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# ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 31 December 2017  
PRS for Music Limited

Company Registration Number  
No. 03444246 [England and Wales]



# PRS For Music Limited

## COMPANY INFORMATION

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### Directors

#### **Writers**

S Darlow  
C Hunt  
M Leeson  
J Nott

#### **Publishers**

J Alway  
W Booth  
C Butler  
J Minch

#### **External directors**

S Davidson  
P Mitchell  
M Poole

#### **Ex-officio director**

N Elderton

#### **Executive director**

R Ashcroft

### Secretary

D Stones

### Company number

03444246

### Registered office

2 Pancras Square  
London  
N1C 4AG

### Independent auditors

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

The definitions of subsidiaries, joint ventures and other partners are set out within the Accounting policies on page 12.

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# PRS FOR MUSIC LIMITED

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# PRS FOR MUSIC LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present the Strategic report on the Company for the year ended 31 December 2017.

### Review of the business

PRS for Music Limited (the "Company") has continued to provide operational services to its parent company, Performing Right Society Limited ("PRS"), and has continued to be a service provider to Mechanical-Copyright Protection Society Limited ("MCPS"). The service to MCPS is provided under a service level agreement with PRS which has operated since 1 July 2013. An extension to 30 June 2017 was agreed in 2016 and a new 5-year contract came into effect from 1 July 2017.

The net pension scheme deficit, as calculated under FRS 102, increased from £34,410,000 to £37,167,000 during the year, mainly as a result of unfavourable actuarial variances linked to the reduction in prevailing corporate bond rates between 31 December 2016 and 31 December 2017.

Due to the principal activity of the Company being to provide operational services, the key financial and other performance indicators are analysed at a Group, as opposed to Company, level. These are shown in the financial statements of PRS.

### Principal risks and uncertainties

The Company exists to operate substantially all of the business activities of its parent company, PRS, and act as a service provider to MCPS. As a result, the extent to which it is exposed to competitive, legislative, technology, price, credit or liquidity risk is limited. The Company is heavily reliant on the continued financial support of its parent company, PRS. PRS, in turn, is reliant on the Company for the operation of its business. The principal risks to which PRS is exposed are described in the PRS annual report.

By order of the Board



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D Stones

**Secretary**

4TH APRIL 2018...

# PRS FOR MUSIC LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors present their report and the audited financial statements for the year ended 31 December 2017.

### **Principal activities**

The principal activity of PRS for Music Limited continued to be that of providing operational services to PRS and acting as a service provider to MCPS.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

#### **Writers**

S Darlow  
M G Fletcher (resigned 1 January 2017)  
C Hunt (appointed 1 January 2017)  
M Leeson  
J Nott

#### **Publishers**

J Alway  
W Booth  
C Butler  
J Minch

#### **External directors**

S Davidson  
Lord M Grade of Yarmouth (resigned 18 December 2017)  
P Mitchell  
M Poole

#### **Ex-officio director**

N Elderton (appointed 1 January 2017)

#### **Executive director**

R Ashcroft

### **Results and dividends**

The results for the year are set out on page 8.

No interim dividends were paid. The directors do not recommend payment of a final dividend (2016: £nil).

### **Qualifying third party indemnity provisions**

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

### **Disabled persons**

The Company complies with the requirements of the Equality Act of 2010 and is keeping its employment policies and procedures under review to ensure that disabled persons are not treated any less favourably than able-bodied persons in regards to applications, employment, training and career development. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development wherever appropriate.

# PRS FOR MUSIC LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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### **Equal opportunity**

The Company actively pursues a policy of providing equal opportunity to all its employees for internal training, development and promotion, and to applicants for employment. It does so without regard to colour, creed, ethnic origins, gender or any other grounds.

### **Employee involvement**

The Company recognises the importance of keeping employees informed of all developments regarding the Company's work and progress and to this end, copies of all the publications produced by the Company are freely available to all employees.

To achieve a common understanding and awareness amongst all employees of the Company's plans, an extensive briefing and consultation process operates.

### **Future developments**

The directors are confident that the Company's principal customer, PRS, will continue to require the Company to deliver services on its behalf for the foreseeable future and negotiations between PRS and MCPS to review the terms of the service agreement that was originally entered into in April 2013 were concluded in 2017, with a new agreement commencing from 1 July 2017. The directors are aware that its customers will require the Company to continue to improve the efficiency of the services that it delivers and to that end are actively pursuing a series of initiatives to deliver greater efficiency.

### **Independent Auditors**

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution proposing that they be re-appointed will be put at a General Meeting.

### **Statement of directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of disclosure to auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

# PRS FOR MUSIC LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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### **Going concern**

The Company has received written confirmation of financial support from PRS for a period of at least twelve months from the approval of the financial statements. As a result, the directors continue to adopt the going concern basis in preparing the financial statements.

### **Corporate governance**

The Company is a wholly owned subsidiary of PRS. Its Board of Directors comprises writer and publisher members elected from the Board of its parent company as well as four external directors and the Executive Director. It is responsible for oversight of the Company's business activities in accordance with mandated authority from PRS, including the provision of operational services to PRS such as licensing and distribution administration. In 2017, the Board met seven times. There are five committees of the Board and these comprise directors from PRS as well as directors of the Company. They are: the Audit Committee; the Nomination and Remuneration Committee; the Distribution Committee; the Conflicts Committee and the Licensing Committee.

