

AUTHORS' LICENSING AND COLLECTING SOCIETY (ALCS) ANNUAL TRANSPARENCY REPORT (FINANCIAL YEAR 2015/16)

This report has been compiled in accordance with the terms of The Collective Management of Copyright (EU Directive) Regulations (2016). Further information about ALCS including the Annual Report, Financial Statements and Director's Reports for the financial year 2015/16 is also available on our website: alcs.co.uk

LEGAL AND GOVERNANCE STRUCTURE

ALCS is a collective management organisation owned and controlled by its members being authors (Ordinary members) and their successors (Successor members). A private company limited by guarantee, ALCS is governed by a Board of Directors the majority of whom must be elected by the members. The ALCS Articles of Association permit the board to appoint up to three Directors subject to such appointments being subsequently ratified by the members in General Meeting.

MEMBERSHIP OF OTHER BODIES

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

- Alliance for Intellectual Property
- The All Party Parliamentary Writers' Group (Group Administrator)
- British Copyright Council (BCC)
- British Screen Advisory Council (BSAC)
- CISAC
- The Copyright Hub (Member of the Partners Board)
- Copyright Licensing Agency (CLA)
- Creative Industries Federation
- Educational Recording Agency (ERA)
- European Writers Council (EWC)
- Fetter Investments Limited
- International Authors Forum (IAF)
- International Federation of Reproduction Rights Organisations (IFRRO)
- Society of Audio-visual Authors (SAA)

FINANCIAL STATEMENTS AND ANNUAL REPORT

The Financial Statements and Annual Report for the financial year 2015/16 can be found at alcs.co.uk.

REPORT ON ACTIVITIES DURING THE FINANCIAL YEAR

A summary of activities during the financial year is set out below; more detailed information can be found in the Annual Report.

INDEPENDENT REVIEW OF LICENSING REVENUE ALLOCATION

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. There were two key outcomes from the review. Firstly, an increased revenue share for authors of content in magazines and journals from 13.8% to 17.5% for magazines and 23% for journals. Secondly, a more flexible approach in relation to artistic works whereby, in future, members can choose to receive payments from ALCS for the artistic as well as written contributions in their works.

COPYRIGHT EDUCATION

ALCS continued its association with the CILIP Carnegie & Greenaway Shadowing Scheme, encouraging the promotion of the value of copyright to nearly 100,000 young people. ALCS also re-launched 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 with students and teachers.

LOBBYING AND CAMPAIGNING - UK

Along with other writers' organisations ALCS supported a campaign for fair contracts for authors including hosting an All Party Writers Group event.

ALCS has also lobbied the Department of Culture, Media & Sport regarding Public Lending Right (PLR) during the year on the following issues:

- Maintenance of (PLR) funding;
- Inclusion of volunteer libraries within the PLR sampling process; and
- Extending PLR payments to include remote e-lending.

LOBBYING AND CAMPAIGNING - EU AND INTERNATIONAL

During the ongoing EU copyright review, ALCS has worked with its European partner organisations, the European Writers' Council and the Society of Audiovisual Authors, to lobby for due recognition of author's rights within reformed copyright proposals by maintaining licence fees for educational use and supporting rules providing fair contractual terms for authors.

Through its membership of the International Authors Forum, ALCS has made representations to the World Intellectual Property Organisation in Geneva during discussions on proposals for copyright treaties on the use of copyright works by educational establishments and libraries.

REGULATION AND COMPLIANCE

ALCS has continued to work with the Intellectual Property Office and other colleagues in the collective rights management sector on the process of implementing the EU Directive on collective rights management and subsequent UK Regulations.

DEDUCTIONS FOR SOCIAL, CULTURAL AND EDUCATIONAL SERVICES

During this period ALCS has made a deduction of 0.25% from each member's distribution payments to fund a range of activities to support writers and writing.

The ALCS Support & Sponsorship Committee supported projects for writers, affiliated organisations and charities following criteria set by the Board. 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.

