

**ALCS** AUTHORS'  
LICENSING AND  
COLLECTING  
SOCIETY

# ALCS REPORT AND ACCOUNTS 2015–16

## COMPANY INFORMATION

### **AUTHORS' LICENSING AND COLLECTING SOCIETY LTD**

Registered office:  
Barnard's Inn  
86 Fetter Lane  
London  
EC4A 1EN

+44 (0) 20 7264 5700  
alcs@alcs.co.uk  
alcs.co.uk

### **COMPANY NUMBER**

01310636

### **COMPANY STATUS**

ALCS is a company limited by guarantee

### **AUDITORS**

haysmacintyre  
Chartered Accountants  
26 Red Lion Square  
London  
WC1R 4AG

### **COMPANY SECRETARY**

Owen Atkinson

### **HONORARY PRESIDENT**

Maureen Duffy

### **CHAIR OF THE BOARD**

Adam Singer

### **CURRENT BOARD MEMBERS**

Owen Atkinson (Chief Executive Officer)  
James McConnachie (Vice Chair)  
Jonathan Fryer  
Maggie Gee  
Bonnie Greer  
Paul Powell  
Adam Singer (Chair)  
Stevie Spring  
Jonathan Turner

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## REPORT FROM THE CHAIR



**We are living in an Indian Summer of analogue revenues. This year we have had income of £30,675,294 and distributed £27,814,188 to our members, and this is broadly in line with last year. This is year three of no diminution in income – but also of no growth. Across the whole of the media, digital technology has wrought erosion of revenues and margins, so maintaining our position is a good result.**

We have 90,000 writer members, including academics, novelists, politicians, journalists, teachers, lawyers, scientists, scriptwriters and playwrights – and it is worth noting that the top ten publications that lead the table for ALCS are all textbooks. Our members are not a homogeneous group, and they are not all people who define themselves primarily as ‘writers’. They are linked, however, by the effort of creation and a need for remuneration. ALCS is here for all who publish their words, whether they create articles, scripts or books, and our first duty is to look after and maximise returns on the mandates our members have given us. In other words to earn money, from your works, for you.



**OUR MEMBERS ARE NOT A HOMOGENEOUS GROUP, AND THEY ARE NOT ALL PEOPLE WHO DEFINE THEMSELVES PRIMARILY AS ‘WRITERS’.**

## REPORT FROM THE CHAIR

ALCS receives a significant amount of its revenue (£6.2million), from overseas collecting societies, and approximately two thirds (£22million) from the Copyright Licensing Agency (CLA). CLA is the main money-collecting arm of the ALCS. We currently co-own CLA with the Publishers Licensing Society. That we have maintained our revenues is in part due to the excellent working relationship on the CLA Board between the ALCS and PLS Board representatives and between the three CEOs: Mat Pflieger for CLA, Sarah Faulder for PLS and Owen Atkinson for ALCS.

CLA has won significant long-term contracts in the Health and Education sectors, and this has given ALCS financial security for the next couple of years. The crucial question for ALCS is how will we spend this time? How will we help the CLA move forward? And how does ALCS take advantage of new technology to develop future revenue streams and secure income for writers?



**COPYRIGHT IS A SIMPLE AND IMMUTABLE CONCEPT; YOU CREATE, AND OWN YOUR WORK FOR A PERIOD OF TIME, AND IN THAT TIME CAN GENERATE A RETURN ON YOUR LABOUR.**

That we can collect money at all, of course, is down to copyright. It enables us to claim compensation for the re-use of your work. Copyright is a simple and immutable concept; you create, and own your work for a period of time, and in that time can generate a return on your labour. It is this concept of intellectual property that has underpinned 300 years of continuous invention and creativity.

But how copyright is interpreted is highly mutable, and the execution of copyright changes every time we change the technology. Our job is to ensure legislators realise that technologies come and go, but mass, commercial creativity can only exist if it is sustained through copyright.

To this end ALCS has done a powerful job of keeping the needs of writers in the front of legislators' minds in Westminster and Brussels. We have fought to quell the notion that we should import the concept of 'fair use' from the US, which could allow significant copying without compensation. Concepts of 'fair use' and 'educational exceptions' have almost destroyed the textbook industry in Canada, and ALCS's work has been influential in stopping the EU from going down this route. Brexit could change this.

## REPORT FROM THE CHAIR

Everywhere – in newspapers, music, magazines – traditional creative revenues are falling. The main cause is the sheer digital abundance of content. It is classic economics: ‘barriers to entry’ fall, supply increases, prices drop. To cope with this world ALCS needs to help its members understand this new techno-economic landscape, and it needs new members writing in these new media – whether that is blogs, scripts, podcasts or games. We should reflect on the fact that ALCS’s membership is predominantly aged 55 or over, and that those from the ‘old’ media (and that includes me) are not always the best qualified to grasp the impact of the new.

Another element to reflect on is that the Board, which governs ALCS, is skilled in specific professions, be it law, or academia or journalism, and, of course, writing. In my view being a Board member of a body responsible for significant income is a professional skill in its own right that, like chess, playing the oboe or brain surgery, is in part a pattern-recognition skill that comes from hours of doing it. Experience of commercial boards gives one a library of patterns that contribute to an understanding of how a business performs. So ALCS needs a Board that balances a deep understanding of writers’ needs with a considerable knowledge and appreciation of the commercial forces that sustain a writer’s economic life.



**ALCS NEEDS A BOARD THAT BALANCES A DEEP UNDERSTANDING OF WRITERS’ NEEDS WITH A CONSIDERABLE KNOWLEDGE AND APPRECIATION OF THE COMMERCIAL FORCES THAT SUSTAIN A WRITER’S ECONOMIC LIFE.**

## REPORT FROM THE CHAIR

ALCS is fortunate in having a senior management team that is commercial and entrepreneurial, but the question is this: how does the ALCS board help its management grow their commercial skills, coach them and let them off the leash so as to raise more revenue for our members? ALCS is not facing a crisis at the moment; but crises are best dealt with before they arrive. It is an Indian Summer of analogue revenues and, as they say in *Game of Thrones*, 'winter is coming'.

ALCS has seen much in the last three years: notably the new offices and associated changes that have improved efficiencies and communications with our revenue-collecting colleagues in CLA and PLS. So I have some thanks to offer: to my Vice Chairs, Toby Faber and James McConnachie, both of whom did much to improve the lot of our members through their considerable work. To Mat Pfleger, who has reinvigorated CLA; to Mark Bide, Chair of PLS, who was a walking can of WD-40 and helped relations between our organisations; to Sarah Faulder of PLS, who was the epitome of understanding; and, most of all, to the ALCS team led by Owen Atkinson, who has been a paragon of support and innovation. I have enjoyed being Chair of ALCS, made new friends, and am grateful to you for letting me have the opportunity to be part of this formidably worthwhile organisation.



**ADAM SINGER**  
ALCS CHAIR

## REVIEW OF THE YEAR

## KEY PERFORMANCE INDICATORS



**LICENCE INCOME INCREASED BY £459,961 TO £30,675,294**



**NET ROYALTIES PAID TO WRITERS INCREASED BY £420,193 TO £27,814,188**



**A FURTHER £1.1M WAS PAID OUT TO WRITERS ON BEHALF OF WRITERS DIGITAL PAYMENTS LTD (WDP)**



**NUMBER OF WRITERS PAID INCREASED BY 7,173 TO 77,718**

## INDEPENDENT REVIEW OF LICENSING REVENUE ALLOCATION

During 2015 ALCS, together with the Publishers Licensing Society and organisations representing visual artists, took part in an independent review of the revenue allocations from licences issued by the Copyright Licensing Agency and NLA Media Access. Historically these allocations have been arrived at through negotiation; however, in light of the transparency requirements of the European Collective Rights Management Directive, it was agreed that a third-party, evidence-based determination was the more appropriate approach.