By order of the Board



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D Stones

**Secretary**

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# PRS FOR MUSIC LIMITED

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF PRS FOR MUSIC LIMITED

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#### Report on the audit of the financial statements

##### **Opinion**

In our opinion, PRS for Music Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss 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 and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2017; the Income statement and Statement of comprehensive income for the year then ended, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Independence**

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### **Conclusions relating to going concern**

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

# PRS FOR MUSIC LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### TO THE MEMBERS OF PRS FOR MUSIC 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 directors' report, 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 Directors' report***

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

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

#### ***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 in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

##### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

# PRS FOR MUSIC LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### TO THE MEMBERS OF PRS FOR MUSIC LIMITED

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#### ***Responsibilities for the financial statements and the audit (continued)***

##### *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.



Brian Henderson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditor  
London

4TH APRIL 2018

# PRS FOR MUSIC LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

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	Note	2017 £000	2016 £000
Revenue	3	100,160	92,311
Administrative expenses		(99,573)	(89,230)
<b>Operating profit</b>	<b>4</b>	<u>587</u>	<u>3,081</u>
Investment income	7	341	227
Finance costs	8	(1,244)	(1,135)
<b>(Loss)/profit before taxation</b>		<u>(316)</u>	<u>2,173</u>
Taxation	9	(227)	(173)
<b>(Loss)/profit for the financial year</b>		<u><u>(543)</u></u>	<u><u>2,000</u></u>

The Income Statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 12 to 39 form an integral part of these financial statements

# PRS FOR MUSIC LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

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	Note	2017 £000	2016 £000
<b>(Loss)/profit for the financial year</b>		(543)	2,000
<b>Other comprehensive expense</b>			
Actuarial loss on defined benefit pension schemes	22	(5,102)	(14,677)
<b>Total comprehensive expense for the year</b>		<u>(5,645)</u>	<u>(12,677)</u>

The notes on pages 12 to 39 form an integral part of these financial statements

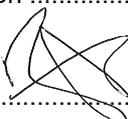
# PRS FOR MUSIC LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	2017		2016	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	10		24,346		22,465
Tangible assets	11		9,992		12,859
Investment properties	12		743		743
Investments	13		5,731		6,176
			<u>40,812</u>		<u>42,243</u>
<b>Current assets</b>					
Trade and other receivables: amounts falling due after more than one year	17	12,373		9,295	
Trade and other receivables: amounts falling due within one year	17	83,143		37,033	
Investments - short term deposits		5,000		5,000	
Cash at bank and in hand		11,717		17,149	
		<u>112,233</u>		<u>68,477</u>	
<b>Creditors: amounts falling due within one year</b>	19	(170,883)		(123,544)	
Net current liabilities			(58,650)		(55,067)
<b>Total assets less current liabilities</b>			(17,838)		(12,824)
<b>Creditors: amounts falling due after more than one year</b>	20		(6,131)		(7,073)
Provisions for liabilities	21		(517)		(1,701)
Defined benefit pension liability	22		(37,167)		(34,410)
<b>Net liabilities</b>			<u>(61,653)</u>		<u>(56,008)</u>
<b>Equity</b>					
Called up share capital	23		1		1
Other reserves	24		17,002		17,002
Accumulated losses			(78,656)		(73,011)
<b>Total equity</b>			<u>(61,653)</u>		<u>(56,008)</u>

The financial statements on pages 8 to 39 were approved by the Board of Directors and authorised for issue on 4<sup>TH</sup> APRIL 2018 and are signed on its behalf by:



R Ashcroft  
Director

Company Registration No. 03444246

The notes on pages 12 to 39 form an integral part of these financial statements

# PRS FOR MUSIC LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

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	Note	Called up share capital £000	Other reserves £000	Accumulated losses £000	Total Equity £000
<b>Balance at 1 January 2016</b>		1	17,002	(60,334)	(43,331)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Year ended 31 December 2016:</b>					
Profit for the financial year		-	-	2,000	2,000
Other comprehensive expense:					
Actuarial losses on defined benefit plans	<b>22</b>	-	-	(14,677)	(14,677)
		<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year		-	-	(12,677)	(12,677)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2016</b>		1	17,002	(73,011)	(56,008)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Year ended 31 December 2017:</b>					
Loss for the financial year		-	-	(543)	(543)
Other comprehensive expense:					
Actuarial losses on defined benefit plans	<b>22</b>	-	-	(5,102)	(5,102)
		<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive expense for the year		-	-	(5,645)	(5,645)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2017</b>		1	17,002	(78,656)	(61,653)
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The notes on pages 12 to 39 form an integral part of these financial statements

# PRS FOR MUSIC LIMITED

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

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### 1 Accounting policies

#### Company information

PRS for Music Limited ("the Company") is a limited company domiciled and incorporated in England and Wales. The registered office is 2 Pancras Square, London, N1C 4AG. The company is a wholly-owned subsidiary of Performing Right Society Limited, which prepares group financial statements. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

#### Statement of compliance

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The Company has taken advantage of the exemption from preparing a statement of cash flows available under section 7 of FRS 102, on the basis that it is a qualifying entity and the consolidated statement of cash flows included in the financial statements of the parent undertaking includes the Company's cash flows. Group financial statements can be obtained by request in writing to Performing Right Society Limited, 2 Pancras Square, London, N1C 4AG.

#### Basis of preparation

The financial statements are prepared in pound sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted, which have been consistently applied to all the years presented, are set out below.

#### Format of Income statement and Statement of financial position

The formats of the Income statement and 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.

#### Definitions

'PRS' means Performing Right Society Limited

'PfM' means PRS for Music Limited, formerly, the MCPS-PRS Alliance Limited ('the Alliance')

'MCPS' means Mechanical-Copyright Protection Society Limited

'Group' means the group of companies of which Performing Right Society Limited is the controlling party.

'ICE Operations' means International Copyright Enterprise A.B.