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

- Arvon (£5,000)
- Centre for Literacy in Primary Education (£5,000)
- Children's Media Foundation (£2,000)
- Chipping Norton Litfest (£4,000)
- CREATE (£3,500) (Accrued)
- CWISL South (£2,400)
- Dream Reality Media/ Sol B River (£3,000) (Accrued)
- Free Word (£300)
- Hosking Housing Trust (£2,500)
- National Life Stories (£5,000)
- Readathon (£5,000)
- Royal Society of Literature (£2,000)
- Society of Authors (£2,500)
- Writers' Guild of Great Britain (£5,000)
- Writing East Midlands (£2,500)
- Writing West Midlands (£2,500)

REMUNERATION OF CHIEF EXECUTIVE OFFICER AND BOARD OF DIRECTORS

The remuneration and other benefits received by the Chief Executive Officer and Directors of ALCS during the financial year (as recorded in the Annual Report and Financial Statements) were as follows:

Owen Atkinson (Chief Executive Officer, Director)	Total remuneration: £219,396 (Emoluments: £187,453 Pension Costs: £31,182 Other Benefits: £761)	
Toby Faber (Director)	Fees received as an ALCS Director: £13,694	Revenue received as an ALCS member: £100 - £500
Jonathan Fryer (Director)	Fees received as an ALCS Director: £9,418	Revenue received as an ALCS member: £100 - £500
Bonnie Greer (Director)	Fees received as an ALCS Director: £9,406	Revenue received as an ALCS member: £100 - £500
Maggie Gee (Director)	Fees received as an ALCS Director: £2,351	Revenue received as an ALCS member: £100 - £500
James McConnachie (Director)	Fees received as an ALCS Director: £13,106	Revenue received as an ALCS member: £100 - £500
Paul Powell (Director)	Fees received as an ALCS Director: £9,637	Revenue received as an ALCS member: £2500 - £3000
Joan Smith (Director)	Fees received as an ALCS Director: £7,054	Revenue received as an ALCS member: £100 - £500
Stevie Spring (Director)	Fees received as an ALCS Director: £9,631	
Adam Singer (Chair, Director)	Fees received as an ALCS Director: £35,076	
Jonathan Turner	Fees received as an ALCS Director: £9,406	Revenue received as an ALCS member: £100 - £500

Included within the Non-Executive Directors' emoluments is the sum of £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.

FINANCIAL INFORMATION ON RIGHTS REVENUE

The ALCS general policies on distribution and investment of rights revenue are set by the Board and approved by the members. These policies, which are available on the ALCS website – alcs.co.uk, provide that income arising from the investment of rights revenue is used to offset operational costs enabling the company to maintain a stable commission rate.

During this financial year, in accordance with the distribution policy, a commission of 9.5% was deducted by ALCS at the point of distribution to cover operational costs with a further 0.25% deducted to cover the cost of funding the social, cultural and educational services referred to earlier in this report. Any surplus commission arising as a result of investments performing beyond expectation is returned to members in the following financial year. As a result of this policy the actual commission rate charged to members during this period was 8.41%. The figures for the commission refund during this year appear in the Notes to the Financial Statements ('Commission Receivable') within the Annual Report.

ALCS applies a single rate of commission to all distributions and does not differentiate between different categories of rights when allocating administrative costs. The Notes to the Financial Statements provide a breakdown of administrative expenses. During this period the figure for costs as a proportion of rights revenue is 12.4%. This is then further reduced by the returns on our investments.

The rates for the additional commission applied by our UK licensing agencies CLA and ERA during this period were 11% and 5.7% respectively. In terms of services from third party providers relevant to distribution operations, the following table identifies the specific costs associated with data collection and the sources they relate to:

	Supplier	Paid
a.	Nielsen Bookdata Ltd	£3,250.68
b.	Rovi International	£34,219.10
c.	Broadcasting Data Services Ltd	£16,374.87
d.	IDA	£5,949.10
e.	IPI	£3,842.31

- a. Lending, Other Literary & Reprographic sources.
- b. Other Audiovisual, Private Copying & Retransmission sources.
- c. Educational Recording, Other Audiovisual, Private Copying & Retransmission.
- d. Educational Recording, Other Audiovisual, Private Copying & Retransmission sources.
- e. Educational Recording, Other Audiovisual, Private Copying & Retransmission sources.

ALCS makes two main distributions each year in March and September.

