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 2018

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their Strategic Report on Phonographic Performance Limited (PPL) for the year ended 31 December 2018.

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

2018 saw continued growth for PPL with total licence fee income of £246.8m (2017: £218.8m) and net distributable revenue reaching £210.1m (2017: £180.5m).

A highlight in 2018 was the launch of PPL PRS Limited in February. This joint venture company provides a single point of contact representing the rights of PPL, Video Performance Limited and PRS for Music Limited in public performance licensing.

A key success in the year was the growth of PPL's international collections business, where the continued drive to expand and improve this service has delivered an annual increase in income of over 40%.

PPL continued to invest in both its employees and its IT infrastructure throughout 2018, 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 £5.8m, 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 £1.8m. 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

	2018	2017
Public performance and dubbing	£92.3 m	£89.3 m
Broadcasting and online	£83.6 m	£79.9 m
International	£70.9 m	£49.6 m
Total licence fee income	£246.8 m	£218.8 m
Net distributable revenue	£210.1 m	£180.5 m
Cost to income ratio (excluding pension scheme costs)	13.9%	16.5%

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

PPL considers its key performance indicators to be income growth, net distributable revenue growth and cost to income ratio. Total licence fee income for 2018 reached £246.8m; a growth of £28.0m (12.8%) on the prior year. Public performance and dubbing income grew by £3.0m (3.4%), broadcasting and online income grew by £3.7m (4.6%) and international income increased by £21.3m (43.0%). Total net distributable revenue in 2018 grew by £29.6m (16.4%) from 2017.

The cost to income ratio was 13.9%, compared with 16.5% in 2017. The decrease has been delivered by both growth in income and reduced costs, where the establishment of the joint venture for public performance licensing has been a key factor.

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 2018, 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, in particular the uncertainty and associated risks surrounding Brexit.

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
19 March 2019

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors submit their Report of the Directors and the audited financial statements of PPL to the members for the year ended 31 December 2018.

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 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 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 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.

DiRECTORS' CONFIRMATIONS

In the case of each director in office at the date the Report of the Directors 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 2018:

	2018	2017
PRS for Music Foundation	£300,000	£300,000
Hospital Broadcasting Association	£32,500	£32,500
British Association for Performing Arts Medicine	£30,000	-
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 2018

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
R Firman (appointed 27 November 2018)
J French
R Gruschke
N Hartley
C Hunt
M Kelly
P Leathem
C Payne (resigned 27 November 2018)
J Radice
A Sear
C Smith
J Smith
M Smith
P Stack
D Stopps
H Trubridge

By order of the Board

D HARMSWORTH
SECRETARY
19 March 2019

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 2018 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 2018 (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2018, the Statement of Comprehensive Income, the Cash Flow Statement and 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC PERFORMANCE LIMITED

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.

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 the Report of the 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 the Report of the Directors
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and the Report of the Directors for the year ended 31 December 2018 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 the Report of the 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 and 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC PERFORMANCE LIMITED

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.

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
19 March 2019

PHONOGRAPHIC PERFORMANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	2017 £000
LICENCE FEE INCOME	2	246,806	218,777
Cost of collection and distribution		(34,372)	(36,027)
Cost of servicing defined benefit pension scheme	16	(100)	-
Total cost of collection and distribution		(34,472)	(36,027)
NET INCOME BEFORE INTEREST AND TAXATION	3	212,334	182,750
Interest receivable and similar income	5	1,004	720
Interest payable and similar expense	6	(155)	(176)
Other finance expense	16	(71)	(111)
NET INCOME BEFORE TAXATION		213,112	183,183
Tax on profit	8	-	-
AMOUNT AVAILABLE FOR DISTRIBUTION		213,112	183,183
Anti-piracy protection and industry contributions	4	(2,999)	(2,689)
Amount to be distributed to members		(210,113)	(180,494)
RETAINED RESERVES		-	-
Other comprehensive income			
Actuarial gain on pension scheme	16	1,305	1,411
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,305	1,411
Cost to income ratio (excluding pension scheme costs)		13.9%	16.5%

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 2018

	Note	2018 £000	2017 £000
FIXED ASSETS			
Intangible assets	9	7,125	7,557
Tangible assets	10	534	873
Investments	11	50	50
		7,709	8,480
CURRENT ASSETS			
Licence fees receivable		16,479	15,422
Other debtors	12	19,989	13,859
Prepayments and accrued income		14,953	9,898
Short term fixed deposits		50,000	88,000
Cash at bank and in hand		25,258	27,966
		126,679	155,145
CREDITORS: amounts falling due within one year	13	(136,713)	(166,154)
NET CURRENT LIABILITIES		(10,034)	(11,009)
TOTAL ASSETS LESS CURRENT LIABILITIES		(2,325)	(2,529)
PROVISIONS FOR LIABILITIES	14	(1,642)	(1,609)
NET LIABILITIES BEFORE PENSION LIABILITIES		(3,967)	(4,138)
NET PENSION LIABILITY	16	(1,837)	(2,971)
NET LIABILITIES		(5,804)	(7,109)
RESERVES			
Accumulated losses		(5,804)	(7,109)