'ICE Services' means International Copyright Enterprise Services Limited

'SOLAR' means SOLAR-Music Rights Management GmbH

'PPL - PRS' means PPL PRS Limited

'GEMA' means Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte, a German collecting society

'STIM' means Svenska Tonsättares Internationella Musikbyrå, a Swedish collecting society

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1 Accounting policies

(Continued)

##### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report and the directors' report. The directors acknowledge the net liability position of the Company, which is partly a consequence of the net deficit in the Company's two defined benefit pension schemes. In March 2016, the triennial valuations of the pension schemes were completed. The deficit funding plan was reassessed between the Group and the trustees of the schemes, with the deficit funding remaining at the same level as in prior years. The plan involves the Group making annual payments into the schemes in order to address the deficit by February 2028 for the MCPS-PRS Alliance Pension Scheme and June 2030 for the MCPS-PRS Alliance Pension Scheme (MPCS).

The Company has received written confirmation of the financial support from PRS for a period of at least twelve months from the approval of the financial statements. As a result, the directors continue to adopt the going concern basis in preparing the financial statements.

##### Revenue

###### *Operating fees receivable*

Revenue, which is represented by operating fees receivable from PRS, is accounted for on an accruals basis so that income is recognised in the period to which it relates.

##### Intangible fixed assets

Computer software and internally generated software costs are stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that the residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be changed. Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	5 years
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##### Tangible assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible assets acquired at a cost of more than £1,000, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Leasehold land and buildings and building improvements	shorter of lease term and 40 years
Systems and equipment	3 - 7 years
Motor vehicles	lease term

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies

(Continued)

#### **Tangible assets (continued)**

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Subsequent costs, including major inspections, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

#### **Investment properties**

Investment property is property (land or a building, or part of a building, or both) held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation, or both, rather than for:

- (a) Use in the production or supply of goods or services or for administrative purposes, or
- (b) Sale in the ordinary course of business.

Investment properties are held for long-term rental yields or for capital appreciation, or both, and are not occupied by companies within the Group.

Investment properties are initially recognised at cost which includes purchase cost and any directly attributable expenditure. After the initial recognition, investment properties whose fair value can be measured reliably are measured at fair value. The surplus or deficit on revaluation is recognised in the income statement.

The fair value assessment is conducted yearly using market value data supplied by an independent property consultant. If this assessment shows a material movement in valuation then a full valuation will be carried out by an independent Surveyor in the following year.

#### **Non-current investments**

Investments are valued at cost less provisions where, in the opinion of the directors, there has been impairment in value. The carrying values of investments are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate the carrying value may not be recoverable.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Company holds a long-term interest and where the Company has significant influence. The Company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the Company has a long-term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies

(Continued)

#### **Impairment of non-current assets**

At each reporting end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **Cash and cash equivalents**

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

#### **Financial instruments**

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's Statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies

(Continued)

#### Financial instruments (continued)

##### **Financial assets**

Basic financial assets, including trade and other receivables, cash and bank balances and investments 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 profit or loss.

If there is 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 profit or loss.

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) despite having retained some significant risks and rewards of ownership, 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.

##### **Financial liabilities**

Basic financial liabilities, including trade and other payables and loans from fellow Group companies, 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 payables 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

##### **Derivatives**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1 Accounting policies

(Continued)

##### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the reporting end date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the reporting end date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the reporting end date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting end date.

##### **Provisions**

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The Company has recognised a constructive obligation relating to litigation at the Statement of financial position date. The obligation has been calculated by estimating the most likely course of action pertaining to two litigation cases where the Company is the claimant. It is expected that most of these costs will have been incurred within one year of the Statement of financial position date.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 1 Accounting policies

(Continued)

##### **Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### **Retirement benefits**

###### ***Defined benefit pension plan***

The Company operates two defined benefit pension schemes, both of which require contributions to be made to separately administered funds. The MCPS-PRS Alliance Pension Scheme (MCPS) was closed to new entrants from 1 January 1999 and The MCPS-PRS Alliance Pension Scheme was closed to new entrants from 1 January 2003. The Schemes closed to future accrual on 31 December 2010 with all remaining active members at that point becoming deferred members and losing the link to final salary.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the Income statement on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss that is recognised in the Income statement. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest costs is recognised in the Income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the Statement of comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the Statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 Accounting policies

(Continued)

#### Retirement benefits (continued)

##### **Defined contribution pension plan**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense 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.

##### **Leases**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, are capitalised in the Statement of financial position and are depreciated over their useful lives.

Leases that do not transfer all of the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the Income statement on a straight-line basis over the lease term. Lease incentives are credited to the Income statement, to reduce the lease expense, on a straight-line basis over the lease term.

##### **Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the Income statement for the period.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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### **2 Judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Critical judgements**

The following judgements have had the most significant effect on amounts recognised in the financial statements.

#### ***Retirement benefit schemes***

The Company has an obligation to pay pension benefits to members of the defined benefit pension schemes. The cost of these benefits and the present value of the obligation depend on a number of factors including life expectancy, inflation, asset valuations and the discount on corporate bonds. Management estimates these factors in determining the net pension obligation on the balance sheet and these estimates are based on recommendations from the Company's actuary. See note 22 for the disclosures relating to the defined benefit pension schemes.

#### ***Investment property valuation***

A fair value assessment is conducted annually using market value data supplied by an independent property consultant. If this assessment shows a material movement in the valuation then a full valuation will be carried out by an independent surveyor in the following year.

#### ***Impairment of joint ventures***

The Company makes an estimate of the recoverable value of its investment in joint ventures. When assessing impairment the recoverable amount is compared to the carrying value of the investment. The recoverable amount is calculated by discounting the expected future cash flows from the joint venture entity. The expected future cash flows are based on forecasts and budgets provided by the management of the joint venture.