There are two main outcomes from this process affecting ALCS members. The first is an increased revenue share for authors of content in magazines and journals from 13.8%, to 17.5% for magazines and 23% for journals. (The existing allocations for book authors – an equal share with publishers – were not amended by the determination.) The second is the establishment of a more flexible approach in relation to artistic works whereby, in future, members can choose to receive payments for the artistic as well as written contributions in their works from ALCS.



## REVIEW OF THE YEAR

### REGULATION AND COMPLIANCE

As reported in last year's annual report, the EU has introduced a Directive setting out standards for governance, transparency and accountability among Collective Management Organisations (of which ALCS is one). We have continued to work with the Intellectual Property Office and other colleagues in this sector on the process of implementing the Directive, which came into force this April in the UK.

### CODE OF CONDUCT

The ALCS Code of Conduct is based on best practice principles established by the British Copyright Council. The Code sets out clearly the commitments ALCS makes to our members, provides information on operational and governance matters and details our complaints process, including access to an external review by Ombudsman Services. Our staff are trained in the application of the Code and we monitor service levels through internal review and external feedback from members.

As you'd expect, we'll continue to monitor and review the content of our Code in line with regulatory changes. Our Code of Conduct can be found at [alcs.co.uk](http://alcs.co.uk).

## REVIEW OF THE YEAR

### MOVING HOUSE

During the year we sold our old home, The Writers' House, near Tower Hill, London, and moved in with our partners the Copyright Licensing Agency (CLA) and the Publishers Licensing Society (PLS) in new leased premises in Barnard's Inn, Fetter Lane, close to Chancery Lane Tube station.

This was, of course, a difficult decision for us to make, but the decision was taken by our Board to ensure that we could forge closer working relations with our partners in this licensing regime which currently brings over £22 million to authors each year.

This new scenario means that we can work closely and efficiently to develop new licensing opportunities more easily. It also means we have achieved some economies of scale by centralising some departments such as IT support, which helps to reduce our running costs.

As a result of these arrangements our staffing numbers have reduced from 38 to 34.

The best way to describe ALCS is a godsend to writers. It's a membership society, it collects money on behalf of writers, it protects their creativity and campaigns for their rights - which is great!

Baroness Floella  
Benjamin OBE





### WORKING WITH OUR MEMBERS

#### FOCUS GROUPS

During the year we held a number of focus groups with our members in Edinburgh, Manchester and London. The main area for discussion was our website and what our members liked and didn't like about it. We've used this information to help us develop a new website that will be launched next year.

#### ARTISTIC WORKS

We have carried out a number of surveys to check out how many of our members might also hold the rights in any artistic works in their books such as charts, diagrams etc. as this is something we may be able to pay our members for in the future. As and when this develops we'll be sure to tell you.

#### DISTRIBUTION STATEMENTS

Sending these out in paper format costs us (and therefore you as a member!) a small fortune. As you'll know, any money we have left over from our operational budget goes back to our members and we'd like to give back as much as possible. You'll have noticed on our last couple of distribution statements and in our electronic newsletter – *ALCS News* – that from next year we'll be sending you notification of when your distribution statement will be ready for you to download in your members' area on the website.

**Thanks to all of you who have now helped us out by giving us an email address so we can notify you of this. For those of you yet to do so, please share your email address with us as soon as you can.**

#### ADMINISTRATION SERVICES

As many of our audiovisual writers will have seen from their statements this year, they have benefitted from the negotiations undertaken by Writers Digital Payments (WDP) to secure income from their works shown on the BBC and ITV catch-up services. ALCS distributes this income to writers on behalf of WDP.



### MEMBERSHIP OF ALCS

At 31 March 2016 our membership totalled 86,556, a net increase of 1,781 on the previous year. Our team who spend their time tracing authors for whom we hold money due to them released in excess of £3 million to new members in the year, which is a great achievement.

However, there are always more authors to find and release monies to and our members have always helped us out, talking with their friends, colleagues and families – in fact anyone who is likely to have written a book, article or script – about ALCS and encouraging them to join us. This is so helpful when you validate the work we do on behalf of writers and take away some of the 'mystery' around what we do.

We had a great result on releasing funds to new members in this financial year, and for the year ahead we'll be concentrating on finding authors in the following sectors where we are holding the most monies:

- Social sciences
- Economics, finance, business and industry
- Children's and educational
- Humanities
- Medicine



**IF YOU WRITE IN THESE AREAS AND HAVE COLLEAGUES WHO DO AS WELL, PLEASE TELL THEM ABOUT THE WORK WE DO AS WE ARE SURE WE'LL BE HOLDING MONEY FOR SOME OF THEM!**

ALCS collects money that writers are owed and it makes sure that it gets to them. I can't see what the problem with that is.

Tony Bradman





### **LOBBYING AND CAMPAIGNING – UK**

We've been working closely with the Intellectual Property Office this year on the implementation of an EU Directive on collective rights management. It's something we've been working on for some time now, including making the necessary changes to our Statutes at the AGMs in 2014 and 2015.

Along with other writers' organisations we've put our weight behind an initiative for Fair Contracts which we hope will get traction in an upcoming legislative session. The issue of fair contracts is something that the All Party Writers Group has also championed over the year with the principles of CREATOR launched at their Summer Reception by Society of Authors Chief Executive, Nicola Solomon: CREATOR standing for Clarity, Remuneration, Exploitation, Accounting, Terms, Ownership and Reasonable.

ALCS has also lobbied the Department of Culture, Media & Sport (DCMS) regarding Public Lending Right (PLR) on a number of issues during the year. Our first concern was to ensure that the allocation of monies for PLR did not suffer as part of the Spending Review (and we thank the Ministers for listening to us and keeping it level); our second issue was to try to get the loans carried out by volunteer libraries counted under the PLR sampling process, which DCMS is currently looking into; our third concern has been to lobby DCMS to make the necessary arrangements to enable writers to get paid under the PLR scheme for the remote e-lending that is being carried out in libraries (over 2.4 million e-books were loaned last year with no PLR payments made to writers).



### LOBBYING AND CAMPAIGNING – EU AND INTERNATIONAL

In Europe the copyright review process continues with a reform agenda set out in a Communication from the European Commission entitled: *Towards a modern, more European copyright framework COM (2015) 626*. The paper highlights the need for measures to support fair remuneration for authors and performers. ALCS has been working with our colleagues at the European Writers' Council and the Society of Audiovisual Authors in Brussels trying to push the needs of the author to the forefront, and we expect to see the reaction of the Commission sometime this autumn.

The paper also addresses the issue of educational exceptions. As an ALCS member you are quite likely to benefit from the licensing regime in the UK. The Copyright Licensing Agency (CLA) sells licences to the education sector to enable them to photocopy and scan portions of your work in schools, colleges and universities. ALCS then distributes the authors' portion of the licences to our members.

This works well in the UK, where authors are appropriately paid, but it doesn't work like this across all of Europe and so ALCS has been lobbying the Commission with our partners in this regime, namely the CLA and the Publishers Licensing Society, making the case that they should not tinker with a system that already works well for authors or make changes that could inadvertently negatively affect this income. Again, we expect to see the reaction of the Commission to this in the autumn.

