

**British Equity Collecting Society
Limited**

Directors' Report and Financial Statements

Year Ended

30 April 2020

Company Number 03547531

British Equity Collecting Society Limited
(A Company Limited by Guarantee)

Company Information

| | |
|----------------------------|--|
| Directors | P G Barnes R Browne J Cameron-Brown N Gerson S M Kenis F C Pyne J A Rogers S Treble T Nasser |
| Company secretary | T Nasser |
| Registered number | 03547531 |
| Registered office | Plouviez House First Floor 19-20 Hatton Place London England EC1N 8RU |
| Independent auditor | BDO LLP 150 Aldersgate Street London United Kingdom EC1A 4AB |

British Equity Collecting Society Limited
(A Company Limited by Guarantee)

Contents

| | Page |
|--|---------|
| Directors' Report | 1 - 3 |
| Independent Auditor's Report | 4 - 6 |
| Statement of Comprehensive Income | 7 |
| Statement of Financial Position | 8 |
| Statement of Cash Flows | 9 |
| Notes to the Financial Statements | 10 - 21 |

British Equity Collecting Society Limited

(A Company Limited by Guarantee)

Directors' Report **For the Year Ended 30 April 2020**

The Directors present their report and the audited financial statements for the year ended 30 April 2020.

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' 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; and
- 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 to 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

The Directors who served during the year were:

P G Barnes
R Browne
J Cameron-Brown
N Gerson
S M Kenis
A J Prodger (resigned 30 April 2020)
F C Pyne
J A Rogers
S Treble (appointed 6 December 2019)

T Nasser was appointed as a director of the Company on 1 May 2020, after the year end.

British Equity Collecting Society Limited

(A Company Limited by Guarantee)

Directors' Report (continued)
For the Year Ended 30 April 2020

Going concern

The emergence of the COVID-19 pandemic has impacted the Company and has created additional risks going forward which have been fully considered and reflected by the Directors.

The Directors have considered the main impacts and mitigating actions taken as discussed below.

The restrictions put in place by governments worldwide had an immediate disastrous impact on performers' livelihoods. It is now apparent that there will also be a longer term effect on performers' income. Performers who enjoy income from the licensing of their performances and income resulting from secondary rights are likely to suffer further as these revenue streams are predicted to drop sharply. Collective Management Organisations (CMOs) are forecasting a drop of between 40%-60% in their 2020 collections from licensing for communication to the public rights and also from broadcasters as their advertising revenues fell significantly during lockdown.

Inversely, the lockdowns have resulted in the public signing up to streaming services for their entertainment needs. Government regulators have reported a significant increase in the public watching TV and online video content, a rise of almost a third on last year. This was replicated across Europe. Post-lockdown, it is reported that an overwhelming majority of people who signed up to the streaming platforms said they plan to keep their subscriptions going. This means that for those CMOs around Europe who have managed to sign agreements with these streaming companies, it is likely that the collections for distribution are higher than forecast. However, most of these agreements are relatively new so it would be difficult to forecast accurately how much higher the incomes are as a direct result of the above.

As our collections tend to be at least a year in arrears, there is no immediate direct impact on distributable income. We expect to see the resultant drop in collections from licencing of venues to impact the financial years 2021/22 and 2022/23. We also expect the new revenue streams from the digital platforms to filter through in those years, which will compensate slightly for the former.

A more immediate concern as we come to the end of the transition period following the UK's withdrawal from the EU on the 31st January 2020, is BECS' ability to continue collecting from existing European bilateral agreement partners. A number of CMOs have voiced their concerns about existing arrangements, one has sent a letter terminating BECS' bilateral agreement as of 31st December 2020, while the vast majority have expressed interest in finding ways to carry on working together post transition.

BECS is in close contact with AEPO Artis which is the central body for representing European CMOs' views and lobbying the EU Commission on their behalf. Through this platform, we can keep abreast of developments in Europe that could help BECS as well as keep our partners informed of our efforts to ensure BECS remains as a valuable partner.

