

Company number 00288046

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# **PHONOGRAPHIC PERFORMANCE LIMITED**

**(A company limited by guarantee)**

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**STRATEGIC REPORT,  
REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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The directors present their Strategic Report on Phonographic Performance Limited (PPL) for the year ended 31 December 2021.

### 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

2021 saw revenue growth for PPL with total licence fee income of £252.8m, which represented an increase of 12% compared to the prior year (2020: 225.7m). Net distributable revenue reached £217.5m (2020: £193.0m).

Despite the continued impacts of the COVID-19 pandemic on PPL's income, 2021 was a successful year, with growth in income across all areas of UK licensing activity. Total public performance and dubbing income for 2021 reached £72.1m, compared to £57.5m in 2020. This increase of 25.4% was a very positive result, although with restrictions on businesses during the early part of 2021 impacting public performance and dubbing licensing, this result remains below the level achieved in 2019 (£99.6m). Broadcasting and online income has not been significantly impacted by the pandemic and at £86.7m (2020: £82.3m), delivered a 5.3% growth on 2020.

2021 saw a record year for international collections, which, as with 2020, has been driven in-part by payments from key territories that were exceptional in nature. Total international income for 2021 reached £94.0m, compared to £85.9m in 2020.

The careful management of operating costs remained a key focus for 2021, while income continued to be impacted by the pandemic. As a result the cost to income ratio in 2021 reduced to 12.9%, from 13.8% in 2020.

### KEY PERFORMANCE INDICATORS

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

	2021	2020
Public performance and dubbing (inc. Narrowcasting)	£72.1 m	£57.5 m
Broadcasting and online	£86.7 m	£82.3 m
International	£94.0 m	£85.9 m
Total licence fee income	£252.8 m	£225.7 m
Net distributable revenue	£217.5 m	£193.0 m
Cost to income ratio (excluding pension scheme costs)	12.9%	13.8%

PPL considers its key performance indicators to be income growth, net distributable revenue growth and the cost to income ratio. The cost to income ratio was 12.9%, compared with 13.8% in 2020. This has reduced significantly as a result of both the continued growth in income and the reduction in costs.

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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### 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 2021, uncertainty remains in terms of assessing the full recovery path post COVID-19 and this continues to represent the highest economic risk to income in 2022. There is also a degree of risk through broader changes to conditions in the UK arising from Brexit as well as transactions with overseas territories. These risks are carefully monitored by PPL and a range of mitigations are in place to deal with situations as they arise.

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.

PPL has been developing measurements of its impact on the environment, starting with a Scope 3 Carbon Footprint Assessment for 2019. We continue to improve the quality and accuracy of our carbon footprint assessment in accordance with GHG Protocols and are now working towards a value chain screening and an aim to enter a zero-carbon emissions framework during the next year.

Currently PPL is not directly impacted by the effects of climate change, however we will be reviewing the implications of Task Force on Climate-Related Financial Disclosures (TCFD) in 2022.

Our business activities have continued to be affected to some extent by COVID-19, although a range of measures were put in place during the previous year to manage costs, hybrid-working and the impact on our members. As a result PPL has been able to operate in a relatively normal fashion during 2021, although certain income streams continue to be impacted to some extent as described earlier in this report.

### SECTION 172(1) STATEMENT

As required under the Companies (Miscellaneous Reporting) Regulations 2018, and in a manner intended to be consistent with the size and complexity of the company's business, the following part of the strategic report (i) describes below how, during the reporting year, the directors have had regard to the matters set out in section 172(1) of the Companies Act 2006 when performing their duties under that section; and (ii) summarises how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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### *Relevant issues, factors and stakeholders*

The company's key stakeholders are the recording rightsholders and performers whose rights it manages and represents, and in seeking to promote the success of the company (including over the long-term) the directors have particular regard to revenue growth and service improvements. In so doing it is therefore also important to consider the company's customers (i.e. its music licensees) and employees, and maintain a good business reputation. Whilst the company makes use of certain suppliers for e.g. technology and professional services to support its business, it does not operate a supply chain as such. Whilst the company also has appropriate regard to the community and environment, the nature of its business means that this is also not as directly relevant.