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 19 March 2019 and are signed on its behalf by:

P Leathem
Director

J French
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Accumulated losses £000
Balance as at 1 January 2017	(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)
Result for the financial year	-
Other comprehensive income for the year	1,305
Total comprehensive income for the year	1,305
Balance as at 31 December 2018	(5,804)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	2017 £000
NET CASH FLOW FROM OPERATING ACTIVITIES	17	180,128	187,044
Taxation paid		-	-
Net cash generated from operating activities		180,128	187,044
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangible fixed assets		(2,059)	(4,269)
Purchase of tangible fixed assets		(51)	(175)
Interest paid		(302)	(297)
Interest received		761	839
Cash inflow / (outflow) for investment		38,000	(500)
Net cash generated from / (used in) investing activities		36,349	(4,402)
CASH FLOW FROM FINANCING ACTIVITIES			
Anti-piracy protection and industry contributions paid		(3,056)	(3,025)
Payments to members		(216,129)	(184,699)
Net cash used in financing activities		(219,185)	(187,724)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,708)	(5,082)
Cash and cash equivalents at the beginning of the year		27,966	33,048
Cash and cash equivalents at the end of the year		25,258	27,966
Cash and cash equivalents comprises of:			
Cash at bank and in hand		25,258	27,966
Total cash and cash equivalents		25,258	27,966

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 is 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/receivable

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, on a cash received basis.

Licence fees receivable in relation to public performance revenues as at 31 December 2018 represents amounts due from the PPL PRS Limited joint venture for public performance licence invoicing (relating to 2018) since commencement of operations of the joint venture, in addition to amounts remaining outstanding previously invoiced by PPL. As at 31 December 2017, it represented amounts billed directly by PPL.

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 2018.

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.

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.

1. ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

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

Interest is accrued on balances payable 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 as follows:

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.

1. ACCOUNTING POLICIES (continued)

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

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.

iv) Provision for doubtful debts
The recoverability of licence fees receivable requires judgement. The company uses all available evidence to determine the appropriate level of provision for impairment of licence fee receivables, including known disputes, historical trends in write-offs, collections post year end and the ageing of the receivables.

2. LICENCE FEE INCOME

	2018 £000	2017 £000
Analysis of turnover by licence type:		
Public performance and dubbing income	92,314	89,330
Broadcasting and online income	83,600	79,868
International income	70,892	49,579
	246,806	218,777
Analysis of turnover by territory of origin:		
United Kingdom	174,921	167,856
Rest of Europe	56,200	36,140
Rest of World	15,685	14,781
	246,806	218,777

3. NET INCOME BEFORE INTEREST AND TAXATION

	2018 £000	2017 £000
Net income before interest and taxation is stated after charging / (crediting):		
Services provided by the company's auditors:		
Fees payable for the audit	61	70
Fees payable for other services:		
Audit-related assurance services	16	17
Depreciation of tangible fixed assets	390	409
Amortisation of intangible assets	2,491	1,998
Operating lease rentals	1,042	1,042
Foreign exchange loss / (gain)	22	(3)

Net income includes a recharge of £869,051 (2017: £985,875) of operating expenses to Video Performance Limited (VPL). PPL's debtors include a balance of £92,673 (2017: £16,742) owed by VPL.

4. ANTI-PIRACY PROTECTION AND INDUSTRY CONTRIBUTIONS

Amounts contributed to:

	2018 £000	2017 £000
BPI (British Recorded Music Industry) Limited:		
Contributions	1,578	1,730
Legal anti-piracy recoveries	-	(162)
	1,578	1,568
The International Federation of the Phonographic Industry	685	624
Impala	69	67
Association of Independent Music Limited	65	-
UK Music	602	430
	2,999	2,689

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £000	2017 £000
Interest receivable on cash at bank and short term deposits	1,004	720

6. INTEREST PAYABLE AND SIMILAR EXPENSE

	2018 £000	2017 £000
Interest payable on member balances	155	176

7. STAFF COSTS

Gross staff costs:	**2018 £000**	**2017 £000**
Wages and salaries	12,697	14,635
Social security costs	1,258	1,541
Other pension costs	761	886
	14,716	17,062

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

Monthly average number of employees:

	2018 Number	**2017 Number**
Office and management	212	317

Directors' emoluments:

	2018 £000	**2017 £000**
Aggregate emoluments	923	923

Post-employment benefits are accruing for one director (2017: one) under a defined benefit scheme. One director (2017: one) is currently a member of the defined contribution scheme.