The BECS Board feels confident that we can continue to collect for our members' works used in Europe and are working hard to maintain close ties with the representative CMOs. These things will take time, but we are hopeful that the government will seek a position that safeguards the UK's reputation as a leading country for the protection of copyright and that this will be reflected in the Free Trade Agreements that are currently being negotiated.

BECS have been successfully operating during the post-lockdown period with no significant operational issues identified.

British Equity Collecting Society Limited

(A Company Limited by Guarantee)

Directors' Report (continued)
For the Year Ended 30 April 2020

Going concern (continued)

The Directors believe that cash flow remains sufficient to meet our fixed unavoidable liabilities with the impact of COVID having been incorporated into our forecasts. We will continue to work to maximise collections for our members and minimise costs, and we forecast a surplus for the year 2020/2021. At 30 April 2020, the Company had net current assets of c£868k. This provides assurance that the Company will have sufficient resources to continue as a going concern.

At the date of approval of the financial statements the Covid measures are being eased, although uncertainty remains over the nature and duration of the current restrictions and consequential economic impacts. The Directors conclude that, while uncertainty exists, it does not pose a material uncertainty which will affect the Company's ability to continue in operational existence for the foreseeable future and it is appropriate to use the going concern basis in the preparation of the Financial Statements.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

J A Rogers
Director

Date:

British Equity Collecting Society Limited

(A Company Limited by Guarantee)

Independent Auditor's Report to the Members of British Equity Collecting Society Limited

Opinion

We have audited the financial statements of British Equity Collecting Society Limited ("the Company") for the year ended 30 April 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Cash Flows, and the 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 30 April 2020 and of its profit 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.

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 twelve months from the date when the financial statements are authorised for issue.

British Equity Collecting Society Limited

(A Company Limited by Guarantee)

Independent Auditor's Report to the Members of British Equity Collecting Society Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

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 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, 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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic report.

British Equity Collecting Society Limited

(A Company Limited by Guarantee)

Independent Auditor's Report to the Members of British Equity Collecting Society Limited (continued)

Responsibilities of Directors

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, 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.

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: <https://www.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.

Heather Wheelhouse (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
BDO LLP
London
United Kingdom

Date:

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

British Equity Collecting Society Limited
(A Company Limited by Guarantee)

Statement of Comprehensive Income
For the Year Ended 30 April 2020

| | Note | 2020 £ | 2019 £ |
|---|------|------------------|-----------|
| Turnover | | 831,196 | 630,196 |
| Gross profit | | 831,196 | 630,196 |
| Administrative expenses | | (652,032) | (651,490) |
| Operating profit/(loss) | 4 | 179,164 | (21,294) |
| Interest receivable and similar income | | 8,990 | 3,664 |
| Profit/(loss) before tax | | 188,154 | (17,630) |
| Tax on profit/(loss) | 7 | (29,245) | 12,686 |
| Profit/(loss) for the financial year | | 158,909 | (4,944) |

There was no other comprehensive income for 2020 (2019 - £Nil).

The notes on pages 10 to 21 form part of these financial statements.

British Equity Collecting Society Limited
(A Company Limited by Guarantee)
Registered number:03547531

Statement of Financial Position
As at 30 April 2020

| | Note | 2020 £ | 2020 £ | As restated 2019 £ | As restated 2019 £ |
|--|------|-------------|-----------|--------------------------|--------------------------|
| Fixed assets | | | | | |
| Intangible assets | 8 | | 8,930 | | 16,151 |
| Tangible assets | 9 | | 31,890 | | 54,215 |
| | | | 40,820 | | 70,366 |
| Current assets | | | | | |
| Debtors: amounts falling due within one year | 10 | 105,653 | | 106,408 | |
| Current asset investments | 11 | 7,500,000 | | 7,000,000 | |
| Cash at bank and in hand | | 2,033,259 | | 3,069,713 | |
| | | 9,638,912 | | 10,176,121 | |
| Creditors: amounts falling due within one year | 12 | (8,770,867) | | (9,501,675) | |
| Net current assets | | | 868,045 | | 674,446 |
| Deferred tax | 14 | (5,144) | | - | |
| | | | (5,144) | | - |
| Net assets | | | 903,721 | | 744,812 |
| Capital and reserves | | | | | |
| Profit and loss account | | | 903,721 | | 744,812 |
| Total equity | | | 903,721 | | 744,812 |

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

J A Rogers
Director

Date:

The notes on pages 10 to 21 form part of these financial statements.

