

**British Equity Collecting Society
Limited**

Directors' Report and Financial Statements

Year Ended

30 April 2021

Company Number 03547531

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

Company Information

Directors	P G Barnes J Cameron-Brown N Gerson D Hope S M Kenis L May T Nasser J A Rogers A L St Bartholomew-Brown Morgan
Company secretary	J Winchester
Registered number	03547531
Registered office	Plouviez House First Floor 19-20 Hatton Place London England EC1N 8RU
Independent auditor	BDO LLP 55 Baker street London United Kingdom W1U 7EU

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

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British Equity Collecting Society Limited

(A Company Limited by Guarantee)

Directors' Report For the Year Ended 30 April 2021

The Directors present their report and the audited financial statements for the year ended 30 April 2021.

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 (resigned 4 December 2020)
J Cameron-Brown
N Gerson
D Hope (appointed 4 December 2020)
S M Kenis
L May (appointed 4 December 2020)
T Nasser (appointed 1 May 2020)
F C Pyne (resigned 4 December 2020)
J A Rogers
A L St Bartholomew-Brown Morgan (appointed 4 December 2020)
S Treble (resigned 4 December 2020)

British Equity Collecting Society Limited

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Directors' Report (continued)
For the Year Ended 30 April 2021

Covid-19 Impact

Since the onset of the lockdown and social distancing measures brought about by the COVID-19 pandemic in March 2020, all BECS staff have been working remotely. BECS did not furlough any staff. Our systems and processes were updated where necessary to ensure we deliver a seamless service to our members. We prioritised distributions as well as continued offering our highly regarded training courses for our members, be it remotely.

We held the first remote distribution under lockdown conditions in May 2020 and have since held another three large distributions, all remotely. The amounts allocated for distribution to our members in the year ended April 2021 amounted to £6.3m after deductions of £691k. This is slightly higher than the £5.9m allocated to members after deductions of £647k for the year to 30 April 2020.

Along with remote working for our staff, BECS held the 2019/20 AGM in December 2020 in online format. We were pleased with our members' engagement and successfully delivered an online voting election system for new board members as well as voting for the General Meeting resolutions on the day.

As reported last year, the closures of recreation and hospitality venues around the world has impacted collections of performers' rights revenue. However, this has not affected this year's figures as we distributed collections up to and including 2018. The forecast for FY 2021/22 is also good as we expect to generate a surplus of around £70k. Collections for the COVID-impacted year 2020 will be received throughout year 2021/22 and will be distributed early in the FY 2022/23. This is when we expect to see the fall in related collections and the corresponding fall in revenue. However, this is not expected to have a significant impact on the Company's operations as this revenue usually equates to less than 10% of the total collections.

EU Copyright Directive

Nevertheless, and in line with last year's report, we expect to receive new revenue streams arising from new agreements made with digital platforms by our sister CMOs around Europe. This has been largely due to their efforts in lobbying their local governments to implement the EU Copyright Directive which includes measures designed not only to protect existing performers' rights, but to improve their rights and the remuneration thereof. While a number of countries have yet to transpose this fully into their national laws, there is a momentum building, and is being pursued and supported by our affiliates at AEPO Artis. It was reported that on 26/07/2021 the EU Commission issued formal notice to 23 EU governments for not having implemented the Directive on Copyright in the Digital Single Market by the transposition deadline of 7 June 2021.

BECS is working collaboratively with our colleagues in Europe and will keep abreast of all developments and work tirelessly to ensure our members' rights continue to be protected and remunerated.

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Directors' Report (continued)
For the Year Ended 30 April 2021

UK Withdrawal from the EU

As the UK is no longer a member of the EU, it is no longer required to comply with the European Copyright Directive. BECS along with other stakeholders have continued to engage with the UK Government and the Intellectual Property Office (IPO) to discuss aspects of the Directive which were hard fought for to be incorporated into UK legislation, in particular with regards to the fair and proportionate remuneration for performers.

BECS has also engaged with the Department for International Trade to ensure any new trade deals include necessary provisions to promote and uphold the protection of performers' rights.

