Company number 00288046

PHONOGRAPHIC PERFORMANCE LIMITED

(A company limited by guarantee)

STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

PHONOGRAPHIC PERFORMANCE LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their strategic report on Phonographic Performance Limited (PPL) for the year ended 31 December 2014.

BUSINESS REVIEW
During the year the company increased its licence fee income in accordance with management objectives with total licence fee income of £187.1 million (2013: £176.9m) and net distributable revenue of £156.3 million (2013: £148.4m). It is expected that this trend will continue.

The balance sheet reflects a net liability of £7.3 million which is due to the payment of liabilities to PPL's Members and the deficit in the defined benefit pension scheme. Despite this, management considers the going concern basis of accounting to be appropriate as the timing of liabilities to Members is at the discretion of PPL. In addition, the substantial cash reserves held coupled with PPL's ability to generate cash provides adequate resources to continue in operational existence for the foreseeable future.

KEY PERFORMANCE INDICATORS
The key performance indicators (KPIs) used by PPL to measure annual performance are summarised below:

	2014	**2013**
Public performance income	£76.7 m	£69.5 m
Broadcasting and online income	£74.0 m	£73.0 m
International income	£36.4 m	£34.4 m
Total licence fee income	£187.1 m	£176.9 m
Net distributable revenue	£156.3 m	£148.4 m
Cost to income ratio (excluding pension scheme costs)	14.1%	14.1%

PPL considers its key performance indicators to be income growth, net distributable revenue growth and cost to income ratio. Total licence fee income for 2014 reached £187.1 million; a growth of £10.2 million (6%) on the prior year. Public performance income grew by £7.2 million (10%), broadcasting and online income grew by £1 million (1%) and international income increased by £2 million (6%). Total net distributable revenue in 2014 grew by £7.9 million (5%) from 2013. The cost to income ratio was 14.1%, remaining at the same level as the prior year.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

PRINCIPAL RISKS AND UNCERTAINTIES
The directors and management of PPL are aware of their responsibility for managing risk and regularly evaluate the risks and uncertainties that could affect future performance.

The economy continues to play a part in the company's ability to collect licensing income and 2014 proved difficult in some markets; such as the retail, pub and nightclub industries where business closures result in a potentially reduced market.

D HARMSWORTH
SECRETARY
24 March 2015

REPORT OF DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors submit their report of the directors and the financial statements of PPL to the Members for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES
The company's principal activity during the year was the collection and distribution of UK and international income for broadcasting and public performance of sound recordings on behalf of its Members and performer members.

The total amount available for distribution in the income, expenditure and distribution account is distributed to the company's Members and performer members, with the intention that there are no retained reserves at any particular balance sheet date.

BUSINESS ENVIRONMENT
In tough market conditions for PPL's Members, the changes within the music business in recent times have been immense. Sales of physical music carriers continue to decline generally around the world though the 'use' of music continues to grow as media expands and public performance increases. PPL also faces the challenge of growing its income through increased volumes of licensees and through review where appropriate of tariff rates (including fair, reasonable and proportionate consultation) in a tough economic environment in the UK.

FUTURE DEVELOPMENTS AND STRATEGY
It is critical that the company plans carefully for the future. Continued development of systems will continue to meet the demands of increasing membership, evolving media, new tariffs and the developments that the company continues to make in overseas collection for Members and performer members. In addition to investment in systems, the company will continue to place increasing emphasis on staff and employee training. The company needs to maintain the high quality of service for Members and performer members against a backdrop of increasing media platforms and expanding numbers of territories.

FINANCIAL RISK MANAGEMENT
Liquidity risk is mitigated by actively managing cash generation and funding requirements. Distribution payments to Members and performer members are only made on licence fees collected.

PPL is exposed to foreign exchange risk in respect of the income collected from overseas societies. Receipts in foreign currencies are translated into GBP using spot-rates therefore exposure to foreign exchange risk is considered to be low.

EMPLOYMENT POLICY
The company's policy is to provide employees with regular information on matters of concern to them, so that their views can be taken into account when decisions are taken which could affect them.

