ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 31 December 2019
Performing Right Society Limited

Company Registration Number
No. 00134396 (England and Wales)

PERFORMING RIGHT SOCIETY LIMITED

COMPANY INFORMATION

Directors	***Writers*** B Blue S Darlow J Duguid M Escoffery-Ojo T Gray E Gregson C Hunt S Levine D Masters P Pope J Simmonds ***Publishers*** J Alway S Anderson A Bebawi C Butler N Elderton S Hornall R King J Minch R Neri S Platz J Smith ***Executive Director*** A Martin ***External Directors*** S Davidson M Poole
Secretary	D Stones
Company number	00134396
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 19.

PERFORMING RIGHT SOCIETY LIMITED

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PERFORMING RIGHT SOCIETY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the Consolidated Strategic report for Performing Right Society Limited ("the Company") and its subsidiaries (together, "the Group") for the year ended 31 December 2019.

Review of the business

Overall, 2019 was a positive and successful year for the Group with continued investment to enable the business to compete in the coming years and differentiate our offering and service from an increasing number of competitors in the market.

Our financial targets for 2019 were three-fold: to repeat the revenue growth achieved in 2018, to reduce costs, and to maximise distributions to members. Through a concentrated and unified effort, we delivered on all of these aims. Revenue and Net Distributable Income grew in the twelve months to December 2019 by 8.7% and 11.1% respectively, costs (net of other operating income / expenses) decreased both in absolute terms and as a percentage of income from 13.0% to 11.0%, and distributions to members enjoyed double-digit growth.

2019 was also a year of change, with our CEO of ten years, Robert Ashcroft, stepping down. During his tenure the Group enjoyed record growth and led efforts at a UK, European and global level, to protect the principle of copyright and the rights of creators. Andrea C. Martin was appointed as CEO in June, following a career working for a diverse range of data-focused and large subscription-based organisations.

The year witnessed a range of new digital launches to improve the experience for songwriter, composer and publisher members. Identify Access Management gives those responsible for multiple accounts the ability to switch between them seamlessly online; it also provides the building blocks for new technical developments and launches. Member statements were moved online and a best in class analytics capability provided to members, helping them track their royalty income across multiple sources and territories. Investment continued in our IT services, with work initiated on moving our distribution systems to the cloud, to enable faster and more efficient processing. We also began the process of selecting a new customer relationship management (CRM) system that will improve the way we serve our 140,000 members.

Our joint venture with PPL (PPL PRS Ltd) stabilised during the year with new management, and improved systems and processes. The business enjoyed considerable year-on-year growth and has laid the foundations for a successful 2020. Investment also continued through 2019 on the development of key systems in our ICE joint ventures to ensure they are well placed to both service current customers and attract new customers going forwards.

Planning continued for different Brexit scenarios. This will now continue through the transition period, mitigating any risks as they arise.

On the Consolidated Statement of financial position, there is a net deficit on total reserves amounting to £75,470,000 (2018 - £62,549,000) and a deficit on the Statement of financial position of the Company of £3,559,000 (2018 - £3,559,000). The management and board have a plan to reduce the Group deficit over time, while maintaining the maximum distributions to our members. The increase in the Group net deficit has mainly arisen because of an increase in the deficits on the two defined benefit pension schemes funded by PfM. PfM has agreed with the Boards of trustees of the two schemes a deficit recovery plan that is intended to fully fund the schemes before the end of 2030. The increase in the deficit of the two defined benefit pension schemes is mainly attributable to unfavourable actuarial variances linked to the fall in interest rates and long-term bond yields, partially offset by an increase in asset values between 31 December 2018 and 31 December 2019.

Key performance indicators

The Group’s key financial performance indicators during the year were as follows:

	2019 £000	2018 £000	Change %
Revenue	810,838	745,990	8.7
Net distributable income	721,043	649,016	11.1

Given the nature of the business, the Group's directors are of the opinion that analysis using KPIs other than revenue or net distributable income is not necessary for an understanding of the performance of the business.

Statement by the directors in in accordance with s172(1) Companies Act 2006
The board of directors of Performing Right Society Limited consider, both individually and together, that they have acted in a way they consider would be most likely to promote the success of the Group for the benefit of its members as a whole in the decisions taken during the year ended 31 December 2019, having regard to the matters set out in s172(1)(a-f) of the Act. As part of their induction, a director is briefed on their duties and they can access further professional advice on these duties from the company secretary.

Stakeholder engagement
A board should communicate effectively with its stakeholders, understand their views, and also act fairly with regard to its members. PRS also strongly believes in promoting a culture of inclusion and collaboration, which is a key part of the values underpinning the way in which the Group operates. The key stakeholders for the Group are:

Members
Members are at the heart of what we do and are the reason that PRS exists. The importance of effective communication and engagement with this group is reflected in the governance structure of PRS, whereby the board includes an equal number of writer and publisher members. Outside of this, PRS maintains regular communication and interaction with its members through a number of channels including; writer representatives and publisher briefings, Annual General Meeting, genre specific member meetings, outreach activities for new and upcoming members, our own member events and supporting other industry events.

Employees
Employees are central to the long term success of PRS and the board understands the importance of engagement, understanding their views and clear communication. To that end, in addition to being supported by its own branch of Unite (the largest union in the UK), PRS runs monthly all-staff briefings, has an active employee forum, runs an annual engagement survey and provides a strong and varied programme of engagement and well-being activities to employees.

Licensees
The board is committed to openly engaging with this key stakeholder group and recognise the importance of continuing an effective dialogue with key licensees in order to continue to protect the value of our members rights and for PRS to maintain its reputation for high standards of business conduct.

Decision making
At the PRS board meetings during the year, together with any other consultation and approvals sought between board meetings, three of the key considerations have been:

i. Refresh of the PRS strategy
Following a change of CEO in 2019, a key consideration has been strategic planning for the future of PRS. In 2020 PRS will focus its efforts and resources on being ‘brilliant at the basics’ and improving our core offering, while beginning to determine the longer-term direction. The strategy was developed over a period of 8 months, with engagement and input from key employee groups at various levels and delivered via a targeted communication plan that included socialisation with board members and other key stakeholders.

ii. Changes in Administration rates
In early 2019 the board made the difficult decision to increase Administration rates on certain streams of royalties, in order to ensure that the rates accurately reflected the cost of processing this money and to ensure PRS is in the best financial health as a society. The governance structure of PRS, with equal representation of writer and publisher members on the Board, ensures that decisions are made in the best interest of the membership base as a whole. This decision has been transparently communicated on the PRS website, as well as at the AGM and member briefings.

iii. Capital investment
In order to deliver on the 2020 and longer-term strategy and continue to deliver an excellent service to its members, PRS has committed to funding further capital investment. This includes significant investment in moving our distribution systems to the cloud, enabling faster and more efficient processing, and embedding a new CRM system that will improve the way that we serve our members. All business cases for capital investment are reviewed by the Capital Investment Committee and Strategic Design Authority, to ensure that they are aligned to the strategic goals and will be in the interest of key stakeholder groups.