British Equity Collecting Society Limited
(A Company Limited by Guarantee)

Statement of Cash Flows
For the Year Ended 30 April 2020

| | 2020 £ | As restated 2019 £ |
|---|--------------------|--------------------------|
| Cash flows from operating activities | | |
| Profit/(loss) for the financial year | 158,909 | (4,944) |
| Adjustments for: | | |
| Amortisation of intangible assets | 12,144 | 63,244 |
| Depreciation of tangible assets | 22,325 | 22,175 |
| Interest received | (8,990) | (3,664) |
| Taxation charge/(credit) | 29,245 | (12,686) |
| (Increase)/decrease in debtors | (940) | 68,112 |
| (Decrease)/increase in creditors | (747,246) | 2,990,050 |
| Corporation tax (paid)/received | (5,968) | 10,991 |
| Net cash generated from operating activities | (540,521) | 3,133,278 |
| Cash flows from investing activities | | |
| Purchase of intangible fixed assets | (4,923) | (747) |
| Purchase of tangible fixed assets | - | (769) |
| Interest received | 8,990 | 3,664 |
| Transfer of cash into fixed term deposit accounts > 3 months | (500,000) | (7,000,000) |
| Net cash from investing activities | (495,933) | (6,997,852) |
| Net (decrease) in cash and cash equivalents | (1,036,454) | (3,864,574) |
| Cash and cash equivalents at beginning of year | 3,069,713 | 6,934,287 |
| Cash and cash equivalents at the end of year | 2,033,259 | 3,069,713 |
| Cash and cash equivalents at the end of year comprise: | | |
| Cash at bank and in hand | 2,033,259 | 3,069,713 |
| | 2,033,259 | 3,069,713 |

The notes on pages 10 to 21 form part of these financial statements.

British Equity Collecting Society Limited

(A Company Limited by Guarantee)

Notes to the Financial Statements For the Year Ended 30 April 2020

1. General information

The Company is a United Kingdom private company limited by guarantee. It is both incorporated and domiciled in England and Wales. The registered office address is Plouviez House, First Floor, 19-20 Hatton Place, London, England, EC1N 8RU.

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the majority of the Company's transactions are denominated. They comprise the financial statements of the Company for the year ended 30 April 2020 and are presented to the nearest pound.

The Company has determined that GBP is its functional currency, as this is the currency of the economic environment in which the Company predominantly operates.

The principal activity of the Company during the period under review is that of a Collective Management Organisation managing the rights of audio-visual performers.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The emergence of the COVID-19 pandemic has impacted the Company and has created additional risks going forward which have been fully considered and reflected by the Directors.

The Directors have considered the main impacts and mitigating actions taken as discussed below.

The restrictions put in place by governments worldwide had an immediate disastrous impact on performers' livelihoods. It is now apparent that there will also be a longer term effect on performers' income. Performers who enjoy income from the licensing of their performances and income resulting from secondary rights are likely to suffer further as these revenue streams are predicted to drop sharply. Collective Management Organisations (CMOs) are forecasting a drop of between 40%-60% in their 2020 collections from licensing for communication to the public rights and also from broadcasters as their advertising revenues fell significantly during lockdown.

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British Equity Collecting Society Limited

(A Company Limited by Guarantee)

Notes to the Financial Statements For the Year Ended 30 April 2020

2. Accounting policies (continued)

2.2 Going concern (continued)

Conversely, the lockdowns have resulted in the public signing up to streaming services for their entertainment needs. Government regulators have reported a significant increase in the public watching TV and online video content, a rise of almost a third on last year. This was replicated across Europe. Post-lockdown, it is reported that an overwhelming majority of people who signed up to the streaming platforms said they plan to keep their subscriptions going. This means that for those CMOs around Europe who have managed to sign agreements with these streaming companies, it is likely that the collections for distribution are higher than forecast. However, most of these agreements are relatively new so it would be difficult to forecast accurately how much higher the incomes are as a direct result of the above.