### *Methods of engagement and key examples from the reporting year*

Engagement with key stakeholders is achieved through PPL's corporate governance framework and reporting to the board from PPL's executive management team (who in turn utilise a number of engagement methods).

### *Corporate Governance Framework*

The very structure and scope of PPL's board and sub-committee framework enables engagement with a broad cross-section of members' interests. The PPL Board has representation from both major and independent record companies and both the featured and non-featured performer community, with all positions being subject to election by the wider membership at PPL's AGM and Annual Performer Meeting respectively. The PPL board is currently supported by the following sub-committees, which again include attendees from across the spectrum of the recording rightsholders and performers represented by the company:

- Finance & Audit Committee
- Distribution Committee
- Remuneration Committee

### *Executive Management Reporting*

The PPL Board usually meets nine times throughout the year, with additional meetings of PPL's Performer Board, during which matters of strategic, operational and financial importance are discussed. Board meetings are supported by a robust level of executive management reporting, in the form both of written papers and presentations at each meeting. In addition, key updates and recommendations from sub-committees are also provided where appropriate.

This executive management reporting includes details of company engagement with other key stakeholders. For example, PPL engages with licensee (customer) interests through direct meetings with licensees, public consultations – such as when new or materially changed licensing schemes or tariffs are proposed – and through dealings with trade bodies representing classes of licensees; all of which is then covered in board reporting. Similarly, PPL engages with employees through the day-to-day work of its dedicated People & Organisational Development function and additional periodic measures such as employee surveys; again this is the subject of appropriate board reporting.

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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### *Examples*

During 2021, the PPL Board approved changes to certain public performance and dubbing tariffs as well as the renewal of numerous blanket licence agreements with broadcasters. In approving licensing deals or considering areas of potential licensing expansion or change, the directors particularly take into account the impact on both members and licensees. The focus is on setting fair and reasonable licensing terms which appropriately value members' rights. This was supported by management reporting on matters such as wider market analysis.

Reporting through the governance framework in 2021 was particularly important given the impact of COVID-19 on PPL's income. Detailed and robust re-forecasting took place on a regular basis throughout the year, which enabled the PPL board to consider the impact on PPL's members and subsequently enabled decisions-making in relation to cost control measures or earlier distribution payments to support PPL's members.

The budget for 2022 was approved by the PPL Board following a comprehensive review of the information and recommendations from the PPL Finance Committee. The directors ensured that the budget was aligned with the broader strategic goals of the company and also factored in key business risks and likely impact to stakeholders. One of the key considerations in the 2022 budget was to assess the uncertainty surrounding the ongoing impact of COVID-19 on PPL's income.

By order of the Board



**D HARMSWORTH**  
**SECRETARY**  
22 March 2022

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021

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The directors submit their Report of the Directors and the audited financial statements of PPL to the members for the year ended 31 December 2021.

### **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.

### **GOING CONCERN**

The Statement of Financial Position reflects a net liability of £3.8m (2020: £9.9m), which is largely due to timing differences in the payment of liabilities to PPL's members. 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.

### **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 HR Team.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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:

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# **PHONOGRAPHIC PERFORMANCE LIMITED**

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## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)**

- 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 also 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.

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased insurance in respect of itself and its directors.

### **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.

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021

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### CHARITABLE DONATIONS

The following charitable donations were provided during the year ended 31 December 2021:

	2021	2020
PRS Foundation	£600,000	£600,000
Help Musicians Coronavirus Financial Hardship Fund	£100,000	£500,000
Musicians Union Coronavirus Hardship Fund	-	£400,000
Association of Independent Music Covid-19 Crisis Fund	-	£150,000
Music Managers Forum ReBuild Fund	£100,000	£150,000
British Phonographic Industry Coronavirus Financial Hardship Fund	-	£100,000
Stage Hand Covid-19 Crew Relief Fund	£75,000	£100,000
Hospital Broadcasting Association	£32,500	£32,500
Ivors Academy Trust	£32,200	-
British Association for Performing Arts Medicine	£44,455	£30,000
United Development	-	£25,000
Music Venues Trust	-	£12,000
Music for Youth	-	£10,000
Donmar Warehouse	-	£8,000
The Young Musicians Symphony Orchestra	£5,000	£5,000
Benedetti Foundation	-	£5,000
English Schools' Orchestra and Choir	-	£2,000
BLUES100	£1,000	-

