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 2017

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their Strategic Report on Phonographic Performance Limited (PPL) for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

PPL'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 (comprising recording rightsholder members as well as the performers that PPL represents). The total amount available for distribution in the Statement of Comprehensive Income is distributed to the company's members, with the intention that there are no retained reserves at any particular Statement of Financial Position date.

BUSINESS REVIEW

2017 saw continued growth for PPL with total licence fee income of £218.8m (2016: £212.1m) and net distributable revenue reaching £180.5m (2016: £178.9m).

Continued preparatory work for the joint venture in the area of public performance licensing between PPL and PRS for Music Limited (PRS) was a key focus area throughout 2017. Good progress was made across all aspects of this project, with the new joint licensing system close to completion at the end of 2017, and with the expectation that the joint venture would commence public performance licensing operations on behalf of PPL in early 2018.

PPL continued to invest in both its employees and its IT infrastructure throughout 2017, with the aim of delivering improved services to our members, supporting future revenue growth and achieving increased efficiency across the business.

The Statement of Financial Position reflects a net liability of £7.1m, which is largely due to timing differences in the payment of liabilities to PPL's members and an unrealised actuarial loss on the pension scheme of £3.0m. 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 ability to generate cash through continuous licensing activity coupled with cash balances held through timing differences between collections and distributions to members, provides adequate resources to continue in operational existence.

KEY PERFORMANCE INDICATORS

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

	2017	2016
Public performance and dubbing	£89.3 m	£86.4 m
Broadcasting and online	£79.9 m	£77.4 m
International	£49.6 m	£48.4 m
Total licence fee income	£218.8 m	£212.1 m
Net distributable revenue	£180.5 m	£178.9 m
Cost to income ratio (excluding pension scheme costs)	16.5%	14.8%

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

PPL considers its key performance indicators to be income growth, net distributable revenue growth and cost to income ratio. Total licence fee income for 2017 reached £218.8m; a growth of £6.7m (3.1%) on the prior year. Public performance and dubbing income grew by £2.9m (3.4%), broadcasting and online income grew by £2.5m (3.2%) and international income increased by £1.2m (2.5%). Total net distributable revenue in 2017 grew by £1.6m (0.9%) from 2016.

The cost to income ratio was 16.5%, compared with 14.8% in 2016. This was an anticipated increase, mainly driven by the significant ongoing investment in establishing the PPL/PRS joint venture which is expected to provide greater returns for PPL's members over the long-term.

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.

As at the end of 2017, there remains uncertainty in the geopolitical landscape that may bring tougher economic conditions for both PPL's licensees and members. For PPL, the economy continues to play a part in the company's ability to collect licensing income.

Liquidity risk is mitigated by actively managing cash generation and funding requirements. Distribution payments to members are only made on licence fees collected. Price risk occurs where new licence arrangements are challenged. Legislative risk can occur where PPL is subject to any changes to copyright law. PPL is also exposed to foreign exchange risk in respect of the income collected from overseas Collective Management Organisations. Receipts in foreign currencies are translated into GBP using spot-rates and therefore exposure to foreign exchange risk is considered to be low.

By order of the Board

D HARMSWORTH
SECRETARY
20 March 2018

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors submit their Report of the Directors and the audited financial statements of PPL to the members for the year ended 31 December 2017.

FUTURE DEVELOPMENTS

The company's business activities and factors likely to affect its future performance are set out in the Strategic Report.

FINANCIAL RISK MANAGEMENT

The company's assessment of its exposure to elements of financial risk is set out in the Strategic Report.

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.

The company is committed to providing equal opportunities to all employees, consultants, contractors, customers, agency workers and members of and applicants to the company and does not discriminate on grounds of sex, pregnancy, maternity, sexual orientation, gender re-assignment, marital or civil partnership status, race (to include colour, nationality, ethnic or national origins), religion or belief, disability or age. We aim to ensure that workers are selected, trained, compensated, promoted or transferred solely on the strength of their ability, skills, qualification and merit.