Principal risks and uncertainties

The Audit Committee of PfM evaluates the risks and uncertainties that may affect the Group's performance. The Audit Committee met 5 times in 2019. The principal risks and uncertainties are detailed below.

Competitive risk

Changing working practices are opening up the market to more competition from societies and other organisations and the Group is at the forefront of these changes, actively seeking solutions to respond effectively to increased competition.

Legislative risk

The nature of the Group's activities in particular markets leads it into a number of areas of compliance risk. There is a sustained focus on ensuring compliance with UK and EU competition rules and with the General Data Protection Regulation (GDPR). Failure to comply with competition and data protection legislation can lead to significant fines. A committee is in place to oversee compliance across the Group and an ongoing programme of compliance measures is in place.

The Group is also subject to potential copyright law changes and given the changing nature of the industry this could have a significant impact on the Group's revenue and operating procedures in the future.

Although the UK left the EU on 31 January 2020, there remains uncertainty as to the nature of the future relationship as negotiations get underway. This could have a negative effect on PRS' income. A working group has been convened, consisting of members of the Audit Committee and internal experts, to keep the situation under review. PRS has also met with the UK based broadcasters operating in the EU to reassure them that we can, and will, continue to license their services.

Fraud risk

Criminal activities such as cybercrime, as well as the internal and external attempts at defrauding companies, are a constant threat. There is a risk that data could be illegally leaked, accessed or used and customers could be prevented from accessing required systems or funds could be misappropriated, resulting in damage to reputation as well as loss of member income.

Controls and awareness programmes are in place and a fraud response plan has been created for dealing with incidents of fraud or suspected fraud. Additional bespoke business processes and associated tools are being developed to provide extra levels of assurance in advance of each distribution.

Financial instrument risks

The Group has in place a framework to ensure that it has sufficient financial resources to meet its objectives and to manage financial risk. Foreign exchange risk is minimised through the timely exchange of foreign currency receipts for sterling and forward foreign exchange contracts are used to manage the exposure of non-sterling loans. Interest rate risk is managed by avoiding investing cash for periods of greater than 12 months.

Exposure to price, credit and liquidity risk

Price risk for the Group arises where new licence schemes are challenged. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Group policies are aimed at minimising such losses, with well-established credit control processes and a requirement that deferred terms are only granted to licensees who demonstrate an appropriate payment history and satisfy credit checking procedures, or with which the Group is actively in negotiations.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group aims to mitigate liquidity risk by managing cash generation. In addition, royalties are only distributed once collected and the Group holds substantial cash balances.

Principal risks and uncertainties (continued)

Changing technology
With the increasing move towards digital usage of music, there is uncertainty over the future market for music and the implications on the costs of administering licences. These changing technologies will offer new market opportunities and active review of existing and potential new streams is a key area of focus for the Group. The Board and the Audit Committee are fully aware of the pressures and opportunities this changing market imposes on the future of the business and are acting accordingly to optimise beneficial effects where possible.

Royalty distribution – accuracy and timeliness
The exponential year-on-year growth in the volume of data handled by the Group presents an ongoing risk to the accuracy and timeliness of royalty distributions to the Membership. To mitigate the risk, an IT programme is underway to enhance the data processing capabilities of the systems that underpin royalty distributions, and additional layers of assurance have already been successfully embedded into the business process.

Covid-19 risk
Management have made a full assessment of the impact of Covid-19 on the business and this has been disclosed in the Directors report.

By order of the Board

Nigel Elderton

N Elderton
Director
5 May 2020

PERFORMING RIGHT SOCIETY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and the audited financial statements for the Group and the Company for the year ended 31 December 2019.

Principal activities

The principal activity of the Group is the aggregation and licensing of the performing rights vested in it by its members and affiliated societies, and the collection and distribution of the resulting royalties. The Company represents over 140,000 members collecting royalties from various sources, including from live performance, television and radio broadcasts, and streaming.

The principal activity of the Company's subsidiary, PRS for Music Limited ("PfM"), is to provide operational services to the Company and to act as a service provider to Mechanical-Copyright Protection Society Limited ("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

B Blue		C Hunt	(appointed 21 May 2019)
S Darlow		S Levine	
J Duguid		D Masters	
M Escoffery-Ojo		M Murray	(resigned 21 May 2019)
N Graham	(resigned 21 May 2019)	J Nott	(resigned 21 May 2019)
T Gray	(appointed 21 May 2019)	P Pope	(appointed 21 May 2019)
E Gregson		J Simmonds	

Publishers

J Alway		S Hornall
S Anderson		R King
A Bebawi	(appointed 21 May 2019)	J Minch
W Booth	(resigned 21 May 2019)	R Neri
C Butler		S Platz
N Elderton		J Smith

External Directors

S Davidson
M Poole

Executive Director

R Ashcroft	(resigned 4 July 2019)
A Martin	(appointed 4 July 2019)

Nigel Elderton, Chairman, and Simon Darlow, Deputy Chairman (writer), continued in their positions throughout 2019. Simon Platz replaced Chris Butler as Deputy Chairman (publisher) on 1 January 2019.

Results and dividends

The results for the year are set out on page 12.

No interim dividends were paid. The directors do not recommend payment of a final dividend (2018: £nil).

Qualifying third party indemnity provisions

The Group 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 S234. Such qualifying third party indemnity provision was in force during the financial year and at the date of approving the Directors' report.

Disabled persons

The Group 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 Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development wherever appropriate.

Equal opportunity

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

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Company 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 Group and the Company and of the profit or loss of the Group and 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 Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and 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 Group and Company's auditors are aware of that information.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. The directors believe that the Group is well-placed to manage its business risks and has considerable financial resources including cash balances.

Management and the board have an agreed plan to reduce the Group deficit over time, while maintaining the maximum distributions to our members. This is actioned through the setting of administration rates, over which the PRS board exercises ultimate control and through control of the amounts charged by PfM to PRS. While the Group has a net deficit on its reserves, the Articles of PRS permit the retention from out of revenues of such amounts as are necessary for the expenses of the company. Hence the directors believe the Group and company are a going concern.