Through our membership of the International Authors Forum, we've also ensured that the voice of the author is heard at the World Intellectual Property Organisation in Geneva, where a proposal around a more extensive global regime for certain copyright exceptions continues. ALCS Honorary President, Maureen Duffy, has been found speaking on behalf of authors to delegates from across the globe educating them on what rights an author needs to retain to enable them to make a living and to explain that an exception around education is not an appropriate solution.



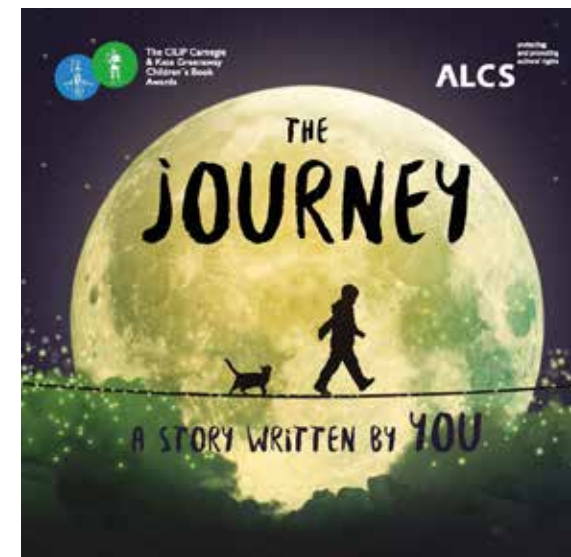
## REVIEW OF THE YEAR

## COPYRIGHT EDUCATION

During the year, we continued our long association with the Chartered Institute of Library and Information Professionals (CILIP) Carnegie and Greenaway Shadowing Scheme, encouraging the promotion of the value of copyright to nearly 100,000 young people.

We also relaunched the copyright education programme: *The Young Writer's Guide to Shakespeare* in this anniversary year, and developed a quiz, both of which proved once again to be popular.

For further details of all our copyright education activities, please check out our website, [alcs.co.uk](http://alcs.co.uk).



## REVIEW OF THE YEAR

### SUPPORT & SPONSORSHIP

The ALCS Support & Sponsorship Committee supported projects for writers, affiliated organisations and charities following criteria set by our Board. 0.25% of our annual commission was set aside to fund the programme over the year.

This year the Support & Sponsorship Committee has given funding to projects in a variety of categories including: Audiovisual, Awards, Copyright, Creative Writing, Education and Festivals.

We are proud of the support this fund has given to help writers, organisations and different projects, but unfortunately this source of funding closed on 31 March 2016.

Organisations who have received funding for projects during the year include:

- Arvon
- Centre for Literacy in Primary Education
- Children's Media Foundation
- Chipping Norton Litfest
- CREATE
- CWISL South
- Dream Reality Media
- Free Word
- Hosking Housing Trust
- National Life Stories
- Readathon
- Royal Society of Literature
- Society of Authors
- Writers' Guild of Great Britain
- Writing East Midlands
- Writing West Midlands

## CORPORATE SOCIAL RESPONSIBILITY

### **EQUAL OPPORTUNITIES POLICY**

We are committed to achieving equality in all our employment policies, procedures and practices. We promote an environment free from discrimination, harassment and victimisation, irrespective of race, colour, creed, sexual orientation, ethnic origin, nationality, religion, disability, age, gender or marital status.

### **WORKING AT ALCS**

We are staffed by a small, dedicated team who are committed to our organisation and our members. We aim to employ the best people to meet the changing needs of the Company and to promote and develop staff within the organisation.

### **HEALTH AND SAFETY POLICY**

While we work in a low-risk environment with regard to health and safety, it is important to ensure colleagues and visitors enjoy our premises at Barnard's Inn safely. Risk assessments are used to review and, where appropriate, improve the workplace and our working practices.

### **ENVIRONMENTAL POLICY**

We regularly review our environmental policy. We operate in an office environment, so our direct activities have a low environmental impact. However, overall energy usage and/or waste are closely monitored.

### **ETHICAL POLICY**

We have an ethical policy in place regarding our investments. Details can be found on our website, [alcs.co.uk](http://alcs.co.uk).

## POLICY ON DISTRIBUTION AND INVESTMENT INCOME

Our operation is financed primarily by commission on distributed fees. Commission is only charged at the point of distribution, not collection.

Our rate of commission during the year was 9.75%, of which 9.5% funded the operational budget and 0.25% was used to create a fund for projects that promote and support writers in their work. This fund is administered by the Support & Sponsorship Committee.

As a not-for-profit company run for the benefit of our members, we aim to keep operational costs to a minimum to ensure we maximise our return to writers. In line with our policy, any funds left over at the financial year-end, inclusive of any investment income or interest accumulated on fees pending distribution, are returned to our members in the following year.

As a result of this policy, the actual commission charged to our members is typically lower than the headline rate. This year the figure was 8.41%.

Our Distribution Rules as approved by our members can be found on our website, [alcs.co.uk](http://alcs.co.uk).

### INVESTMENT POLICY

Due to the low levels of return attainable on the money market, a decision was made during the year 2009/10 to diversify our investments by putting money into equities and bonds. This year, with interest rates still at a record low level, the board decided, following a thorough independent investment review, that a further diversification was the best use of our reserves. We therefore invested in a diversified growth fund and a multi-asset credit fund. Overall our investments will now deliver both capital growth and nearly £1 million of income, which is used to defray expenses and keep commission rates down.

At 31 March 2016, the value of our investments at £22.3 million showed an unrealised gain of £1.3 million.

All the investment activities of the Company are fully monitored by the Board and the Finance and Audit Committee.

## COMMITTEES

### **DISTRIBUTION & MEMBERSHIP COMMITTEE**

The Distribution & Membership Committee reviews the policy framework for ALCS in relation to those parts of the operations facilitating the payment of fees to members and proposes developments and changes in policy and procedure to the Board. It also reviews and advises on the recruitment of, and services for, members.

**The Committee met three times during the year.**

### **FINANCE & AUDIT COMMITTEE**

The Finance & Audit Committee monitors the financial, accounting, investment, taxation and associated matters affecting the Company's performance and reports back to the Board as requested or as appropriate.

**The Committee met six times during the year.**

### **NOMINATIONS COMMITTEE**

The Nominations Committee reviews and makes recommendations to the Board on such matters as Committee membership (non-executive and externals), co-options to the Board and recruitment at Board level as and when appropriate.

**The Committee met three times during the year.**

### **REMUNERATION COMMITTEE**

The Remuneration Committee reviews, analyses and makes recommendations to the Board on matters pertaining to the remuneration policy.

**The Committee met twice during the year.**

### **RESEARCH & DEVELOPMENT COMMITTEE**

The Research & Development Committee provides a link between the work of the Executive and the role of the Board in directing and monitoring strategic developments in the areas of rights, licensing and external communications. It identifies research projects and pilot studies that will further the strategic aims of ALCS and presents such projects to the Board for approval.

**The Committee met twice during the year.**

### **SUPPORT & SPONSORSHIP COMMITTEE**

The Support & Sponsorship Committee oversees the running of the fund set up by the Board, establishes the criteria for applications and makes decisions and recommendations relating to funding activities.