#### ***Internally capitalised intangible assets***

Internally generated software costs are capitalised as intangible assets and are amortised over an estimated useful life of 5 years.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 3 Revenue

An analysis of the Company's revenue is as follows:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Revenue</b>		
Operating fees receivable from PRS	100,160	92,311

#### Revenue analysed by geographical market

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
United Kingdom	100,160	92,311

### 4 Operating profit

Operating profit for the year is stated after charging/(crediting):

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Exchange losses / (gains)	413	(1,155)
Fees payable to the Company's auditors for the audit of the Company's financial statements	75	75
Depreciation/amortisation of fixed assets	9,661	8,705
Loss on disposal of tangible assets	60	60
Loss on disposal of intangible assets	195	513
Operating lease charges	3,276	3,194

In accordance with SI 2008/489, the Company has not disclosed the fees payable to the Company's auditors for 'other services' as this information is included in the consolidated financial statements of Performing Right Society Limited.

### 5 Employees

The average monthly number of persons (including directors) employed by the Company during the year was:

	<b>2017</b>	<b>2016</b>
	<b>Number</b>	<b>Number</b>
Licensing	195	183
Distribution and membership	177	179
Support services	260	270
	632	632

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 5 Employees

(Continued)

Their aggregate remuneration comprised:

	2017 £000	2016 £000
Wages and salaries	35,668	33,479
Social security costs	3,795	3,611
Other pension costs	1,454	1,356
	<u>40,917</u>	<u>38,446</u>

### 6 Directors' remuneration

	2017 £000	2016 £000
Remuneration for qualifying services	1,281	1,253
Company pension contributions to defined contribution schemes	24	25
	<u>1,305</u>	<u>1,278</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2016 - 1). No directors (2016: none) were members of the defined benefit schemes.

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2017 £000	2016 £000
Remuneration for qualifying services	974	962
Company pension contributions to defined contribution schemes	24	25
	<u>998</u>	<u>987</u>

The remuneration of non-executive directors of the Company amounted to £308,000 (2016 - £291,000). There were 12 non-executive directors of the Company at 31 December 2017, including the PRS Chairman who was appointed to the Board on 1 January 2017 (2016 - 12). In 2017 the remuneration of external directors of the Company, that were also external directors of PRS, were charged solely to the Company.

Stephen Davidson remained in the position of external director and Executive Board Chairman and his remuneration for the year was £109,000 (2016 - £105,000). This is included in the remuneration of non-executive directors amount shown above.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

7	<b>Investment income</b>		<b>2017</b>	<b>2016</b>
			<b>£000</b>	<b>£000</b>
	<b>Interest income</b>			
	Interest on bank deposits		78	12
	Other interest income		263	215
			<u>341</u>	<u>227</u>
			<u><u>341</u></u>	<u><u>227</u></u>
8	<b>Finance costs</b>		<b>2017</b>	<b>2016</b>
		<b>Notes</b>	<b>£000</b>	<b>£000</b>
	Interest on other loans due to associated undertakings		316	308
	Interest on the net defined benefit liability	<b>22</b>	928	827
			<u>1,244</u>	<u>1,135</u>
			<u><u>1,244</u></u>	<u><u>1,135</u></u>
9	<b>Taxation</b>		<b>2017</b>	<b>2016</b>
			<b>£000</b>	<b>£000</b>
	<b>Deferred tax</b>			
	Origination and reversal of timing differences		227	173
			<u>227</u>	<u>173</u>
			<u><u>227</u></u>	<u><u>173</u></u>

The tax charge assessed for the year is higher than (2016: lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are explained below:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
(Loss)/profit before taxation	(316)	2,173
	<u>(316)</u>	<u>2,173</u>
Expected tax charge based on a corporation tax rate of 19.25% (2016 - 20.00%)	(61)	435
Tax effect of expenses that are not deductible in determining taxable profit	45	131
Depreciation on assets not qualifying for tax allowances	127	130
Deferred tax adjustments in respect of prior years	227	173
Adjustments for transfer pricing	574	498
Adjustments relating to the pension fund	(982)	(2,936)
Deferred tax not provided on current year movement	297	1,742
	<u>227</u>	<u>173</u>
Tax expense for the year	<u><u>227</u></u>	<u><u>173</u></u>

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 9 Taxation

(Continued)

UK corporation tax rates changed on 1 April 2015 from 21% to 20%. Changes to the UK corporation tax rates were enacted as part of the Finance (No.2) Act 2015 which received Royal Assent on 18 November 2015 and Finance Bill 2016 which received Royal Assent on 15 September 2016. These include reductions to reduce the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Accordingly, current tax has been calculated at the rate for the year of 19.25%. As the changes had been substantively enacted at the balance sheet date the unrecognised deferred tax asset has been calculated using a blended rate of 18%.

The Company has an unrecognised deferred tax asset of £15,931,000 (2016 - £15,705,000) made up of non-trading losses £nil (2016 - £204,000), trading losses £5,777,000 (2016 - £4,903,000), pension contribution spreading of £1,567,000 (2016 - £2,093,000). In addition, there is an unrecognised deferred tax asset arising on pension deficit of £5,390,000 (2016 - £4,472,000) and fixed asset and other timing difference of £3,197,000 (2016 - £4,033,000).