The Group Statement of financial position includes the PfM defined benefit scheme deficit and also reflects the impact of assuming £25,197,000 of historic liabilities when the MCPS-PRS Alliance dissolved in 2013. As a result, the Group Statement of financial position has a net deficit of £75,470,000 at 31 December 2019 (2018 – £62,549,000). This has increased from 2018 mainly as a result of the defined benefit scheme deficit increasing from £29,271,000 to £39,470,000. PfM and the trustees of the pension schemes have agreed a recovery plan to fully fund the schemes by the end of 2030. Part of this plan is an agreed Group contribution per year of £3,500,000. There is also an investment strategy in place to reduce future volatility.

The directors have also considered the status of joint ventures and associate undertakings ICE Operations, ICE Services, SOLAR, NMP and PPL - PRS.

ICE Operations is fully and equally supported by its shareholders owing to the nature of services it supplies, without which the shareholders would not be able to provide services to their members. The Group's share of the loss for the year to 31 December 2019 was £75,000 (2018 – £68,000). ICE Operations is forecasting to cover its costs in future years and repay its loan finance over 10 years. At the year end, the value of the loans to be repaid by ICE Operations was £6,942,000 (2018 - £5,743,000) and the value of the equity investment was £2,958,000 (2018 - £2,958,000).

ICE Services is fully and equally supported by its shareholders and started trading in 2016. The Group's share of the profit for the year to 31 December 2019 was £374,000 (2018 - £840,000). ICE Services is forecasting to cover its costs in future years and repay its loan finance over 5 years. At the year end, the value of loans to be repaid by ICE Services was £1,327,000 (2018 - £2,332,000) and the value of the equity investment was £100,000 (2018 - £100,000).

SOLAR is fully and equally supported by its shareholders. The Group's share of the profit for the year to 31 December 2019 was £54,000 (2018 – £28,000). At the year end, the value of loans to be repaid by SOLAR was £429,000 (2018 - £429,000) and there was no equity investment (2018 - £nil).

NMP is fully and equally supported by its shareholders. The Group's share of the result for the year to 31 December 2019 was £nil (2018 – £nil). It recharges all of its costs not covered by income from other customers to its shareholders. There was a repayment of capital during the year of £824,000 from NMP to PfM and the value of the equity investment at the year end was £974,000 (2018 - £1,798,000). At the year end, the value of the loans to be repaid by NMP was £nil (2018 - £nil).

Going concern (continued)

PPL - PRS is fully and equally supported by its shareholders and started licensing activities in 2018. The Group's share of the loss for the year to 31 December 2019 was £437,000 (2018 - £205,000). PPL - PRS is forecasting to make profits in future years and repay its loan finance over 5 years from the date of commencement of licensing activities in the joint venture. At the year end, the value of loans to be repaid by PPL - PRS was £12,809,000 (2018 - £13,500,000) and the value of the equity investment was £50,000 (2018 - £50,000).

Therefore, after making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Subsequent events

Management have reviewed subsequent events since the Statement of financial position date, with the main potential impact being that of Covid-19. In response to the ongoing Covid-19 risk, the Group defined its guiding principles as to protect the livelihood and safety of our employees in the first instance, in order to maintain services and key activities to ensure the livelihoods of the members we represent. This has included successfully transitioning staff to working from home, stress-testing systems and network provision, revising processes and methods of operation and increasing companywide communications via video conferencing. The collective efforts have enabled the distribution of royalties in line with published schedules, the creation of additional support mechanisms for those in need and the maintenance of core services to members.

An assessment of the financial impact of Covid-19 has been carried out, including modelling various scenarios based on differing levels of reduced trading in 2020 and 2021, particularly in the area of public performance. The result of this is that the directors remain confident that the Group will have sufficient funds to continue its operations as a going concern but will continue to look at ways to maximise cash levels as would be expected. Covid-19 is also treated as a non-adjusting post balance sheet event, as the conditions did not exist at the reporting date, and as such no changes are considered to be required to the valuations in the Statement of financial position.

Corporate governance

The Company's Board of Directors is ultimately responsible for the governance of the Company. The Board of Directors delegates much of the business decision-making to the PfM Board in accordance with agreed mandates. PfM is an operational services company which has been a wholly-owned subsidiary of the Company since 1 July 2013.

Financial risk management

The management of principal risks and uncertainties is disclosed within the Strategic report.

By order of the Board

Nigel Elderton

N Elderton
Director
5 May 2020

PERFORMING RIGHT SOCIETY LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PERFORMING RIGHT SOCIETY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Performing Right Society Limited’s Group financial statements and Company financial statements (the “financial statements”):

- give a true and fair view of the state of the Group’s and of the Company’s affairs as at 31 December 2019 and of the Group’s profit 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 and Financial Statements (the “Annual Report”), which comprise: the Consolidated and Company Statements of financial position as at 31 December 2019; the Consolidated Income statement and Consolidated Statement of comprehensive income, the Consolidated Statement of cash flows, the Consolidated and Company Statements of changes in reserves 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 Group 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 where:

- 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 Group’s and 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 Group’s and Company’s ability to continue as a going concern.

Reporting on other information

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

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 2019 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 Group and Company and their 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 on page 6, 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 Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jennifer Dickie

Jennifer Dickie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

5 May 2020

PERFORMING RIGHT SOCIETY LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Revenue	**3**	810,838	745,990
Licensing and administrative expenses		(101,004)	(107,546)
Other operating income		12,715	12,737
Operating profit	**4**	722,549	651,181
Other investment income	**8**	2,675	1,627
Finance costs	**9**	(835)	(1,124)
Amounts appropriated - donations		(3,035)	(3,036)
Share of (loss)/profit from joint ventures	**14**	(84)	595
Profit before taxation		721,270	649,243
Taxation	**10**	(227)	(227)
Net distributable income		721,043	649,016

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

The notes on pages 19 to 51 form an integral part of these financial statements.

PERFORMING RIGHT SOCIETY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Net distributable income		721,043	649,016
Funds attributable to members and affiliated societies		(721,712)	(648,984)
Actuarial (loss)/gain on defined benefit pension schemes	**26**	(12,638)	5,744
Foreign exchange gain on joint venture investments		386	81
Total comprehensive (expense)/income relating to the year		(12,921)	5,857

The notes on pages 19 to 51 form an integral part of these financial statements.