As our collections tend to be at least a year in arrears, there is no immediate direct impact on distributable income. We expect to see the resultant drop in collections from licencing of venues to impact the financial years 2021/22 and 2022/23. We also expect the new revenue streams from the digital platforms to filter through in those years, which will compensate slightly for the former.

A more immediate concern as we come to the end of the transition period following the UK's withdrawal from the EU on the 31st January 2020, is BECS' ability to continue collecting from existing European bilateral agreement partners. A number of CMOs have voiced their concerns about existing arrangements, one has sent a letter terminating BECS' bilateral agreement as of 31st December 2020, while the vast majority have expressed interest in finding ways to carry on working together post transition.

BECS is in close contact with AEPO Artis which is the central body for representing European CMOs' views and lobbying the EU Commission on their behalf. Through this platform, we can keep abreast of developments in Europe that could help BECS as well as keep our partners informed of our efforts to ensure BECS remains as a valuable partner.

The BECS Board feels confident that we can continue to collect for our members' works used in Europe and are working hard to maintain close ties with the representative CMOs. These things will take time, but we are hopeful that the government will seek a position that safeguards the UK's reputation as a leading country for the protection of copyright and that this will be reflected in the Free Trade Agreements that are currently being negotiated.

BECS have been successfully operating during the post-lockdown period with no significant operational issues identified.

The Directors believe that cash flow remains sufficient to meet our fixed unavoidable liabilities with the impact of COVID having been incorporated into our forecasts. We will continue to work to maximise collections for our members and minimise costs, and we forecast a surplus for the year 2020/2021. At 30 April 2020, the Company had net current assets of c£868k. This provides assurance that the Company will have sufficient resources to continue as a going concern.

At the date of approval of the financial statements the Covid measures are being eased, although uncertainty remains over the nature and duration of the current restrictions and consequential economic impacts. The Directors conclude that, while uncertainty exists, it does not pose a material uncertainty which will affect the Company's ability to continue in operational existence for the foreseeable future and it is appropriate to use the going concern basis in the preparation of the Financial Statements.

British Equity Collecting Society Limited

(A Company Limited by Guarantee)

Notes to the Financial Statements For the Year Ended 30 April 2020

2. Accounting policies (continued)

2.3 Turnover

Turnover represents the amounts receivable in the year from distributions fees and interest income. Turnover is generated in the form of administration charges calculated as a percentage deduction on amounts collected from CMO partners, prior to distributions to members, as agreed by the membership. Due to the time required to negotiate agreements, receive data for allocations of monies, and the uncertainty over amounts involved, revenue is recognised as received or invoiced in each financial year.

2.4 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.5 Operating leases: the Company as lessee

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

2.6 Pensions

Defined contribution pension plan

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 payment obligations.

The contributions are recognised as an expense in profit or loss 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.

British Equity Collecting Society Limited

(A Company Limited by Guarantee)

Notes to the Financial Statements For the Year Ended 30 April 2020

2. Accounting policies (continued)

2.7 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge 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 tax 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 tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.8 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

| | | |
|-------------------|---|--------------------|
| Computer software | - | 20 % straight line |
|-------------------|---|--------------------|

2.9 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.

British Equity Collecting Society Limited

(A Company Limited by Guarantee)

Notes to the Financial Statements For the Year Ended 30 April 2020

2. Accounting policies (continued)

2.9 Tangible fixed assets (continued)

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.

Depreciation is provided on the following basis:

| | | |
|------------------------|---|-------------------|
| Leasehold improvements | - | 20% straight line |
| Fixtures and fittings | - | 20% straight line |
| Office equipment | - | 33% straight line |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.10 Current asset investments

Current asset investments are liquid investments that mature in 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 at the date of maturity.