It continues to be the company's policy to give full and fair consideration to persons applying for employment, having full regard to their particular aptitudes and abilities. Full and fair consideration will be given to continuing employment and appropriate training of persons who become disabled. The company's policy is to provide equal opportunities to its entire staff on the basis of objective criteria and personal merit.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Strategic Report, Report of the Directors 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 prepared 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors
In the case of each of the persons who are directors at the time when the report is approved, the following applies:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

CHARITABLE DONATIONS

The following charitable donations were made during the year ended 31 December 2014:

	2014	2013
Hospital Broadcasting Association	£31,500	£31,500
The Young Musicians Symphony Orchestra	£5,000	£5,000
Young Persons Concert Foundation	£11,000	£11,000
English Schools Orchestra and Choir	£2,000	£2,000

POLITICAL DONATIONS

No political donations were made during the year ended 31 December 2014 (2013: £-).

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

R Armstrong
J Cross (resigned 10 June 2014)
J Dobinson (appointed 14 October 2014)
J French (appointed 10 June 2014)
C Hunt
M Kelly
P Leathem
M Mills
F Nevrkla
G Newson
C Payne
J Radice
A Sear
Rt Hon. Lord Smith of Finsbury
J Smith
M Smith
P Stack

By order of the Board

D HARMSWORTH
SECRETARY
24 March 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC PERFORMANCE LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion
In our opinion, Phonographic Performance Limited's financial statements (the "financial statements"):
- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its result and cash flows 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.

What we have audited
Phonographic Performance Limited's financial statements comprise:
- the Balance Sheet as at 31 December 2014;
- the Income, Expenditure and Distribution Account for the year then ended;
- the Statement of Total Recognised Gains and Losses for the year then ended;
- the Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC PERFORMANCE LIMITED

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors judgments against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Strategic Report, Report of the Directors and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Jonathan Ford

Jonathan Ford
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 March 2015

PHONOGRAPHIC PERFORMANCE LIMITED

INCOME, EXPENDITURE AND DISTRIBUTION ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £000	2013 £000
LICENCE FEE INCOME	2	187,076	176,893
Cost of collection and distribution		(26,380)	(24,992)
Cost of servicing defined benefit pension scheme		(202)	(322)
Total cost of collection and distribution		(26,582)	(25,314)
NET INCOME BEFORE INTEREST AND TAXATION	3	160,494	151,579
Interest receivable	5	1,337	1,389
Interest payable	6	(840)	(771)
Other finance expense		170	(3)
NET INCOME BEFORE TAXATION		161,161	152,194
Taxation	10	-	(7)
AMOUNT AVAILABLE FOR DISTRIBUTION		161,161	152,187
Anti-piracy/copyright protection	4	(4,830)	(3,774)
Amount to be distributed to Members and performer members		(156,331)	(148,413)
RETAINED RESERVES	16	-	-
Cost to income ratio (excluding pension scheme costs)		14.1%	14.1%

The results above for the current and prior year refer entirely to continuing operations.

There is no material difference between the net income before taxation and amount available for distribution stated above and their historical cost equivalents for the current and prior year.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £000	2013 £000
Retained reserves		-	-
Actuarial loss on pension scheme	16	(2,811)	(1,430)
Movement in deferred tax on pension deficit	16	-	-
TOTAL RECOGNISED LOSSES RELATING TO THE YEAR		(2,811)	(1,430)

PHONOGRAPHIC PERFORMANCE LIMITED

COMPANY NUMBER: 00288046

BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
FIXED ASSETS					
Tangible assets	11		4,128		5,181
CURRENT ASSETS					
Licence fees receivable		16,736		21,073	
Other debtors		824		445	
Prepayments and accrued income		7,820		13,616	
Short term fixed deposits		117,000		108,000	
Cash at bank and in hand		29,325		28,202	
		171,705		171,336	
CREDITORS: amounts falling due within one year	12	(178,964)		(179,611)	
NET CURRENT LIABILITIES			(7,259)		(8,275)
TOTAL ASSETS LESS CURRENT LIABILITIES			(3,131)		(3,094)
PROVISIONS FOR LIABILITIES	13		(1,390)		(1,310)
NET LIABILITIES BEFORE PENSION LIABILITIES			(4,521)		(4,404)
NET PENSION LIABILITY	15		(2,783)		(89)
NET LIABILITIES			(7,304)		(4,493)
RESERVES					
Income, expenditure and distribution account			(7,304)		(4,493)

The financial statements on pages 8 to 25, which comprise the Income, Expenditure and Distribution Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes were approved by the Board of directors on 24 March 2015 and are signed on its behalf by:

P Leathem
Director

M Smith
Director

CASH FLOW STATEMENT
AS AT 31 DECEMBER 2014

	Note	2014 £000	2013 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	175,035	156,016
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		996	2,258
Interest paid		(571)	(291)
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		(1,345)	(1,139)
TAXATION			
Corporation tax paid		-	(7)
DISTRIBUTIONS			
Payments to Members and performer members		(160,263)	(132,163)
Anti-piracy/copyright protection contribution paid		(3,729)	(3,963)
NET CASH INFLOW BEFORE USE OF LIQUID RESOURCES		10,123	20,711
MANAGEMENT OF LIQUID RESOURCES			
Cash outflow to increase investment		(9,000)	(15,000)
Increase in net cash	18	1,123	5,711

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006. A summary of the more important accounting policies, which have been applied consistently, is set out below.

a) Format of income, expenditure and distribution account and the balance sheet

The formats of the income, expenditure and distribution account and the balance sheet have been adapted from that prescribed by the Companies Act 2006 in order to better reflect the nature of the business.

b) Basis of accounting

The financial statements have been prepared on the going concern basis under the historical cost convention. Management considers the going concern basis to be appropriate despite the net liability and net current liability position, as the timing of current liabilities payable to Members is at the discretion of PPL.

c) Contributions to pensions

During the year the company operated a contributory defined benefit pension scheme covering its permanent employees and those of Video Performance Limited (VPL). Financial Reporting Standard 17 “Retirement Benefits” requires pension scheme assets to be recognised to the extent that they are considered recoverable, and liabilities should be recognised in full and presented on the face of the balance sheet net of the related deferred tax. Since Phonographic Performance Limited makes the majority of contributions to the pension scheme and is also making additional contributions in order to fund the deficit, then it is Phonographic Performance Limited who bears the risks and rewards of the deficit or surplus in the scheme. Accordingly the full net pension liability has been recorded in the balance sheet of Phonographic Performance Limited and no liability has been recorded in Video Performance Limited.

The regular service costs of providing pension benefits to employees during the year, together with the costs of any benefits relating to past service, are charged to costs of servicing defined benefit pension scheme in the income, expenditure and distribution account in the year.

Interest on the pension scheme liabilities is charged to other finance expense in the income, expenditure and distribution account.

The expected return on the assets of the pension scheme during the year is based on the market value of the assets at the start of the financial year and is offset within other finance expense in the income, expenditure and distribution account. The difference between the actual and expected return on the assets of the scheme is shown in the statement of total recognised gains and losses for the year, along with any related movement in deferred tax. The difference between the market value of the assets and the present value of the scheme liabilities is shown net of deferred tax in the balance sheet.

The last full actuarial valuation was undertaken on the position as at 30 June 2012.

1. ACCOUNTING POLICIES (continued)

c) Contributions to pensions (continued)

The company also operates a defined contribution scheme. The amount charged to the income, expenditure and distribution account represents the contributions payable to the schemes in respect of the accounting period.

d) Licence fee income

Licence fee income, which excludes value added tax, represents the invoiced value, and is recognised evenly over the period of the licence term.

In the absence of an invoice, broadcasting and online income is accrued based on the amount agreed in the contract.

In the event of over-payments, licence fee income is recognised if the payments could not be refunded, despite efforts to contact the relevant party over a reasonable period of time.

Licence fee income from overseas societies is recognised when an agreement is in place with the overseas society and on a cash received basis.

e) Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided at rates calculated to write off the cost of each asset over the expected useful life or predetermined replacement date:

Fixtures, fittings and office equipment	3 years on a straight line basis
Fixtures and fittings (refurbishment)	5 years on a straight line basis
Computer hardware and software	3 years on a straight line basis
Computer software (systems)	5 years on a straight line basis

f) Unclaimed Member and performer member distributions

Allocations to Members and performer members remaining unclaimed for more than seven years are reallocated and redistributed in accordance with the distribution policy.

g) Interest payable to Members and performer members

Interest is accrued on balances payable to Members and performer members who do not receive advances at a rate based on the average deposit rate earned by the company for the relevant periods.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (continued)

h) Foreign currencies

Monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are translated into sterling at the rate ruling on the date of the transaction. All foreign exchange differences are taken to the income, expenditure and distribution account in the year in which they arise.

i) Operating leases

Costs in respect of operating leases are charged to the income, expenditure and distribution account on a straight line basis over the lease term.

j) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

k) Provisions for liabilities

Dilapidations
Provision is made for dilapidations where the lease requires the reinstatement of the premises to its original state. The level of provision is based upon a damages report and is reviewed annually.

