



Registered number: 01780482

DESIGN AND ARTISTS COPYRIGHT SOCIETY

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

DESIGN AND ARTISTS COPYRIGHT SOCIETY
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DESIGN AND ARTISTS COPYRIGHT SOCIETY

COMPANY INFORMATION

DIRECTORS	Mark Stephens CBE Ian Coleman Matthew Flowers Herman Lelie Klaus Thymann Cortina Butler Jane Wilson Sarah Taylor Silverwood Mary Moore Julia Crabtree Rut Blee Luxembourg Neil Burgess Frederique Pierre-Pierre Michelangelo Bendandi (appointment 24 September 2018) Janette Parris (appointment 24 September 2018) Niru Ratman (appointment 24 September 2018) Chloe Kinsman (resigned 12 February 2018)
COMPANY SECRETARY	Helen Dutta
REGISTERED NUMBER	01780482
REGISTERED OFFICE	33 Old Bethnal Green Road London E2 6AA
INDEPENDENT AUDITORS	Kingston Smith LLP Chartered Accountants & Statutory Auditors Devonshire House 60 Goswell Road London EC1M 7AD
BANKERS	HSBC Bank plc 8 Canada Square London E14 5HQ

DESIGN AND ARTISTS COPYRIGHT SOCIETY

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

INTRODUCTION

The Directors present the strategic report of the company for the year ended 31 December 2018.

DACS is a company limited by guarantee and does not have share capital. The governing documents of the Company are its Memorandum and Articles of Association.

BUSINESS REVIEW

DACS is proud to be a key facilitator and authority on artists' rights and the issues affecting artists' livelihoods. In 2018 DACS engaged in the dialogue surrounding artists' futures, by launching a pioneering academic report (with University of Oxford and Alan Turing Institute) on the impact of Blockchain on the art market. DACS organised an open all-day conference which saw artists, designers, architects, policy makers and educators debate the changing use of artists' spaces. DACS commissioned Turner-prize nominated artist Anthea Hamilton to prepare and present the inaugural DACS Annual Lecture.

DACS ended the year with revenue of £21.4m, having had growth across all core services. A record number of 58,000 artists and estates were paid £18.0 million in royalties by DACS through Artist's Resale Right (ARR), Payback (Collective Licensing) and Dutch Public Lending Right, Copyright Licensing and Artimage.

Under an agreement with the Copyright Licensing Agency (CLA) and other collecting societies, including those based overseas (DACS' Sister Societies), DACS received £6.6 million in revenue in 2018. This was significantly higher than 2017 as income is recognised on a notification basis only and the CLA paid DACS for license fees it collected over 15 months in 2018 (compared to 9 months in 2017) of which £5.5m was distributed to over 56,000 artists and estates.

Copyright Licensing achieved revenues of £2.6 million in 2018, representing a growth of 4% compared to 2017. Across both services, over 1,400 artists and estates were paid over £2.2 million in licensing fees.

DACS launched an ARR Compliance Campaign to address issues arising where art market professionals were not complying with their obligations under the ARR Regulations to declare ARR-eligible sales. In 2018 DACS recovered over £430,000 in ARR royalties due to artists and their estates.

Beyond the core services, DACS continues to provide valuable resources and helpful advice to its members through the Copyright Advice Service and online Knowledge Base. DACS' in-house legal team carry out enforcement of copyright infringements on behalf of Copyright Licensing members and in 2018 recovered nearly £75,000 in unpaid royalties. DACS continued to take part in a series of educational workshops, to help students and artists to understand copyright, including collaboration with University of the Arts London, STEAMHouse, Vivid Projects Birmingham and the Liverpool Biennial.

DACS holds funds that arise due to a timing difference between payments made to DACS (by clients, art market professionals or other collecting societies) and payment being made by DACS to the rights holder. These funds are invested with banks, building societies and an investment fund to maximise returns. In 2018 DACS' Board decided to move the invested funds to an ethical investment portfolio that meets the ten principles of the UN Global Impact analysis. This decision led to some investment being sold resulting a £0.2m write back from the investment revaluation reserve.

DACS is a project partner of Art360 Foundation, a registered charity that safeguards at-risk cultural assets by investing in the skills and expertise of artists and estates. The Foundation's flagship project, Art360, is supported by public funding from the National Lottery, Arts Council England Grants for the Arts. It also brings together partners from Art Fund, The National Archives and The Henry Moore Foundation. In 2018, DACS worked with the Foundation to develop and launch the Art360 archiving app - a free tool designed to help artists organise and maintain their archives.