#### 10 Intangible assets

	<b>Software £000</b>
<b>Cost</b>	
At 1 January 2017	57,837
Additions	8,859
Reclassification	1,240
Disposals	(201)
	<hr/>
At 31 December 2017	67,735
	<hr/>
<b>Accumulated amortisation</b>	
At 1 January 2017	35,372
Amortisation charged for the year	7,740
Amortisation on reclassified assets	283
Disposals	(6)
	<hr/>
At 31 December 2017	43,389
	<hr/>
<b>Carrying amount</b>	
At 31 December 2017	24,346
	<hr/> <hr/>
At 31 December 2016	22,465
	<hr/> <hr/>

Intangible assets are long-term investments made in order to build or create IT systems or applications used by the organisation. This includes directly attributable costs of staff, contractors and consultants.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 11 Tangible assets

	Leasehold land and buildings and building improvements	Systems and equipment	Motor vehicles	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 1 January 2017	11,195	9,010	186	20,391
Additions	8	63	-	71
Reclassification	-	(1,240)	-	(1,240)
Disposals	-	(127)	-	(127)
At 31 December 2017	11,203	7,706	186	19,095
<b>Accumulated depreciation</b>				
At 1 January 2017	2,954	4,392	186	7,532
Depreciation charged in the year	660	1,261	-	1,921
Depreciation on reclassified assets	-	(283)	-	(283)
Eliminated in respect of disposals	-	(67)	-	(67)
At 31 December 2017	3,614	5,303	186	9,103
<b>Carrying amount</b>				
At 31 December 2017	7,589	2,403	-	9,992
At 31 December 2016	8,241	4,618	-	12,859

During the year £1,240,000 of software development and licenses were reclassified to Intangible assets (2016 - £nil). These assets had been included in Tangible asset additions in the previous year.

### 12 Investment properties

	£000
<b>Fair value</b>	
At 31 December 2016 and 31 December 2017	743

The Company has taken advantage of the exemption stated by section 35 paragraph 10 (c) of FRS 102 and adopts the fair value as deemed cost. The latest valuations were performed in October and November 2016 and were valid for 2 years. The directors reviewed the assumptions of the valuations at the transition date and subsequently at 31 December 2017 and no significant variances were identified. Therefore, the reported fair value still represents the market value at reporting date.

The Company currently holds two (2016 - two) investment properties, one in Peterborough and one in Warrington. The Peterborough property is a leasehold property with 974 years of residual contract life and the Warrington property is a freehold property.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 13 Investments

	Notes	2017 £000	2016 £000
Investments in joint ventures	15	5,499	5,944
Investments in significant undertakings	16	232	232
		<u>5,731</u>	<u>6,176</u>

#### Movements in investments

	Joint Ventures £000	Other £000	Total £000
<b>Cost or valuation</b>			
At 1 January 2017	5,944	232	6,176
Capital repayment	(445)	-	(445)
At 31 December 2017	<u>5,499</u>	<u>232</u>	<u>5,731</u>
<b>Carrying amount</b>			
At 31 December 2017	<u>5,499</u>	<u>232</u>	<u>5,731</u>
At 31 December 2016	<u>5,944</u>	<u>232</u>	<u>6,176</u>

### 14 Subsidiaries

Details of the Company's subsidiaries at 31 December 2017 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held	
GRD Prep Co Limited	England & Wales	Dormant	Ordinary shares	100.00
Imprimatur Services Limited	England & Wales	Dormant	Ordinary shares	100.00
PRS for Music (USA) Limited	England & Wales	Dormant	Ordinary shares	100.00
Rightswatch Limited	England & Wales	Dormant	Membership	100.00
The MCPS-PRS Alliance Limited	England & Wales	Dormant	Ordinary shares	100.00

The registered office address of all subsidiaries is 2 Pancras Square, London, N1C 4AG.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 15 Joint ventures

Details of the Company's joint ventures at 31 December 2017 are as follows:

<b>Name of undertaking and country of incorporation or residency</b>	<b>Nature of business and registered office</b>	<b>Class of shareholding</b>	<b>% Held</b>
International Copyright Enterprise Services AB	Sweden Service Centre Gustavslundsvägen 135, Stockholm, 167 51 Bromma, Sweden	Ordinary shares	33.33
Network of Music Partners A/S	Denmark Service Centre Rued Langgaards Vej 8, 2300, Copenhagen S, Denmark	Ordinary shares	50.00
SOLAR-Music Rights Management GmbH	Germany Pan-European licensing Rechtsanwältin, Rosenheimer, Straße 11, D-81667 München	Ordinary shares	50.00
Global Repertoire Database Limited	England & Wales Global repertoire database 2 Pancras Square, London, United Kingdom, N1C 4AG	Membership	50.00
International Copyright Enterprise Services Limited	England & Wales Multi-territorial licensing 2 Pancras Square, London, United Kingdom, N1C 4AG	Ordinary shares	33.33
PPL PRS Limited	England & Wales UK public performance licensing, Mercury Place, St. George Street, Leicester, England, LE1 1QG	Ordinary shares	50.00

The Company has assessed its investments in joint ventures and associates and has concluded that it did not exercise control over them at 31 December 2017 or during the year then ended; hence they are accounted for as investments in accordance with the accounting policy set out in note 1 rather than being equity accounted.

#### 16 Significant undertakings

Details of the Company's other significant undertakings at 31 December 2017 are as follows:

<b>Name of undertaking and country of incorporation or residency</b>	<b>Nature of business and registered office</b>	<b>Class of shareholding</b>	<b>% Held</b>
UK Music 2009 Limited	England & Wales Lobbying organisation 4th Floor, 49 Whitehall, London, United Kingdom, SW1A 2BX	Membership	11.10
FT, The Digital Copyright Network SAS	France Royalty information systems 130 Rue Cardinet, 75017 Paris, France	Ordinary shares	13.02

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 17 Trade and other receivables

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade receivables	37,419	17,531
Amounts owed by related parties	27,243	7,162
Corporation tax recoverable	-	751
Loans to joint ventures	3,047	3,228
Other receivables	12,376	6,124
Prepayments and accrued income	3,058	2,237
	<u>83,143</u>	<u>37,033</u>
	<u><u>83,143</u></u>	<u><u>37,033</u></u>
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due after more than one year:</b>		
Loans to joint ventures	9,960	7,773
Other receivables	2,413	1,522
	<u>12,373</u>	<u>9,295</u>
	<u><u>12,373</u></u>	<u><u>9,295</u></u>

Trade receivables arise as a result of the Company raising invoices for joint licences on behalf of MCPS and PRS. The associated royalty revenue is recognised by MCPS and PRS and not by the Company. Trade receivables are stated after provisions for impairment of £nil (2016 - £nil).

