5,454,632</b></u>
<b>Reserves:</b>			
<b>Retained earnings:</b>			
Operating fund		792,628	792,628
Legal fund		1,075,000	1,075,000
Unrealised surplus on listed investments		3,610,025	3,587,004
		<u><b>5,477,653</b></u>	<u><b>5,454,632</b></u>

The notes on pages 16 to 31 form part of these Financial Statements.

Approved by the Board on 5 July 2018:

Tony Bradman  
Director  
Chair of Board of Directors

James McConnachie  
Director  
Chair of the Finance and Audit Committee

# CASH FLOW STATEMENT

For the year ended 31 March 2018

	2018	2017
	£	£
<b>Reconciliation of operating deficit to net cash flow from operating activities</b>		
Operating deficit for the financial year	(1,027,768)	(918,488)
<b>Adjustments for:</b>		
Amortisation of bond premiums	(24,386)	34,669
Depreciation charged for the year	221,776	180,631
Asset write-offs	-	647
Asset disposals	-	-
Taxation	-	-
Decrease/(Increase) in trade and other debtors	295,497	(58,479)
Increase/(Decrease) in royalties due to writers	581,476	(135,731)
Increase in other creditors	<u>(104,890)</u>	<u>(331,548)</u>
Cash from operations	(58,295)	(1,228,299)
Income taxes paid	-	-
<b>Net cash outflow on operating activities</b>	<u>(58,295)</u>	<u>(1,228,299)</u>

## Cash flows from investing activities

Proceeds from sale of tangible assets	-	-
Purchases of tangible assets	(127,055)	(138,660)
Payment to acquire investments	(4,526,067)	(8,785,935)
Receipts from sales of investments	3,821,129	3,134,557
Money market interest	54,166	125,780
Bond interest	315,557	277,677
Dividends	338,908	272,727
Income from managed funds	138,440	160,090
<b>Net cash to investing activities</b>	<u>15,078</u>	<u>(4,953,764)</u>

# CASH FLOW STATEMENT (cont.)

For the year ended 31 March 2018

	2018	2017
	£	£
<b>Net decrease in cash and cash equivalents</b>	<b>(43,217)</b>	<b>(6,182,063)</b>
Foreign exchange translation adjustment	–	–
Cash and cash equivalents at beginning of year	11,056,483	17,238,546
<b>Cash and cash equivalents at end of year</b>	<b><u>11,013,266</u></b>	<b><u>11,056,483</u></b>

The notes on pages 16 to 31 form part of these Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

Reserves	Operating fund £	Legal fund £	Unrealised surplus on listed investments reserve £	Total £
<b>Retained earnings</b>				
At 1 April 2016	792,628	1,075,000	1,098,746	2,966,374
Surplus/(deficit) for the financial year	—	—	2,488,258	2,488,258
At 1 April 2017	792,628	1,075,000	3,587,004	5,454,632
Deficit for the financial year	—	—	23,021	23,021
At 31 March 2018	792,628	1,075,000	3,610,025	5,477,653

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

**Authors' Licensing and Collecting Society Limited is a company limited by guarantee without share capital.**

## 1 Accounting Policies

### 1.1 Basis of accounting

The Financial Statements have been prepared under the historical cost convention 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 1.13*).

### 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 (VAT) 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.

### 1.3 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 not recognised. 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:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## **Fixtures, fittings and office equipment**

5 – 10 years

## **Computer equipment**

3 – 5 years

## **Computer software**

General software – 3 years

Main IT system – 8 years

## **1.4 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.

## **1.5 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, the accumulated cost and revaluation to the preceding reporting date. Any such profit or loss is recorded as investment income within the operating surplus, as opposed to fair value movements on investments. In the opinion of the Directors such an allocation is necessary to give a true and fair view of the Company's performance, because the realisation of investments forms an integral part of the Company's activities and, as such, an element of distributions due to Members.

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

## **1.6 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 1.7 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.

## 1.8 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.

## 1.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities, such as 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 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, the arrangements of a short-term instrument may constitute a financing transaction. For example, 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 the case of an outright short-term loan not at market rate. In this case, 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

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 is 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.

## 1.10 Foreign currencies

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

## 1.11 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.

## 1.12 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 that is attributable either 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

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.