DESIGN AND ARTISTS COPYRIGHT SOCIETY

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PRINCIPAL RISKS AND UNCERTAINTIES

The external context for DACS, and reality of life as a UK-based artist, is challenging. Cuts to arts education threaten the development of future generations of artists. Brexit and a challenging global market have a direct impact on artist's homes and studio spaces, while the practicalities of a potential end to freedom of movement in the European Union are yet to play out. Public funding for artists is also in decline, and payment of exhibition fees is increasingly uncommon. While social media does help artists to promote their work, the dominance of technology platforms promotes the idea that content should be free – devaluing the notion that artists should be paid for their labour.

As a conscientious not-for-profit organisation, we pride ourselves on putting artists' interests at the heart of everything we do. We manage external risk proactively through robust strategic planning. We have just finalised a three-year strategy that aims to secure the future of artists and artists we represent as well as ensuring the continued sustainability of an organisation that is at the forefront of issues that affect the lives and practices of artists.

Brexit and International Developments

DACS has maintained active engagement on legal and policy developments following the UK's decision to leave the European Union by consulting with Government, meeting with Parliamentarians and continuing face to face meetings with the Intellectual Property Office and the Department for International Trade. DACS has worked collaboratively with Government to ensure the future of ARR in the event of a no-deal scenario. DACS has also continued to take an active role in lobbying and advocacy groups and membership organisations such as the British Copyright Council and Alliance for Intellectual Property.

If the UK leaves the EU without an agreement, this will have a number of repercussions for DACS and its members for which DACS is making preparations.

Competitive environment

DACS faces an increasingly competitive environment, particularly in the collective licencing space. DACS is responding by improving the efficiency and fairness of its existing services to maintain its position in a busy market.

DESIGN AND ARTISTS COPYRIGHT SOCIETY

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL KEY PERFORMANCE INDICATORS

In 2018, DACS had a revenue turnover of £21.4 million and distributed £18.0 million to artists and estates – a 17.6% increase on collected revenues for artists from 2018.

Set out below are the key performance indicators for each of DACS' services.

Artist's Resale Right:

For 2018, DACS collected £12.2 million in ARR revenues, distributing £10.6 million to 1936 artists and estates. This shows an increase of almost £0.5 million on 2017 figures as a result of increased awareness among art market professionals in the UK and overseas through DACS' Sister Societies.

For royalties collected in the UK DACS keeps 15% to cover administration costs, while in case of ARR collected from overseas sister societies DACS distributes 100% of the receipts to artists and estates. ARR royalties are distributed monthly to artists and their estates, with royalties payable to sister societies, distributed quarterly.

Payback (Collective Licensing):

The 2018 Payback campaign distributed £5.4 million to over 56,000 artists and estates for images claimed in UK publications and TV broadcasts. Under agreement with the Copyright Licensing Agency (CLA) and Sister Societies, DACS received £6.7m revenue in 2018. This was £2.6m higher than in 2017 as the CLA paid DACS 15 months of license fees, compared to nine months' worth in 2017 and income is recognised on a notification basis only.

As a not-for-profit organisation, DACS retains a share of the royalties just to cover administration costs that have been reduced from 25% to 16% for the Payback scheme over the past ten years.

Copyright Licensing achieved its highest revenue to date of £2.6 million. This is 4% higher than in 2017. In 2018, 1,400 artists and estates received £2.2 million in licensing royalties.

Administration costs placed on Copyright Licensing royalties remained unchanged at 25% for royalties collected directly by DACS and 15% for royalties collected by DACS' sister societies overseas. Copyright Licensing royalties are distributed quarterly.

Artimage achieved marginal growth. The revenue for artists and estates grew from £84,000 in 2017 revenue to £125,741 in 2018. Now in its fourth year, Artimage showcases over 19,700 images from more than 160 internationally recognised artists.

Artimage administration costs remain unchanged at 35% with artist royalties distributed quarterly.

FUTURE DEVELOPMENTS AND RESEARCH AND DEVELOPMENT

DACS' strategic plans for the future are rooted in our commitment to transform the financial landscape for artists and estates. To safeguard artists' rights and revenues, DACS will continue to strengthen its resilience and to be at the forefront of new opportunities for artists and estates.