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 17 Trade and other receivables

(Continued)

##### **Loans receivable - ICE Operations**

Four Swedish krona loans carried forward from 2016 are being paid in equal instalments until the end of 2020. The balances receivable at 31 December 2017 were SEK 14.2m (£1,153,000), SEK 1m (£80,000), SEK 9.7m (£790,000) and SEK 8.7m (£709,000).

A Swedish krona loan carried forward from 2016 is being paid in equal instalments until the end of 2024. The balance receivable at 31 December 2017 is SEK 3.4m (£277,000).

Two Euro loans carried forward from 2016 are being paid in equal instalments until the end of 2020. The balances receivable at 31 December 2017 were €1.3m (£1,019,000) and €0.4m (£339,000).

A Swedish krona loan was fully repaid and closed in the year and replaced by two Euro loans. The loans will be repaid in equal instalments starting in 2019 and ending in 2023. The balance receivable at 31 December 2017 is €1.2m (£1,039,000).

The interest rate for all loans is set per annum and is equal to the six-month Stockholm Interbank offered rate, referred to as STIBOR 6M, +1 or +2%. The Company had total loans of £5,406,000 receivable from ICE Operations at 31 December 2017 (2016 - £5,751,000).

##### **Loans receivable – ICE Services**

Three Euro loans carried forward from 2016 are being paid in equal instalments until the end of 2020. The balances receivable at 31 December 2017 were €1.9m (£1,432,000), €1.3m (£952,000) and €0.9m (£788,000).

The interest rate for these loans is set at the Bank of England Base rate +2%. Security is provided by a floating charge on the assets of ICE Services. The Company had total loans of £3,172,000 receivable from ICE Services at 31 December 2017 (2016 - £3,677,000).

##### **Loans receivable – SOLAR Music Rights Management Limited**

A Euro loan is carried forward from 2016 and will be repaid by the end of 2018. The balance receivable at 31 December 2017 is £429,000 (2016 - £1,073,000). The interest rate for this loan is set at the Bank of England Base rate +2%. The Company had total loans of £429,000 receivable from Solar Music Rights Management Limited, a wholly owned subsidiary of SOLAR-Music Rights Management GmbH, at 31 December 2017 (2016 - £1,073,000).

##### **Loans receivable – PPL – PRS**

A Pound sterling loan is carried forward from 2016 with a further amount of £3,500,000 advanced in 2017. The loan will be repaid in equal instalments over a period of five years following the commencement of licensing activity in the joint venture. The interest rate for this loan is set at the Bank of England Base rate +2%. The Company had total loans of £4,000,000 receivable from PPL - PRS at 31 December 2017 (2016 - £500,000).

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 18 Financial Instruments

As of June 2016 the Company has entered into forward foreign currency contracts on all currency loans made to ICE Operations, ICE Services and SOLAR. A fixed rate is agreed for the term of each loan and forward contracts are booked for a year at a time and rolled forward until the maturity date. The maturity dates for these loan repayments are at various dates until 2023. All forward contracts are recognised on the Statement of financial position and are measured at fair value through the Income statement, using the fixed market value exchange rates agreed at the start of each forward contract. The value of forward contracts recognised on the Statement of financial position as at 31 December 2017 was £9,007,000 (2016: £10,501,000).

#### 19 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade payables	1,828	2,485
Amounts owed to parent undertaking	117,301	83,452
Amounts owed to MCPS	21,864	11,904
Other taxation and social security	2,418	1,901
Accruals and deferred income	27,472	23,802
	<u>170,883</u>	<u>123,544</u>

An amount of £943,000 (2016 - £962,000) within the amount due to the parent undertaking relates to the current element of the interest-free loan from PRS. Details of the terms of this loan can be found in note 20.

The amount of £21,864,000 (2016 - £11,904,000) due to MCPS has no obligation to pay interest now or in the future and has no formal repayment terms.

#### 20 Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Amounts owed to parent undertaking	6,131	7,073

Amounts falling due to parent undertaking represent the balances of contributions into the defined benefit pension schemes made by the Company in 2005 and funded by PRS. The balances are repayable over 20 years and are not interest bearing. The loan is measured at the present value of the future payments discounted at a market rate of interest for similar financial instruments. Over the period of the loan, interest payable is calculated and added to the loan using the effective interest method. At the transition date the loan was discounted at 6.5% (Bank of England rate at the inception date, 2005, plus 2%) and the shortfall credited to profit and loss reserve. The effect of discounting will unwind over the period of the loan as interest charged to the income statement.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

### 21 Provisions for liabilities

	2017 £000	2016 £000
Relocation costs	2	30
Legal provisions	515	1,671
	<u>517</u>	<u>1,701</u>

Movements on provisions:

	Relocation costs £000	Legal provisions £000	Total £000
At 1 January 2017	30	1,671	1,701
Additional provisions in the year	-	515	515
Reversal of provision	(12)	(1,165)	(1,177)
Utilisation of provision	(16)	(506)	(522)
	<u>2</u>	<u>515</u>	<u>517</u>

The Company has recognised a provision for the estimated cost of the consequences of relocating staff, following an office move in 2014. The costs represent contractual or similar past obligations at the Statement of financial position date.

The Company has recognised a constructive obligation relating to litigation at the Statement of financial position date. The costs represent the estimate of the legal fees that will be incurred by the Company in following the most likely course of action pertaining to two litigation cases where the Company is the claimant. It is expected that most of these costs will have been incurred within one year of the Statement of financial position date.