## 1.13 Judgements in applying accounting policies and key sources of estimation uncertainty

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

2	Income: Analysis of Licence Income	2018	2017
		£	£
<b>Analysed geographically</b>			
UK	25,910,076	23,881,896	
Rest of Europe	8,250,496	8,097,985	
North America	103,751	31,740	
Oceania	36,509	20,746	
Asia	33,890	40,468	
	<hr/>	<hr/>	<hr/>
	34,334,722	32,072,835	

During the year, £3,637,665 (2017: £3,100,245) was received from UK sources that originated outside the UK.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2018	2017
	£	£
<b>Analysed by licence</b>		
Copyright Licensing Agency Limited	22,588,225	19,970,051
Publishers' Licensing Services Limited	1,154,304	1,671,874
BBC Worldwide Limited	527,242	540,964
Educational Recording Agency Limited	1,581,250	1,546,875
Other international bilateral agreements	<u>8,483,701</u>	<u>8,343,071</u>
	<u>34,334,722</u>	<u>32,072,835</u>

	2018	2017
	£	£
<b>Analysed by right and use</b>		
Reprographic	23,774,832	21,700,375
Retransmission	4,290,171	4,296,675
Private copying	3,359,884	3,149,274
Educational audiovisual	1,632,846	1,632,507
Lending	1,002,091	1,006,151
Other literary	60,859	79,570
Other audiovisual	<u>214,039</u>	<u>207,833</u>
	<u>34,334,722</u>	<u>32,072,385</u>

3	<b>Commission Receivable</b>	2018	2017
		£	£
Receivable from 9.5% commission on Members' royalty income	3,197,374	3,051,035	
Commission refund	(389,083)	(398,091)	
	<u>2,808,291</u>	<u>2,652,944</u>	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

<b>4 Administration Expenses</b>	<b>2018</b>	<b>2017</b>
	£	£
Staff costs – <i>see note 7</i>	2,016,715	1,872,815
Chief Executive Officer's remuneration – <i>see note 7</i>	228,752	209,349
Non-Executive Directors' remuneration – <i>see note 7</i>	109,740	112,086
Rent and services (including dilapidations provision)	345,124	233,020
Travel and meetings	69,640	55,112
Publishing and communications	289,095	350,400
Donations to charities and other organisations	74,454	81,592
Computer facilities and services	517,863	483,197
Subscriptions, insurance and other administrative costs	77,294	73,175
Legal, audit and other professional costs	87,549	8,932
Depreciation of tangible assets	221,776	180,631
Profit/losses on sales of fixed assets	–	647
	<u>4,038,002</u>	<u>3,660,956</u>

Included within administrative expenses are the following:

Auditor's remuneration for audit work	13,850	12,500
Auditor's remuneration for non-audit work	7,730	3,525

<b>5 Other Operating Income</b>	<b>2018</b>	<b>2017</b>
	£	£
Members' subscriptions	129,617	81,057
Writers Digital Payments (WDP) fees	25,000	–
Sundry income	47,326	8,467
	<u>201,943</u>	<u>89,524</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2018	2017
	£	£
Money market interest	73,613	137,944
Bond interest	296,110	265,513
Dividends	338,908	272,727
Income from managed funds net of management fees	138,440	160,090
Net surplus/(deficit) on sale of investments	<u>180,697</u>	<u>82,214</u>
	<u>1,027,768</u>	<u>918,488</u>

	2018	2017
	£	£
<b>a) Staff costs</b>		
Wages and salaries	1,500,704	1,384,997
Social security costs	221,088	193,011
Pension costs	172,808	148,255
Other staff costs	<u>122,115</u>	<u>146,552</u>
	<u>2,016,715</u>	<u>1,872,815</u>