DESIGN AND ARTISTS COPYRIGHT SOCIETY

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Our 2018 digital initiatives focused on service improvements for artists and our clients. They include:

The Art360 archiving app: this free resource helps to guide artists and their beneficiaries through the practical aspects of organising and managing their archives of artworks and materials, as well as the business of legacy planning and managing collections.

Bronzechain: a unique service for foundry cast bronzes that allows makers to license a hallmark from DACS. The works produced by participating foundries are recorded on a Blockchain in partnership with the certification company, Verisart. The launch of this new service at Bowman Sculpture was followed by the House of Commons launch of our Blockchain academic report.

Data automation (Artificial Intelligence): to help us more efficiently obtain information for ARR.

DACS is also delivering a strategically curated programme of events, talks and conferences to address challenges facing artists and estates today, bringing together artists, experts and academics.

This report was approved by the board on 19 June 2019 and signed on its behalf.



Mark Stephens CBE
Director

DESIGN AND ARTISTS COPYRIGHT SOCIETY

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and the financial statements for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £162,972 (2017 - £235,482).

DIRECTORS

The directors who served during the year were:

Mark Stephens CBE
Ian Coleman
Matthew Flowers
Herman Lelie
Klaus Thyman
Cortina Butler
Jane Wilson
Sarah Taylor Silverwood
Mary Moore
Julia Crabtree
Rut Bles Luxemburg
Neil Burgess
Frederique Pierre-Pierre
Chloe Kinsman (resigned 12 February 2018)
Michelangelo Bendandi (appointment 24 September 2018)
Janette Parris (appointment 24 September 2018)
Niru Ratman (appointment 24 September 2018)

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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.

DESIGN AND ARTISTS COPYRIGHT SOCIETY

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

MATTERS COVERED IN THE STRATEGIC REPORT

In accordance with section 414C(11) of the Companies Act 2006 the Company has chosen to include information in relation to financial instruments, future developments and research and development in the Company's Strategic report.

DISCLOSURE OF INFORMATION TO AUDITORS

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 auditors are 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 auditors are aware of that information.

AUDITORS

Kingston Smith LLP were appointed as auditors to the company during the year and in accordance with section 485 of the Companies Act 2016, a resolution proposing that they be re-appointed will be put at a General Meeting.

This report was approved by the Board on 19 June 2019 and signed on its behalf,


Mark Stephens CBE
Director

DESIGN AND ARTISTS COPYRIGHT SOCIETY

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DESIGN AND ARTISTS COPYRIGHT SOCIETY

Opinion

We have audited the financial statements of Design and Artists Copyright Society for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, 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 FRS 102 'The Financial Reporting Standard Applicable in the UK and 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 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom 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 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

DESIGN AND ARTISTS COPYRIGHT SOCIETY

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DESIGN AND ARTISTS COPYRIGHT SOCIETY

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; and
- the strategic report and the directors' report have 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 strategic report or the directors' report.

We have nothing to report in respect of the following matters where 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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.

DESIGN AND ARTISTS COPYRIGHT SOCIETY

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DESIGN AND ARTISTS COPYRIGHT SOCIETY

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

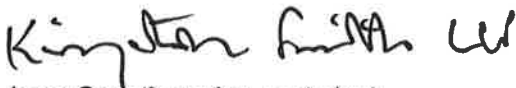
As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.



James Cross (Senior Statutory Auditor)

for and on behalf of Kingston Smith LLP, Statutory Auditor

22 July 2019

Devonshire House
60 Goswell Road
London
EC1M 7AD

DESIGN AND ARTISTS COPYRIGHT SOCIETY

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
	Note	£	£
Turnover	3	21,434,003	18,211,649
Amounts payable to artists and other cost of sales		<u>(18,051,771)</u>	<u>(15,294,462)</u>
Gross profit		3,382,232	2,917,187
Administrative expenses		(3,160,836)	(2,867,730)
Other operating income	4	16,454	84,902
Fair value movements		<u>(135,488)</u>	<u>91,704</u>
Operating profit	5	102,362	226,063
Income from current assets investments		32,978	33,308
Profit on disposal of investments		7,506	5,975
Interest receivable and similar income	9	<u>20,321</u>	<u>11,020</u>
Profit before tax		163,167	276,366
Tax on profit	10	<u>(195)</u>	<u>(40,884)</u>
Profit for the year		<u><u>162,972</u></u>	<u><u>235,482</u></u>
Total comprehensive income for the year		<u><u>162,972</u></u>	<u><u>235,482</u></u>

