ALCS

Report and Accounts 2018/19

Authors' Licensing and Collecting Society Limited

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Lifetime President
Maureen Duffy

Chair
Tony Bradman

Directors
Tony Bradman (Chair)
James McConnachie (Vice Chair) (to 22 November 2018)
Owen Atkinson (Chief Executive Officer)
Faye Bird
Tom Chatfield
Jonathan Fryer
Maggie Gee
Joanne Harris (from 22 November 2018)
Diane Redmond (from 22 November 2018)
Michael Ridpath
Joan Smith

Company Secretary
Owen Atkinson

Company Number
01310636

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

Registered Office
Shackleton House
4 Battle Bridge Lane
London
SE1 2HX

Auditors
Haysmacintyre LLP
Chartered Accountants
10 Queen Street Place
London
EC4R 1AG

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DIRECTORS' REPORT

The Board of Directors herewith presents its Directors' Report and Strategic Report, together with the audited Financial Statements of the Company for the year ended 31 March 2019.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report, the Strategic Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Chair and Vice Chair

Tony Bradman served as Chair of the Board for the duration of the financial year. James McConnachie served as Vice Chair until 22 November 2018. The position of Vice Chair was then retired.

DIRECTORS' REPORT (cont.)

Directors
The Directors who served during the year were: Tony Bradman, Owen Atkinson, Faye Bird, Tom Chatfield, Jonathan Fryer, Maggie Gee, Joanne Harris (from 22 November 2018), James McConnachie (to 22 November 2018), Diane Redmond (from 22 November 2018), Michael Ridpath and Joan Smith.

Finance and Audit Committee members
The following Directors were members of the Finance and Audit Committee during the year: James McConnachie (Committee Chair to November 2018), Owen Atkinson, Faye Bird (from January 2019), Tony Bradman, Joanne Harris (from January 2019), Michael Ridpath (Committee Chair from January 2019) and Joan Smith (to January 2019). Additionally, Robert Parker as an external independent member and Mark Bispham as Group Chief Financial Officer were members of the Committee.

Administration and personnel
At the end of the financial year the number of staff working for ALCS was 36 (2018: 37). Owen Atkinson served as Company Secretary for the duration of the year.

Charitable donations
Charitable donations of £76,776 (2018: £48,185) were made to organisations that have a close affinity to writers, including the National Literacy Trust, Royal Society of Literature, Writing West Midlands and CILIP.

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

DIRECTORS' REPORT (cont.)

Disclosure of information to Auditors

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

- there is no relevant audit information of which the Company's Auditors are unaware
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

Auditors

ALCS governance rules require a change of Auditors at the end of 2018/19. Haysmacintyre LLP will therefore step down. A resolution to appoint new Auditors will be placed before the AGM in November 2019.

On behalf of the Board of Directors on 11 July 2019:

Tony Bradman
Director
Chair of the Board of Directors

Michael Ridpath
Director
Chair of the Finance and Audit Committee

STRATEGIC REPORT

Principal activities of the Company

The Company represents writers in all genres. It collects and distributes fees for rights which can only, or can most effectively, be administered through collective administration in the United Kingdom and abroad. The Company has agreements with over 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
- fragmentation of the current licensing partnerships
- policy developments extending the copyright exceptions regime that fail to recognise writers' right to remuneration.

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

Financial risks

The Company undertakes regular reviews of its financial policies. The major risks are:

- a fall in interest rates and dividends
- a decline in equity and bond values
- fluctuations in the sterling exchange rate.

Wherever possible the Board takes action to mitigate any risk. Company policies are regularly reviewed by the Board (or its relevant sub-committee) and updated where appropriate. Our investments are diversified to minimise risk and volatility while maximising gains. We do not hedge foreign currency but convert it at the prevailing rate on receipt.

STRATEGIC REPORT (cont.)

The Copyright Reform Agenda

Alongside partner organisations, ALCS continues to make strong representations to the UK Government, the European Commission and the World Intellectual Property Organization on this issue on behalf of writers.

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

FINANCIAL REVIEW

Licence income

There was a 6.97% increase in licence income this year to £36,728,083 from the previous year's amount of £34,334,722.

Distribution

The gross distribution paid to Members and overseas societies was £34,919,425 (£31,651,631 net), (2018: £34,142,330 gross, £30,944,956 net). Details of the ALCS distribution policy can be found on the Company's website (alcs.co.uk).