This can only be achieved with the support of all staff, and it is our responsibility to ensure that this equal opportunities policy is observed and to understand clearly that there is a moral and legal duty not to discriminate against individuals on any of the grounds mentioned above. Any matters of concern can be discussed on a confidential basis with a member of the Management Team or the People and Organisational Development Team.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;

- 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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 director in office at the date the Directors’ Report is approved:

- so far as the director is 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 a director 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.

CHARITABLE DONATIONS

The following charitable donations were provided during the year ended 31 December 2017:

	2017	**2016**
PRS for Music Foundation	£300,000	£200,000
Hospital Broadcasting Association	£32,500	£32,500
Young Persons' Concert Foundation	£11,000	£11,000
The Young Musicians Symphony Orchestra	£5,000	£5,000
English Schools' Orchestra and Choir	£2,000	£2,000

PHONOGRAPHIC PERFORMANCE LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017

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
R de Bastion
J French
R Gruschke (appointed 19 September 2017)
N Hartley
C Hunt
M Kelly
P Leathem
M Mills (resigned 19 September 2017)
C Payne
J Radice
A Sear
C Smith
J Smith
M Smith
P Stack
D Stopps
H Trubridge

By order of the Board

D HARMSWORTH
SECRETARY
20 March 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC PERFORMANCE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Phonographic Performance Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Report of the Directors and Financial Statements for the year ended 31 December 2017 (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2017; the Statement of Comprehensive Income, Cash Flow Statement, the Statement of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC PERFORMANCE LIMITED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Report of Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of Directors
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of Directors.

Responsibilities for the financial statements and the audit
Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on pages 3 to 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC PERFORMANCE LIMITED

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
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.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting
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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jonathan Ford (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 March 2018

PHONOGRAPHIC PERFORMANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	2016 £000
LICENCE FEE INCOME	2	218,777	212,114
Cost of collection and distribution		(36,027)	(31,302)
NET INCOME BEFORE INTEREST AND TAXATION	3	182,750	180,812
Interest receivable	5	720	1,366
Interest payable	6	(176)	(713)
Other finance expense	16	(111)	-
NET INCOME BEFORE TAXATION		183,183	181,465
Taxation	8	-	-
AMOUNT AVAILABLE FOR DISTRIBUTION		183,183	181,465
Anti-piracy protection and industry contributions	4	(2,689)	(2,547)
Amount to be distributed to members		(180,494)	(178,918)
RETAINED RESERVES		-	-
Other comprehensive income / (expense):			
Actuarial gain / (loss) on pension scheme		1,411	(4,271)
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR		1,411	(4,271)
Cost to income ratio (excluding pension scheme costs)		16.5%	14.8%

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

PHONOGRAPHIC PERFORMANCE LIMITED

COMPANY NUMBER: 00288046

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
FIXED ASSETS					
Intangible assets	9		7,557		5,286
Tangible assets	10		873		1,107
Investments	11		50		50
			8,480		6,443
CURRENT ASSETS					
Licence fees receivable		15,422		16,936	
Other debtors	12	13,859		7,766	
Prepayments and accrued income		9,898		9,205	
Short term fixed deposits		88,000		87,500	
Cash at bank and in hand		27,966		33,048	
		155,145		154,455	
CREDITORS: amounts falling due within one year	13	(166,154)		(163,548)	
NET CURRENT LIABILITIES			(11,009)		(9,093)
TOTAL ASSETS LESS CURRENT LIABILITIES			(2,529)		(2,650)
PROVISIONS FOR LIABILITIES	14		(1,609)		(1,599)
NET LIABILITIES BEFORE PENSION LIABILITIES			(4,138)		(4,249)
NET PENSION LIABILITY	16		(2,971)		(4,271)
NET LIABILITIES			(7,109)		(8,520)
RESERVES					
Accumulated losses			(7,109)		(8,520)

The financial statements on pages 9 to 33, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes were approved by the Board of directors on 20 March 2018 and are signed on its behalf by:

Peter Leathem

P Leathem
Director

A Sear
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Accumulated Losses £000
Balance as at 1 January 2016	(4,249)
Result for the financial year	-
Other comprehensive expense for the year	(4,271)
Total comprehensive expense for the year	(4,271)
Balance as at 31 December 2016	(8,520)
Result for the financial year	-
Other comprehensive income for the year	1,411
Total comprehensive income for the year	1,411
Balance as at 31 December 2017	(7,109)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	2016 £000
NET CASH FLOW FROM OPERATING ACTIVITIES	17	187,044	177,316
Taxation paid		-	-
Net cash generated from operating activities		187,044	177,316
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangible fixed assets		(4,269)	(4,116)
Purchase of tangible fixed assets		(175)	(998)
Payment to acquire investments		-	(50)
Interest paid		(297)	(605)
Interest received		839	1,431
Cash (outflow) / inflow for investment		(500)	35,000
Net cash (used in) / generated from investing activities		(4,402)	30,662
CASH FLOW FROM FINANCING ACTIVITIES			
Anti-piracy protection and industry contributions paid		(3,025)	(2,438)
Payments to members		(184,699)	(197,670)
Net cash used in financing activities		(187,724)	(200,108)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(5,082)	7,870
Cash and cash equivalents at the beginning of the year		33,048	25,178
Cash and cash equivalents at the end of the year		27,966	33,048
Cash and cash equivalents comprises of:			
Cash at bank and in hand		27,966	33,048
Total cash and cash equivalents		27,966	33,048

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

General information

PPL is a private company limited by guarantee and incorporated in the United Kingdom. The address of its registered office is 1 Upper James Street, London, W1F 9DE, United Kingdom.

The principal activity of the company was the collection and distribution of UK and international income for broadcasting and public performance of sound recordings on behalf of its members.

Statement of compliance

The financial statements of PPL have been prepared in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, ‘‘The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland’’ (‘‘FRS 102’’) and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of accounting

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and Applicable Accounting Standards in the United Kingdom.

b) Going concern

On the basis of their assessment of the company’s financial position and resources, the directors believe that the company is well placed to manage its business risks. 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. Therefore the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c) Format of the Statement of Comprehensive Income and the Statement of Financial Position

The formats of the Statement of Comprehensive Income and the Statement of Financial Position have been adapted from that prescribed by the Companies Act 2006 in order to better reflect the nature of the business.

1. ACCOUNTING POLICIES (continued)

d) Foreign currencies

i) Functional and presentation currency
The company's functional and presentation currency is the pound sterling.

ii) Transactions and balances
Monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the reporting 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 Statement of Comprehensive Income in the year in which they arise.

e) 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.

f) Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements and defined benefit and defined contribution pension plans.

i) Short term benefits
Short term benefits including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii) Defined benefit pension plan
During the year the company operated a contributory defined benefit pension scheme covering its permanent employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

1. ACCOUNTING POLICIES (continued)

f) Employee benefits (continued)

The defined benefit obligation is calculated using the projected unit credit method. Annually PPL engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with PPL's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined liability'.

The cost of the defined benefit plan, recognised in the Statement of Comprehensive Income as employee costs, except where included in the cost of an asset, comprises:

- the increase in pension benefit liability arising from employee service during the period; and
- the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Statement of Comprehensive Income as 'other finance expense'.

The last full actuarial valuation was undertaken on the position as at 30 June 2015.

iii) Defined contribution pension plan
The company also operates a defined contribution scheme. A defined contribution plan is a pension plan under which the company pays fixed contributions into separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

g) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

1. ACCOUNTING POLICIES (continued)

g) Taxation (continued)

i) Current tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

ii) Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting 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 reporting 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 reporting date. Deferred tax is measured on a non-discounted basis.

h) Intangible assets

Computer software and system development is stated at cost less accumulated amortisation and accumulated impairment losses. Computer software and system development is amortised over its estimated useful life, on a straight line basis, as follows:

Computer systems	5 years
Computer software	3 years

Costs associated with maintaining computer software are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by PPL are recognised as intangible assets when the following criteria are met:
- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

1. ACCOUNTING POLICIES (continued)

i) Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. 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	3 years on a straight line basis

j) Investment in joint venture

Investment in the joint venture is held at cost less accumulated impairment losses.

k) Leased assets

At inception, the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i) Operating leases
Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

ii) Lease incentives
Incentives received to enter into an operating lease are credited to the Statement of Comprehensive Income, to reduce the lease expense, on a straight-line basis over the period of the lease.

l) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

m) Provisions for liabilities

i) 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.