**The Committee met three times during the year.**

## BOARD OF DIRECTORS



**ADAM SINGER**  
NON-EXECUTIVE DIRECTOR AND CHAIR

**Appointed by the Board in November 2013**

**Committees served on during the year:**  
Finance & Audit; Nominations (Chair)

**Revenue received as an ALCS member:** n/a

**Fees received as an ALCS Director:** £35,076

**Other interests:** Chairman, Digital Radio UK;  
Chairman, UK Hydrographic Office; Chairman,  
Cordelia Limited



**OWEN ATKINSON**  
EXECUTIVE DIRECTOR AND COMPANY  
SECRETARY

**Appointed by the Board in January 2008**

**Committees served on during the year:**  
Distribution & Membership; Finance & Audit;  
Remuneration

**Revenue received as an ALCS member:** n/a

**Fees received as an ALCS Director:** n/a

**Other interests:** Director of the International  
Authors Forum



**TOBY FABER**  
NON-EXECUTIVE DIRECTOR

**Re-elected by the membership in January 2013**

**Committees served on during the year:**  
Finance & Audit (Chair until January 2016);  
Nominations

**Revenue received as an ALCS member:** £100 – £500

**Fees received as an ALCS Director:** £13,694

**Other interests:** ALCS member; Director,  
Copyright Licensing Agency Ltd, Faber & Faber Ltd;  
Chairman, Faber & Faber Productions Ltd, Faber  
Music Ltd, Geoffrey Faber Holdings Ltd and  
Resistance Films Ltd



**JONATHAN FRYER**  
NON-EXECUTIVE DIRECTOR

**Elected by the membership in January 2014**

**Committees served on during the year:**  
Distribution & Membership; Remuneration; Support  
& Sponsorship

**Revenue received as an ALCS member:** £100 – £500

**Fees received as an ALCS Director:** £9,418

**Other interests:** ALCS member, Liberal International  
British Group; Vice Chairman of (cross party)  
London4Europe

## BOARD OF DIRECTORS



**BONNIE GREER**  
NON-EXECUTIVE DIRECTOR

Elected by the membership in January 2016

**Committees served on during the year:**

Finance & Audit; Nominations;  
Research & Development

**Revenue received as an ALCS member:** £100 – £500

**Fees received as an ALCS Director:** £9,406

Other interests: ALCS member; Chancellor,  
Kingston University



**MAGGIE GEE (OBE, FRSL)**  
NON-EXECUTIVE DIRECTOR

Elected by the membership in January 2016

**Committees served on during the year:**

Finance & Audit; Nominations

**Revenue received as an ALCS member:** £100 – £500

**Fees received as an ALCS Director:** £2,351

**Other interests:** ALCS member, Professor of  
Creative Writing at Bath Spa University



**JAMES MCCONNACHIE**  
NON-EXECUTIVE DIRECTOR & VICE CHAIR

Re-elected by the membership in January 2016

**Committees served on during the year:**

Distribution & Membership (Chair until January 2016);  
Finance & Audit (Chair from January 2016);  
Nominations; Remuneration; Support & Sponsorship

**Revenue received as an ALCS member:** £100 – £500

**Fees received as an ALCS Director:** £13,106

Other interests: ALCS member; Editor, The Author;  
Director, Copyright Licensing Agency



**PAUL POWELL**  
NON-EXECUTIVE DIRECTOR

Re-appointed by the Board in September 2015

**Committees served on during the year:**

Distribution & Membership (Chair from  
January 2016); Nominations; Remuneration  
(Chair from January 2016); Support & Sponsorship

**Revenue received as an ALCS member:** £2,500 – £3,000

**Fees received as an ALCS Director:** £9,637

Other interests: ALCS member; Director/Secretary of  
Black Dog Television (TV/Radio production); Director,  
Fetter Investments; Committee Member of The Wine  
Society; Foundation Governor, Federated Schools of  
St Mary's and St Saviours, Walthamstow

## BOARD OF DIRECTORS



**JOAN SMITH**  
NON-EXECUTIVE DIRECTOR

Re-elected by the membership in January 2013

**Committees served on during the year:**

Research & Development (Chair until January 2016);  
Support & Sponsorship

**Revenue received as an ALCS member:** £100 – £500

**Fees received as an ALCS Director:** £7,054

**Other interests:** ALCS member



**STEVIE SPRING**  
NON-EXECUTIVE DIRECTOR

Appointed by the Board in May 2014

**Committees served on during the year:**

Remuneration

**Revenue received as an ALCS member:** n/a

**Fees received as an ALCS Director:** £9,631

**Other interests:** Director, BBC Children in Need;  
The ITG Group, The Co-operative Group, Kino-mo,  
University of Kent



**JONATHAN TURNER**  
NON-EXECUTIVE DIRECTOR

Re-elected by the membership in January 2014

**Committees served on during the year:**

Distribution & Membership; Remuneration;  
Research & Development

**Revenue received as an ALCS member:** £100 – £500

**Fees received as an ALCS Director:** 9,406

**Other interests:** ALCS member; Director of  
Turner Holdings Ltd; Director, UKLFI Ltd



## 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 2016.**

### **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.

## DIRECTORS' REPORT

### CHAIR AND VICE CHAIR

Adam Singer served as Chair of the Board for the duration of the financial year.

Toby Faber served as Vice Chair (resigned 4th January 2016). James McConnachie was elected Vice Chair 28th January 2016.

### DIRECTORS

#### The Directors who served during the year were:

Adam Singer, Owen Atkinson, Toby Faber (resigned 4 January 2016), James McConnachie, Jonathan Fryer, Maggie Gee (appointed 4th January 2016), Bonnie Greer, Paul Powell, Joan Smith (resigned 4 January 2016), Stevie Spring and Jonathan Turner.

### FINANCE AND AUDIT COMMITTEE MEMBERS

#### The following Directors were members of the Finance and Audit Committee during the year:

Toby Faber (Committee Chair- resigned 4 January 2016), Owen Atkinson, Adam Singer, James McConnachie (Committee Chair from 27 January 2016), Maggie Gee (from 27 January 2016) and Bonnie Greer (from 27 January 2016). Additionally, Steve Winetroube as an external independent member and Mark Bispham as Head of Finance were members of the Committee.

### ADMINISTRATION AND PERSONNEL

At the end of the financial year the number of staff working for ALCS was 30 (2015: 38). Owen Atkinson served as Company Secretary for the duration of the year.

### CHARITABLE DONATIONS

Charitable Donations of £71,770 (2015: £69,254) were made to organisations which have a close affinity to writers – including English PEN, the Centre for Literacy in Primary Education, National Life Story Collection, The Windows Project, the Arvon Foundation and CILIP.

## DIRECTORS' REPORT

### STATEMENT OF POST - BALANCE - SHEET EVENTS

£5 million was invested in the Henderson Global Investors Multi-Asset Credit fund (see Strategic Report).

### STATEMENT OF FUTURE DEVELOPMENTS

The investment in the upgrade of our website will be completed later this year.

### DISCLOSURE OF INFORMATION TO AUDITORS

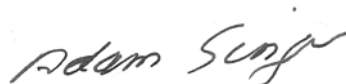
So far as each of the Directors at the time of the report approval is aware:

1. there is no relevant audit information of which the Company's auditors are unaware; and
2. 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 has indicated its 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 2016 AGM.

On behalf of the Board of Directors



**Adam Singer**

Chair of the Board of Directors and Director



**James McConnachie**

Chair of the Finance and Audit Committee and Director

14 July 2016

### 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 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; and
- any 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 and ensure that ALCS's structure and capabilities meet the requirements of the members.

### 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; and
- 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.

### LITIGATION

There is no current litigation.

**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, and regulations governing the operation of collective management organisations.