Investments

Our diversified investment strategy continued with a mixture of equities, bonds, a diversified growth fund and a multi-asset credit fund. The purpose of these investments is to both protect the assets of the society and provide an income which helps defray expenses. At 31 March 2019 the market value of this portfolio, before deferred taxation, exceeded cost by £4,423,225 (2018: £3,994,067). During the year these investments generated £838,440 of interest, dividends and distributions including net realised trading gains of £96,518 (2018: £954,155 and £180,697 respectively). The investment strategy of the Company is determined and performance is monitored by the Board and the Finance and Audit Committee.

STRATEGIC REPORT (cont.)

Result for the year and reserves

The normal operating activities of the Company for the year generated a surplus of £274,627 which the Directors have decided will be returned to Members in the form of a commission refund in the March 2020 distribution.

The income and expenditure account therefore shows no profit or loss before taxation and fair value movements. This therefore leaves the Operating Reserve unmoved at £1,867,628 at 31 March 2019, which comprises an operating fund of £792,628 plus a legal fund of £1,075,000.

Key performance indicators

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

- Licence Income has increased by £2,393,361 to £36,728,083.
- Gross payments to writers exceeded £30 million for the seventh successive year. They were 2.4% up this year at £34.9 million (2018: £34.1 million).
- The effective commission rate (after commission refunds) for the year was up by 0.4% to 8.7%.
- ALCS membership numbers increased by 6,810 to 102,483.

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 11 July 2019 and signed on its behalf by:

Tony Bradman
Director
Chair of the Board of Directors

Michael Ridpath
Director
Chair of the Finance and Audit Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTHORS' LICENSING AND COLLECTING SOCIETY LIMITED

Opinion

We have audited the financial statements of Authors' Licensing and Collecting Society Limited (the 'Company') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Cash Flow Statement, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and its result for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the Financial Statements are authorised for issue.

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us
- the Financial Statements are not in agreement with the accounting records and returns
- certain disclosures of Directors' remuneration specified by law are not made
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

11 July 2019

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	2019 £	2018 £
Licence income	2	36,728,083	34,334,722
Royalties payable		(33,734,916)	(31,526,431)
Commission receivable	3	2,993,167	2,808,291
Administration expenses	4	(4,065,627)	(4,038,002)
		(1,072,460)	(1,229,711)
Other operating income	5	156,147	201,943
Operating deficit		(916,313)	(1,027,768)
Investment income	6	916,313	1,027,768
Surplus on ordinary activities before fair value movements and taxation		–	–
Fair value movements on investments	10	429,158	(155,653)
(Deficit)/Surplus on ordinary activity before taxation		429,158	(155,653)
Tax on ordinary activity	8	88,662	178,674
Total comprehensive income for the year		517,820	23,021

All amounts relate to continuing activities.

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

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

			2019		2018
	Notes	**£**	**£**	**£**	**£**
Fixed assets					
Tangible assets	9		525,720		704,295
Current assets					
Investments	10	32,788,247		31,588,342	
Debtors	11	346,431		201,256	
Cash at bank and in hand		12,395,999		11,013,266	
		45,530,677		42,802,864	
Creditors: amounts falling due within one year	12	(39,765,544)		(37,645,464)	
Net current assets			5,765,133		5,157,400
Total assets less current liabilities			6,290,853		5,861,695
Provision for deferred taxation	14		(295,380)		(384,042)
			5,995,473		**5,477,653**
Reserves:					
Retained earnings:					
Operating fund			792,628		792,628
Legal fund			1,075,000		1,075,000
Unrealised surplus on listed investments			4,127,845		3,610,025
			5,995,473		**5,477,653**

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

Approved by the Board on 11 July 2019:

Tony Bradman
Director
Chair of Board of Directors

Michael Ridpath
Director
Chair of the Finance and Audit Committee

CASH FLOW STATEMENT

For the year ended 31 March 2019

	2019	2018
Reconciliation of operating deficit to net cash flow from operating activities	**£**	**£**
Operating deficit for the financial year	(916,313)	(1,027,768)
Adjustments for:		
Amortisation of bond premiums	20,876	(24,386)
Depreciation charged for the year	199,703	221,776
Loss on disposal of fixed assets	39,852	–
Decrease/(Increase) in trade and other debtors	(145,175)	295,497
Increase/(Decrease) in royalties due to writers	2,088,215	581,476
Increase in other creditors	31,865	(104,890)
Net cash inflow/(outflow) on operating activities	1,319,023	(58,295)
Cash flows from investing activities		
Purchases of tangible assets	(60,980)	(127,055)
Payment to acquire investments	(2,940,236)	(4,526,067)
Receipts from sales of investments	2,245,131	3,821,129
Money market interest	83,182	54,166
Bond interest	221,597	315,557
Dividends	378,906	338,908
Income from managed funds	136,110	138,440
Net cash to investing activities	63,710	15,078

CASH FLOW STATEMENT (cont.)

For the year ended 31 March 2019

	2019	2018
	£	£
Net increase/(decrease) in cash and cash equivalents	**1,382,733**	**(43,217)**
Cash and cash equivalents at beginning of year	11,013,266	11,056,483
Cash and cash equivalents at end of year	**12,395,999**	**11,013,266**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Retained earnings			
Reserves	**Operating fund**	**Legal fund**	**Unrealised surplus on listed investments reserve**	**Total**
	£	**£**	**£**	**£**
Retained earnings				
At 1 April 2017	792,628	1,075,000	3,587,004	5,454,632
Surplus/(Deficit) for the financial year	–	–	23,021	23,021
At 1 April 2018	792,628	1,075,000	3,610,025	5,477,653
Surplus for the financial year	–	–	517,820	517,820
At 31 March 2019	792,628	1,075,000	4,127,845	5,995,473

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

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 1.13)*.

1.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding value added tax (VAT) and other sales taxes.

Licence income shows the amount of royalties received during the year under ALCS licensing agreements. Commission is recognised on the distribution of royalties to Members. Income is the amount derived from ordinary activities, stated net of VAT.

1.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is 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:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

Fixtures, fittings and office equipment
5 –10 years

Computer equipment
3 –5 years

Computer software
General software – 3 years
Main IT system – 8 years

1.4 Operating leases: lessee

Rentals paid under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

1.5 Valuation of investments

Investments in listed equity investments and fixed-term securities are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

Where a premium is paid for a fixed-term security, over the redemption value, the amount is amortised over the period to redemption or the period to the call date, if that is earlier.
The profit or loss on disposals of investments constitutes the difference between the proceeds received from the sale of listed investments 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.

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

1.6 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost, using the effective interest method, less any impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

1.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.8 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument, and subsequently, at amortised cost.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

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

The Directors consider that realised investment gains or losses should be presented within investment income rather than within fair value movements on investments in order to properly reflect the Company's performance *(see note 1.5)* in respect of accumulated reserves and operating surpluses refundable to Members.

2 Income: Analysis of Licence Income

	2019	2018
	£	£
Analysed geographically		
UK	27,289,557	25,910,076
Rest of Europe	9,292,096	8,250,496
North America	106,623	103,751
Oceania	5,347	36,509
Asia	34,460	33,890
	36,728,083	34,334,722

In the year, £4,528,549 (2018: £3,637,665) was received from UK sources that originated outside the UK.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

	2019	2018
	£	£
Analysed by licence		
Copyright Licensing Agency Limited	23,817,384	22,588,225
Publishers' Licensing Services Limited	1,188,447	1,154,304
BBC Worldwide Limited	553,486	527,242
Educational Recording Agency Limited	1,601,875	1,581,250
Other international bilateral agreements	9,566,891	8,483,701
	36,728,083	34,334,722
Analysed by right and use		
Reprographic	24,839,364	23,647,239
Retransmission	5,522,904	4,290,171
Private copying	2,477,012	3,359,884
Educational audiovisual	1,708,248	1,632,846
Lending	1,424,212	1,002,091
Other literary	15,992	60,859
Other audiovisual	502,835	214,039
Visual arts	237,516	127,593
	36,728,083	34,334,722

3 Commission Receivable

	2019	2018
	£	£
Receivable from 9.5% commission on Members' royalty income	3,267,794	3,206,382
Commission refund	(274,627)	(398,091)
Total commission receivable	2,993,167	2,808,291