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

1. ACCOUNTING POLICIES (continued)

m) Provisions for liabilities (continued)

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

n) Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets
Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities
Basic financial liabilities, including trade creditors and short term loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

1. ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The company does not hold or issue derivative financial instruments.

iii) Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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.

o) Unclaimed member distributions

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

p) Interest payable to members

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

q) Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

1. ACCOUNTING POLICIES (continued)

q) Critical accounting judgements and key source of estimation uncertainty (continued)

i) Intangible assets
FRS 102 requires judgement to be exercised when determining whether software costs should be recognised as tangible or intangible assets. Where software is regarded an integral part of the related hardware and the hardware cannot operate without the particular piece of software, it is to be treated as a tangible asset. However, where the software is not an integral part of the related hardware, computer software is to be treated as an intangible asset. Management has decided that the software costs are not an integral part of the related hardware and so have classified these costs as an intangible asset.

ii) Useful economic lives of intangible and tangible assets
The annual amortisation or depreciation charge for intangible and tangible assets is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See notes 9 and 10 for the carrying amount of intangible and tangible assets and note 1 for the useful economic lives for each class of asset.

iii) Defined benefit pension scheme
The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Statement of Financial Position. The assumptions reflect historical experience and current trends. See note 16 for the disclosures relating to the defined benefit pension scheme.

2. LICENCE FEE INCOME

	2017 £000	2016 £000
Analysis of turnover by licence type:		
Public performance and dubbing income	89,330	86,390
Broadcasting and online income	79,868	77,373
International income	49,579	48,351
	218,777	212,114
Analysis of turnover by territory of origin:		
United Kingdom	167,856	162,775
Rest of Europe	36,140	35,594
Rest of World	14,781	13,745
	218,777	212,114

3. NET INCOME BEFORE INTEREST AND TAXATION

	2017 £000	2016 £000
Net income before interest and taxation is stated after charging / (crediting):		
Services provided by the company's auditors:		
Fees payable for the audit	70	68
Fees payable for other services:		
Audit-related assurance services	17	6
Depreciation of tangible fixed assets	409	457
Amortisation of intangible assets	1,998	1,487
Operating lease rentals	1,042	1,014
Foreign exchange gain/(loss)	3	(14)

Net income includes a recharge of £985,875 (2016: £996,012) of operating expenses to Video Performance Limited (VPL). PPL's debtors include a balance of £16,742 (2016: £60,504) owed by VPL.

4. ANTI-PIRACY PROTECTION AND INDUSTRY CONTRIBUTIONS

Amounts contributed to:

	2017 £000	2016 £000
BPI (British Recorded Music Industry) Limited:		
Contributions	1,730	1,322
Legal anti-piracy recoveries	(162)	-
	1,568	1,322
The International Federation of the Phonographic Industry	624	603
Impala	67	66
UK Music	430	556
	2,689	2,547

5. INTEREST RECEIVABLE

	2017 £000	2016 £000
Interest receivable on cash at bank and short term deposits	720	1,366

6. INTEREST PAYABLE

	2017 £000	2016 £000
Interest payable on member balances	176	713

7. STAFF COSTS

Gross staff costs:	2017 £000	2016 £000
Wages and salaries	14,635	14,896
Social security costs	1,541	1,355
Other pension costs	886	821
	17,062	17,072

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

Monthly average number of employees:

	2017 Number	2016 Number
Office and management	317	308

Directors' emoluments:

	2017 £000	2016 £000
Aggregate emoluments	923	853

Post-employment benefits are accruing for one director (2016: one) under a defined benefit scheme. One director (2016: one) is currently a member of the defined contribution scheme.

Emoluments in respect of the highest paid director amounted to:

	2017 £000	2016 £000
Aggregate emoluments	783	710
Defined benefit pension scheme - accrued pension at end of year	30	29

During the year the company had two executive directors who were employed and paid by PPL (2016: two). Of those two executive directors, remuneration paid to the Chief Executive Officer amounted to £783,061 (2016: £710,263) and remuneration paid to the Chairman amounted to £61,200 (2016: £60,000). The remuneration of non-executive directors (by way of meeting attendance fees) is included in the aggregate directors' emoluments figure and amounted to £78,429 for the year (2016: £82,441).