Legal costs
Provision is made for the estimated legal costs where litigation is pending and an obligating event has occurred prior to the balance sheet date.

Refunds
Provision is made for all significant refunds made in the post balance sheet period which relate to licence fees received in the year.

2. LICENCE FEE INCOME

	2014 £000	2013 £000
Analysis of turnover by licence type:		
Public performance income	76,696	69,482
Broadcasting and online income	73,964	72,998
International income	36,416	34,413
	187,076	176,893
Analysis of turnover by territory of origin:		
United Kingdom	149,448	142,321
Rest of Europe	22,339	21,577
Rest of World	15,289	12,995
	187,076	176,893

3. NET INCOME BEFORE INTEREST AND TAXATION

	2014 £000	2013 £000
Net income before interest and taxation is stated after charging:		
Services provided by the company's auditor:		
Fees payable for the audit	65	63
Fees payable for other services:		
Audit-related assurance services	14	15
Taxation compliance services	-	3
Depreciation of tangible fixed assets	2,398	2,215
Operating lease rentals:		
Other	629	629
Plant and Machinery	29	20

Net income includes a recharge of £983,507 (2013: £925,296) of operating expenses to VPL. PPL's debtors include a balance of £97,595 (2013: £79,128) owed by VPL.

4. ANTI-PIRACY / COPYRIGHT PROTECTION

Amounts contributed to:

	2014 £000	2013 £000
The British Phonographic Industry Limited:		
Contributions	3,320	2,526
Legal anti-piracy recoveries	-	(31)
	3,320	2,495
The International Federation of the Phonographic Industry	621	652
Impala	65	65
UK Music	824	562
	4,830	3,774

5. INTEREST RECEIVABLE

	2014 £000	2013 £000
Interest receivable on cash at bank and short term deposits	1,337	1,389

6. INTEREST PAYABLE

	2014 £000	2013 £000
Interest payable on Member and performer member balances	840	771

7. STAFF COSTS

Gross staff costs:	2014 £000	2013 £000
Wages and salaries	12,513	12,219
Social security costs	1,225	1,169
Other pension costs	612	444
	14,350	13,832

Other pension costs represents contributions payable and other associated costs in respect of the defined contribution scheme.

Monthly average number of employees:

	Number	Number
Office and management	288	283

Directors' emoluments:

	£000	£000
Aggregate emoluments	853	1,081

	Number	Number
Number of directors accruing benefits with the defined benefit pension scheme during the year	2	4

Emoluments in respect of the highest paid director amounted to:

	£000	£000
Aggregate emoluments	590	508
Defined benefit pension scheme - accrued pension at end of year	12	11

During the year the Company had two executive directors who were employed and paid by PPL (2013: four). Of those two executive directors, remuneration paid to the Chief Executive Officer amounted to £590,453 (2013: £507,599) and remuneration paid to the Chairman amounted to £179,663 (2013: £275,486). The remuneration of non-executive directors (by way of meeting attendance fees) is included in the aggregate directors' emoluments figure and amounted to £83,022 for the year (2013: £67,328).

8. TRANSACTIONS WITH DIRECTORS

There were no other transactions with directors during the year (2013: £-).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

9. RELATED PARTY TRANSACTIONS

Income collected by PPL is distributed to its Members and performer members and allocations remaining unclaimed for more than seven years are reallocated and redistributed in accordance with PPL's Distribution rules.

Operating expenses incurred in relation to Video Performance Limited are recharged during the year.

10. TAXATION

The charge for taxation for the year is calculated on disallowable items after the deduction of capital allowances.

	2014 £000	2013 £000
Current tax:		
UK corporation tax	-	7
Total current tax	-	7

The tax assessed for the year is lower (2013: lower) than the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%).