The notes on pages 16 to 27 form part of these financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible Assets	11	180,919	211,626
Tangible fixed assets	12	<u>1,701,672</u>	<u>1,764,720</u>
		1,882,591	1,976,346
Current assets			
Debtors: amounts falling due within one year	13	709,796	1,121,321
Current asset investments	14	1,664,699	1,575,160
Cash at bank and in hand	15	<u>3,873,827</u>	<u>3,751,838</u>
		6,248,322	6,448,319
Creditors: amounts falling due within one year	16	<u>(6,378,200)</u>	<u>(6,797,449)</u>
Total assets less current liabilities		(129,878)	(349,130)
Provision for liabilities	17	<u>(78,292)</u>	<u>(115,767)</u>
Net assets		<u><u>1,674,421</u></u>	<u><u>1,511,449</u></u>
Capital and reserves			
Investment revaluation reserve		-	172,984
Repairs and building maintenance reserve		87,965	75,000
Retained earnings		1,586,456	1,263,465
		<u><u>1,674,421</u></u>	<u><u>1,511,449</u></u>

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


 Mark Stephens CBE
 Director

Date: 17 June 2019

The notes on pages 16 to 27 form part of these financial statements.

DESIGN AND ARTISTS COPYRIGHT SOCIETY

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Investment revaluation reserve £	Repairs and building maintenance reserve £	Retained earnings £	Total £
At 1 January 2018	172,984	75,000	1,263,465	1,511,449
Comprehensive income for the year				
Profit for the year		-	162,972	162,972
Total comprehensive income for the year		-	162,972	162,972
Transfer to/from income and expenditure account				
- unrealised fair value adjustment	(172,984)	-	172,984	-
- repairs and building maintenance reserve	-	12,965	(12,965)	-
Total transactions with owners	(172,984)	12,965	160,019	-
At 31 December 2018	-	87,965	1,586,456	1,674,421

The notes on pages 16 to 27 form part of these financial statements.

DESIGN AND ARTISTS COPYRIGHT SOCIETY

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Investment revaluation reserve £	Repairs and building maintenance reserve £	Retained earnings £	Total £
At 1 January 2017	96,761	50,000	1,129,205	1,275,966
Comprehensive income for the year				
Profit for the year	-	-	235,482	235,482
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	235,482	235,482
Transfer to/from income and expenditure account				
- unrealised fair value adjustments	91,704		(91,704)	-
- repairs and building maintenance reserve		25,000	(25,000)	-
- deferred tax on investments	(15,481)		15,481	-
Total transactions with owners	76,223	25,000	(101,223)	-
At 31 December 2017	172,984	75,000	1,263,465	1,511,449

The notes on pages 16 to 27 form part of these financial statements.

DESIGN AND ARTISTS COPYRIGHT SOCIETY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	£	£
Cash flows from operating activities		
Profit for the financial year	162,972	235,482
Adjustments for:		
Depreciation of tangible assets	81,833	72,202
Impairment of fixed assets	23,063	-
Amortisation of intangible assets	82,621	64,144
Interest received	(20,321)	(11,020)
Dividends received	(30,706)	(30,440)
Income from investments	(2,272)	(2,867)
Taxation	195	40,884
Decrease in debtors	411,525	561,274
(Increase)/Decrease in creditors	(452,008)	(886,572)
Net fair value losses/(gains) recognised in P&L	135,488	(91,704)
Realised gain on disposal of investments	(7,506)	(5,974)
Net cash generated from/(used in) operating activities	<u>384,884</u>	<u>(54,592)</u>
Cash flows from investing activities		
Purchase of fixed assets	(93,754)	(62,378)
Purchase of listed investments	(1,761,237)	(619,216)
Sale of listed investments	1,565,475	237,528
Tax (paid)/received	(4,918)	4,831
Interest received	20,321	11,020
Income from investments	2,272	2,867
Dividends received	30,706	30,440
(Increase)/decrease in cash held with investment broker	(21,759)	62,657
Net cash from investing activities	<u>(262,895)</u>	<u>(332,251)</u>
Net increase/(decrease) in cash and cash equivalents	121,989	(386,843)
Cash and cash equivalents at beginning of year	<u>3,751,838</u>	<u>4,138,681</u>
Cash and cash equivalents at the end of year	<u>3,873,827</u>	<u>3,751,838</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>3,873,827</u>	<u>3,751,838</u>
Cash held with investment broker 31 December 2018	<u>38,920</u>	

The notes on pages 16 to 27 form part of these financial statements.