### 22 Retirement benefit schemes

<b>Defined contribution schemes</b>	<b>2017 £000</b>	<b>2016 £000</b>
Charge to Income statement in respect of defined contribution schemes	<u>1,454</u>	<u>1,356</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 22 Retirement benefit schemes

(Continued)

##### Defined benefit schemes

The Company operates two separately administered defined benefit pension schemes. The MCPS-PRS Alliance Pension Scheme (MCPS) (formerly the MCPS scheme) was closed to new entrants from 1 January 1999 and The MCPS-PRS Alliance Pension Scheme (formerly the PRS scheme) was closed to new entrants from 1 January 2003. On 31 December 2010 the schemes were closed to future accrual with active members losing the link to final salary.

##### Valuation

In March 2016, the triennial valuations of the pension schemes were completed. The deficit funding plan was reassessed between the Group and the trustees of the schemes, with the deficit funding remaining at the same level as in prior years. The plan involves the Group making annual payments into the schemes in order to address the deficit by February 2028 for the MCPS-PRS Alliance Pension Scheme and June 2030 for the MCPS-PRS Alliance Pension Scheme (MPCS).

##### Key assumptions

	2017	2016
	%	%
Discount rate	2.5	2.7
Expected rate of increase of pensions in payment	3.1	3.2
Expected rate of salary increases	n/a	n/a
Expected rate of revaluation of deferred pensions	2.1	2.2
Expected rate of decrease of pensions in payment	n/a	n/a
Inflation	3.2	3.3

##### Mortality assumptions

Assumed life expectations on retirement at age 65:

	2017	2016
	Years	Years
Retiring today		
- Males	22.5	22.5
- Females	24.4	24.6
Retiring in 20 years		
- Males	24.0	24.2
- Females	25.9	26.5

This decrease in the discount rate is a consequence of a reduction in prevailing corporate bond rates between 31 December 2016 and 31 December 2017.

The post-retirement mortality assumptions allow for expected decrease in longevity. The "current" disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with "future" being that relating to an employee retiring in 2030. 2016 CMI mortality projections, with a level of smoothing applied, have been adopted in the assumptions on the basis that it is now widely accepted that reductions in mortality have not been as high as expected in previous projections.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 22 Retirement benefit schemes

(Continued)

The amounts included in the Statement of financial position arising from the Company's obligations in respect of defined benefit plans are as follows:

	2017 £000	2016 £000
Present value of defined benefit obligations	38,654	36,124
Deficit in scheme	38,654	36,124
Deferred taxation balance relating to pension schemes	(1,487)	(1,714)
Total liability recognised	<u>37,167</u>	<u>34,410</u>

The defined benefit obligation comprises of £301,302,000 (2016 – £297,202,000) from plans that are wholly or partly funded.

The MCPS-PRS Alliance Pension Scheme closed to future accrual on 31 December 2010. Fixed annual contributions of £3,100,000 have been made to reduce the deficit in the scheme, following the decision at the 2016 triennial valuation for deficit funding to remain at the same level as in prior years.

The MCPS-PRS Alliance Pension Scheme (MCPS) closed to future accrual on 31 December 2010. Fixed annual contributions of £400,000 have been made to reduce the deficit in the scheme following the decision at the 2016 triennial valuation for deficit funding to remain at the same level as in prior years.

Total contributions to the defined benefit plans in the next year are expected to be £3,500,000.

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

	MCPS-PRS Alliance Pension Scheme		MCPS-PRS Alliance Pension Scheme (MCPS)		Total	Total
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
At 1 January	(251,769)	(211,479)	(45,433)	(36,029)	(297,202)	(247,508)
Benefits paid	5,847	6,294	882	634	6,729	6,928
Interest cost	(6,719)	(7,708)	(1,215)	(1,321)	(7,934)	(9,029)
Actuarial losses	(2,276)	(38,876)	(619)	(8,717)	(2,895)	(47,593)
At 31 December	<u>(254,917)</u>	<u>(251,769)</u>	<u>(46,385)</u>	<u>(45,433)</u>	<u>(301,302)</u>	<u>(297,202)</u>

The pension plans have not invested in any of the Company's equity, or any of its own properties or other assets used in its operations.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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### 22 Retirement benefit schemes

(Continued)

The amounts recognised in the income statement for the year are:

	MCPS-PRS Alliance Pension Scheme		MCPS-PRS Alliance Pension Scheme (MCPS)		Total	Total
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Interest on net defined benefit pension liabilities	710	646	218	181	928	827
	<u>710</u>	<u>646</u>	<u>218</u>	<u>181</u>	<u>928</u>	<u>827</u>



# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 22 Retirement benefit schemes

(Continued)

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

	MCPS-PRS Alliance Pension Scheme  £000	MCPS-PRS Alliance Pension Scheme (MCPS)  £000	Total  £000
As at 1 January 2016	192,462	30,926	223,388
Expected return on plan assets	7,062	1,140	8,202
Employer contributions	3,100	400	3,500
Benefits paid	(6,294)	(634)	(6,928)
Actuarial gains	27,603	5,313	32,916
	<hr/>	<hr/>	<hr/>
As at 1 January 2017	223,933	37,145	261,078
Expected return on plan assets	6,009	997	7,006
Employer contributions	3,100	400	3,500
Benefits paid	(5,847)	(882)	(6,729)
Actuarial (losses)/gains	(2,686)	479	(2,207)
	<hr/>	<hr/>	<hr/>
As at 31 December 2017	224,509	38,139	262,648
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### Actuarial (losses)/gains

	MCPS-PRS Alliance Pension Scheme		MCPS-PRS Alliance Pension Scheme (MCPS)		Total	Total
	2017	2016	2017	2016	2017	2016
	£000	£000	£000	£000	£000	£000
(Losses)/gains on plan assets	(2,686)	27,603	479	5,313	(2,207)	32,916
Losses on plan liabilities	(2,276)	(38,876)	(619)	(8,717)	(2,895)	(47,593)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(4,962)	(11,273)	(140)	(3,404)	(5,102)	(14,677)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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### 23 Called up share capital

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
1,000 Ordinary shares of £1 each (2016 - 1,000)	1	1
	<u>1</u>	<u>1</u>

### 24 Other reserves

Other reserves arose as a result of the transactions which took place on 1 January 1998, through which MCPS and PRS transferred their respective fixed assets, employees and back-office operations to the Company and each took a 50% interest in the Company.