PERFORMING RIGHT SOCIETY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		2019		2018	
	Note	**£000**	**£000**	**£000**	**£000**
Fixed assets					
Intangible assets	**11**		22,029		23,148
Tangible assets	**12**		11,496		12,641
Investment properties	**13**		-		290
Investments	**14**		2,098		2,620
			35,623		38,699
Current assets					
Trade and other receivables: amounts falling due after more than one year	**19**	16,284		17,762	
Trade and other receivables: amounts falling due within one year	**19**	202,237		198,833	
Investments - short-term deposits	**24**	97,323		75,000	
Cash at bank and in hand		103,873		107,125	
		419,717		398,720	
Creditors: amounts falling due within one year	**21**	(486,682)		(464,446)	
Net current liabilities			(66,965)		(65,726)
Total assets less current liabilities			(31,342)		(27,027)
Creditors: amounts falling due after more than one year	**22**		-		(1,254)
Provisions for liabilities	**25**		(4,658)		(4,997)
Net liabilities excluding pension liability			(36,000)		(33,278)
Defined benefit pension liability	**26**		(39,470)		(29,271)
Net liabilities			(75,470)		(62,549)
Total reserves - deficit			(75,470)		(62,549)

The financial statements on pages 12 to 51 were approved by the Board of Directors and authorised for issue on 5 May 2020 and are signed on its behalf by:

Nigel Elderton

N Elderton
Director
Company Registration No. 00134396

The notes on pages 19 to 51 form an integral part of these financial statements.

PERFORMING RIGHT SOCIETY LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		2019		2018	
	Note	**£000**	**£000**	**£000**	**£000**
Current assets					
Trade and other receivables: amounts falling due after more than one year	**19**	4,308		5,208	
Trade and other receivables: amounts falling due within one year	**19**	283,415		263,929	
Investments - short-term deposits	**24**	92,250		70,000	
Cash at bank and in hand		81,229		71,339	
		461,202		410,476	
Creditors: amounts falling due within one year	**21**	(464,761)		(412,781)	
Net current liabilities			(3,559)		(2,305)
Creditors: amounts falling due after more than one year	**22**		-		(1,254)
Net liabilities			(3,559)		(3,559)
Total reserves - deficit			(3,559)		(3,559)

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company income statement. The net distributable income for the Company for the year was £721,712,000 (2018: £648,984,000).

The financial statements on pages 12 to 51 were approved by the Board of Directors and authorised for issue on 5 May 2020 and are signed on its behalf by:

Nigel Elderton

....

N Elderton
Director
Company Registration No. 00134396

The notes on pages 19 to 51 form an integral part of these financial statements.

PERFORMING RIGHT SOCIETY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Total Reserves £000
Opening reserves at 1 January 2018		(68,406)
Year ended 31 December 2018:		
Net distributable income		649,016
Other comprehensive (expense)/income:		
Funds attributable to members and affiliated societies		(648,984)
Actuarial gains on defined benefit plans	**26**	5,744
Foreign exchange gains on investments		81
Total comprehensive income for the year		5,857
Closing reserves at 31 December 2018		(62,549)
Year ended 31 December 2019:		
Net distributable income		721,043
Other comprehensive (expense)/income:		
Funds attributable to members and affiliated societies		(721,712)
Actuarial losses on defined benefit plans	**26**	(12,638)
Foreign exchange gains on investments	**14**	386
Total comprehensive expense for the year		(12,921)
Closing reserves at 31 December 2019		(75,470)

The notes on pages 19 to 51 form an integral part of these financial statements.

PERFORMING RIGHT SOCIETY LIMITED

COMPANY STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2019

	Total Reserves £000
Opening reserves at 1 January 2018	(3,559)
Year ended 31 December 2018:	
Profit and total comprehensive income for the year	648,984
Funds attributable to members and affiliated societies	(648,984)
Closing reserves at 31 December 2018	(3,559)
Year ended 31 December 2019:	
Profit and total comprehensive income for the year	721,712
Funds attributable to members and affiliated societies	(721,712)
Closing reserves at 31 December 2019	(3,559)

The notes on pages 19 to 51 form an integral part of these financial statements.

PERFORMING RIGHT SOCIETY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	£000	2019 £000	£000	2018 £000
Cash flows generated from/(used in) operating activities					
Cash generated from operations	**32**		706,737		632,102
Amounts paid to members and affiliates			(681,380)		(600,017)
Finance costs paid			(835)		(1,124)
Net cash inflow from operating activities			24,522		30,961
Investing activities					
Purchase of intangible assets		(4,934)		(5,717)	
Purchase of tangible assets		(674)		(2,447)	
Proceeds on disposal of tangible assets		-		3	
Proceeds on disposal of investment property		297		460	
Proceeds on joint venture capital repayments		824		594	
Interest received		3,521		1,991	
Repayments from joint venture loans		7,577		2,146	
Draw downs on loans to joint ventures		(6,816)		(11,143)	
Funds (invested in)/redeemed from deposit accounts held > 3 months		(250)		25,000	
Net cash (used in)/generated from investing activities			(455)		10,887
Financing activities					
Defined benefit pension contributions paid		(3,500)		(3,500)	
Net cash used in financing activities			(3,500)		(3,500)
Net increase in cash and cash equivalents			20,567		38,348
Cash and cash equivalents at beginning of year			132,125		95,851
Effect of foreign exchange rates			(1,746)		(2,074)
Cash and cash equivalents at end of year			150,946		132,125
Represented by:					
Investments held < 3 months			47,073		25,000
Cash at bank and in hand			103,873		107,125
			150,946		132,125

Deposits held for 3 months or less are shown as cash and cash equivalent. In addition to cash and cash equivalents held above, the Group holds £50,250,000 (2018 - £50,000,000) in deposit accounts greater than 3 months.

The notes on pages 19 to 51 form an integral part of these financial statements. The Company has elected to take the exemption under FRS102, paragraph 1 - 12 (b) not to present the Company Statement of cash flows.

1 Accounting policies

Company information

Performing Right Society Limited ("the Company") is a company limited by guarantee, domiciled and incorporated in the England and Wales, United Kingdom. The registered office is 2 Pancras Square, London, N1C 4AG, United Kingdom.

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.

Basis of preparation

The financial statements are prepared in sterling, which is the functional currency of the Group. 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 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.
'MCPS' means Mechanical-Copyright Protection Society Limited.
'ICE Operations' means International Copyright Enterprise A.B.
'ICE Services' means International Copyright Enterprise Services Limited.
'NMP' means Network of Music Partners A/S.
'SOLAR' means SOLAR-Music Rights Management GmbH.
'PPL - PRS' means PPL PRS Limited.
'PPL' means Phonographic Performance Limited.
'GEMA' means Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte, a German collecting society.
'STIM' means Svenska Tonsättares Internationella Musikbyrå, a Swedish collecting society.