ALCS currently holds around £3.5m of aggregated undistributed payments that are linked to an identified work /rightholder and that has arisen with the last 6 years. This represents around 2% of the ALCS collections during this period. Within this aggregated sum, the average size of payments due to individual rightholders is £25. ALCS aims to make payments to identified rightholders but, in the cases of these small, individual sums, the cost of locating the rightholders exceeds the value of the payments due to them. As such, the details of the works against which payments are being held are made available through the Online Royalties Checker on the ALCS website to enable individual rightholders to search for, identify and claim fees due to them. Under the distribution policy income that is available for distribution but has yet to be claimed, as described above, is invested to defray ALCS administration costs enabling the organisation to maintain the level of commission it charges to members.

The following table sets out the rights revenue collected during this financial period broken down by categories of right and usage sectors with further breakdowns indicating the amounts that were attributed and distributed to authors. The table also sets out amounts paid by ALCS to other collective management organisations for payments to authors based outside of the UK.

Rights & Use	Income Received	Income Allocated	Income Distributed	Unallocated	Distributed to other CMOs	Administrative Expense Allocation**
Educational Recording	£1,558,674	£1,491,864	£980,845	£66,810	£103,421	£139,707
Lending	£733,870	£733,132	£591,511	£738	£113,584	£84,252
Other Audiovisual*	£29,382	£29,382	£29,160	£0	£1,361	£4,153
Other Literary*	£32,497	£26,448	£24,579	£6,049	£929	£3,501
Private Copying	£1,759,821	£1,759,821	£1,622,340	£0	£136,981	£231,079
Reprographic - Business	£964,862	£890,453	£136,074	£74,409	£12,747	£19,382
Reprographic - Education	£11,033,722	£11,026,513	£8,323,663	£7,209	£1,021,895	£1,185,587
Reprographic - EU	£1,598,314	£1,547,299	£1,155,062	£51,015	£248,635	£164,522
Reprographic - Miscellaneous	£5,381,256	£2,905,163	£2,822,327	£2,476,094	£572,966	£402,000
Reprographic - Overseas (Non-EU)	£2,727,427	£2,199,342	£1,205,410	£528,085	£332,240	£171,693
Reprographic - Public Bodies	£665,472	£619,815	£198,622	£45,657	£28,232	£28,291
Retransmission	£4,189,997	£4,083,231	£3,641,998	£106,766	£267,665	£518,751
Total 2015/16	£30,675,293	£27,312,461	£20,731,593	£3,362,832	£2,840,656	£3,890,270

* accumulated income from minor sources collected pursuant to domestic and EU licensing agreements.

**Administrative expenses (except for those specifically identified above) are allocated in direct proportion to the income distributed.

AUDITORS REPORT

The Collective Management of Copyright (EU Directive) Regulations 2016 (“The Regulations”) require the accounting information referred to in regulation 21 (4) (a),(g),(h),(j) and (k) to be audited by a person who is eligible for appointment.

The information required by regulation 21 (4) (a) namely the Financial Statements comprising a statement of comprehensive income, a statement of financial position and a cashflow statement is available at alcs.co.uk and this includes our full audit report at page 32.

The information required by regulation 21(4) (g) (h),(j) and (k) is included in this transparency report and our work on this has been undertaken in accordance with the guidance issued by the Collective Rights Management Team within the UK Intellectual Property Office (“IPO”) namely:

In relation to the breakdowns required by regulation 21(4) (g) to (k) our work was limited to the accounting information disclosed, and our audit did not cover the merits of the decisions taken by ALCS in order to allocate e.g. income or costs to particular categories, but was designed to ensure that the financial information presented as a result of these decisions is:

- a) Accurate as it relates to the materiality of the overall accounts
- b) Based on a reasonable methodology.

RESPONSIBILITY OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation and accuracy of the transparency report. Our responsibility is to audit and express an opinion on the relevant financial information in accordance with the applicable regulations and Interactional Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

OPINION ON THE TRANSPARENCY REPORT

In our opinion the breakdowns required by regulation 21(4) (g) to (k) presented in transparency report:
are materially accurate in relation to the overall accounts
based on a reasonable methodology

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