A significant positive outcome of BREXIT is the UK is now free to adopt and change its legislation without reference to the EU. Accordingly, and following our lobbying efforts, the UK government has announced that it will ratify the Beijing Treaty on Audiovisual Performances (BTAP). This is a momentous opportunity for the UK government to safeguard the UK's reputation as a leading country for the protection of copyright and to ensure that audiovisual performers' rights are recognised and improved. BECS has responded to the IPO's initial call for views, and we will continue to engage with the IPO to achieve the desired outcomes.

BECS has also been working with our sister CMOs in Europe to update our agreements where necessary to ensure our members who are no longer protected as EU citizens can continue to benefit from protections available internationally. We are pleased to report that these are progressing well.

Other Initiatives

BECS is working diligently alongside other interested UK CMOs to promote an initiative called "The Smart Fund". This is being spear-headed by DACS (the visual artists rights management organisation) and aims to get the UK government to introduce a private copying system similar to that being operated in 44 countries worldwide. We are hoping to engage the tech companies to see this as working collaboratively to improve and support the UK's world leading creative sector.

BECS is very grateful to our members, a lot of whom are household names, who lent their support to this campaign. This has brought about great awareness of the issue and will hold us in good stead as we prepare for the next steps in the campaign. If successful, BECS will finally be able to start collecting revenues locally for performers.

Going Concern

The Directors believe that cash flow remains sufficient to meet our fixed unavoidable liabilities with the ongoing 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 of around £70k for the year 2021/2022. Although 2022/23 expects to see a fall in revenue from collections for the communications to the public rights, it is not expected to be substantial. At 30 April 2021, BECS had net current assets of c£1m. 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, although uncertainty still exists in relation to the impact of COVID, 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.

Qualifying third party indemnity provisions

The Company has indemnified its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in place during the year and is in force at the date of approving the financial statements.

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Directors' Report (continued)
For the Year Ended 30 April 2021

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.

T Nasser
Director

Date:

British Equity Collecting Society Limited

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Independent Auditor's report to the members of British Equity Collecting Society Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2021 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.

We have audited the financial statements of British Equity Collecting Society Limited ("the Company") for the year ended 30 April 2021 which comprise the statement of comprehensive income, the statement of financial position and the statement of cash flows, 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

British Equity Collecting Society Limited

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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 Director's 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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.

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.

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.

British Equity Collecting Society Limited

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Independent Auditor's report to the members of British Equity Collecting Society Limited (continued)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that are applicable to the Company. These include, but are not limited to, compliance with the Companies Act, United Kingdom Generally Accepted Accounting Practice and tax legislation.
- Reviewing minutes of the board of directors in order to identify any instances of fraud or non-compliance with laws and regulations.
- Making enquires of other personnel with roles relevant to compliance with laws and regulations.
 - Assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur in the financial statements and any potential indicators of fraud. We identified potential for fraud in the following areas and performed the following procedures:
- management override of controls: we evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results. Audit procedures performed included:
 - identifying and testing journal entries, in particular any large and unusual journal entries which are not in line with expectations and reviewing journal entries for journals inconsistent with the usual transactions.
 - consideration of any performance related pay to assess whether any incentives exist for the manipulation of figures within the accounts.
 - review of bank procedures specifically in relation to the changing of standing data.
 - review of ageing profile of balances due to performers to ensure the validity of any movement in these balances.
- revenue recognition: we performed recalculation of percentage of administration fees recognised to ensure revenue recognised is accurate.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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Independent Auditor's report to the members of British Equity Collecting Society Limited (continued)

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
United Kingdom

Date:

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

British Equity Collecting Society Limited
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Statement of Comprehensive Income
For the Year Ended 30 April 2021

	Note	2021 £	2020 £
Turnover		766,375	831,196
Gross profit		766,375	831,196
Administrative expenses		(463,245)	(652,032)
Operating profit	4	303,130	179,164
Interest receivable and similar income		3,255	8,990
Profit before tax		306,385	188,154
Tax on profit	7	(58,173)	(29,245)
Profit and total comprehensive income for the financial year		248,212	158,909

There was no other comprehensive income for 2021 (2020 - £Nil).