**FINANCIAL REVIEW****LICENCE INCOME**

There was a 1.5% increase in licence income this year to £30,675,294 from the previous year's value of £30,215,333.

**DISTRIBUTION**

The net distribution due to members and overseas societies was £30,623,857 of which £30,198,732 was paid in the year. A further £425,125 is due to be paid in 2016/17. Details of the ALCS distribution policy can be found on the Company's website ([alcs.co.uk](http://alcs.co.uk)).

**INVESTMENTS**

During the year the Finance and Audit Committee conducted a thorough review of our investment strategy due to the reducing levels of return attainable on the money market. Following this review, a decision was made by the Board to invest £5 million in each of a Diversified Growth Fund (managed by Columbia Threadneedle) and a Multi-Asset Credit Fund (managed by Henderson Global Investors). At the balance sheet date, only the investment with Columbia Threadneedle had been made.

## STRATEGIC REPORT

Our balanced fund of bonds and equities continues to be managed by Investec Wealth & Investment Limited. At 31 March 2016 the market value of this portfolio, before deferred taxation, exceeded cost by £1,290,204 (2015: £2,143,386). The investment activities of the Company are determined and monitored by the Board and the Finance and Audit Committee.

All income derived from these investments is used to defray our costs and reduce our commission rate.

**RESULT FOR THE YEAR AND RESERVES**

The normal operating activities of the Company for the year generated a surplus of £698,827 including a gain of £516,074 on the sale of The Writers' House. The Directors have decided that it would be prudent to retain £350,000. The remaining sum of £348,827 will be returned to members in the form of a commission refund in the March 2017 distribution.

The income and expenditure account therefore shows a surplus before taxation and fair value movements of £350,000. This has been credited to the Operating

Reserve and brings the total to £1,867,628 at 31 March 2016, which comprises an operating fund of £792,628 plus a legal fund of £1,075,000.

Historically, ALCS has accounted for its listed investments in equities and bonds at cost in line with the requirements of the previously extant UK GAAP. Under the newly introduced FRS 102, such financial assets are required to be shown at fair value. For listed equities and bonds, this is the market price as at the reporting date.

As a result of this implementation, the Company is showing significantly increased net assets, which reflects the growth in the market value of its investment portfolio. The comparative reserves as at 31 March 2015 have been restated upward from the previously reported £1,517,628 to £3,303,383, which includes an unrealised surplus on investments over their transaction cost less a deferred tax charge (the tax that would have been payable had the investments been disposed of at that date).

A full reconciliation of adjustments arising from the Company's transition to FRS 102 can be found in note 21 to the financial statements.

### KEY PERFORMANCE INDICATORS

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

- Licence income has increased by £459,961 to £30,675,294.
- Royalties payable to writers increased by £420,193 to £27,814,188.
- The effective commission rate (after commission refunds) for the year was down by 0.01% to 8.41%.
- ALCS' net membership numbers increased by 1,781 to 86,556.

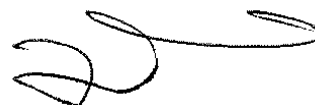
### LIKELY FUTURE DEVELOPMENTS

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

This report was approved by the Board of Directors on 14 July 2016 and signed on its behalf by:



Adam Singer  
Director  
Chair of the Board of Directors



James McConnachie  
Director  
Chair of the Finance and Audit Committee

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

We have audited the Financial Statements of Authors' Licensing and Collecting Society Limited for the year ended 31 March 2016, set out on pages 34–59. 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'.

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.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at [frc.org.uk/auditscopeukprivate](http://frc.org.uk/auditscopeukprivate).



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

### OPINION ON FINANCIAL STATEMENTS

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept, 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.



George Crowther (Senior Statutory Auditor)

for and on behalf of  
haysmacintyre  
Statutory Auditors  
26 Red Lion Square  
London  
WC1R 4AG

Date: 14 July 2016

FOR THE YEAR ENDED 31 MARCH 2016

	NOTES	2016 £	2015 £
LICENCE INCOME	2	30,675,294	30,215,333
ROYALTIES PAYABLE		(27,814,188)	(27,393,995)
COMMISSION RECEIVABLE	3	2,861,106	2,821,338
ADMINISTRATION EXPENSES	4	(3,940,272)	(3,717,918)
		(1,079,166)	(896,580)
OTHER OPERATING INCOME	5	131,207	210,646
OPERATING DEFECIT		(947,959)	(685,934)
INVESTMENT INCOME	6	781,885	910,934
GAIN ON PROPERTY DISPOSAL	5	516,074	-
SURPLUS ON ORDINARY ACTIVITIES BEFORE FAIR VALUE MOVEMENTS AND TAXATION		350,000	225,000
FAIR VALUE MOVEMENTS ON INVESTMENTS	10	(853,182)	745,502
(DEFICIT) / SURPLUS ON ORDINARY ACTIVITY BEFORE TAXATION		(503,182)	970,502
TAX ON ORDINARY ACTIVITIES	8	166,173	(176,151)
TOTAL COMPREHENSIVE (DEFICIT) / INCOME FOR THE YEAR		(337,009)	794,351

All amounts relate to continuing activities.

The notes on pages 39-59 form part of these financial statements.

FOR THE YEAR ENDED 31 MARCH 2016

	NOTES	2016	2015
		£	£
<b>FIXED ASSETS</b>			
TANGIBLE ASSETS	9	841,634	5,704,382
<b>CURRENT ASSETS</b>			
INVESTMENTS	10	22,275,535	17,083,900
DEBTORS	11	438,274	416,597
CASH AT BANK AND IN HAND		<u>17,238,546</u>	<u>19,879,626</u>
		39,952,355	37,380,123
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	12	<u>(37,636,157)</u>	<u>(39,423,491)</u>
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>		<u>2,316,198</u>	<u>(2,043,368)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		3,157,832	3,661,014
<b>PROVISION FOR DEFERRED TAXATION</b>	14	<u>(191,458)</u>	<u>(357,631)</u>
		<u>2,966,374</u>	<u>3,303,383</u>
<b>RESERVES:</b>			
<b>RETAINED EARNINGS:</b>			
OPERATING FUND		792,628	792,628
LEGAL FUND		1,075,000	725,000
UNREALISED SURPLUS ON LISTED INVESTMENTS		1,098,746	1,785,755
		<u>2,966,374</u>	<u>3,303,383</u>

APPROVED BY THE  
BOARD ON: 14 JULY  
2016Adam Singer  
Chair of Board of  
Directors and  
DirectorJames McConnachie  
Chair of the Finance  
and Audit Committee  
and Director

The notes on pages 39-59 form part of these financial statements.

