

The graphic features a solid orange vertical bar on the left. To its right is a black rectangular area containing the text 'ALCS'. Further right is a large light gray triangle pointing downwards. The background is composed of several geometric sections with different patterns: a top section with a gray and white diagonal line pattern, a middle section with a gray and white checkerboard pattern, and a bottom section with a gray and white grid pattern.

ALCS

ANNUAL TRANSPARENCY REPORT

2016–2017

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 Directors Reports for the financial year 2016/17 are also available on our website: alcs.co.uk

LEGAL AND GOVERNANCE STRUCTURE

ALCS is a collective management organisation owned and controlled by its Members who include 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 a 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)
- International Confederation of Societies of Authors and Composers (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 Audiovisual Authors (SAA)

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 Report & Accounts available on our website: alcs.co.uk.

COLLECTIONS AND DISTRIBUTIONS

There was a 4.6% increase in licence income this year to £32,072,835 from the previous year's value of £30,675,294. The gross distribution paid to Members and overseas societies was £32,607,272. Further information and detailed breakdowns regarding amounts collected and distributed can be found in the 'Financial Information on Rights Revenue' section of this report.

EXTENDING COLLECTIONS TO MEMBERS' ARTISTIC WORKS

During this financial period, for the first time, Members were offered the option of registering their artistic works, such as illustrations, diagrams and photographs, with ALCS to receive additional revenue from CLA licensing. This followed a mediation process between ALCS, the Design and Artists Copyright Society (DACS) and the Picture Industry Collecting Society for Effective Licensing (PICSEL) which established a new system for the allocation and collection of CLA fees for this type of work.

LOBBYING AND CAMPAIGNING – UK

During this financial period ALCS continued to lobby, together with the Society of Authors and others, for extension of the Public Lending Right to cover the remote loans of e-books by public libraries. This long campaign came to a successful conclusion with inclusion in the Digital Economy Act (2017) of the necessary provisions to update the PLR Act (1979) and Copyright, Designs and Patents Act (1988) to cover remote e-book lending.

LOBBYING AND CAMPAIGNING – EU AND INTERNATIONAL

Following a lengthy process of review and consultation, in September 2016 the European Commission published its 'digital single market' package of draft European Union (EU) legislation, including a proposal for a new directive on copyright. In response to concerted lobbying by ALCS, in conjunction with UK partner organisations, the draft provisions allow for a flexible approach to compensation in respect of educational use including the maintenance of the UK's voluntary licensing approach. ALCS also worked with its European partner organisations, the European Writers' Council and the Society of Audiovisual Authors, in continuing to lobby for due legislative recognition of an author's right to fair contractual terms and fair and transparent remuneration for on-line uses of their works. This work continues as the legislative process progresses.

Through its membership of the International Authors Forum, ALCS continues to make representations to the copyright committee at the World Intellectual Property Organisation regarding proposals for new treaties on the use of copyright works by educational establishments and libraries.

BREXIT

Following the result of the referendum on UK membership of the EU, the priority for ALCS has been to engage with its partner organisations across EU member states to ensure that there is no disruption to the representation of ALCS Members' rights in Europe as a consequence of Brexit. ALCS has also been involved in stakeholder dialogue with the Government on the likely impact of the repeal legislation on UK copyright and collective licensing systems.

REGULATION AND COMPLIANCE

ALCS is undergoing a systematic process of reviewing internal and external data processing policies and procedures to ensure compliance with the EU General Data Protection Regulation (GDPR) which comes into effect in May 2018 .

DEDUCTIONS FOR SOCIAL, CULTURAL AND EDUCATIONAL SERVICES

Following a decision of the Board, ALCS has discontinued the practice of taking a fixed deduction of 0.25% from each Member's distribution payments to fund a range of activities to support writers and writing. ALCS now maintains its support for projects for writers, affiliated organisations and charities, following criteria set by the Board, by allocating the necessary funds from the operating budget.