### 25 Operating lease commitments

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Within one year	3,656	3,594
Between two and five years	14,546	14,330
In over five years	23,322	26,514
	<u>41,524</u>	<u>44,438</u>

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 26 Related party transactions

The remuneration of key management personnel, who are also directors, is disclosed in note 6.

The Company's turnover consists of operating fees recharged to PRS as analysed in note 3. Amounts due to and from MCPS and PRS at the balance sheet date are disclosed in notes 17, 19 and 20.

The Company received services from ICE Operations to the value of £5,430,000 (2016 – £5,474,000). The Company also charged ICE Operations an amount of £nil (2016 – £179,000) for services provided and was owed a balance of £nil (2016 – £92,000) and had costs to recharge of £nil at the year end (2016 - £nil).

Full details on loans made to ICE Operations can be found in note 17.

During the year the Company charged ICE Services an amount for services provided of £2,270,000 (2016 - £2,518,000), paid commissions of £3,338,000 (2016 - £84,000) and paid service charges of £1,884,000 on PRS legacy deals (2016 - £4,782,000). The Company was owed a balance of £862,000 (2016 - £2,467,000) and had costs to recharge of £973,000 (2016 - £703,000) at the year end.

Full details on loans made to ICE Services can be found in note 17.

The Company received services from NMP to the value of £2,570,000 (2016 – £3,182,000). The Company also charged NMP an amount of £207,000 (2016 – £216,000) for services provided and was owed a balance of £17,000 (2016 – £36,000) at the year end.

During the year the Company charged SOLAR an amount of £nil (2016 - £552,000) for services provided and paid commissions of £3,021,000 (2016 - £888,000). The Company was owed a balance of £nil (2016 - £nil) at the year end.

Full details on loans made to SOLAR can be found in note 17.

During the year the Company paid fees to UK Music 2009 Limited of £571,000 (2016 – £556,000). The Company owed a balance of £nil (2016 – £nil) at the year end.

The Company also received services from FT, The Digital Copyright Network SAS of £256,000 (2016 – £266,000). The Company owed £nil (2016 – £nil) at the year end.

During the year, the Company provided operational services to MCPS, a company with common directors, under the terms of a service level agreement. The value of the service was £13,862,000 (2016 - £13,920,000) and a balance of £1,823,000 was due from MCPS at the end of the year (2016 - £nil).

During the year, the Company provided subsidised services including accommodation to Music Publishers Association Limited (MPA), an organisation chaired by Jackie Alway, a director of PRS for Music Limited and Performing Right Society Limited. MPA is the parent undertaking of MCPS. The value of the subsidy for 2017 has been estimated as £127,000 (2016 – £116,000). The Company was owed a balance of £nil (2016 - £nil) at year end.

During the year, the Company provided subsidised services including accommodation to The PRS Members' Benevolent Fund. The value of the subsidy for 2017 has been estimated as £42,000 (2016 – £41,000). The Company also charged an amount of £202,000 (2016 - £164,000) for other services provided. The Company was owed a balance of £6,000 (2016 - £59,000) and had costs to recharge of £16,000 (2016 - £nil) at the year end.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 26 Related party transactions

(Continued)

During the year, the Company provided subsidised services including accommodation to The Performing Right Society Foundation Limited. The value of the subsidy for 2017 has been estimated as £85,000 (2016 – £69,000). The Company also charged an amount of £15,000 (2016 - £nil) for other services provided. The Company was owed a balance of £1,000 (2016 - £nil) at the year end.

During the year, the Company provided subsidised services including accommodation to the British Academy of Songwriters, Composers and Authors, an organisation with common directors. The value of the subsidy for 2017 has been estimated as £73,000 (2016 - £65,000). During the year the Company was also charged an amount of £220,000 (2016 - £218,000) for sponsorship. There were no amounts outstanding at the end of the current or previous year.

The Company had costs of £7,874,000 held in receivables, to be recharged to PPL PRS Limited (2016 - £3,906,000) and was owed a balance of £nil (2016 - £nil) at the year end. Full details on loans made to PPL PRS Limited can be found in note 17.

#### 27 Directors' transactions

The following information is provided, in relation to loans to directors, pursuant to section 413 to the Companies Act 2006, as amended.

A season ticket loan was made available to a director interest-free, repayable in 12 monthly instalments.

Description	% Rate	Opening Balance £000	Amounts Advanced £000	Interest Charged £000	Amounts Repaid £000	Closing Balance £000
Season ticket loan	-	-	2	-	2	-
		<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>
		<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>

See note 6 for disclosure of directors' remuneration.

#### 28 Controlling party

The Company is a wholly-owned subsidiary of Performing Right Society Limited, a company limited by guarantee and incorporated in the UK. PRS has no share capital. The directors regard PRS as the Company's ultimate controlling party. Group financial statements can be obtained by request in writing to Performing Right Society Limited, 2 Pancras Square, London, N1C 4AG.

PRS is the parent of the largest and smallest group of which the Company is a member and for which consolidated financial statements are prepared.

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