FOR THE YEAR ENDED 31 MARCH 2016

<b>RECONCILIATION OF OPERATING DEFICIT TO NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
OPERATING DEFICIT FOR THE FINANCIAL YEAR	(947,959)	(685,934)
ADJUSTMENTS FOR:		
AMORTISATION OF BOND PREMIUMS	16,013	(27,820)
DEPRECIATION CHARGED FOR THE YEAR	185,800	146,577
ASSET WRITE-OFFS	(63,150)	-
ASSET DISPOSALS	516,074	-
TAXATION	-	-
(INCREASE)/DECREASE IN TRADE AND OTHER DEBTORS	(21,677)	99,055
(DECREASE) IN ROYALTIES DUE TO WRITERS	(2,384,542)	(2,260,081)
INCREASE/(DECREASE) IN TRADE CREDITORS	597,208	(292,517)
CASH FROM OPERATIONS	<u>(2,102,233)</u>	<u>(3,020,720)</u>
INCOME TAXES PAID	-	-
NET CASH OUTFLOW ON OPERATING ACTIVITIES	<u>(2,102,233)</u>	<u>(3,020,720)</u>

## CASH FLOW STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
PROCEEDS FROM SALE OF TANGIBLE ASSETS	5,208,883	-
PURCHASES OF TANGIBLE ASSETS	(468,785)	(40,725)
PAYMENT TO ACQUIRE INVESTMENTS	(8,111,326)	(5,587,914)
RECEIPTS FROM SALES OF INVESTMENTS	2,050,496	3,011,833
MONEY MARKET INTEREST	409,657	383,837
BOND INTEREST	322,418	360,035
DIVIDENDS	226,146	148,442
NET (DEFICIT) / SURPLUS ON SALE OF INVESTMENTS	(64,290)	40,436
(DECREASE) ON ACCRUED INCOME ON INVESTMENTS	(112,046)	(21,816)
<b>NET CASH TO INVESTING ACTIVITIES</b>	<b>(538,847)</b>	<b>(1,705,872)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
REPAYMENT OF BANK LOANS	-	-
REPAYMENT OF FINANCE LEASE OBLIGATIONS	-	-
INTEREST PAID	-	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,641,080)</b>	<b>(4,726,592)</b>
FOREIGN EXCHANGE TRANSLATION ADJUSTMENT	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	19,879,626	24,606,218
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>17,238,546</b>	<b>19,879,626</b>

The notes on pages 39-59 form part of these financial statements.

FOR THE YEAR ENDED 31 MARCH 2016

## RETAINED EARNINGS

RESERVES	OPERATING FUND	LEGAL FUND	UNREALISED SURPLUS ON LISTED INVESTMENTS RESERVE	TOTAL
	£	£	£	£
<b>RETAINED EARNINGS:</b>				
AT 1 APRIL 2014	792,628	500,000	1,216,404	2,509,032
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR	-	225,000	569,351	794,351
AT 1 APRIL 2015	792,628	725,000	1,785,755	3,303,383
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR	-	350,000	(687,009)	(337,009)
AT 31 MARCH 2016	<u>792,628</u>	<u>1,075,000</u>	<u>1,098,746</u>	<u>2,966,374</u>

FOR THE YEAR ENDED 31 MARCH 2016

**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 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 judgement in applying the Company's accounting policies (see note 1.14).

**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 discounts, rebates, 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.

**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 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 & fittings and office equipment**

5 years

**Computer equipment**

3 years

**Computer software**

General software – 3 years

Main IT system – 8 years

**Freehold land and buildings**

44 years.

FOR THE YEAR ENDED 31 MARCH 2016

**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 unlisted company shares, which have been classified as fixed asset investments as the Company intends to hold them on a continuing basis, 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.

Investments in listed company shares 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.

Investments in bonds are held at amortised cost. Where a premium is paid for a bond, 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 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.

**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.

**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.



FOR THE YEAR ENDED 31 MARCH 2016

### 1.9 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 the case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment.

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

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

### 1.10 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.

FOR THE YEAR ENDED 31 MARCH 2016

### 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 attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

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

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- 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.

FOR THE YEAR ENDED 31 MARCH 2016

**1.13 TRANSITION TO FRS 102**

The financial statements have been prepared under FRS 102 for the first time. As such, comparative information is presented as if the current accounting policies were always extant.

A reconciliation of changes from the previously reported result is given in note 21.

**1.14 JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The Directors consider depreciation to be an expense based on a source of estimation uncertainty.

Depreciation is based on estimates of useful lives based on historical experience of the time assets are retained and utilised by the Company.

FOR THE YEAR ENDED 31 MARCH 2016

**2 INCOME: ANALYSIS OF LICENCE INCOME**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
ANALYSED GEOGRAPHICALLY		
UK	24,568,294	24,325,886
REST OF EUROPE	5,921,222	5,850,215
NORTH AMERICA	149,625	12,102
OCEANIA	12,682	4,007
ASIA	23,471	23,123
	<u>30,675,294</u>	<u>30,215,333</u>

In the year £3,465,089 (2015: £4,831,153) was received from UK sources which originated outside the UK.

## ANALYSED BY LICENCE

COPYRIGHT LICENSING AGENCY LTD	22,241,796	22,325,249
BBC WORLDWIDE LTD	639,278	456,826
EDUCATIONAL RECORDING AGENCY LTD	1,536,727	1,471,250
OTHER INTERNATIONAL BILATERAL AGREEMENTS	6,257,493	5,962,008
	<u>30,675,294</u>	<u>30,215,333</u>

FOR THE YEAR ENDED 31 MARCH 2016

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
ANALYSED BY RIGHT AND USE		
REPROGRAPHIC	22,371,053	22,325,249
RETRANSMISSION	4,189,997	4,493,110
PRIVATE COPYING	1,759,821	965,692
EDUCATIONAL AUDIOVISUAL	1,558,674	1,471,250
LENDING	733,870	944,120
OTHER LITERARY	32,497	13,749
OTHER AUDIOVISUAL	29,382	2,163
	<u>30,675,294</u>	<u>30,215,333</u>
<b>3 COMMISSION RECEIVABLE</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
RECEIVABLE FROM 9.75% COMMISSION ON MEMBERS' ROYALTY INCOME	3,209,933	3,168,772
COMMISSION REFUND	(348,827)	(347,434)
TOTAL COMMISSION RECEIVABLE	<u>2,861,106</u>	<u>2,821,338</u>
THIS INCLUDES:		
LEVY RELATING TO DONATIONS TO CHARITIES AND OTHER ORGANISATIONS	81,741	81,272

FOR THE YEAR ENDED 31 MARCH 2016

4	<b>ADMINISTRATION EXPENSES</b>	<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
	STAFF COSTS – <i>SEE NOTE 7</i>	1,887,641	1,919,541
	CHIEF EXECUTIVE OFFICER'S REMUNERATION – <i>SEE NOTE 7</i>	218,635	210,203
	NON EXECUTIVE DIRECTORS' REMUNERATION – <i>SEE NOTE 7</i>	118,779	116,722
	RENT AND SERVICES	360,857	246,586
	TRAVEL AND MEETINGS	55,261	57,581
	PUBLISHING AND COMMUNICATIONS	432,803	384,651
	DONATIONS TO CHARITIES AND OTHER ORGANISATIONS	86,588	81,272
	COMPUTER FACILITIES AND SERVICES	366,102	287,190
	SUBSCRIPTIONS, INSURANCE AND OTHER ADMINISTRATIVE COSTS	73,460	88,343
	LEGAL, AUDIT AND OTHER PROFESSIONAL COSTS	125,058	179,252
	DEPRECIATION OF FREEHOLD PROPERTY	20,872	35,782
	DEPRECIATION OF TANGIBLE ASSETS	164,928	110,795
	PROFIT/LOSSES ON SALES OF FIXED ASSETS	29,288	-
		<b>3,940,272</b>	<b>3,717,918</b>
	INCLUDED WITHIN ADMINISTRATIVE EXPENSES ARE THE FOLLOWING:		
	AUDITORS' REMUNERATION FOR AUDIT WORK	10,800	10,500
	AUDITORS' REMUNERATION FOR NON-AUDIT WORK	4,000	7,775