Pension contributions of £Nil (2017: £Nil) were outstanding at 31 March 2018.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2018	2017
	£	£
<b>b) Directors' remuneration</b>		
<i>Chief Executive Officer:</i>		
Emoluments	217,781	177,304
Pension costs	10,000	31,182
	<hr/>	<hr/>
	227,781	208,486
Benefits ( <i>included within other staff costs – see Note 7a</i> )	971	863
	<hr/>	<hr/>
	228,752	209,349
<i>Non-Executive Directors:</i>		
Faye Bird ( <i>from 13 September 2017</i> )	5,173	–
Tony Bradman ( <i>Chair from 24 November 2016</i> )	35,000	12,340
Tom Chatfield ( <i>from 1 June 2017</i> )	7,838	–
Jonathan Fryer	9,406	9,406
Maggie Gee ( <i>from 4 January 2016</i> )	9,406	9,406
Bonnie Greer ( <i>to 8 March 2017</i> )	–	8,875
James McConnachie ( <i>Vice Chair</i> )	19,192	19,300
Paul Powell ( <i>to 12 September 2017</i> )	4,914	10,796
Michael Ridpath ( <i>from 1 June 2017</i> )	7,838	–
Adam Singer ( <i>Chair to 24 November 2016</i> )	–	22,962
Joan Smith	9,406	2,351
Stevie Spring ( <i>to 28 May 2017</i> )	1,567	9,596
Jonathan Turner ( <i>to 24 November 2016</i> )	–	7,054
	<hr/>	<hr/>
	109,740	112,086

Included within the Non-Executive Directors' emoluments in 2017 was the sum of £22,962, which was paid to Cordelia UK Ltd, a registered company of which Adam Singer is a Director. No payments were made to Cordelia UK Ltd in 2018. In addition to their basic salaries, Non-Executive Directors are reimbursed through the payroll for travel and subsistence costs from their home to and from ALCS. No Non-Executive Director received a pension contribution in the year (2017: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

<b>c) Average monthly number of employees during the year</b>	<b>Number</b>	<b>Number</b>
Chief Executive's Office and Policy Unit	4	4
Membership and Communications	14	7
Distribution	11	16
Other Administration	6	5
	<b>35</b>	<b>32</b>

<b>8 Taxation</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>a) Tax charge/(credit) in the period</b>		
Total current tax	–	–
<b>Deferred tax</b>		
Capital gains and losses	(178,674)	371,258
Tax on ordinary activities	(178,674)	371,258
<b>b) Tax charge/(credit) reconciliation</b>		
<b>(Deficit)/surplus on ordinary activities before tax</b>	<b>155,653</b>	<b>2,859,516</b>
(Deficit)/surplus before tax multiplied by the CT rate of 19% (2017: 20%)	(29,574)	571,903
<b>Effects of</b>		
Expenses not deductible for tax purposes	11,909	16,228
Income not taxable for tax purposes	(37,448)	–
Exempt dividend income	(74,191)	(61,788)
Chargeable gains	(133,982)	(90,882)
Tax losses not utilised	84,612	(64,203)
Current tax charge for the year	<b>(178,674)</b>	<b>371,258</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

9	<b>Tangible Assets</b>	<b>Fixtures and fittings</b>	<b>Computer and office equipment</b>	<b>Computer software</b>	<b>Assets under construction</b>	<b>Total</b>
		£	£	£	£	
<b>Cost</b>						
	At 1 April 2017	240,922	210,847	806,418	216,800	1,474,987
	Additions	1,421	2,934	339,500	(216,800)	127,055
	Disposals	–	–	–	–	–
	Asset write-offs	–	–	–	–	–
	At 31 March 2018	<u>242,343</u>	<u>213,781</u>	<u>1,145,918</u>	<u>–</u>	<u>1,602,042</u>
<b>Depreciation</b>						
	At 1 April 2017	93,919	164,753	417,299	–	675,971
	Charge for the year	56,597	19,399	145,780	–	221,776
	Disposals	–	–	–	–	–
	Assets write offs	–	–	–	–	–
	At 31 March 2018	<u>150,516</u>	<u>184,152</u>	<u>563,079</u>	<u>–</u>	<u>897,747</u>
<b>Net book value</b>						
	At 31 March 2018	<u>91,827</u>	<u>29,629</u>	<u>582,839</u>	<u>–</u>	<u>704,295</u>
	At 31 March 2017	<u>147,003</u>	<u>46,094</u>	<u>389,119</u>	<u>216,800</u>	<u>799,016</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