Accounting convention

The Group financial statements consolidate the financial statements of Performing Right Society Limited and all its subsidiary undertakings drawn up to 31 December each year. As permitted by s408 Companies Act 2006, the Company has not presented its own Income statement and Statement of cash flows.

Entities in which the Group holds an interest on a long-term basis and are jointly controlled by the Group and one or more other ventures under a contractual arrangement are treated as joint ventures. Entities, other than subsidiary undertakings or joint ventures, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence are treated as associates.

Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together with the Groups share of the result of its joint ventures made up to 31 December. Associates which have been assessed as being immaterial to the Group, are accounted for at cost. In the Company financial statements investments in subsidiaries, joint ventures and associates are accounted for at the lower of cost and net realisable value.

1 Accounting policies (Continued)

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. The directors believe that the Group is well-placed to manage its business risks and has considerable financial resources including cash balances.

Management and the board have an agreed plan to reduce the Group deficit over time, while maintaining the maximum distributions to our members. This is actioned through the setting of administration rates, over which the PRS board exercises ultimate control and through control of the amounts charged by PfM to PRS. While the Group has a net deficit on its reserves, the Articles of PRS permit the retention from out of revenues of such amounts as are necessary for the expenses of the company. Hence the directors believe the Group and company are a going concern.

The Group Statement of financial position includes the PfM defined benefit scheme deficit and also reflects the impact of assuming £25,197,000 of historic liabilities when the MCPS-PRS Alliance dissolved in 2013. As a result, the Group Statement of financial position has a net deficit of £75,470,000 at 31 December 2019 (2018 – £62,549,000). This has increased from 2018 mainly as a result of the defined benefit scheme deficit increasing from £29,271,000 to £39,470,000. PfM and the trustees of the pension schemes have agreed a recovery plan to fully fund the schemes by the end of 2030. Part of this plan is an agreed Group contribution per year of £3,500,000. There is also an investment strategy in place to reduce future volatility.

The directors have also considered the status of joint ventures and associate undertakings ICE Operations, ICE Services, SOLAR, NMP and PPL - PRS.

ICE Operations is fully and equally supported by its shareholders owing to the nature of services it supplies, without which the shareholders would not be able to provide services to their members. The Group's share of the loss for the year to 31 December 2019 was £75,000 (2018 – £68,000). ICE Operations is forecasting to cover its costs in future years and repay its loan finance over 10 years. At the year end, the value of the loans to be repaid by ICE Operations was £6,942,000 (2018 - £5,743,000) and the value of the equity investment was £2,958,000 (2018 - £2,958,000).

ICE Services is fully and equally supported by its shareholders and started trading in 2016. The Group's share of the profit for the year to 31 December 2019 was £374,000 (2018 - £840,000). ICE Services is forecasting to cover its costs in future years and repay its loan finance over 5 years. At the year end, the value of loans to be repaid by ICE Services was £1,327,000 (2018 - £2,332,000) and the value of the equity investment was £100,000 (2018 - £100,000).

SOLAR is fully and equally supported by its shareholders. The Group's share of the profit for the year to 31 December 2019 was £54,000 (2018 – £28,000). At the year end, the value of loans to be repaid by SOLAR was £429,000 (2018 - £429,000) and there was no equity investment (2018 - £nil).

NMP is fully and equally supported by its shareholders. The Group's share of the result for the year to 31 December 2019 was £nil (2018 – £nil). It recharges all of its costs not covered by income from other customers to its shareholders. There was a repayment of capital during the year of £824,000 from NMP to PfM and the value of the equity investment at the year end was £974,000 (2018 - £1,798,000). At the year end, the value of the loans to be repaid by NMP was £nil (2018 - £nil).

PPL - PRS is fully and equally supported by its shareholders and started licensing activities in 2018. The Group's share of the loss for the year to 31 December 2019 was £437,000 (2018 - £205,000). PPL - PRS is forecasting to make profits in future years and repay its loan finance over 5 years from the date of commencement of licensing activities in the joint venture. At the year end, the value of loans to be repaid by PPL - PRS was £12,809,000 (2018 - £13,500,000) and the value of the equity investment was £50,000 (2018 - £50,000).

Therefore, after making enquiries, and considering the subsequent events set out on in the Director's report on page 8, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1 Accounting policies **(Continued)**

Revenue

Operating fees receivable

Revenue relates to the provision of operating services to third parties and is accounted for on an accruals basis, so that income is recognised in the period to which it relates.

Licence revenue

Broadcasting and Public Performance revenue is accounted for on an accruals basis over the period of the contract, so that income is recognised in the period to which it relates.

Online revenue is recognised over the period to which the licence or usage relates. Where online revenue is invoiced on a minimum guarantee basis, the recognition will ultimately be based on usage.

Income from overseas collecting societies is recognised in the period in which it is received or it becomes virtually certain of being received.

Where income is received as a result of audit activities it is recognised net of associated costs.

Intangible fixed assets other than goodwill

Computer software and internally generated software costs are stated at cost less accumulated amortisation and accumulated impairment losses. Internally generated software costs, which are predominantly the staff costs of individuals contributing to the development of the asset, are capitalised as intangible assets when technical feasibility and future economic benefits have been established.

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 economic life ("UEL") 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 straight line basis:

Software	5 years

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed 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

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in "Other operating (losses)/gains".

1 Accounting policies (Continued)

Tangible fixed assets (continued)
Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will follow to the Group 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 the investments are reviewed for impairment in 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 Group holds a long-term interest and where the Group has significant influence. The Group 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 Group has a long-term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

Impairment of non-current assets
At each reporting end date, the Group 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 Group 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.

1 Accounting policies (Continued)

Impairment of non-current assets (continued)
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 the Income statement, 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 the Income statement, 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 and deposits held at call with banks. Other deposits, held for 6 and 9 months, are classed as current assets but are excluded from cash as cash equivalents as disclosed in the Consolidated statement of cash flows.

Financial instruments
The Group 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 Group's Statement of financial position when the Group becomes party to the contractual provisions of the instrument.

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.

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 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 Income statement.

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.

1 Accounting policies **(Continued)**

Financial instruments (continued)

Financial liabilities
Basic financial liabilities, including trade and other payables, amounts due to members and affiliated societies 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.

Amounts due to members and affiliated societies represent net obligations to pay out royalties collected for rights licensed by the Company.

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.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

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 Group has a legal or constructive present obligation as a result of a past event, it is probable that the Group 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 in 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 Group has recognised a provision of the estimated cost of restructuring the organisation, following announcements and commencement of a collective consultation process in 2018. It is expected that most of these costs will have been incurred within one year of the Statement of financial position date.

The Group 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 three litigation cases where the Group 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.