Factors affecting tax charge for the year

	2014 £000	2013 £000
Net income before taxation	161,161	152,194
Net income at the UK tax rate 21.5% (2013: 23.25%)	34,639	35,385
Effects of:		
Permanent difference	(34,609)	(35,354)
Accelerated capital allowances and other timing differences	(30)	(31)
Prior year tax adjustment	-	7
Total current tax charge	-	7

The company has an unrecognised deferred tax asset as follows:

	2014 £000	2013 £000
Capital allowances less than deprecation	695	618
Other timing differences	46	(57)
Deferred tax on pension scheme	598	21
Net deferred tax asset - unrecognised	1,339	582

No provision has been made for this deferred tax asset on the basis that the majority of the company's net income is not taxable and therefore the availability of suitable future taxable profits against which it can be realised is not certain.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

11. TANGIBLE FIXED ASSETS

	Fixtures, fittings and office equipment	Computer hardware, software and systems development	Total
	£000	£000	£000
Cost			
At 1 January 2014	1,567	17,939	19,506
Additions	30	1,315	1,345
Disposals	-	(3)	(3)
At 31 December 2014	1,597	19,251	20,848
Accumulated depreciation			
At 1 January 2014	1,053	13,272	14,325
Charge for the year	177	2,221	2,398
Disposals	-	(3)	(3)
At 31 December 2014	1,230	15,490	16,720
Net book amount			
At 31 December 2014	367	3,761	4,128
At 31 December 2013	514	4,667	5,181

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
	£000	£000
Trade creditors	74	229
Amounts owed to Members and performer members	123,127	127,061
Other creditors including taxation and social security	4,625	4,475
Accruals and deferred income	51,138	47,846
	178,964	179,611

The distributions to Members and performer members cannot be separately identified until the usage returns in respect of that period have been received and matched against the repertoire database. This reflects the Distribution rules driven by the Council Directive No 92/100/EEC of 19 November 1992 ("The Rental Directive") introduced in the UK with effect from 1 December 1996.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

13. PROVISION FOR LIABILITIES

	2014 £000	2013 £000
Provision for dilapidations		
At beginning of the year	490	490
Released in the year	-	-
At the end of the year	490	490
Provision for legal costs		
At beginning of the year	170	300
Utilised in the year	(70)	(300)
Charge for the year	-	170
At the end of the year	100	170
Provision for refunds		
At beginning of the year	650	757
Utilised in the year	-	(107)
Charge for the year	150	-
At the end of the year	800	650
Total provision	1,390	1,310

Dilapidations

The dilapidations provision represents the amount required to reinstate the premises to a state as required under the lease, which expires in 2020.The provision is expected to be fully utilised in 2020.

Legal costs

Legal costs are provided as required for cases where litigation is pending. This provision is expected to be utilised in 2015.

Refunds

Provision is made for all significant refunds made or expected to be made in the post balance sheet period which relate to licence fees received in the year.

14. OPERATING LEASE COMMITMENTS

The company was committed to making the following payments during the next year in respect of operating leases:

	2014 £000	2013 £000
Other:		
Leases which expire within 1 year	-	-
Leases which expire within 2-5 years	26	17
Land and Buildings:		
Leases which expire after 5 years	725	725

15. PENSION COSTS

a. Defined Benefit Scheme

The company operates a defined benefit scheme in the UK with assets held in a separately administered fund. The basis on which the net pension liability is recognised in the financial statements is set out in note 1. The scheme was closed to new entrants from 1 July 2003.

A full actuarial valuation using the projected unit method was carried out at 30 June 2012 and updated to 31 December 2014 by a qualified independent actuary.

The company closed the scheme to the future accrual of benefits in June 2014.

The major assumptions used by the actuary were (in nominal terms):

	2014	2013
Rate of increase in salaries	4.80%	5.20%
Rate of increase of pensions in payment	3.00%	3.00%
Rate of increase of pensions in deferment	2.50%	2.90%
Discount rate	3.50%	4.50%
Inflation assumption (RPI)	3.30%	3.70%
Inflation assumption (CPI)	2.50%	2.90%
Expected return on plan assets	4.26%	5.34%

The expected return on scheme assets is based on the asset allocation and on market expectations at the beginning of the financial year for returns over the life of the related obligation. The expected return on equities has been determined by including a premium over fixed interest securities to reflect the out performance of equities relative to fixed interest securities.

15. PENSION COSTS (continued)

The mortality assumptions used for the 31 December 2014 actuarial valuation were as follows:

Pre retirement mortality (non pensioners):	PCA00 YOB medium cohort (1% floor)
Post retirement mortality (non pensioners):	PCA00 YOB medium cohort (1% floor)
Pre retirement mortality (pensioners):	PCA00 YOB medium cohort (1% floor)

These remain consistent with the 31 December 2013 actuarial FRS17 valuation.