8. TAXATION

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

	2017 £000	2016 £000
Current tax:		
UK corporation tax	-	-
Total tax	-	-

The tax assessed for the year is lower (2016: lower) to the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

	2017 £000	2016 £000
Factors affecting tax charge for the year		
Net income before taxation	183,183	181,465
Net income at the UK tax rate 19.25% (2016: 20%)	35,263	36,293
Effects of:		
Permanent difference	(35,238)	(36,266)
Accelerated capital allowances and other timing differences	(25)	(27)
Prior year tax adjustment	-	-
Total tax charge	-	-

The company has an unrecognised deferred tax asset as follows:

	2017 £000	2016 £000
Capital allowances less than depreciation	563	635
Other timing differences	345	339
Deferred tax on pension scheme	572	854
Net deferred tax asset - unrecognised	1,480	1,828

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.

9. INTANGIBLE ASSETS

	Computer software and systems development
	£000
Cost	
At 1 January 2017	23,567
Additions	4,269
Disposals	(1)
At 31 December 2017	27,835
Accumulated amortisation	
At 1 January 2017	18,281
Charge for the year	1,998
Disposals	(1)
At 31 December 2017	20,278
Net book amount	
At 31 December 2017	7,557
At 31 December 2016	5,286

10. TANGIBLE ASSETS

	Fixtures, fittings, office equipment	Computer hardware	Total
	£000	£000	£000
Cost			
At 1 January 2017	1,265	885	2,150
Additions	35	140	175
Disposals	(1)	(84)	(85)
At 31 December 2017	1,299	941	2,240
Accumulated depreciation			
At 1 January 2017	473	570	1,043
Charge for the year	242	167	409
Disposals	(1)	(84)	(85)
At 31 December 2017	714	653	1,367
Net book amount			
At 31 December 2017	585	288	873
At 31 December 2016	792	315	1,107

11. INVESTMENTS

The carrying value of PPL's investment in a joint venture was as follows:

	2017 £000	**2016 £000**
Joint venture	50	50
	50	50

	2017 £000	**2016 £000**
At 1 January	50	-
Movement in the year	-	50
At 31 December	50	50

PPL holds a 50% equity investment in PPL PRS Limited (an unlisted entity). This consists of 50,000 ordinary shares at £1 each. The other 50% is held by PRS for Music Limited. Under Article 14.2 of the PPL PRS Limited Articles of Association, the company is not permitted to allot any securities without the written consent of both PPL and PRS for Music Limited.

12. OTHER DEBTORS

	2017 £000	2016 £000
Loan receivable from joint venture	4,000	500
Amounts owed in relation to the joint venture	9,569	6,776
Total receivable in respect of joint venture	13,569	7,276
Other	290	490
	13,859	7,766

In addition to the company's equity investment as set out in note 11, a loan is carried forward from 2016 with a further amount loaned of £3.5m in 2017. The loan will be repaid in equal instalments over a period of five years following the commencement of licensing activity in the joint venture. The interest rate for this loan is set at the Bank of England base rate +2%. At the end of 2017 PPL has incurred expenditure of £9.6m that is owed in relation to the joint venture, £1.1m of which will be recharged to PRS for Music Limited with £8.5m due from PPL PRS Limited. Total amounts receivable in respect of the joint venture are therefore £13.6m at 31 December 2017 (2016: £7.3m).

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £000	2016 £000
Trade creditors	553	209
Amounts owed to members	103,498	107,703
Other creditors including taxation and social security	7,619	3,674
Accruals and deferred income	54,484	51,962
	166,154	163,548

The distributions to members cannot be separately identified until the usage returns in respect of that year 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.