Emoluments in respect of the highest paid director amounted to:

	2018 £000	**2017 £000**
Aggregate emoluments	786	783
Defined benefit pension scheme - accrued pension at end of year	31	30

During the year the company had two executive directors who were employed and paid by PPL (2017: two). Of those two executive directors, remuneration paid to the Chief Executive Officer amounted to £786,120 (2017: £783,061) and remuneration paid to the Chairman amounted to £63,040 (2017: £61,200). The remuneration of non-executive directors (by way of meeting attendance fees) is included in the aggregate directors' emoluments figure and amounted to £74,155 for the year (2017: £78,429).

8. TAX ON PROFIT

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

	2018 £000	2017 £000
Current tax:		
UK corporation tax	-	-
Total tax	-	-

The tax assessed for the year is lower (2017: lower) to the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

	2018 £000	2017 £000
Factors affecting tax charge for the year		
Net income before taxation	213,112	183,183
Net income at the UK tax rate 19% (2017: 19.25%)	40,491	35,263
Effects of:		
Permanent difference	(40,473)	(35,238)
Accelerated capital allowances and other timing differences	(18)	(25)
Total tax charge	-	-

The company has an unrecognised deferred tax asset as follows:

	2018 £000	2017 £000
Capital allowances less than depreciation	597	563
Other timing differences	53	345
Deferred tax on pension scheme	349	572
Net deferred tax asset - unrecognised	999	1,480

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 2018	27,835
Additions	2,059
Disposals	(63)
At 31 December 2018	29,831
Accumulated amortisation	
At 1 January 2018	20,278
Charge for the year	2,491
Disposals	(63)
At 31 December 2018	22,706
Net book amount	
At 31 December 2018	7,125
At 31 December 2017	7,557

10. TANGIBLE ASSETS

	Fixtures, fittings, office equipment	Computer hardware	Total
	£000	£000	£000
Cost			
At 1 January 2018	1,299	941	2,240
Additions	45	6	51
Disposals	(40)	(269)	(309)
At 31 December 2018	1,304	678	1,982
Accumulated depreciation			
At 1 January 2018	714	653	1,367
Charge for the year	212	178	390
Disposals	(40)	(269)	(309)
At 31 December 2018	886	562	1,448
Net book amount			
At 31 December 2018	418	116	534
At 31 December 2017	585	288	873

11. INVESTMENTS

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

	2018	2017
	£000	£000
Joint venture	50	50
	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. DEBTORS

	2018 £000	2017 £000
Loan receivable from joint venture	18,250	4,000
Other amounts receivable from the joint venture	1,138	9,569
Total receivable in respect of joint venture	19,388	13,569
Other debtors	601	290
	19,989	13,859

At the end of 2018, a balance of £19.4m (2017:£13.6m) is due from PPL PRS Limited, of which £1.1m is in relation to expenditure incurred on behalf of the joint venture. £18.3m is in relation to a loan facility. The loan will be repaid in equal instalments over a period of five years. The interest rate for this loan is set at the Bank of England base rate +2%.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000	2017 £000
Trade creditors	1,715	553
Amounts owed to members	97,481	103,498
Other creditors including taxation and social security	5,930	7,619
Accruals and deferred income	31,587	54,484
	136,713	166,154

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. PROVISIONS FOR LIABILITIES

	2018 £000	2017 £000
Provision for dilapidations		
At beginning of the year	719	719
Charge for the year	-	-
At the end of the year	719	719
Provision for legal costs		
At beginning of the year	410	400
Utilised in the year	-	(161)
Charge for the year	33	171
At the end of the year	443	410
Provision for refunds		
At beginning of the year	480	480
Charge for the year	-	-
At the end of the year	480	480
Total provision	1,642	1,609

Dilapidations

The dilapidations provision represents the amount required to reinstate the premises to a state as required under the lease, which expires in 2030. The provision is expected to be fully utilised in 2030.

Legal costs

Legal costs are provided as required for cases where litigation is pending. This provision is expected to be utilised in 2019.