FOR THE YEAR ENDED 31 MARCH 2016

<b>5</b>	<b>OTHER OPERATING INCOME</b>	<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
	MEMBERS' SUBSCRIPTIONS	67,687	39,531
	WDP FEES	55,000	-
	SUNDRY INCOME	8,520	171,115
		<u>131,207</u>	<u>210,646</u>
<b>6</b>	<b>INVESTMENT INCOME</b>		
	MONEY MARKET INTEREST	306,340	367,337
	BOND INTEREST	313,689	354,719
	DIVIDENDS	226,146	148,442
	NET SURPLUS / (DEFICIT) ON SALE OF INVESTMENTS	(64,290)	40,436
		<u>781,885</u>	<u>910,934</u>

FOR THE YEAR ENDED 31 MARCH 2016

<b>7 DIRECTORS AND EMPLOYEES</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
A) STAFF COSTS:		
WAGES AND SALARIES	1,432,335	1,461,702
SOCIAL SECURITY COSTS	186,268	176,806
PENSION COSTS	147,651	161,753
OTHER STAFF COSTS	121,387	119,280
	<u>1,887,641</u>	<u>1,919,541</u>
Pension contributions of £Nil (2015: £Nil) were outstanding at 31 March 2016.		
B) DIRECTORS' REMUNERATION:		
CHIEF EXECUTIVE OFFICER:		
EMOLUMENTS	187,453	168,210
PENSION COSTS	31,182	41,993
	<u>218,635</u>	<u>210,203</u>
BENEFITS (INCLUDED WITHIN OTHER STAFF COSTS - <i>SEE NOTE 7A</i> )	761	731
	<u>219,396</u>	<u>210,934</u>



FOR THE YEAR ENDED 31 MARCH 2016

## NON-EXECUTIVE DIRECTORS

	<b>2016</b>	<b>2015</b>	
	<b>£</b>	<b>£</b>	
ADAM SINGER (CHAIR)	35,076	35,076	Included within the Non-Executive Directors' emoluments is the sum of £35,076 (2014: £35,076) which was paid to Cordelia UK Ltd, a registered company of which Adam Singer is a director. In addition to their basic salaries Non-Executive Directors are reimbursed through the payroll for travel and subsistence costs from their home to/from ALCS. No Non-Executive Director received a pension contribution in the year (2015: Nil)
TOBY FABER (VICE CHAIR TO 4 JANUARY 2016)	13,694	17,794	
JONATHAN FRYER	9,418	9,224	
MAGGIE GEE (FROM 4 JANUARY 2016)	2,351	-	
BONNIE GREER	9,406	3,519	
JAMES MCCONNACHIE (VICE CHAIR FROM 28 JANUARY 2016)	13,106	9,688	
PAUL POWELL	9,637	9,225	
JOAN SMITH (TO 4 JANUARY 2016)	7,054	9,225	
STEVIE SPRING	9,631	7,717	
HUGH STODDART (TO 26 NOVEMBER 2014)	-	6,029	
JONATHAN TURNER	9,406	9,225	
	<u>118,779</u>	<u>116,722</u>	

## C) THE AVERAGE MONTHLY NUMBER OF EMPLOYEES DURING THE YEAR WAS AS FOLLOWS:

	<b>NUMBER</b>	<b>NUMBER</b>
CHIEF EXECUTIVE'S OFFICE AND POLICY UNIT	4	4
MEMBERSHIP RECRUITMENT AND COMMUNICATIONS	8	10
DISTRIBUTION AND MEMBERSHIP	16	14
OTHER ADMINISTRATION	6	10
	<u>34</u>	<u>38</u>

FOR THE YEAR ENDED 31 MARCH 2016

8	<b>TAXATION</b>	<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
	<b>A) THE TAX CHARGE IN THE PERIOD WAS AS FOLLOWS:</b>		
	TOTAL CURRENT TAX	-	-
	<b>B) DEFERRED TAX</b>		
	CAPITAL GAINS AND LOSSES	(166,173)	176,151
	TAX ON ORDINARY ACTIVITIES	<u>(166,173)</u>	<u>176,151</u>
	<b>B) TAX CHARGE RECONCILIATION</b>		
	<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX</b>	<u>(503,182)</u>	<u>932,565</u>
	SURPLUS BEFORE TAX MULTIPLIED BY THE CT RATE OF 20% (2015: 21%)	(100,636)	194,100
	EFFECTS OF:		
	- EXPENSES NOT DEDUCTIBLE FOR TAX PURPOSES	11,584	16,854
	- INCOME NOT TAXABLE FOR TAX PURPOSES	124,731	(21,784)
	- EXEMPT DIVIDEND INCOME	(55,209)	(41,660)
	- CHARGEABLE GAINS	(146,643)	28,641
	CURRENT TAX CHARGE FOR YEAR	<u>(166,173)</u>	<u>176,151</u>

FOR THE YEAR ENDED 31 MARCH 2016

9

**TANGIBLE ASSETS**

	<b>FREEHOLD LAND &amp; BUILDINGS</b>	<b>FIXTURES &amp; FITTINGS</b>	<b>COMPUTER &amp; OFFICE EQUIPMENT</b>	<b>COMPUTER SOFTWARE</b>	<b>NEW WEBSITE</b>	<b>TOTAL</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>COST</b>						
AT 1 APRIL 2015	5,208,883	113,473	170,781	705,091	-	6,198,228
ADDITIONS	-	239,336	18,122	101,327	110,000	468,785
DISPOSALS	(5,208,883)	-	-	-	-	(5,208,883)
ASSET WRITE-OFFS	-	(113,473)	(6,171)	-	-	(119,644)
AT 31 MARCH 2016	<u>-</u>	<u>239,336</u>	<u>182,732</u>	<u>806,418</u>	<u>110,000</u>	<u>1,338,486</u>
<b>DEPRECIATION</b>						
AT 1 APRIL 2015	71,566	82,318	151,079	188,883	-	493,846
CHARGE FOR THE YEAR	20,872	41,335	8,342	115,251	-	185,800
DISPOSALS	(92,438)	-	-	-	-	(92,438)
ASSET WRITE-OFFS	-	(86,106)	(4,250)	-	-	(90,356)
AT 31 MARCH 2016	<u>-</u>	<u>37,547</u>	<u>155,171</u>	<u>304,134</u>	<u>-</u>	<u>496,852</u>
<b>NET BOOK VALUE</b>						
AT 31 MARCH 2016	<u>-</u>	<u>201,789</u>	<u>27,561</u>	<u>502,284</u>	<u>110,000</u>	<u>841,634</u>
AT 31 MARCH 2015	<u>5,137,317</u>	<u>31,155</u>	<u>19,702</u>	<u>516,208</u>	<u>-</u>	<u>5,704,382</u>

FOR THE YEAR ENDED 31 MARCH 2016

10 INVESTMENTS	COST	UNREALISED GAIN/ (LOSS)	TOTAL AT FAIR VALUE/AMORTISED COST
	£	£	£
<b>BONDS</b>			
AT 1 APRIL 2015	5,809,105	145,325	5,954,430
AMORTISATION OF BOND PREMIUMS	(11,045)	-	(11,045)
ADDITIONS	1,299,368	-	1,299,368
DISPOSALS	(1,029,864)	-	(1,029,864)
CURRENT YEAR VALUATION (LOSS)	-	(204,937)	(204,937)
AT 31 MARCH 2016	<u>6,067,564</u>	<u>(59,612)</u>	<u>6,007,952</u>
<b>EQUITIES/BONDS</b>			
COST: AT 1 APRIL 2015	9,131,409	1,998,061	11,129,470
AMORTISATION OF BOND PREMIUMS	(4,968)	-	(4,968)
ADDITIONS	1,876,248	-	1,876,248
DISPOSALS	(1,084,922)	-	(1,084,922)
CURRENT YEAR VALUATION (LOSS)	-	(666,243)	(666,243)
AT 31 MARCH 2016	<u>9,917,767</u>	<u>1,331,818</u>	<u>11,249,585</u>