### STREAMLINED ENERGY AND CARBON REPORT (SECR)

Phonographic Performance Limited (PPL) recognises that our global operations have an environmental impact and we are committed to monitoring and reducing our emissions year-on-year. We are also aware of our reporting obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. As such, this year we have upgraded our energy and carbon reporting to meet these new requirements and increase the transparency with which we communicate about our environmental impact to our stakeholders.

#### *2021 Performance*

This year we have calculated our environmental impact across scope 1, 2 and 3 (selected categories) emission sources. Our emissions are presented on both a location and market basis. On a location basis (using the UK grid emissions intensity) our emissions are 99 tCO<sub>2</sub>e, which is an average impact of 0.48 tCO<sub>2</sub>e per FTE and 0.005 tCO<sub>2</sub>e per ft<sup>2</sup>. On a market basis our emissions are 21 tCO<sub>2</sub>e. We have calculated emission intensity metrics on both an employee and floor area basis, which we will monitor to track performance in our subsequent environmental disclosures.

Phonographic Performance Limited (PPL)'s emissions have decreased from 2020. This is primarily due to a drop in scope 1 emissions as a result of last year's efforts in replacing gas boilers with air conditioning. Scope 3 employee car emissions have increased as certain employees have travelled by car rather than taking public transport, due to COVID-19 restrictions.



# PHONOGRAPHIC PERFORMANCE LIMITED

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021

### Energy and Carbon Action

In the year covered by the report the Company has undertaken the following emissions and energy reduction initiatives:

- Rewiring existing light fixtures – existing light fixtures are being rewired to accept LED bulbs.

### 2021 Results

The methodology used to calculate the GHG emissions is in accordance with the requirements of the following standards:

- World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version)
- Defra's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019).
- UK office emissions have been calculated using the DEFRA 2021 issue of the conversion factor repository.

Following an operational control approach to defining our organisational boundary, our calculated GHG emissions from business activities fall within the reporting period of 1 January 2021 to 31 December 2021 and use the reporting period of 1 January 2020 to 31 December 2020 for comparison.

### Emissions and Energy Usage

	Emissions Source	2020 (tCO <sub>2</sub> e) <sup>1</sup>	2021 (tCO <sub>2</sub> e)	Variance
Scope 1	Natural gas	23	13	-43%
<b>Total Scope 1</b>		<b>23</b>	<b>13</b>	<b>-43%</b>
Scope 2	Electricity	79	78	-1%
<b>Total Scope 2</b>		<b>79</b>	<b>78</b>	<b>-1%</b>
Scope 3	Electricity transmission and distribution	6.8	6.9	1%
	Employee cars	0.7	1.2	71%
<b>Total Scope 3</b>		<b>7.5</b>	<b>8.1</b>	<b>8%</b>
<b>Total (Market Based)</b>		<b>31</b>	<b>21</b>	<b>-32%</b>
<b>Total (Location Based)</b>		<b>110</b>	<b>99</b>	<b>-10%</b>
<b>Total Energy Usage (kWh)<sup>2</sup></b>		<b>467,273</b>	<b>443,315</b>	<b>-5%</b>
Normaliser	tCO <sub>2</sub> e per FTE	0.56	0.48	-14%
	tCO <sub>2</sub> e per ft <sup>2</sup>	0.006	0.005	-17%

Table 1 – Energy and carbon disclosures for reporting year.

Scope 1 emissions are direct GHG emissions occurring from sources that are owned or controlled by the company.

Scope 2 accounts for GHG emissions from the generation of purchased electricity.

Scope 3 emissions are a consequence of the activities of the company, but occur from sources not owned or controlled by the company.