DESIGN AND ARTISTS COPYRIGHT SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 ACCOUNTING POLICIES

Design and Artists Copyright Society is a company limited by guarantee incorporated in England and Wales. Its registered office is 33 Old Bethnal Green Road, London, E2 6AA.

1.1 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 Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in sterling which is the functional currency of the company. Monetary amounts in the financial statements are rounded to the nearest pound.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

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 discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Copyright licensing

Copyright licensing refers to those rights that can be administered transactionally or on an individual basis. Income is recognised once approval has been obtained.

Collectively Administered Rights

Collective licensing cannot be administered transactionally. They are licensed under a blanket licensing scheme operated by a third party. Where there is uncertainty regarding the timing and amount of such funds, the income is recognised on a notification basis only.

Artist's Resale Rights

Artist's Resale Rights are conferred by legislation, which allows DACS to collect income on behalf of qualifying artists on secondary sales made by art market professionals. Income under the Resale Rights scheme is invoiced once DACS has been informed that a sale has been made to a third party by the art market professional. DACS reviews each sale and agrees it with the art market professional. Revenue is recognised once the sale has been confirmed with the art market professional.

DESIGN AND ARTISTS COPYRIGHT SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 ACCOUNTING POLICIES (continued)

1.3 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

1.4 Operating leases: Lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.5 Taxation

Tax is recognised in the Statement of comprehensive income, 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 balance sheet date in the countries where the Company operates and generates income.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are not discounted.

DESIGN AND ARTISTS COPYRIGHT SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 ACCOUNTING POLICIES (continued)

1.6 Intangible fixed assets

Amortisation is recognised so as to write off the cost or inflation of assets less their residual values over the useful lives on the following basis:

Computer software - 25% per annum of cost

1.7 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 provided on the following basis:

Long-term leasehold property	- No depreciation charged
Fixtures and fittings	- 15% per annum of cost
Office equipment	- 25% per annum of cost
Leasehold improvements	- 5% per annum of cost

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.

Depreciation is not charged on leasehold property. The life of the lease is 999 years. The asset is continually maintained to a high state of repair and improved from time to time such that the useful economic life is so long and residual values so high that any depreciation is immaterial. The asset is reviewed annually for impairment.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of comprehensive income.

DESIGN AND ARTISTS COPYRIGHT SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 ACCOUNTING POLICIES (continued)

1.8 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.9 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.

1.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions. Cash equivalents are short-term, highly liquid investments 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.

1.11 Investment income

Income arising from investments is recognised in the income and expenditure account.

1.12 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.

1.13 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement.

1.14 Valuation of investments

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in the income and expenditure account for the period.

DESIGN AND ARTISTS COPYRIGHT SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 ACCOUNTING POLICIES (continued)

1.15 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 debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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 Statement of comprehensive income.

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.

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 of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet 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.

1.16 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 the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.17 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

DESIGN AND ARTISTS COPYRIGHT SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

2 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 balance sheet 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. There are no key sources of estimation uncertainty. The following judgement has had the most effect on amounts recognised in the financial statements:

Development expenditure

Development expenditure is capitalised in accordance with the accounting policy given below. Initial capitalisation of costs for software and website development is based on management's judgement that technical and economic feasibility is confirmed, usually when a development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

3 ANALYSIS OF TURNOVER

The whole of the turnover is attributable to copyright licensing (individual administered rights), collectively administered rights, Artist's Resale Rights and Artimage

Analysis of turnover by country of destination:

	2018	2017
	£	£
United Kingdom	19,512,703	16,139,274
Rest of the world	1,921,300	2,072,375
	<u>21,434,003</u>	<u>18,211,649</u>

4 OTHER OPERATING INCOME

	2018	2017
	£	£
Other operating income	<u>16,454</u>	<u>84,902</u>

Other operating income includes grant income of £12,907 (2017 - £68,822).