FOR THE YEAR ENDED 31 MARCH 2016

10	<b>INVESTMENTS (CONTINUED)</b>	<b>COST</b>	<b>UNREALISED GAIN/ LOSS</b>	<b>TOTAL AT FAIR VALUE/AMORTISED COST</b>
		<b>£</b>	<b>£</b>	<b>£</b>
	<b>OTHER LISTED INVESTMENTS</b>			
	COST: AT 1 APRIL 2015	-	-	-
	ADDITIONS	5,000,000	-	5,000,000
	CURRENT YEAR VALUATION GAIN	-	17,998	17,998
	AT 31 MARCH 2016	<u>5,000,000</u>	<u>17,998</u>	<u>5,017,998</u>
	<b>NET BOOK VALUE</b>			
	AT 31 MARCH 2016	<u>20,985,331</u>	<u>1,290,204</u>	<u>22,275,535</u>
	AT 31 MARCH 2015	<u>14,940,514</u>	<u>2,143,386</u>	<u>17,083,900</u>

The fair value of listed equity investments at 31 March 2016 was £22,275,535 (2015 £17,083,900).  
Investments in debt instruments are measured at amortised cost using the effective interest method.

FOR THE YEAR ENDED 31 MARCH 2016

11	<b>DEBTORS</b>	<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
	TRADE AND SUNDRY DEBTORS	-	73
	OTHER DEBTORS	14,103	15,884
	PREPAYMENTS AND ACCRUED INCOME	424,171	400,640
		<u>438,274</u>	<u>416,597</u>

There was no bad debt expense recognised during the year (2015: £Nil)

12	<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
	TRADE CREDITORS	424,656	82,583
	OTHER TAXES AND SOCIAL SECURITY COSTS	397,539	372,605
	ROYALTIES DUE TO WRITERS -	36,306,705	38,691,247
	ACCRUALS AND OTHER CREDITORS	507,257	277,056
		<u>37,636,157</u>	<u>39,423,491</u>

FOR THE YEAR ENDED 31 MARCH 2016

13	<b>ROYALTIES DUE TO WRITERS</b>	<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
	A) INCLUDED IN CREDITORS		
	AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>36,306,705</u>	<u>38,691,247</u>
	B) AGE OF ROYALTIES INCLUDED IN CREDITORS IN YEAR TO 31 MARCH:		
	LICENCE INCOME UNDISTRIBUTED AT END OF CURRENT YEAR	12,372,534	13,664,918
	LICENCE INCOME UNDISTRIBUTED FOR MORE THAN 1 YEAR	4,336,900	5,897,700
	LICENCE INCOME UNDISTRIBUTED FOR MORE THAN 2 YEARS	3,438,350	4,764,532
	LICENCE INCOME UNDISTRIBUTED FOR MORE THAN 3 YEARS	2,563,613	2,326,731
	LICENCE INCOME UNDISTRIBUTED FOR MORE THAN 4 YEARS	2,036,318	2,243,538
	LICENCE INCOME UNDISTRIBUTED FOR MORE THAN 5 YEARS	11,558,990	9,793,828
		<u>36,306,705</u>	<u>38,691,247</u>

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

14	<b>DEFERRED TAXATION</b>	<b>TOTAL</b>
		<b>£</b>
	PROVISION AT 1 APRIL 2015	357,631
	CREDIT TO INCOME STATEMENT	(166,173)
	PROVISION AT 31 MARCH 2016	<u>191,458</u>

FOR THE YEAR ENDED 31 MARCH 2016

15	<b>FINANCIAL INSTRUMENTS</b>	<b>2016</b>	<b>2015</b>
		<b>£</b>	<b>£</b>
	FINANCIAL ASSETS THAT ARE DEBT INSTRUMENTS MEASURED AT AMORTISED COST	23,260,601	25,849,940
	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	424,656	82,583

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

Financial liabilities measured at amortised cost comprise trade creditors.

## 16 RESERVES

Retained earnings includes all current and prior period retained 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.



FOR THE YEAR ENDED 31 MARCH 2016

**17 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.

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
TONY BRADMAN	-	6,374
TOBY FABER	11,223	11,591
PENNY GRUBB	-	4,926
JAMES MCCONNACHIE	1,675	7,653
ADAM SINGER	15,048	9,369
JONATHAN TURNER	8,373	8,403
	<hr/>	<hr/>
	<b>36,319</b>	<b>48,316</b>

Licence income received from CLA during the year was £22,241,796 (2014: £22,325,249). During the year a sum of £35,076 (2014: £35,076) was paid to Cordelia UK Ltd, a registered company of which Adam Singer is a Director.

	<b>£</b>	<b>£</b>
KEY MANAGEMENT PERSONNEL REMUNERATION	456,410	504,358
(for those who have an executive influence on the Company but are not statutory Directors).	<hr/>	<hr/>

FOR THE YEAR ENDED 31 MARCH 2016

**18 CONTROLLING PARTY**

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

**19 CAPITAL COMMITMENTS**

2016	2015
£	£

AT 31 MARCH 2015 THE COMPANY HAD CAPITAL COMMITMENTS AS FOLLOWS:

COSTS CONTRACTED BUT NOT PROVIDED IN THE FINANCIAL STATEMENTS	-	9,955
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The 2015 commitments relate to the development of the ALCS website.

**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 new 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 £191,728. This was a partial year as the Company moved offices on 20 July 2015.

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

FOR THE YEAR ENDED 31 MARCH 2016

**21 TRANSITION TO FRS102**

The Company has adopted FRS 102 for the year ended 31 March 2016 and has restated the comparative prior year amounts. Investments are now valued at market price. Previously they were stated at original purchase price.

This also gives rise to a deferred taxation liability. There are no other material effects of the adoption of FRS102.

**TRANSITION TO FRS102 - RECONCILIATION**

	£	
Reserves as at 1 April 2014 as previously reported under UK GAAP	<u>1,292,628</u>	The following were changes in accounting policy arising from the transition to FRS102:
Opening adjustment for fair valuation of investments	1,397,884	<b>VALUATION OF INVESTMENTS</b>
Opening adjustment for deferred taxation thereon	(181,480)	Under previous UK GAAP, investments in listed equity shares and debt instruments were recognised and subsequently measured at transaction cost. Under FRS102, the Company is required to measure these investments at fair value, which is taken as their listed price at the relevant reporting date.
Reserves as at 1 April 2014 as previously reported under FRS102	<u>2,509,032</u>	
Reserves as at 31 March 2015 as previously reported under UK GAAP	<u>1,517,628</u>	<b>DEFERRED TAX</b>
Opening adjustment for fair valuation of investments	2,143,386	Following the change in policy to recognise listed equity and debt investments at fair value, a deferred tax provision has been put in place on the notional gain at each reporting date.
Opening adjustment for deferred taxation thereon	(357,631)	
Reserves as at 31 March 2015 as previously reported under FRS102	<u>3,303,383</u>	



**ALCS**

**AUTHORS' LICENSING AND COLLECTING SOCIETY LTD**

BARNARD'S INN  
86 FETTER LANE  
LONDON  
EC4A 1EN

ALCS.CO.UK  
ALCS@ALCS.CO.UK  
+44 (0)20 7264 5700