Energy reporting includes kWh from scope 1, scope 2 and scope 3 employee cars only (as required by the SECR regulation).

2020 figures have been restated to the correct natural gas unit of measurement

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 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 de Bastion  
S Clayton  
J Davidson  
J Ellington  
R Firman (resigned on 25 November 2021)  
J French  
R Gruschke  
N Hartley  
H Joseph (appointed on 25 November 2021)  
P Leathem  
C Saxe  
C Smith  
J Smith  
M Smith  
P Stack  
D Stopps  
P Thoms  
H Trubridge

By order of the Board



**D HARMSWORTH**  
**SECRETARY**  
22 March 2022

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC PERFORMANCE LIMITED

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### 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 2021 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 Annual Report, which comprise: the Statement of Financial Position as at 31 December 2021; 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**

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

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

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

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

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC PERFORMANCE LIMITED

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### **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 Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 Report of the Directors for the year ended 31 December 2021 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 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, 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.

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC PERFORMANCE LIMITED

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### *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.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to non-compliance with the Companies Act 2006, the General Data Protection Regulation (GDPR), the Collective Management of Copyright (EU Directive) Regulations 2016 and UK tax and employment regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent financial reporting, specifically the posting of inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- discussion with management and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- addressing the risk of management override of internal controls, including testing of journal entries (in particular, journal entries posted with an unusual account combination); and
- evaluating and, where appropriate, challenging assumptions and judgments made by management in determining significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC PERFORMANCE LIMITED

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### *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 obtained 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

23 March 2022

# PHONOGRAPHIC PERFORMANCE LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
<b>LICENCE FEE INCOME</b>	2	252,837	225,728
Cost of collection and distribution		(32,496)	(31,143)
Cost of servicing defined benefit pension scheme	16	-	(1)
		(32,496)	(31,144)
<b>NET INCOME BEFORE INTEREST AND TAXATION</b>	3	220,341	194,584
Interest receivable and similar income	5	402	1,185
Other finance expense	16	(72)	(36)
		220,671	195,733
<b>NET INCOME BEFORE TAXATION</b>		220,671	195,733
Tax on profit	8	-	-
		220,671	195,733
<b>AMOUNT AVAILABLE FOR DISTRIBUTION</b>		220,671	195,733
Anti-piracy protection and industry contributions	4	(3,207)	(2,723)
		(217,464)	(193,010)
<b>RETAINED RESERVES</b>		-	-
<b>Other comprehensive expense</b>			
Actuarial gain / (loss) on pension scheme	16	6,110	(4,083)
		6,110	(4,083)
<b>TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR</b>		6,110	(4,083)
<b>Cost to income ratio</b> (excluding pension scheme costs)		12.9%	13.8%

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

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# PHONOGRAPHIC PERFORMANCE LIMITED

COMPANY NUMBER: 00288046

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## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

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	Note	2021 £000	2020 £000
<b>FIXED ASSETS</b>			
Intangible assets	9	4,630	6,919
Tangible assets	10	363	64
Investments	11	50	50
		<u>5,043</u>	<u>7,033</u>
<b>CURRENT ASSETS</b>			
Licence fees receivable		18,523	7,764
Other debtors	12	10,337	12,940
Prepayments and accrued income		14,078	11,291
Short term fixed deposits (Greater than 3 months)		50,000	50,000
Cash at bank and in hand		47,318	36,985
		<u>140,256</u>	<u>118,980</u>
<b>CREDITORS: amounts falling due within one year</b>	13	(145,249)	(110,830)
		<u>(4,993)</u>	<u>8,150</u>
<b>NET CURRENT (LIABILITIES) / ASSETS</b>			
		50	15,183
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
	14	(3,858)	(19,063)
<b>PROVISIONS FOR LIABILITIES</b>			
		(3,808)	(3,880)
<b>NET LIABILITIES BEFORE PENSION LIABILITIES</b>			
	16	-	(6,038)
<b>NET PENSION LIABILITY</b>			
		(3,808)	(9,918)
<b>NET LIABILITIES</b>			
		<u>(3,808)</u>	<u>(9,918)</u>
<b>RESERVES</b>			
Accumulated losses		(3,808)	(9,918)