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

4 Administration Expenses

	2019	2018
	£	£
Staff costs – *see note 7*	2,022,292	2,016,715
Chief Executive Officer's remuneration – *see note 7*	258,566	228,752
Non-Executive Directors' remuneration – *see note 7*	118,260	109,740
Rent and services (including dilapidations provision)	454,216	345,124
Travel and meetings	46,286	69,640
Publishing and communications	262,399	289,095
Donations to charities and other organisations	69,925	74,454
Computer facilities and services	427,989	517,863
Subscriptions, insurance and other administrative costs	78,738	77,294
Legal, audit and other professional costs	112,549	87,549
Depreciation of tangible assets	214,408	221,776
Profit/Losses on sales of fixed assets	–	0
	4,065,627	4,038,002

Included within administrative expenses are the following:		
Auditor's remuneration for audit work	13,500	13,000
Auditor's remuneration for non-audit work	7,965	7,730

5 Other Operating Income

	2019	2018
	£	£
Members' subscriptions	121,247	129,617
Writers Digital Payments (WDP) fees	25,000	25,000
Sundry income	9,900	47,326
	156,147	201,943

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

6 Investment Income

	2019	2018
	£	£
Money market interest	77,291	73,613
Bond interest	227,488	296,110
Dividends	378,906	338,908
Income from managed funds net of management fees	136,110	138,440
Net surplus/(deficit) on sale of investments	96,518	180,697
	916,313	1,027,768

7 Directors and Employees

	2019	2018
	£	£
a) Staff costs		
Wages and salaries	1,500,333	1,500,704
Social security costs	224,337	221,088
Pension costs	185,453	172,808
Other staff costs	112,169	122,115
	2,022,292	2,016,715

Pension contributions of £Nil (2018: £Nil) were outstanding at 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

	2019	2018
	£	£
b) Directors' remuneration		
Chief Executive Officer:		
Emoluments	247,409	217,781
Pension costs	10,000	10,000
	257,409	227,781
Benefits *(included within other staff costs – see Note 7a)*	1,157	971
	258,566	228,752
Non-Executive Directors:		
Faye Bird	9,735	5,173
Tony Bradman *(Chair)*	40,000	35,000
Tom Chatfield	9,735	7,838
Jonathan Fryer	9,735	9,406
Maggie Gee	9,735	9,406
Joanne Harris *(from 22 November 2018)*	3,635	–
James McConnachie *(Vice Chair to 22 November 2018)*	12,677	19,192
Paul Powell *(to 12 September 2017)*	–	4,914
Diane Redmond *(from 22 November 2018)*	3,538	–
Michael Ridpath	9,735	7,838
Joan Smith	9,735	9,406
Stevie Spring *(to 28 May 2017)*	–	1,567
	118,260	109,740

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 (2018: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

	2019	2018
c) Average monthly number of employees during the year:	**Number**	**Number**
Chief Executive's Office and Policy Unit	3	4
Membership and Communications	17	14
Distribution	10	11
Other Administration	6	6
	36	35

8 Taxation

	2019	2018
	£	**£**
a) Tax charge/(credit) in the year:		
Total current tax	–	–
Deferred tax		
Capital gains and losses	(88,662)	(178,674)
Tax on ordinary activities	(88,662)	(178,674)
b) Tax charge/(credit) reconciliation		
(Deficit)/Surplus on ordinary activities before tax	429,158	(155,653)
(Deficit)/Surplus before tax multiplied by the CT rate of 19% (2018: 19%)	81,540	(29,574)
Effects of:		
Expenses not deductible for tax purposes	9,963	11,909
Income not taxable for tax purposes	(112,550)	(37,448)
Exempt dividend income	(77,029)	(74,191)
Chargeable gains	91,938	(133,982)
Recognition of deferred tax assets in respect of taxable losses	(82,524)	84,612
Tax credit for the year	(88,662)	(178,674)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

9 Tangible Assets	Fixtures and fittings	Computer and office equipment	Computer software	Assets under construction	Total
	£	£	£	£	£
Cost					
At 1 April 2018	242,343	213,781	1,145,918	–	1,602,042
Additions	–	21,231	10,800	28,949	60,980
Disposals	–	–	–	–	–
Asset write-offs	(182,532)	(22,058)	–	–	(204,590)
At 31 March 2019	59,811	212,954	1,156,718	28,949	1,458,432
Depreciation					
At 1 April 2018	150,516	184,152	563,079	–	897,747
Charge for the year	44,028	1,002	154,673	–	199,703
Disposals	–	–	–	–	–
Assets write-offs	(164,738)	–	–	–	(164,738)
At 31 March 2019	29,806	185,154	717,752	–	932,712
Net book value					
At 31 March 2019	30,005	27,800	438,966	28,949	525,720
At 31 March 2018	91,827	29,629	582,839	0	704,295