The Group has recognised a provision for the estimated cost of returning its leasehold property to the original condition at the end of the lease.

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 Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1 Accounting policies **(Continued)**

Retirement benefits

Defined benefit pension plan

The Group 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.

Defined contribution pension plan

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group 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 Group in independently administered funds.

1 Accounting policies **(Continued)**

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 Group 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 in 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

Company

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.

Group

The financial statements are translated at the rate of exchange ruling at the Statement of financial position date. The exchange differences arising on the retranslation of opening net assets are taken directly to reserves. All other differences are taken to the Income statement for the period.

Net distributable income and royalties

Net distributable income represents the royalty income earned and recognised in the period, for rights licensed by the Company and net of operating costs, available to be distributed to members and affiliates of the society. These amounts are not allocated to individual members until payment of the royalties takes place. The deduction for the amounts attributable to the members and affiliates, some of which will not be allocated and distributed until a future period, is taken through the Consolidated Statement of comprehensive income.

2 Judgements and key sources of estimation uncertainty

In the application of the Group’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 and estimates

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

Retirement benefit schemes

The Group 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 Statement of financial position and these estimates are based on recommendations from the Group's actuary. See note 26 for the disclosures relating to the defined benefit pension schemes.

Provisions

The Group has recognised a constructive obligation relating to litigation at the Statement of financial position date, where it is committed to pursuing a course of action. The obligation has been calculated using estimates from external lawyers of the most likely course of action pertaining to three litigation cases.

The Group has recognised a provision for the estimated cost of restructuring the organisation, following a collective consultation process which commenced in 2018. The estimate is based on what is expected to be the most likely outcome of the process and has been calculated in line with contractual obligations and Group policies.

The Group has also recognised a provision for the cost of returning its leasehold property to the original condition at the end of the lease, based on an estimate provided by an independent surveyor.

Impairment of joint ventures

The Group 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. The Group also reviews outstanding loan balances and makes an assessment of the entity's ability to repay in line with the agreed repayment periods.

Internally capitalised intangible assets

Internally generated software costs, which are predominantly the staff costs of individuals contributing to the development of the asset, are capitalised as intangible assets when technical feasibility and future economic benefits have been established and are amortised over an estimated useful life of 5 years. Management review the value of assets and the useful life on at least an annual basis.

2 Judgements and key sources of estimation uncertainty **(Continued)**

Impairment of debtors
The Group makes an estimate of the recoverable amount of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 19 for the net of the carrying amount of debtors and associated impairment provision.

Recognition of online revenue
Where online revenue is invoiced on a minimum guarantee basis, the recognition will ultimately be based on the usage for the period. Where an estimate is required, this will be based on usage data provided from external sources and reviewed over a sufficient enough period to determine the estimation is materially correct.

3 Revenue

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

	2019 £000	2018 £000
Turnover		
Public Performance	222,206	192,029
Broadcast	130,798	127,686
Online	179,132	145,658
International	278,702	280,617
	810,838	745,990

Revenue analysed by geographical market

	2019 £000	2018 £000
United Kingdom, Channel Islands and Isle of Man	374,988	336,272
Europe	318,377	302,384
North America	64,306	58,547
Asia	17,682	15,814
Central and South America	17,679	17,353
Australasia	14,233	13,566
Africa and Middle East	3,573	2,054
	810,838	745,990

PERFORMING RIGHT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

4 Operating profit

	2019 £000	2018 £000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	1,746	2,074
Depreciation/amortisation of fixed assets	7,816	8,594
Loss on disposal of tangible assets	25	945
Loss on disposal of intangible assets	31	134
Gain on sale of investment property	(7)	(7)
Operating lease charges	3,010	3,074

5 Auditors' remuneration

Fees payable to the Group's auditors and their associates:	2019 £000	2018 £000
For audit services		
Audit of the financial statements of the Group and parent company	49	46
Audit of the Company's subsidiaries	81	77
	130	123
For other services		
Taxation compliance services	18	18
Other taxation services	2	22
All other non-audit services	73	132
	93	172

6 Employees

The average monthly number of persons (excluding Board Directors) employed by the Group during the year was:

	2019 Number	2018 Number
Licensing	48	86
Distribution and membership	167	181
Support services	260	263
	475	530

6 Employees (Continued)

Their aggregate remuneration comprised:

	2019 £000	2018 £000
Wages and salaries	28,407	31,980
Social security costs	3,031	3,323
Other pension costs	1,572	1,527
	33,010	36,830

All employee costs are incurred by the Group and are presented above. There are no Company employees.

7 Directors' remuneration

	2019 £000	2018 £000
Remuneration for qualifying services	1,896	1,376
Group pension contributions to defined contribution schemes	41	33
	1,937	1,409

The number of directors for whom retirement benefits were accruing under defined contribution schemes during the year amounted to 2 (2018 - 1). No directors (2018: none) were members of the defined benefit schemes.

Remuneration disclosed above includes amounts paid to non-executive directors and the two CEO's employed during the year, of which one was the highest paid director in the year.

Remuneration paid to the highest paid director:

	2019 £000	2018 £000
Remuneration for qualifying services	991	870
Group pension contributions to defined contribution schemes	22	33

Included within the remuneration of the highest paid director is £294,000 of payments for compensation for loss of office (2018: £nil).

The remuneration of non-executive directors, excluding pension contributions, was £525,000 (2018 - £506,000). There were 24 non-executive directors at 31 December 2019 (2018 - 24).

The position of Chairman was unchanged during the year. The remuneration of the Chairman, Nigel Elderton, was £63,000 (2018 - £61,000). Simon Platz replaced Chris Butler as the Deputy Chairman (Publisher) in 2019. The remuneration of the Deputy Chairman (Publisher), Simon Platz, was £23,000 (2018 - Deputy Chairman Chris Butler - £32,000). The remuneration of Deputy Chairman (Writer), Simon Darlow, was £44,000 (2018 - £43,000). These are all included in the remuneration of non-executive directors' amount shown above.