The notes on pages 12 to 22 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 2021

	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Intangible assets	8		8,520		8,930
Tangible assets	9		16,035		31,890
			<u>24,555</u>		<u>40,820</u>
Current assets					
Debtors: amounts falling due within one year	10	37,141		105,653	
Current asset investments	11	6,500,000		7,500,000	
Cash at bank and in hand		3,434,312		2,033,259	
		<u>9,971,453</u>		<u>9,638,912</u>	
Creditors: amounts falling due within one year	12	(8,843,068)		(8,770,867)	
Net current assets			1,128,385		868,045
Deferred tax	13		(1,007)		(5,144)
Net assets			<u>1,151,933</u>		<u>903,721</u>
Capital and reserves					
Profit and loss account			1,151,933		903,721
Total equity			<u>1,151,933</u>		<u>903,721</u>

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:

T Nasser
Director

Date:

The notes on pages 12 to 22 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 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Profit for the financial year		248,212	158,909
Adjustments for:			
Amortisation of intangible assets	8	2,706	12,144
Depreciation of tangible assets	9	16,296	22,325
Interest receivable		(28,574)	(8,990)
Taxation charge	7	58,173	29,245
Decrease/(increase) in debtors		68,512	(940)
Increase/(decrease) in creditors		26,289	(747,246)
Corporation tax (paid)		(16,398)	(5,968)
Net cash generated from/(used in) operating activities		375,216	(540,521)
Cash flows from investing activities			
Purchase of intangible fixed assets	8	(2,296)	(4,923)
Purchase of tangible fixed assets	9	(441)	-
Interest received		28,574	8,990
Transfer of cash from/(into) fixed term despoit accounts >3 months		1,000,000	(500,000)
Net cash from/(used in) investing activities		1,025,837	(495,933)
Net increase/(decrease) in cash and cash equivalents		1,401,053	(1,036,454)
Cash and cash equivalents at beginning of year		2,033,259	3,069,713
Cash and cash equivalents at the end of year		3,434,312	2,033,259
Cash and cash equivalents at the end of year comprise:			
Cash at bank and in hand		3,434,312	2,033,259

The notes on pages 12 to 22 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 2021

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.

The principal activity of the Company during the year 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.

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 2021 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 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 financial statements have been prepared on a going concern basis. The directors have considered the surplus for the year, the Statement of Financial Position at the accounting date and reviewed forecasts and are satisfied that the Company is in a position to meet its liabilities as they fall due for a period of at least twelve months from the date of signing these financial statements.

Due to the ongoing effects of the COVID-19 lock-down measures, future collections from foreign societies may be reduced, impacting distributions to BECS' members. Equally as noted in the directors report, collections from new revenue streams / agreements may start filtering through.

It is therefore not possible to quantify the potential amount of any such future reductions. In any event, management continually reviews the company's activities and costs to ensure effectiveness and efficiency, and will work to mitigate any future reductions in collections and the corresponding reduction in fee income.

British Equity Collecting Society Limited

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Notes to the Financial Statements For the Year Ended 30 April 2021

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 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.

2.5 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.

2.6 Interest income

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

British Equity Collecting Society Limited

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Notes to the Financial Statements For the Year Ended 30 April 2021

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
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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.

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Notes to the Financial Statements For the Year Ended 30 April 2021

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.

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Notes to the Financial Statements For the Year Ended 30 April 2021

2. Accounting policies (continued)

2.14 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
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Notes to the Financial Statements
For the Year Ended 30 April 2021

4. Operating profit

The operating profit is stated after charging:

	2021	2020
	£	£
Operating lease rentals	39,000	39,000
Depreciation of tangible fixed assets	16,296	22,325
Amortisation of intangible assets	2,706	12,144
Auditor's remuneration	14,500	14,000
Auditor remuneration for accountancy services	2,500	2,400
Auditor remuneration for tax services	2,450	2,350
	=====	=====

5. Employees

The average monthly number of employees, including directors, during the year was 4 (2020 - 4).