5 OPERATING PROFIT

The operating profit is stated after charging:

	2018	2017
	£	£
Amortisation of intangible fixed assets	82,621	64,144
Depreciation and impairment of tangible fixed assets	104,896	72,021
Fees payable to the Company's auditor	14,205	13,942
- audit fees	3,700	-
- other fees and taxation	1,070	1,082
Exchange differences	89,573	79,219
Defined contribution pension cost		

DESIGN AND ARTISTS COPYRIGHT SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

6 EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	1,696,597	1,696,221
Social security costs	165,685	168,762
Cost of defined contribution scheme	89,573	79,219
	<u>1,951,855</u>	<u>1,944,202</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Number of administration staff	45	42
Number of management staff	3	4
Number of non-executive Directors	14	10
	<u>62</u>	<u>56</u>

7 DIRECTORS' REMUNERATION

	2018 £	2017 £
Directors' emoluments	73,560	58,023
Company contributions to defined contribution pension schemes	879	781
	<u>74,439</u>	<u>58,804</u>

During the year retirement benefits were accruing to 8 directors (2017: 7) in respect of defined contribution pension schemes.

INCOME FROM INVESTMENTS

	2018 £	2017 £
Interest received - listed investments	2,272	10,047
Dividends received - listed investments	30,706	23,360
	<u>32,978</u>	<u>33,407</u>

9 INTEREST RECEIVABLE

	2018 £	2017 £
Other interest receivable	20,321	11,020
	<u>20,321</u>	<u>11,020</u>

10 TAXATION

	2018 £	2017 £
CORPORATION TAX		
Current tax on profits for the year	37,670	4,918
Adjustments for previous years charge	-	(10,474)
TOTAL CURRENT TAX CHARGE	<u>37,670</u>	<u>(5,556)</u>
Deferred Tax		
Deferred Tax charge for the current year	(37,475)	46,440
TOTAL TAX CHARGE	<u>195</u>	<u>40,884</u>

DESIGN AND ARTISTS COPYRIGHT SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is the same as (2017 - the same as) the standard rate of corporation tax in the UK of 19% (2017 - 19%) as set out below:

	2018	2017
	£	£
Profit on ordinary activities before tax	<u>163,167</u>	<u>276,366</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19%)	31,002	53,200
EFFECTS OF:		
Expenses not deductible for tax purposes	657	771
Other deductions	3,564	3,190
Non-taxable income	(4,553)	(6,454)
Capital gains	25,336	651
Change in unrecognised deferred tax asset	(9,345)	-
Tax effect of utilisation of tax losses not previously recognised	(23,391)	-
Qualifying R & D expenditure	(23,075)	-
Adjustments for previous years	-	(10,474)
TOTAL TAX CHARGE FOR THE YEAR	<u><u>195</u></u>	<u><u>40,884</u></u>

DESIGN AND ARTISTS COPYRIGHT SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

11 INTANGIBLE FIXED ASSETS

	Computer software £
COST	
At 1 January 2018	1,524,545
Additions	51,914
At 31 December 2018	<u>1,576,459</u>
DEPRECIATION	
At 1 January 2018	1,312,919
Charge for the year	82,621
At 31 December 2018	<u>1,395,540</u>
NET BOOK VALUE	
At 31 December 2018	<u>180,919</u>
At 31 December 2017	<u>211,626</u>

12 TANGIBLE FIXED ASSETS

	Long-term leasehold property £	Leasehold improvements £	Fixtures and fittings £	Office equipment £	Total £
COST					
At 1 January 2018	932,730	895,263	103,038	86,406	2,017,437
Additions	-	-	-	41,840	41,840
Disposals	-	-	-	(23,994)	(23,994)
At 31 December 2018	<u>932,730</u>	<u>895,263</u>	<u>103,038</u>	<u>104,252</u>	<u>2,035,283</u>
DEPRECIATION					
At 1 January 2018	-	149,260	42,215	61,242	252,717
Charge for the period on owned assets	-	46,554	15,454	19,825	81,833
Disposals/adjustments	-	-	(8)	(23,994)	(24,002)
Impairment	-	-	23,063	-	23,063
At 31 December 2018	<u>-</u>	<u>195,814</u>	<u>80,724</u>	<u>57,073</u>	<u>333,611</u>
NET BOOK VALUE					
At 31 December 2018	<u>932,730</u>	<u>699,449</u>	<u>22,314</u>	<u>47,179</u>	<u>1,701,672</u>
At 31 December 2017	<u>932,730</u>	<u>746,003</u>	<u>60,823</u>	<u>25,164</u>	<u>1,764,720</u>