10 Investments	Cost	Unrealised gain/(loss)	Total at fair value
			£
<b>Bonds</b>			
Cost: at 1 April 2017	6,314,451	100,104	6,414,555
Amortisation of bond premiums	12,563	–	12,563
Additions	2,347,902	–	2,347,902
Disposals	(2,067,329)	–	(2,067,329)
Current year valuation (loss)	–	(130,213)	(130,213)
At 31 March 2018	<u>6,607,587</u>	<u>(30,109)</u>	<u>6,577,478</u>
<b>Equities/bonds</b>			
Cost: at 1 April 2017	10,369,803	3,381,521	13,751,324
Amortisation of bond premiums	11,823	–	11,823
Additions	2,175,197	–	2,175,197
Disposals	(1,573,103)	–	(1,573,103)
Current year valuation (loss)	–	(187,132)	(187,132)
At 31 March 2018	<u>10,983,720</u>	<u>3,194,389</u>	<u>14,178,109</u>
<b>Other listed investments</b>			
Cost: at 1 April 2017	10,000,000	668,095	10,668,095
Additions	2,968	–	2,968
Current year valuation gain	–	161,692	161,692
At 31 March 2018	<u>10,002,968</u>	<u>829,787</u>	<u>10,832,755</u>
<b>Net book value</b>			
At 31 March 2018	<u>27,594,275</u>	<u>3,994,067</u>	<u>31,588,342</u>
At 31 March 2017	<u>26,684,254</u>	<u>4,149,720</u>	<u>30,833,974</u>

The fair value of listed equity investments at 31 March 2018 was £31,588,342 (2017: £30,833,974).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

11	Debtors	2018	2017
		£	£
Trade and sundry debtors		33,207	16,216
Other debtors		7,419	312,692
Prepayments and accrued income		160,630	167,845
		<hr/>	<hr/>
		201,256	496,753

There was no bad debt expense recognised during the year (2017: £Nil).

## 12 Creditors: Amounts Falling Due Within One Year

	2018	2017
	£	£
Trade creditors	1,131	37,397
Other taxes and social security	372,802	595,087
Royalties due to writers – see note 13	36,752,450	36,170,974
Accruals and other creditors	519,081	365,420
	<hr/>	<hr/>
	37,645,464	37,168,878

## 13 Royalties Due To Writers

	2018	2017
	£	£
a) Included in creditors		
Amounts falling due within one year	<hr/>	<hr/>
	36,752,450	36,170,974

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2018 £	2017 £
<b>b) Age of royalties included in creditors in year to 31 March:</b>		
Licence income undistributed at end of current year	13,941,845	14,647,018
Licence income undistributed for more than 1 year	7,710,625	5,971,909
Licence income undistributed for more than 2 years	4,375,043	3,435,619
Licence income undistributed for more than 3 years	2,376,388	2,195,448
Licence income undistributed for more than 4 years	1,717,509	1,912,065
Licence income undistributed over 5 years	<u>6,631,040</u>	<u>8,008,915</u>
	<u><u>36,752,450</u></u>	<u><u>36,170,974</u></u>

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

14      Deferred Taxation	Total
	£
Provision at 1 April 2017	562,716
Credited to income statement	(178,674)
Provision at 31 March 2018	<u><u>384,042</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

## 15 Financial Instruments

	2018	2017
	£	£
Financial assets that are debt instruments measured at fair value	<u>6,577,478</u>	<u>6,414,555</u>
Financial assets that are debt instruments measured at amortised cost	<u>40,626</u>	<u>328,908</u>
Financial assets that are equity instruments measured at fair value	<u>25,010,864</u>	<u>24,419,419</u>
Financial liabilities measured at amortised cost	<u>1,131</u>	<u>37,397</u>

Financial assets measured at amortised cost comprise cash, trade and sundry debtors, other debtors and investments in fixed-income securities.

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

Financial liabilities measured at amortised cost comprise trade creditors.

## 16 Reserves

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

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

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

## 17 Related Party Transactions

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

	2018	2017
	£	£
Tony Bradman	15,048	5,016
Toby Faber	11,223	11,223
James McConnachie	10,048	10,048
Adam Singer	–	12,038
	<hr/> <u>36,319</u>	<hr/> <u>38,325</u>

Licence income received from the Copyright Licensing Agency during the year was £22,588,225 (2017: £19,970,051).

	£	£
Key management personnel remuneration (for those who have an executive influence on the company but are not statutory Directors)	523,954	529,426

## 18 Controlling Party

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

## 19 Capital Commitments

	2018	2017
	£	£
At 31 March 2017 the Company had capital commitments as follows:		
Costs contracted but not provided in the Financial Statements	<hr/> –	<hr/> 120,000

## 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 with the Copyright Licensing Agency and the Publishers Licensing Society. 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 £219,116 (2017: £230,471).

The lease in the name of the Copyright Licensing Agency is for ten years from February 2015.