The assets in the scheme, the expected rates of return on assets ('EROA') and the amounts recognised in the balance sheets are as follows:

		2014			**2013**	
		EROA	**Amount**		**EROA**	**Amount**
	£000	**(%)**	**(%)**	**£000**	**(%)**	**(%)**
UK equities	4,540	5.70%	20%	3,487	6.95%	17%
Global equities	4,540	5.95%	20%	4,036	7.20%	19%
Diversified growth assets	2,270	5.70%	10%	1,878	6.95%	9%
Gilts	6,810	2.20%	30%	5,874	3.45%	28%
Corporate bonds	4,540	3.50%	20%	3,489	4.50%	17%
Other (cash)	199	4.20%	1%	1,935	4.20%	9%
Total market value of assets	22,899			20,699		
Actuarial value of liability	(25,682)			(20,788)		
Deficit in the scheme	(2,783)			(89)		
Related unrecognised deferred tax asset	-			-		
Net pension liability	(2,783)			(89)		

15. PENSION COSTS (continued)

The amount recognised in the income, expenditure and distribution account:

	2014 £000	2013 £000
Current service cost	(202)	(322)
Interest costs	(937)	(790)
Expected return on pension scheme assets	1,107	787
Total	(32)	(325)
Actual return on assets	2,193	1,699

Changes in the present value of the defined benefit obligation are as follows:

	2014 £000	2013 £000
Opening defined benefit obligation	20,788	17,464
Current service costs	202	322
Employee contributions	27	47
Interest costs	937	790
Actuarial loss	3,897	2,342
Benefits paid	(169)	(177)
Closing defined benefit obligation	25,682	20,788

Changes in the fair value of plan assets are as follows:

	2014 £000	2013 £000
Opening fair value of scheme assets	20,699	17,185
Expected return on assets	1,107	787
Actuarial gain	1,086	912
Employer contributions	149	1,945
Employee contributions	27	47
Benefits paid	(169)	(177)
Closing fair value of scheme assets	22,899	20,699

15. PENSION COSTS (continued)

Other amounts for the current year (and preceding 4 years) are as follows:

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Defined benefit obligation	(25,682)	(20,788)	(17,464)	(16,898)	(15,748)
Scheme assets	22,899	20,699	17,185	15,776	14,541
Deficit	(2,783)	(89)	(279)	(1,122)	(1,207)
History of experience gains and losses:					
Adjustment due to change in assumptions	(3,897)	(2,342)	460	(7)	(364)
Experience adjustments on scheme assets	1,086	912	627	157	788
Total amount recognised in statement of total recognised gains and losses	(2,811)	(1,430)	1,087	150	424

b. Defined Contribution Scheme

The company also operates a defined contribution scheme.

	2014 £000	2013 £000
Amounts outstanding at year end	81	-

16. RETAINED RESERVES - INCOME, EXPENDITURE AND DISTRIBUTION ACCOUNT

	2014 £000	2013 £000
At start of the year	(4,493)	(3,063)
Actuarial loss on the pension scheme	(2,811)	(1,430)
Movement in deferred tax on the pension scheme	-	-
At end of the year	(7,304)	(4,493)

17. NET CASH FLOW FROM OPERATING ACTIVITIES

	2014 £000	2013 £000
Net income before interest and taxation	160,494	151,579
Depreciation of tangible fixed assets	2,398	2,215
Difference between pension charge and cash contribution	53	(1,623)
Decrease in debtors	10,093	2,077
Increase in creditors	1,917	2,005
Increase in provisions	80	(237)
Net cash inflow from operating activities	175,035	156,016

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2014 £000	2013 £000
Increase in cash in the year	1,123	5,711
Increase in cash placed on fixed term deposits	9,000	15,000
Changes in net funds resulting from cash flows	10,123	20,711
Net funds at 1 January	136,202	115,491
Net funds at 31 December	146,325	136,202

19. ANALYSIS OF CHANGES IN NET FUNDS

	2013 £000	Cash flow £000	2014 £000
Cash at bank and in hand	28,202	1,123	29,325
Short term cash invested	108,000	9,000	117,000
Net funds	136,202	10,123	146,325