The financial statements on pages 14 to 38, 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 22 March 2022 and are signed on its behalf by:



P Leathem  
Director



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# PHONOGRAPHIC PERFORMANCE LIMITED

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## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

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	<b>Accumulated losses £000</b>
<b>Balance as at 1 January 2020</b>	(5,835)
Result for the financial year	-
Other comprehensive expense for the year	(4,083)
Total comprehensive expense for the year	<u>(4,083)</u>
<b>Balance as at 31 December 2020</b>	(9,918)
Result for the financial year	-
Other comprehensive income for the year	6,110
Total comprehensive income for the year	<u>6,110</u>
<b>Balance as at 31 December 2021</b>	<u><u>(3,808)</u></u>

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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	Note	2021 £000	2020 £000
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	17	221,983	190,185
<b>Net cash generated from operating activities</b>		221,983	190,185
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of intangible fixed assets		(1,749)	(2,473)
Purchase of tangible fixed assets		(402)	(27)
Interest paid		(425)	(530)
Interest received		656	1,431
Cash (outflow) / inflow for investment		-	42,000
<b>Net cash (used in) / generated from investing activities</b>		(1,920)	40,401
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Anti-piracy protection and industry contributions paid		(3,218)	(2,428)
Payments to members		(206,512)	(239,530)
<b>Net cash used in financing activities</b>		(209,730)	(241,958)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		10,333	(11,372)
Cash and cash equivalents at the beginning of the year		36,985	48,357
<b>Cash and cash equivalents at the end of the year</b>		47,318	36,985
<b>Cash and cash equivalents comprises:</b>			
Cash at bank and in hand		47,318	36,985
<b>Total cash and cash equivalents</b>		47,318	36,985

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1. ACCOUNTING POLICIES

#### General information

Phonographic Performance Limited (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.

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 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 2021 represent amounts due from the PPL PRS Limited joint venture for public performance licence invoicing since commencement of operations of the joint venture, in addition to amounts remaining outstanding previously invoiced 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.

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1. ACCOUNTING POLICIES (continued)

#### f) Employee benefits (continued)

##### *ii) Defined benefit pension plan (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.

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 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 systems 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 development	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.

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 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.

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 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 invoiced or 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.



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# PHONOGRAPHIC PERFORMANCE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1. ACCOUNTING POLICIES (continued)

#### n) Financial instruments (continued)

##### ii) Financial liabilities

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 following are the critical judgements in the preparation of the financial statements.

##### 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.

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1. ACCOUNTING POLICIES (continued)

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

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) 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 h) and i) for the useful economic lives for each class of asset.

##### *ii) 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 surplus, restricted to nil 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.

##### *iii) Provision for doubtful debts*

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.

##### *iv) Provision for refunds*

Provision is made for all significant refunds made or expected to be made, which relate to licence fees received in the year. The company uses all available evidence to determine the appropriate level of provision, including estimates based on the period of which each sector of licensee has been impacted due to COVID-19, the licence tariffs and periods. See note 14 for the amount of provision.

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 2. LICENCE FEE INCOME

	2021 £000	2020 £000
<b>Analysis of turnover by licence type:</b>		
Public performance and dubbing income	72,139	57,536
Broadcasting and online income	86,704	82,261
International income	93,994	85,931
	<u>252,837</u>	<u>225,728</u>
<b>Analysis of turnover by territory of origin:</b>		
United Kingdom	158,170	138,093
Rest of Europe	77,870	66,780
Rest of World	16,797	20,855
	<u>252,837</u>	<u>225,728</u>

### 3. NET INCOME BEFORE INTEREST AND TAXATION

	2021 £000	2020 £000
<b>Net income before interest and taxation is stated after charging / (crediting):</b>		
Services provided by the company's auditors:		
Fees payable for the audit	77	72
Fees payable for other services:		
Audit-related assurance services	14	13
Depreciation of tangible fixed assets	103	237
Amortisation of intangible assets	4,038	2,816
Operating lease rentals	906	821
Foreign exchange gain / (loss)	1	(10)

Net income includes a recharge of £659,787 (2020: £702,719) of operating expenses to Video Performance Limited (VPL).