As reported in the annual accounts, this year charitable donations totalling £44,240 were made to organisations which have a close affinity to writers including the National Literacy Trust, CILIP, National Life Story Collection and the Bath Festival. In addition the following awards for writers received financial support from ALCS:

- The Writers' Guild of Great Britain Awards
- The Educational Writers Award
- Tom Gallon Award
- The inaugural Ruth Rendell Award for Literacy
- The VS Pritchett Award
- The Tinniswood Award

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:

	FEES RECEIVED FROM ALCS AS AN EMPLOYEE OR DIRECTOR	FEES RECEIVED FROM ALCS AS A MEMBER
Owen Atkinson <i>(Chief Executive Officer, Director)</i>	£209,349 (Emoluments: £177,304, Pension costs: £31,182 Other benefits: £863)	n/a
Tony Bradman <i>(Chair from 24.11.2016, Director)</i>	£12,340	£1,500–£2,000
Jonathan Fryer <i>(Director)</i>	£9,406	£100–£500
Maggie Gee <i>(Director from 4.1.2016)</i>	£9,406	£100–£500
Bonnie Greer <i>(Director to 8.3.2017)</i>	£8,875	£100–£500
James McConnachie <i>(Vice Chair from 28.1.2016, Director)</i>	£19,300	£500–£1,000
Paul Powell <i>(Director)</i>	£10,796	£500–£1,000
Joan Smith <i>(Director to 4.1.2016, re-elected 4.1.2017)</i>	£2,351	£100–£500
Stevie Spring <i>(Director)</i>	£9,596	n/a
Adam Singer <i>(Chair to 24.11.2016, Director)</i>	£22,962	n/a
Jonathan Turner <i>(Director to 24.11.2016)</i>	£7,054	£100–£500

Included within the Non-Executive Directors' emoluments is the sum of £22,962 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, which are laid out in note 4 of the Financial Statements. 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 8.22%. 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 financial period the figure for costs as a proportion of rights revenue is 11.4%. 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 6.1% 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	SOURCE TYPE(S)
a.	Nielsen Bookdata Ltd	£3,348.00	Lending, Other Literary and Reprographic
b.	Rovi International	£36,390.48	Other Audiovisual, Private Copying and Retransmission
c.	Broadcasting Data Services Ltd	£16,627.03	Educational Recording, Other Audiovisual, Private Copying and Retransmission
d.	IDA	£4,916.99	Educational Recording, Other Audiovisual, Private Copying and Retransmission
e.	IPI	£3,937.84	Educational Recording, Other Audiovisual, Private Copying and Retransmission

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

Note [13] to the Financial Statements sets out the overall amount of royalties that is due to writers, identifying sums that have yet to be distributed by reference to their year of collection. These sums include around £360k of aggregated 'non-distributable' payments which, in accordance with the ALCS Distribution Rules, are fees due to authors that remain unpaid at the end of a due diligence process to identify and locate them. For the financial period covered by this report, the figure for income identified as being non-distributable is £46,779.

ALCS aims to make payments to identified rightsholders' but, in the cases of small, individual sums, the cost of locating the rightsholders often 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 rightsholders 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 (CMO's) for payments to authors based outside the UK.

RIGHTS AND USE	INCOME RECEIVED	INCOME ALLOCATED	INCOME DISTRIBUTED	UNALLOCATED	DISTRIBUTED TO OTHER CMOS	ADMINISTRATIVE EXPENSE ALLOCATION**
Educational Audiovisual	£1,632,507	£1,560,773	£995,275	£71,733	£117,970	£183,191
Lending	£1,006,151	£800,725	£582,335	£205,426	£92,301	£112,905
Other Audiovisual*	£207,832	£67,759	£64,219	£140,074	£3,224	£82,441
Other Literary*	£79,570	£51,563	£49,333	£28,008	£679	£11,719
Private Copying	£3,149,724	£2,600,014	£2,446,022	£549,709	£169,166	£353,446
Reprographic - Business	£1,352,081	£1,177,001	£185,707	£175,080	£25,384	£151,723
Reprographic - Education	£10,677,766	£10,577,970	£8,032,032	£99,796	£1,031,753	£1,198,205
Reprographic - EU	£1,310,688	£733,434	£316,535	£577,255	£83,000	£147,079
Reprographic - Miscellaneous	£5,921,423	£1,987,829	£1,911,501	£3,933,594	£214,604	£664,471
Reprographic - Overseas	£1,824,484	£987,625	£493,795	£836,859	£151,837	£204,734
Reprographic - Public Admin	£613,933	£603,196	£166,676	£10,737	£18,539	£68,892
Retransmission	£4,296,675	£3,214,915	£2,581,146	£1,081,760	£199,922	£482,150
Total 2016–17	£32,072,835	£24,362,803	£17,824,575	£7,710,032	£2,108,380	£3,660,956

* 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.