PERFORMING RIGHT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Other investment income

	2019 £000	2018 £000
Interest income		
Interest on bank deposits	1,976	1,362
Other interest income	699	265
	2,675	1,627

9 Finance costs

	Note	2019 £000	2018 £000
Other finance costs:			
Interest and other past service costs related to the net defined benefit liability	**26**	835	1,124
		835	1,124

10 Taxation

	2019 £000	2018 £000
Origination and reversal of timing differences	227	227

The tax charge assessed for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	2019 £000	2018 £000
Profit before taxation	721,270	649,243
Expected tax charge based on a corporation tax rate of 19.00% (2018 - 19.00%)	137,041	123,356
Tax effect of expenses that are not deductible in determining taxable profit	353	539
Depreciation on assets not qualifying for tax allowances	196	180
Deduction for allocable distributions	(137,125)	(123,313)
Adjustments relating to the pension fund	(2,176)	1,318
Deferred tax not provided on current year movement	1,938	(1,853)
Tax expense for the year	227	227

10 Taxation **(Continued)**

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. On 11 March 2020 it was announced that the tax rate would remain at 19% for the financial years commencing 1 April 2020 and 1 April 2021. Accordingly, current tax has been calculated at the rate for the year of 19% and, as the changes had been substantively enacted at the Statement of financial position date, the unrecognised deferred tax asset has been calculated using a rate of 19%.

The Group has an unrecognised deferred tax asset of £16,929,000 (2018 - £13,510,000) made up of trading losses £6,605,000 (2018 - £5,456,000), pension contribution spreading of £1,203,000 (2018 - £1,077,000). In addition, there is an unrecognised deferred tax asset arising on the pension deficit of £6,493,000 (2018 - £4,114,000) and fixed asset and other timing differences of £2,628,000 (2018 - £2,863,000).

11 Intangible fixed assets

Group	**Software** **£000**
Cost	
At 1 January 2019	73,318
Additions	4,934
Disposals	(31)
At 31 December 2019	78,221
Accumulated amortisation	
At 1 January 2019	50,170
Amortisation charged for the year	6,022
At 31 December 2019	56,192
Carrying amount	
At 31 December 2019	22,029
At 31 December 2018	23,148

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.

The Company had no intangible assets at 31 December 2019 or 31 December 2018.

12 Tangible fixed assets

Group	Leasehold land and buildings and building improvements	Systems and equipment	Total
	£000	£000	£000
Cost			
At 1 January 2019	14,849	7,964	22,813
Additions	182	492	674
Disposals	-	(209)	(209)
At 31 December 2019	15,031	8,247	23,278
Accumulated depreciation			
At 1 January 2019	4,019	6,153	10,172
Depreciation	1,029	765	1,794
Eliminated in respect of disposals	-	(184)	(184)
At 31 December 2019	5,048	6,734	11,782
Carrying amount			
At 31 December 2019	9,983	1,513	11,496
At 31 December 2018	10,830	1,811	12,641

On 2 January 2019 the lease on the 7th floor of the Kings Cross building was assigned to a third party. As at 31 December 2018 the floor was cleared and not in use by the Company and, as such, the disposal of £0.6m for 7th floor assets was recognised in the 2018 financial statements.

The Company had no tangible fixed assets at 31 December 2019 or 31 December 2018.

13 Investment properties

	Group	Company
	£000	£000
Fair value		
At 1 January 2019	290	-
Disposals	(290)	-
At 31 December 2019	-	-

The Group has taken advantage of the exemption stated by section 35 paragraph 10 (c) of FRS 102 and adopts the fair value as deemed cost. During the year the Group sold its one remaining investment property in Warrington, which was a freehold property, for £300,000 generating a profit on disposal of £7,000 after selling fees.

14 Investments

		Group		Company	
		2019	2018	2019	2018
	Notes	£000	£000	£000	£000
Investments in joint ventures	**16**	1,866	2,388	-	-
Unlisted investments	**18**	232	232	-	-
		2,098	2,620	-	-

Movements in non-current investments

Group	Joint ventures	Other	Total
	£000	£000	£000
Cost or valuation			
At 1 January 2019	2,388	232	2,620
Share of loss from joint ventures	(84)	-	(84)
Capital repayment	(824)	-	(824)
Foreign exchange gain	386	-	386
At 31 December 2019	1,866	232	2,098
Impairment			
At 1 January 2019	-	-	-
At 31 December 2019	-	-	-
Carrying amount			
At 31 December 2019	1,866	232	2,098
At 31 December 2018	2,388	232	2,620

15 Subsidiaries

Details of the Group's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Mechanical Copyright (Overseas) Limited	England and Wales	Dormant	Membership	100.00	
Music Copyright Operational Services Limited	England and Wales	Dormant	Ordinary Shares	100.00	
Musiclicensing.com Limited	England and Wales	Dormant	Ordinary Shares	100.00	
Musiclicensing.org Limited	England and Wales	Dormant	Ordinary Shares	100.00	
PRS for Music Limited	England and Wales	Service Company	Ordinary Shares	100.00	
The Music Alliance Limited	England and Wales	Dormant	Ordinary Shares	100.00	
GRD Prep Co Limited	England and Wales	Dormant	Ordinary Shares		100.00
Imprimatur Services Limited	England and Wales	Dormant	Ordinary Shares		100.00
PRS for Music (USA)	England and Wales	Dormant	Ordinary Shares		100.00
Rightswatch Limited	England and Wales	Dormant	Membership		100.00
The MCPS-PRS Alliance Limited	England and Wales	Dormant	Ordinary Shares		100.00

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

Performing Right Society Limited has guaranteed the liabilities of the above dormant subsidiaries, in order that they qualify for the exemption from audit under Section 394A or 479A (as appropriate) of the Companies Act 2006 in respect of the year ended 31 December 2019.

PERFORMING RIGHT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

16 Joint ventures

Details of joint ventures at 31 December 2019 are as follows:

Name of undertaking and country of incorporation or residency		Nature of business and registered office address	Class of shareholding	% Held Direct	% Held Indirect
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 Licencing Rechtsanwältin, Rosenheimer Straße 11, D-81667 München	Ordinary shares		50.00
Global Repertoire Database Limited*	England and Wales	Global repertoire database 2 Pancras Square, London, United Kingdom, N1C 4AG	Membership		50.00
International Copyright Enterprise Services Limited	England and Wales	Multi-territorial Licencing 2 Pancras Square, London, United Kingdom, N1C 4AG	Ordinary shares		33.33
PPL PRS Limited	England and Wales	UK public performance licensing Mercury Place, St George Street, Leicester, England, LE1 1QG	Ordinary shares		50.00

*The Company has an indirect 50% interest in Global Repertoire Database Limited, which has not been equity accounted as it has not operated in the year and its carrying value is insignificant to both the results and the year end position of PRS.

17 Associates

Details of associates at 31 December 2019 are as follows:

Name of undertaking	Country of Incorporation	Nature of business	Class of shares held	% Held Direct	% Held Indirect
British Music Rights Limited	England and Wales	Dormant	Ordinary shares	25.00	

The registered office address of British Music Rights Limited is 2 Pancras Square, London, N1C 4AG.