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 4. ANTI-PIRACY PROTECTION AND INDUSTRY CONTRIBUTIONS

Amounts contributed to:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
BPI (British Recorded Music Industry) Limited	1,748	1,340
The International Federation of the Phonographic Industry	806	763
Impala	69	69
Association of Independent Music Limited	41	62
UK Music	543	489
	<u>3,207</u>	<u>2,723</u>

### 5. INTEREST RECEIVABLE AND SIMILAR INCOME

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Interest receivable on cash at bank and short term deposits	<u>402</u>	<u>1,185</u>

### 6. INTEREST PAYABLE AND SIMILAR EXPENSES

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Interest payable on member balances	<u>-</u>	<u>-</u>

# PHONOGRAPHIC PERFORMANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 7. STAFF COSTS

	<b>2021</b>	<b>2020</b>
<b>Gross staff costs:</b>	<b>£000</b>	<b>£000</b>
Wages and salaries	12,796	11,260
Social security costs	1,284	1,300
Other pension costs	996	837
	15,076	13,397

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

#### Monthly average number of employees:

	<b>2021</b>	<b>2020</b>
	<b>Number</b>	<b>Number</b>
Office and management	197	192
	197	192

#### Directors' emoluments:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Aggregate emoluments	1,024	673
	1,024	673

Post-employment benefits are accruing for one director (2020: one) under a defined benefit

#### Emoluments in respect of the highest paid director amounted to:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Aggregate emoluments	844	500
	844	500
Defined benefit pension scheme - accrued pension at end of year	33	32
	33	32

During the year the company had two executive directors who were employed and paid by PPL (2020: two). Of those two executive directors, remuneration paid to the Chief Executive Officer amounted to £843,949 (2020: £499,684) and remuneration paid to the Chairman amounted to £78,023 (2020: £77,250). The remuneration of non-executive directors (by way of meeting attendance fees) is included in the aggregate directors' emoluments figure and amounted to £101,719 for the year (2020: £95,979).

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 8. TAX ON PROFIT

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

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax:</b>		
UK corporation tax	-	-
	<hr/>	<hr/>
Total tax	-	-
	<hr/> <hr/>	<hr/> <hr/>

The tax assessed for the year is lower (2020: lower) to the standard rate of corporation tax in the UK of 19% (2020: 19%).

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Factors affecting tax charge for the year</b>		
Net income before taxation	220,671	195,733
	<hr/>	<hr/>
Net income at the UK tax rate 19% (2020: 19%)	41,927	37,189
Effects of:		
Permanent difference	(41,798)	(37,130)
Accelerated capital allowances and other timing differences	(129)	(59)
	<hr/>	<hr/>
Total tax charge	-	-
	<hr/> <hr/>	<hr/> <hr/>

The company has an unrecognised deferred tax asset as follows:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Capital allowances less than depreciation	419	511
Other timing differences	(33)	(35)
Deferred tax on pension scheme	(461)	1,147
	<hr/>	<hr/>
Net deferred tax (liability) / asset – unrecognised	(75)	1,623
	<hr/> <hr/>	<hr/> <hr/>

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.

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 9. INTANGIBLE ASSETS

	<b>Computer software and systems development</b>
	<b>£000</b>
<b>Cost</b>	
At 1 January 2021	34,760
Additions	1,749
Disposals	(4,804)
<b>At 31 December 2021</b>	<b>31,705</b>
<b>Accumulated amortisation</b>	
At 1 January 2021	27,841
Charge for the year	4,038
Disposals	(4,804)
<b>At 31 December 2021</b>	<b>27,075</b>
<b>Net book amount</b>	
<b>At 31 December 2021</b>	<b>4,630</b>
At 31 December 2020	6,919