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

10 Investments

	Cost	Unrealised gain/(loss)	Total at fair value
	£	£	£
Bonds			
At 1 April 2018	6,607,587	(30,109)	6,577,478
Amortisation of bond premiums	(20,876)	–	(20,876)
Additions	1,223,225	–	1,223,225
Disposals	(995,132)	–	(995,132)
Current year valuation (loss)	–	(31,614)	(31,614)
At 31 March 2018	6,814,804	(61,723)	6,753,081
Equities			
Cost: at 1 April 2018	10,983,720	3,194,389	14,178,109
Additions	1,717,038	–	1,717,038
Disposals	(1,153,481)	–	(1,153,481)
Current year valuation gain	–	369,132	369,132
At 31 March 2019	11,547,277	3,563,521	15,110,798
Other listed investments			
Cost: at 1 April 2018	10,002,968	829,787	10,832,755
Disposals	(27)	–	(27)
Current year valuation gain	–	91,640	91,640
At 31 March 2019	10,002,941	921,427	10,924,368
Net totals value			
At 31 March 2019	28,365,022	4,423,225	32,788,247
At 31 March 2018	27,594,275	3,994,067	31,588,342

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

11 Debtors

	2019	2018
	£	£
Trade and sundry debtors	92,899	33,207
Other debtors	6,475	7,419
Prepayments and accrued income	247,057	160,630
	346,431	201,256

There was no bad debt expense recognised during the year (2018: £Nil).

12 Creditors: Amounts Falling Due Within One Year

	2019	2018
	£	£
Trade creditors	37,137	1,131
Other taxes and social security	374,939	372,802
Royalties due to writers – *see note 13*	38,840,665	36,752,450
Accruals and other creditors	512,803	519,081
	39,765,544	37,645,464

13 Royalties Due To Writers

	2019	2018
	£	£
a) Included in creditors		
Amounts falling due within one year	38,840,665	36,752,450

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

	2019	2018
	£	£
b) Age of royalties included in creditors in year to 31 March:		
Licence income undistributed at end of current year	14,374,597	13,941,845
Licence income undistributed for more than 1 year	8,138,652	7,710,625
Licence income undistributed for more than 2 years	5,660,284	4,375,043
Licence income undistributed for more than 3 years	2,629,181	2,376,388
Licence income undistributed for more than 4 years	1,952,571	1,717,509
Licence income undistributed over 5 years	6,085,380	6,631,040
	38,840,665	36,752,449

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

14 Deferred Taxation

	Total
	£
Provision at 1 April 2018	384,042
Credited to income statement	(88,662)
Provision at 31 March 2019	295,380

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

15 Financial Instruments

	2019	2018
	£	£
Financial assets that are debt instruments measured at fair value	6,753,081	6,577,478
Financial assets that are debt instruments measured at amortised cost	99,374	40,626
Financial assets that are equity instruments measured at fair value	26,035,166	25,010,864
Financial liabilities measured at amortised cost	37,137	1,131

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

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

Financial liabilities measured at amortised cost comprise trade creditors.

16 Reserves

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

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

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

17 Related Party Transactions

During the year, the following Directors of ALCS were also Directors of the Copyright Licensing Agency 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

	2019	2018
	£	£
Tony Bradman	15,048	15,048
Tom Chatfield	8,373	–
Toby Faber	1,871	11,223
James McConnachie	10,929	10,048
	36,221	36,319

Licence income received from the Copyright Licensing Agency during the year was £23,812,139 (2018: £22,588,225).

	£	£
Key management personnel remuneration	522,543	523,954

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

18 Controlling Party

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

19 Operating Lease Commitments

There were no operating leases of a material nature.

The Company has entered into a licence to share costs for the offices at Barnard's Inn, (vacated November 2018) and Shackleton House with the Copyright Licensing Agency, Publishers' Licensing Services and the Educational Recording Agency. The share is based on fluctuating headcount numbers so it cannot be reliably estimated prospectively. In the current year the shared premises costs (rent, rates and service charge) amounted to £232,752 (2018: £219,116).

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