2.11 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.

2.12 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.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.13 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.

British Equity Collecting Society Limited

(A Company Limited by Guarantee)

Notes to the Financial Statements For the Year Ended 30 April 2020

2. Accounting policies (continued)

2.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.15 Financial instruments

Financial instruments are recognised in the Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are measured as set out below. A financing transaction is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Classification

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS 102.

Subsequent measurement

Loans and receivables are measured at amortised cost, using the effective interest method. Trade debtors and trade payables are recognised at the undiscounted amount owed by the customer or to the supplier, which is normally the invoice amount.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Useful economic lives and therefore the depreciation rate and amortisation that is charged to profit is considered to be a material estimate and area of judgement applied by management.

British Equity Collecting Society Limited
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 30 April 2020

4. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

| | 2020 | 2019 |
|---------------------------------------|---------------|-------------|
| | £ | £ |
| Operating lease rentals | 39,000 | 39,000 |
| Depreciation of tangible fixed assets | 22,325 | 22,175 |
| Amortisation of intangible assets | 12,144 | 63,244 |
| Auditor's remuneration | 14,000 | 13,800 |
| | 85,469 | 138,219 |

5. Employees

The average monthly number of employees, including directors, during the year was 4 (2019 - 4).

6. Directors' remuneration

| | 2020 | 2019 |
|---|----------------|-------------|
| | £ | £ |
| Directors' emoluments | 87,169 | 46,339 |
| Company contributions to defined contribution pension schemes | 16,611 | 7,878 |
| | 103,780 | 54,217 |

7. Taxation

| | 2020 | 2019 |
|--|---------------|-------------|
| | £ | £ |
| Corporation tax | | |
| Current tax on profit/(loss) for the year | 16,438 | (10,991) |
| Total current tax | 16,438 | (10,991) |
| Deferred tax | | |
| Origination and reversal of timing differences | 12,807 | 11,282 |
| Deferred tax asset not recognised | - | (12,977) |
| Total deferred tax | 12,807 | (1,695) |
| Taxation on profit/(loss) | 29,245 | (12,686) |

British Equity Collecting Society Limited
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 30 April 2020

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

| | 2020 | 2019 |
|--|----------------|-------------|
| | £ | £ |
| Profit/(loss) before tax | 188,154 | (17,630) |
| Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19% (2019 -19%) | 35,749 | (3,350) |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 106 | 22 |
| Fixed asset adjustments | 231 | 1,433 |
| Deferred tax adjustments | (6,841) | 200 |
| Refund received | - | (10,991) |
| Total tax charge for the year | 29,245 | (12,686) |

Factors that may affect future tax charges

The Company has no tax losses available as all losses have been off set in the year (2019 - £132,129 of losses available) that are available indefinitely for offset against future taxable profits. Deferred tax assets have not been recognised in respect of these losses.

British Equity Collecting Society Limited
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 30 April 2020

8. Intangible assets

| | Computer software £ |
|-----------------------|------------------------------------|
| Cost | |
| At 1 May 2019 | 448,451 |
| Additions | 4,923 |
| Disposals | (21,457) |
| At 30 April 2020 | 431,917 |
| Amortisation | |
| At 1 May 2019 | 432,300 |
| Charge for the year | 12,144 |
| On disposals | (21,457) |
| At 30 April 2020 | 422,987 |
| Net book value | |
| At 30 April 2020 | 8,930 |
| At 30 April 2019 | 16,151 |

British Equity Collecting Society Limited
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 30 April 2020