# PHONOGRAPHIC PERFORMANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 10. TANGIBLE ASSETS

	Fixtures, fittings, office equipment	Computer hardware	Total
	£000	£000	£000
<b>Cost</b>			
At 1 January 2021	1,327	710	2,037
Additions	329	73	402
Disposals	-	(96)	(96)
<b>At 31 December 2021</b>	<b>1,656</b>	<b>687</b>	<b>2,343</b>
<b>Accumulated depreciation</b>			
At 1 January 2021	1,294	679	1,973
Charge for the year	82	21	103
Disposals	-	(96)	(96)
<b>At 31 December 2021</b>	<b>1,376</b>	<b>604</b>	<b>1,980</b>
<b>Net book amount</b>			
<b>At 31 December 2021</b>	<b>280</b>	<b>83</b>	<b>363</b>
At 31 December 2020	33	31	64

### 11. INVESTMENTS

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

	2021 £000	2020 £000
Joint venture	50	50
	50	50

PPL holds a 50% equity investment in PPL PRS Limited (an unlisted entity), registered at Mercury Place, St. George Street, Leicester LE1 1QG. 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.



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# PHONOGRAPHIC PERFORMANCE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 12. OTHER DEBTORS

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Loan receivable from joint venture	9,738	12,148
Total receivable in respect of joint venture	<u>9,738</u>	<u>12,148</u>
Other debtors	599	792
	<u><u>10,337</u></u>	<u><u>12,940</u></u>

At the end of 2021, a balance of £9.7m (2020: £12.1m) is due from PPL PRS Limited. This 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

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	1,366	327
Amounts owed to members	96,327	85,376
Other creditors including taxation and social security	10,327	4,661
Accruals and deferred income	37,229	20,466
	<u><u>145,249</u></u>	<u><u>110,830</u></u>

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.

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 14. PROVISIONS FOR LIABILITIES

	2021 £000	2020 £000
<b>Provision for dilapidations</b>		
At beginning of the year	719	719
Charge for the year	-	-
<b>At the end of the year</b>	<u>719</u>	<u>719</u>
<b>Provision for legal costs</b>		
At beginning of the year	1,493	1,706
Released in the year	(1,298)	(263)
Charge for the year	91	50
<b>At the end of the year</b>	<u>286</u>	<u>1,493</u>
<b>Provision for refunds</b>		
At beginning of the year	16,851	480
Charge for the year	2,853	16,371
Utilised in the year	(16,851)	-
<b>At the end of the year</b>	<u>2,853</u>	<u>16,851</u>
<b>Total provision</b>	<u><u>3,858</u></u>	<u><u>19,063</u></u>

#### 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

Provisions made for the cost to PPL of any ongoing litigation.

#### 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. During the year, in response to the COVID-19 pandemic and its impact on public performance licensees, the Company has provided for credits to licensees to cover periods of temporary closure.

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 15. OPERATING LEASE COMMITMENTS

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

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Other:</b>		
Not later than one year	1,221	1,227
Later than one year and not later than five years	3,449	3,391
Later than five years	4,472	5,448
	<hr/>	<hr/>
	9,142	10,066
	<hr/> <hr/>	<hr/> <hr/>

### 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 surplus 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 2021 by a qualified independent actuary.

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

	<b>2021</b>	<b>2020</b>
Rate of increase in salaries	2.30%	2.20%
Rate of increase of pensions in payment	2.60%	2.60%
Rate of increase of pensions in deferment:		
Pre 2009	2.90%	2.70%
Post 2009	2.50%	2.50%
Discount rate	1.80%	1.20%
Inflation assumption (RPI)	3.30%	3.20%
Inflation assumption (CPI)	2.90%	2.70%

# PHONOGRAPHIC PERFORMANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 16. PENSION COSTS (continued)

The mortality assumptions used for the 31 December 2021 actuarial valuation were as follows:

	100% S3PMA_ALL [1.25%] (yob)
Pre-retirement mortality (non pensioners):	100% S3PFA_ALL [1.25%] (yob) CMI_2020_M/F [1.25%] (yob)
Post-retirement mortality (pensioners):	100% S3PMA_ALL [1.25%] (yob) 100% S3PFA_ALL [1.25%] (yob) CMI_2020_M/F [1.25%] (yob)