DESIGN AND ARTISTS COPYRIGHT SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

13 DEBTORS

	2018	2017
	£	£
Trade debtors	598,345	1,035,400
Other debtors	25,951	38,184
Prepayments and accrued income	85,500	47,737
	<u>709,796</u>	<u>1,121,321</u>

14 CURRENT ASSET INVESTMENTS

	2018	2017
	£	£
Listed investments	1,625,779	1,557,999
Unlisted investments (liquid)	38,920	17,161
	<u>1,664,699</u>	<u>1,575,160</u>

Listed investments

The market value of the listed investments at 31 December 2018 was £1,625,779 (2017 - £1,557,999).

During the year, listed investments with a cost of £1,750,137 (2017 - £1,371,102) were revalued downwards/(upwards) by £127,981 (2017 - (£91,704)).

15 CASH AND CASH EQUIVALENTS

	2018	2017
	£	£
Cash at bank and in hand	<u>3,873,827</u>	<u>3,751,838</u>

16 CREDITORS: Amounts falling due within one year

	2018	2017
	£	£
Trade creditors	5,647,886	6,251,177
Corporation tax	37,670	4,918
Other taxation and social security	88,813	230,244
Other creditors	492,476	203,524
Accruals and deferred income	111,355	107,586
	<u>6,378,200</u>	<u>6,797,449</u>

Included in trade creditors is a provision of £475,477 (2017 - £811,820) payable to artists and estates for primary use once the related debts included within trade debtors have been physically collected.

Included in other creditors is £21,052 of outstanding pension contributions (2017-£nil).

DESIGN AND ARTISTS COPYRIGHT SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

17 PROVISION FOR LIABILITIES

	2018	2017
	£	£
Deferred tax liabilities - revaluation gains on investments listed	-	32,172
Accelerated capital allowances	82,292	84,103
Tax losses against future profits	-	(508)
Other timing differences	(4,000)	-
	<u>78,292</u>	<u>115,767</u>

	2018	2017
	£	£
Deferred tax movements in the year		
Liability at 1 January 2018	115,767	69,328
Charge to profit & loss account	(37,475)	46,439
Liability as at 31 December 2018	<u>78,292</u>	<u>115,767</u>

18 FINANCIAL INSTRUMENTS

Financial assets measured at fair value through the profit or loss comprise cash and current asset investments held at market value.

Financial assets of £628,464 (2017, £1,074,958) comprise debtors less prepaid expenses, and financial liabilities of £6,207,864 (2017, £6,505,527) comprise creditors less accrued income and HMRC payments.

19 RESERVES

Repairs and building maintenance reserve

The repairs and building maintenance reserve is an amount set aside for future costs incurred for continually maintaining the leasehold property to a high state of repair and improving the asset from time to time.

20 PENSION COMMITMENTS

The Company makes contributions to the personal pension policies of some of its employees. Contributions are charged to the profit and loss account as they are paid. The charge for the year ended 31 December 2018 was £89,573 (2017 - £78,437).

21 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	£	£
Not later than 1 year	4,144	13,156
Later than 1 year and not later than 5 years	11,578	15,722
Total	<u>15,722</u>	<u>28,878</u>

DESIGN AND ARTISTS COPYRIGHT SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

22 RELATED PARTY TRANSACTIONS

During the period the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

	Sales to related parties	Purchases from related parties	Amounts owed from related parties	Amounts owed to related parties
	£	£	£	£
Entities with significant influence over the company				
2018	-	211,138	-	-
2017	-	298,077	-	-
Entities over which the company has significant influence				
2018	-	-	-	-
2017	-	-	4,923	-
Entities controlled by key management personnel				
2018	10,308	-	-	-
2017	8,727	-	-	-

Terms and conditions of transactions with related parties:

Transactions with related parties are made at normal market prices. Outstanding balances with entities are unsecured, interest free and repayable on demand.

Key management personnel includes those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including directors. Total remuneration paid to key management personnel during the year was £382,285 (2017 - £333,064).

23 COMPANY STATUS

Design and Artists Copyright Society is a Company limited by guarantee and accordingly does not have a share capital.

Each member of the Company undertakes to contribute such amount as may be required not exceeding £1 to the assets of the Company in the event of its being wound up while he or she is a member, or within one year after he or she ceases to be a member.