6. Directors' remuneration

	2021	2020
	£	£
Directors' emoluments	95,000	87,169
Company contributions to defined contribution pension schemes	23,275	16,611
	=====	=====
	118,275	103,780

British Equity Collecting Society Limited
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Notes to the Financial Statements
For the Year Ended 30 April 2021

7. Taxation

	2021	2020
	£	£
Corporation tax		
Current tax on profit for the year	62,349	16,438
Adjustments in respect of previous periods	(39)	-
	62,310	16,438
Deferred tax		
Origination and reversal of timing differences	(4,137)	12,807
	58,173	29,245
	58,173	29,245

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021	2020
	£	£
Profit before tax	306,385	188,154
	306,385	188,154
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2020 -19%)	58,213	35,749
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(1)	106
Fixed asset adjustments	-	231
Deferred tax adjustments	-	(6,841)
Adjustments to tax charge in respect of previous periods	(39)	-
	58,173	29,245
Total tax (credit)/charge for the year	58,173	29,245

Factors that may affect future tax charges

An increase in the future main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced at the budget on 3 March 2021, and substantively enacted on 24 May 2021. The deferred tax balance at 30 April 2021 has been calculated based on the rate as at the reporting date.

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8. Intangible assets

	Computer software £
Cost	
At 1 May 2020	431,917
Additions	2,296
At 30 April 2021	434,213
Amortisation	
At 1 May 2020	422,987
Charge for the year	2,706
At 30 April 2021	425,693
Net book value	
At 30 April 2021	8,520
At 30 April 2020	8,930

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9. Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Office equipment £	Total £
Cost				
At 1 May 2020	60,808	28,159	36,097	125,064
Additions	-	-	441	441
Disposals	-	-	(265)	(265)
At 30 April 2021	<u>60,808</u>	<u>28,159</u>	<u>36,273</u>	<u>125,240</u>
Depreciation				
At 1 May 2020	34,965	24,183	34,026	93,174
Charge for the year	12,330	1,922	2,044	16,296
Disposals	-	-	(265)	(265)
At 30 April 2021	<u>47,295</u>	<u>26,105</u>	<u>35,805</u>	<u>109,205</u>
Net book value				
At 30 April 2021	<u>13,513</u>	<u>2,054</u>	<u>468</u>	<u>16,035</u>
At 30 April 2020	<u>25,843</u>	<u>3,976</u>	<u>2,071</u>	<u>31,890</u>

10. Debtors: amounts falling due within one year

	2021 £	2020 £
Other debtors	10,000	35,000
Prepayments and accrued income	24,897	69,511
VAT repayable	2,244	1,142
	<u>37,141</u>	<u>105,653</u>

11. Current asset investments

	2021 £	2020 £
Timed deposit accounts > 3 months	<u>6,500,000</u>	<u>7,500,000</u>

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12. Creditors: Amounts falling due within one year

	2021	2020
	£	£
Trade creditors	13,369	27,072
Corporation tax	62,350	16,438
Other taxation and social security	7,147	34,441
Amounts for distribution	8,600,709	8,662,620
Other creditors	106,140	1,254
Accruals and deferred income	53,353	29,042
	8,843,068	8,770,867
	8,843,068	8,770,867

13. Deferred taxation

	2021
	£
At beginning of year	5,144
Charged to profit or loss	(4,137)
At end of year	1,007
	1,007

The provision for deferred taxation is made up as follows:

	2021	2020
	£	£
Fixed asset timing differences	3,875	6,887
Short term timing differences	(2,868)	(1,743)
	1,007	5,144
	1,007	5,144

14. 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.

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Notes to the Financial Statements For the Year Ended 30 April 2021

15. 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 £33,712 (2020 - £32,284). Contributions totalling £15,096 (2020 - £9,173) were payable to the fund at the reporting date.

16. Commitments under operating leases

At 30 April 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	40,000	39,000
Later than 1 year and not later than 5 years	160,000	156,000
Later than 5 years	33,333	84,500
	<u>233,333</u>	<u>279,500</u>

17. Related party transactions

The Company paid royalties totalling £390 (2020 - £402) to 4 (2020 - 3) directors during the year.

The Company reimbursed expenses totalling £110 (2020 - £1,262) to 2 (2020 - 3) directors during the year. These transactions occurred on an arm's length basis and are considered to represent market value.