The life expectancy assumption used for the 31 December 2021 actuarial valuations were as follows:

	Males	Females
For an individual aged 65 in 2021	21.9	24.3
At age 65 for an individual aged 45 in 2021	23.3	25.8

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

	2021		2020	
	£000	Amount (%)	£000	Amount (%)
Equities	12,003	32%	10,190	30%
Diversified growth assets	11,230	30%	9,958	29%
DCFs	6,953	19%	6,327	18%
LDI	7,067	19%	7,726	23%
Other	54	0%	63	0%
	<hr/>		<hr/>	
Total market value of assets	37,307		34,264	
Actuarial value of liability	(34,883)		(40,302)	
	<hr/>		<hr/>	
Surplus / (deficit) in the scheme	2,424		(6,038)	
Restriction on surplus	(2,424)		-	
	<hr/>		<hr/>	
Net pension asset / (liability)	-		(6,038)	
	<hr/> <hr/>		<hr/> <hr/>	

The surplus in the scheme is not fully recoverable by the company and therefore the surplus reflected in the Statement of Financial Position is restricted to nil.

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.

# PHONOGRAPHIC PERFORMANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 16. PENSION COSTS (continued)

The amount recognised in the Statement of Comprehensive Income:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Past service cost	-	(1)
Net interest	(72)	(36)
<b>Total</b>	<b>(72)</b>	<b>(37)</b>

The return on the assets was:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Interest income	405	584
Return on assets less interest income	3,653	3,183
<b>Total return on assets</b>	<b>4,058</b>	<b>3,767</b>

Reconciliation of scheme assets and liabilities:

	<b>Assets</b>	<b>Liabilities</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 January 2021</b>	34,264	(40,302)	(6,038)
Benefits paid	(1,015)	1,015	-
Interest (expense) / income	405	(477)	(72)
Actuarial gains	-	4,881	4,881
Return on assets excluding interest income	3,653	-	3,653
Restriction on Surplus	(2,424)	-	(2,424)
<b>At 31 December 2021</b>	<b>34,883</b>	<b>(34,883)</b>	<b>-</b>

### b. Defined Contribution Scheme

The company also operates a defined contribution scheme.

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Amounts outstanding at year end	94	102

# PHONOGRAPHIC PERFORMANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 17. NET CASH FLOW FROM OPERATING ACTIVITIES

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Net income before taxation	220,671	195,733
Net interest receivable	(402)	(1,185)
Other finance expense	72	37
Amortisation of intangible assets	4,038	2,816
Depreciation of tangible fixed assets	103	237
(Increase) / Decrease in debtors	(11,197)	5,288
Increase / (Decrease) in creditors	23,903	(28,899)
(Decrease) / Increase in provisions	(15,205)	16,158
	<b>221,983</b>	<b>190,185</b>
	<b>221,983</b>	<b>190,185</b>

### 18. TRANSACTIONS WITH DIRECTORS

There were no other transactions with directors during the year (2020: £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 of £659,787 (2020: £702,719) in relation to Video Performance Limited were 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:

<b>Amounts recognised in the Statement of Comprehensive Income:</b>	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Costs recharged from the joint venture	(9,411)	(8,138)
<b>Amounts owed / (due) in relation to the joint venture:</b>		
Amounts owed by the joint venture	13,404	14,501
Amounts due to the joint venture	984	-

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# PHONOGRAPHIC PERFORMANCE LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 19. RELATED PARTY TRANSACTIONS (Continued)

Loan receivable from joint venture:

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Loan due from joint venture	9,738	12,148

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

### 20. RETAINED RESERVES - INCOME, EXPENDITURE AND DISTRIBUTION ACCOUNT

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
At start of the year	(9,918)	(5,835)
Actuarial gain / (loss) on the pension scheme	6,110	(4,083)
At end of the year	<u>(3,808)</u>	<u>(9,918)</u>