The table below sets out the relevant rights/uses in respect of revenue collected during this financial period from the various overseas collective management organisations with which ALCS holds representation agreements:

OVERSEAS SOCIETY	TERRITORY	RIGHTS AND USE
AHF	Estonia	Lending
AKKA-LAA	Latvia	Retransmission
ALIS	Finland	Lending
ARTISJUS	Hungary	Retransmission
CAL	Australia	Reprographic
COPYDAN	Denmark	Retransmission, Private Copying
COPYSWEDE	Sweden	Retransmission, Private Copying
CSCS	Canada	Retransmission
DILIA	Czech Republic	Retransmission, Private Copying, Lending
EAU	Estonia	Retransmission
FILMJUS	Hungary	Retransmission
GCA	Georgia	Retransmission
ICLA	Ireland	Reprographic
IMRO	Ireland	Retransmission
KOPINOR	Norway	Lending, Reprographic
KOPIOSTO	Finland	Lending
LATGAA	Lithuania	Retransmission

LITA	Slovakia	Retransmission
LITERAR-MECHANA	Austria	Retransmission, Lending
NORWACO	Norway	Retransmission, Private Copying
PRO-LITTERIS	Switzerland	Lending, Other Audiovisual
RTE	Ireland	Retransmission
SABAM	Belgium	Retransmission, Private Copying, Other Audiovisual
SACD	France	Retransmission, Private Copying
SCAM	France/Belgium	Retransmission, Private Copying, Other Audiovisual, Mechanical Rights
SCREENRIGHTS	Australia	Educational Audiovisual
SGAE	Spain	Retransmission, Private Copying, Other Audiovisual
SIAE	Italy	Retransmission, Private Copying, Reprographic
SOFIA	France	Lending
SPA	Portugal	Retransmission
SSA	Switzerland	Retransmission, Private Copying
STICHTING-LIRA	Netherlands	Retransmission, Private Copying, Other Audiovisual, Lending
SUISSIMAGE	Switzerland	Retransmission, Private Copying, Educational Recording
VG WORT	Germany	Retransmission, Private Copying, Other Audiovisual, Lending, Reprographic
WGAW	USA	Private Copying
WGJ	Japan	Retransmission, Private Copying
ZAPA	Poland	Retransmission, Private Copying, Other Audiovisual, Mechanical Rights

The total amount collected from the overseas collective management organisations listed was as follows:

RIGHTS AND USE	INCOME RECEIVED
Educational Audiovisual	£85,632
Lending	£897,435
Other Audiovisual	£197,580
Other Literary	£74,985
Private Copying	£3,159,969
Reprographic	£34,295
Retransmission	£3,741,043
Total 2016–17	£8,190,939

AUDITORS' REPORT

We have performed the procedures agreed with you and enumerated below with respect to the annual transparency report of Authors' Licensing and Collecting Society Limited for the year ended 31 March 2017. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely for the purpose of your compliance with Regulation 21(2)(b) of the Collective Management of Copyright (EU Directive) Regulations 2016 and are summarised in guidance issued by the Intellectual Property Office to Auditors in August 2017.

We report our findings below:

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

Because the above procedures do not constitute engagements made in accordance with International Standards on Auditing (UK) or the International Standard for Review Engagements (UK and Ireland), we do not express any assurance on the annual transparency report for the year ended 31 March 2017.

Had we performed additional procedures or had we performed engagements in accordance with International Standards on Auditing (UK) or the International Standard for Review Engagements (UK and Ireland), other matters might have come to our attention that would have been reported to you.

Use and purpose of our report

Our Report is prepared solely for the use of Authors' Licensing and Collecting Society Limited and solely for the purpose of its compliance with Regulation 21(2)(b) of the Collective Management of Copyright (EU Directive) Regulations 2016. It may not be relied upon by Authors' Licensing and Collecting Society Limited for any other purpose whatsoever. Our Report was not prepared for the benefit of any party other than Authors' Licensing and Collecting Society Limited. haysmacintyre neither owes nor accepts any duty to any other party (including any copyright owner, heirs to copyright owners, agents or licensees) and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by their reliance on our Report.



George Crowther
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Date: 28 September 2017