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:

	2018 £000	2017 £000
Other:		
Not later than one year	1,027	1,029
Later than one year and not later than five years	4,685	1,873
Later than five years	8,410	-
	14,122	2,902

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 2018 and updated to 31 December 2018 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):

	2018	2017
Rate of increase in salaries	2.50%	3.40%
Rate of increase of pensions in payment	2.80%	2.70%
Rate of increase of pensions in deferment:		
Pre 2009	2.50%	2.40%
Post 2009	2.50%	2.40%
Discount rate	2.70%	2.40%
Inflation assumption (RPI)	3.50%	3.40%
Inflation assumption (CPI)	2.50%	2.40%

16. PENSION COSTS (continued)

The mortality assumptions used for the 31 December 2018 actuarial valuation were as follows:

Pre-retirement mortality (non pensioners):	100% S2PXA CMI_2017_M/F [1.25%] (yob)
Post-retirement mortality (non pensioners)	100% S2PXA CMI_2017_M/F [1.25%] (yob)
Post-retirement mortality (pensioners):	100% S2PXA CMI_2017_M/F [1.25%] (yob)

The life expectancy assumption used for the 31 December 2018 actuarial valuations were as follows:

	Males	**Females**
For an individual aged 65 in 2018	21.9	23.8
At age 65 for an individual aged 45 in 2018	23.3	25.4

The assets in the scheme and the amounts recognised in the Statement of Financial Position are as follows:

	2018		**2017**	
	£000	**Amount (%)**	**£000**	**Amount (%)**
Equities	7,601	28%	8,574	31%
Diversified growth assets	7,453	28%	2,754	10%
Corporate bonds	4,871	18%	16,298	59%
LDI	7,010	26%	-	0%
Other	28	0%	2	0%
Total market value of assets	26,963		27,628	
Actuarial value of liability	(28,800)		(30,599)	
Deficit in the scheme	(1,837)		(2,971)	
Related unrecognised deferred tax asset	-		-	
Net pension liability	(1,837)		(2,971)	

None of the fair value of plan assets shown above include any direct investments in the company's own financial instruments nor is any property occupied by, or other assets used by the company.

16. PENSION COSTS (continued)

The amount recognised in the Statement of Comprehensive Income:

	2018 £000	**2017 £000**
Past service cost	(100)	-
Net interest	(71)	(111)
Total	(171)	(111)

The return on the assets was:

	2018 £000	**2017 £000**
Interest income	660	660
Return on assets less interest income	(1,038)	1,747
Total return on assets	(378)	2,407

Reconciliation of scheme assets and liabilities:

	Assets £000	**Liabilities £000**	**Total £000**
At 1 January 2018	27,628	(30,599)	(2,971)
Benefits paid	(287)	287	-
Employer contributions	-	-	-
Employee contributions	-	-	-
Past service cost	-	(100)	(100)
Interest income / (expense)	660	(731)	(71)
Actuarial gains	-	2,343	2,343
Return on assets excluding interest income	(1,038)	-	(1,038)
At 31 December 2018	**26,963**	**(28,800)**	**(1,837)**

b. Defined Contribution Scheme

The company also operates a defined contribution scheme.

	2018 £000	**2017 £000**
Amounts outstanding at year end	84	103

17. NET CASH FLOW FROM OPERATING ACTIVITIES

	2018 £000	2017 £000
Net income before taxation	213,112	183,183
Net interest receivable	(849)	(544)
Other finance expense	171	111
Amortisation of intangible assets	2,491	1,998
Depreciation of tangible fixed assets	390	409
Increase in debtors	(11,963)	(5,066)
(Decrease) / increase in creditors	(23,257)	6,943
Increase in provisions	33	10
Net cash inflow from operating activities	180,128	187,044

18. TRANSACTIONS WITH DIRECTORS

There were no other transactions with directors during the year (2017: £nil).

19. RELATED PARTY TRANSACTIONS

Income collected by PPL is distributed to its members and allocations remaining unclaimed for more than six 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.

PPL PRS Limited is a joint venture between PPL and PRS for Music Limited which was launched in February 2018. PPL PRS Limited are responsible for the collection of public performance income. Operating costs incurred by PPL PRS Limited are recharged back to both parent companies.

Transactions with the joint venture are summarised below:

Amounts recognised in the Statement of Comprehensive Income:	2018 £000	2017 £000
Costs recharged from the joint venture	(8,995)	(4,757)
Amounts owed / (due) in relation to the joint venture:		
Amounts owed by the joint venture	16,040	9,569
Amounts due to the joint venture	(1,063)	-

19. RELATED PARTY TRANSACTIONS (Continued)

Loan receivable from joint venture:

	2018 £000	2017 £000
Loan due from joint venture	18,250	4,000

Full details on loans made to PPL PRS Limited can be found in note 12.

20. RETAINED RESERVES - INCOME, EXPENDITURE AND DISTRIBUTION ACCOUNT

	2018 £000	2017 £000
At start of the year	(7,109)	(8,520)
Actuarial gain on the pension scheme	1,305	1,411
At end of the year	(5,804)	(7,109)