14. PROVISION FOR LIABILITIES

	2017 £000	2016 £000
Provision for dilapidations		
At beginning of the year	719	490
Charge for the year	-	229
At the end of the year	719	719
Provision for legal costs		
At beginning of the year	400	200
Utilised in the year	(161)	-
Charge for the year	171	200
At the end of the year	410	400
Provision for refunds		
At beginning of the year	480	480
Charge for the year	-	-
At the end of the year	480	480
Total provision	1,609	1,599

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 2018.

Refunds

Provision is made for all significant refunds made or expected to be made in the post Statement of Financial Position year, which relate to licence fees received in the year.

15. OPERATING LEASE COMMITMENTS

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

	2017 £000	2016 £000
Other:		
Not later than one year	1,029	1,056
Later than one year and not later than five years	1,873	2,946
	2,902	4,002

16. 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 2015 and updated to 31 December 2017 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):

	2017	2016
Rate of increase in salaries	3.40%	3.60%
Rate of increase of pensions in payment	2.70%	2.80%
Rate of increase of pensions in deferment:		
Pre 2009	2.40%	2.60%
Post 2009	2.40%	2.50%
Discount rate	2.40%	2.60%
Inflation assumption (RPI)	3.40%	3.60%
Inflation assumption (CPI)	2.40%	2.60%

16. PENSION COSTS (continued)

The mortality assumptions used for the 31 December 2017 actuarial valuation were as follows:

Pre-retirement mortality (non pensioners):	100% S2PXA CMI_2016_M/F [1.25%] (yob)
Post-retirement mortality (non pensioners	100% S2PXA CMI_2016_M/F [1.25%] (yob)
Pre-retirement mortality (pensioners):	100% S2PXA CMI_2016_M/F [1.25%] (yob)

These remain consistent with the 31 December 2015 actuarial valuation, updated under FRS102.

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

	2017		2016	
	£000	Amount (%)	£000	Amount (%)
Equities	8,574	31%	8,074	32%
Diversified growth assets	2,754	10%	2,587	10%
Corporate bonds	16,298	59%	14,856	58%
Other (cash)	2	0%	29	0%
Total market value of assets	27,628		25,546	
Actuarial value of liability	(30,599)		(29,817)	
Deficit in the scheme	(2,971)		(4,271)	
Related unrecognised deferred tax asset	-		-	
Net pension liability	(2,971)		(4,271)	

16. PENSION COSTS (continued)

The amount recognised in the Statement of Comprehensive Income:

	2017 £000	2016 £000
Net interest	(111)	-
Total	(111)	-

Reconciliation of scheme assets and liabilities:

	Assets £000	Liabilities £000	Total £000
At 1 January 2017	25,546	(29,817)	(4,271)
Benefits paid	(325)	325	-
Employer contributions	-	-	-
Employee contributions	-	-	-
Current service cost	-	-	-
Interest income / (expense)	660	(771)	(111)
Remeasurement gains / (losses)			
- Actuarial losses	-	(336)	(336)
- Return on plan assets excluding interest income	1,747	-	1,747
At 31 December 2017	**27,628**	**(30,599)**	**(2,971)**

b. Defined Contribution Scheme

The company also operates a defined contribution scheme.

	2017 £000	2016 £000
Amounts outstanding at year end	103	100

17. NET CASH FLOW FROM OPERATING ACTIVITIES

	2017 £000	2016 £000
Net income before taxation	183,183	181,465
Net interest receivable	(544)	(653)
Other finance expense	111	-
Amortisation of intangible assets	1,998	1,487
Depreciation of tangible fixed assets	409	457
Increase in debtors	(5,066)	(4,710)
Increase / (decrease) in creditors	6,944	(1,159)
Increase in provisions	10	429
Net cash inflow from operating activities	187,044	177,316

18. TRANSACTIONS WITH DIRECTORS

There were no other transactions with directors during the year (2016: £nil).

19. RELATED PARTY TRANSACTIONS

Income collected by PPL is distributed to its 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.

20. RETAINED RESERVES - INCOME, EXPENDITURE AND DISTRIBUTION ACCOUNT

	2017 £000	2016 £000
At start of the year	(8,520)	(4,249)
Actuarial gain / (loss) on the pension scheme	1,411	(4,271)
Movement in deferred tax on the pension scheme	-	-
At end of the year	(7,109)	(8,520)