9. Tangible fixed assets

| | Leasehold improvements £ | Fixtures and fittings £ | Office equipment £ | Total £ |
|-----------------------|--------------------------------|-------------------------------|--------------------------|----------------|
| Cost | | | | |
| At 1 May 2019 | 60,808 | 28,159 | 36,097 | 125,064 |
| At 30 April 2020 | <u>60,808</u> | <u>28,159</u> | <u>36,097</u> | <u>125,064</u> |
| Depreciation | | | | |
| At 1 May 2019 | 22,601 | 22,259 | 25,989 | 70,849 |
| Charge for the year | 12,364 | 1,924 | 8,037 | 22,325 |
| At 30 April 2020 | <u>34,965</u> | <u>24,183</u> | <u>34,026</u> | <u>93,174</u> |
| Net book value | | | | |
| At 30 April 2020 | <u>25,843</u> | <u>3,976</u> | <u>2,071</u> | <u>31,890</u> |
| At 30 April 2019 | <u>38,207</u> | <u>5,900</u> | <u>10,108</u> | <u>54,215</u> |

10. Debtors

| | 2020 £ | 2019 £ |
|--------------------------------|----------------|----------------|
| Other debtors | 35,000 | 12,770 |
| Prepayments and accrued income | 69,511 | 83,605 |
| Deferred taxation | - | 7,663 |
| VAT repayable | 1,142 | 2,370 |
| | <u>105,653</u> | <u>106,408</u> |

11. Current asset investments

| | 2020 £ | 2019 £ |
|-----------------------------------|------------------|------------------|
| Timed deposit accounts > 3 months | <u>7,500,000</u> | <u>7,000,000</u> |

British Equity Collecting Society Limited
(A Company Limited by Guarantee)

Notes to the Financial Statements
For the Year Ended 30 April 2020

12. Creditors: Amounts falling due within one year

| | 2020 £ | 2019 £ |
|------------------------------------|-----------|-----------|
| Trade creditors | 27,072 | 25,206 |
| Corporation tax | 16,438 | - |
| Other taxation and social security | 34,441 | 5,977 |
| Amounts for distribution | 8,662,620 | 6,990,888 |
| Other creditors | 1,254 | 2,466,429 |
| Accruals and deferred income | 29,042 | 13,175 |
| | 8,770,867 | 9,501,675 |

13. Contingent asset

In the prior year within the amounts identified for distribution, British Equity Collecting Society Limited was holding £506,477 and a further £100,000) in Escrow. This amount was withheld to cover the maximum possible commission charge and the VAT thereon (£576,135) to Equity for the work conducted by BECS on Equity's behalf prior to Equity taking their distributions back in-house. This charge has been settled in the year and the balance as at 30 April 2020 was nil.

14. Deferred taxation

| | 2020 £ |
|---------------------------|----------------|
| At beginning of year | 7,663 |
| Charged to profit or loss | (12,807) |
| At end of year | (5,144) |

The deferred taxation balance is made up as follows:

| | 2020 £ | 2019 £ |
|--------------------------------|-----------|-----------|
| Fixed asset timing differences | (6,887) | (9,485) |
| Short term timing differences | 1,743 | - |
| Losses and other deductions | - | 17,148 |
| | (5,144) | 7,663 |

British Equity Collecting Society Limited

(A Company Limited by Guarantee)

Notes to the Financial Statements For the Year Ended 30 April 2020

15. Company status

The Company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the Company in the event of liquidation.

16. Prior year adjustment

The prior year restatement relates to the reclassification of cash held in fixed term maturity deposit accounts of greater than three months, these had been previously recognised as cash and cash equivalents and have now been classified as short term investments. The effect of the adjustment was £7,000,000, this had no impact on net assets or the results of the Company.

17. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £32,284 (2019 - £20,451). Contributions totalling £9,173 (2019 - £Nil) were payable to the fund at the reporting date.

18. Commitments under operating leases

At 30 April 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2020 £ | 2019 £ |
|--|----------------|----------------|
| Not later than 1 year | 39,000 | 39,000 |
| Later than 1 year and not later than 5 years | 156,000 | 156,000 |
| Later than 5 years | 84,500 | 123,500 |
| | <u>279,500</u> | <u>318,500</u> |

19. Related party transactions

The Company paid royalties totalling £402 (2019 - £75) to 3 (2019 - 3) directors during the year.

The Company reimbursed expenses totalling £1,262 (2019 - £1,257) to 3 (2019 - 3) directors during the year. These transactions occurred on an arm's length basis and are considered to represent market value.