18 Significant undertakings

The Group also has significant holdings in undertakings which are not subsidiaries and are not classified as joint ventures or associated undertakings:

Name of undertaking and country of incorporation or residency		Nature of business	Class of shareholding	% Held Direct	% Held Indirect
UK Music 2009 Limited	England and Wales	Lobbying organisation 4th Floor, 49 Whitehall, London United Kingdom, SW1A 2BX	Membership		10.00
FT, The Digital Copyright Network SAS	France	Royalty information systems 130 Rue Cardinet, 75017 Paris, France	Ordinary shares		13.02

19 Trade and other receivables

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Amounts falling due within one year:				
Trade receivables	54,413	50,671	24,264	22,047
Amounts owed by related parties	107,772	104,206	46,626	66,093
Amounts owed by group undertakings	-	-	186,065	150,339
Amounts owed by joint ventures	6,776	5,908	-	-
Amounts due from MCPS	2,070	-	-	-
Other receivables	27,945	34,159	26,460	25,450
Prepayments and accrued income	3,261	3,889	-	-
	202,237	198,833	283,415	263,929

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	4,308	5,208
Amounts owed by joint ventures	14,731	16,096	-	-
Other receivables	1,553	1,666	-	-
	16,284	17,762	4,308	5,208

Trade receivables arise as a result of the Group raising invoices for Broadcast and UK online licensing.

Amounts owed by related parties arise as a result of invoicing via special purpose vehicles and joint ventures for multi-territory online and public performance licensing on behalf of the Group.

Trade receivables and Amounts owed from related parties are stated after provisions for impairment of £14,746,000 (2018 - £10,848,000).

19 Trade and other receivables (Continued)

Within amounts falling due within one year in the Company, an amount of £901,000 (2018 - £922,000) relates to the current element of the interest free loan to PfM. The loan relates to exceptional contributions into the defined benefit pension schemes made by PfM in 2005 and funded by the Company. The balances are repayable over 20 years and are contractually not interest-bearing. The loan is measured at the present value of the future payments discounted at a market rate of interest for a similar financial instrument. 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.

Loans receivable - ICE Operations

PfM had total loans of £6.9m receivable from ICE Operations and its subsidiaries at 31 December 2019 (2018 - £5.7m), with the details of each loan disclosed below.

Three Swedish krona loans carried forward from 2018 are being paid in equal instalments until 2020. The balances receivable at 31 December 2019 were SEK 4.4m (£0.4m), SEK 0.1m (£0.01m) and SEK 3.0m (£0.3m).

A Swedish krona loan carried forward from 2018 is being paid in equal instalments until 2024. The balance receivable at 31 December 2019 is SEK 2.4m (£0.2m).

A Swedish krona loan carried forward from 2018, is being paid in equal instalments until 2023. The balance receivable at 31 December 2019 was SEK 5.3m (£0.5m).

One Euro loan carried forward from 2018 is being paid in equal instalments until 2020. The balance receivable at 31 December 2019 was €0.5m (£0.4m).

One Euro loan carried forward from 2018 due from International Copyright Enterprises GmbH, a wholly owned subsidiary of ICE Operations, is being paid in equal instalments until 2023. The balance receivable at 31 December 2019 was €0.3m (£0.2m).

One Euro loan, split into two phases, is carried forward from 2018 and has had further drawdowns of €0.2m (£0.2m) during 2019. It is being repaid in equal instalments until 2023. The balance receivable at 31 December 2019 was €1.6m (£1.5m).

One Euro loan carried forward from 2018, has had further drawdowns of €2m (£1.7m) during 2019 and is being repaid in equal instalments until 2023. The balance receivable at 31 December 2019 was €3.6m (£3.2m).

A new Euro loan was granted and drawn down upon in 2019 and will be repaid in equal instalments from 2020 to 2023. The balance receivable at 31 December 2019 was €0.2m (£0.2m).

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%.

Loans receivable – ICE Services

PfM had total loans of £1.3m receivable from ICE Services at 31 December 2019 (2018 - £2.3m), with the details of each loan disclosed below.

Three Euro loans carried forward from 2018 are being paid in equal instalments until the end of 2020. The balances receivable at 31 December 2019 were €0.7m (£0.5m), €0.47m (£0.4m) and €0.5m (£0.4m).

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.

19 Trade and other receivables (Continued)

Loans receivable – SOLAR Music Rights Management Limited
PfM had total loans of £0.4m receivable from SOLAR Music Rights Management Limited, a wholly owned subsidiary of SOLAR-Music Rights Management GmbH, at 31 December 2019 (2018 - £0.4m). This is one Euro loan, carried forward from 2018, and is expected to be repaid by the end of 2021. The interest rate for this loan is set at the Bank of England Base rate +2%.

Loans receivable – PPL – PRS
PfM had total loans of £12.8m receivable from PPL - PRS at 31 December 2019 (2018 - £13.5m). This is one Pound sterling loan carried forward from 2018, with a further amount of £4.8m advanced in 2019. The loan is being repaid in instalments between 2019 and 2023. The interest rate for this loan is set at the Bank of England Base rate +2%.

20 Financial Instruments

As of June 2016 PfM 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 entered into for a year at a time and rolled forward until the maturity date, currently set at various dates until 2024. All forward contracts are recognised in 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 in the Statement of financial position as at 31 December 2019 was £8,699,000 (2018: £8,505,000).

21 Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Amounts owed to members and affiliated societies	377,696	337,364	377,696	337,364
Trade payables	1,102	1,162	-	-
Amounts owed to MCPS	1,254	28,441	1,254	1,255
Other taxation and social security	4,362	3,719	462	665
Deferred income	82,223	70,447	82,223	70,447
Other payables	3,126	3,050	3,126	3,050
Accruals	16,919	20,263	-	-
	486,682	464,446	464,761	412,781

An amount of £nil (2018 - £27,186,000) is included within amounts due to MCPS, upon which the Group has no obligation to pay interest now or in the future and has no formal repayment terms.

22 Creditors: amounts falling due after more than one year

		Group		Company	
		2019	2018	2019	2018
	Note	£000	£000	£000	£000
Amounts owed to MCPS	23	-	1,254	-	1,254

23 Amounts owed to MCPS

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Loan from MCPS	1,254	2,509	1,254	2,509
Payable within one year	1,254	1,255	1,254	1,255
Payable after one year	-	1,254	-	1,254

The loan from MCPS is repayable in instalments up to 30 June 2020 and is free from interest. As part of the renegotiation of the service agreement in 2017 the repayment period was shortened from 1 January 2021. On adoption of FRS 102 the present value of the future payments were discounted at a market rate of interest for similar financial instruments. At the transition date the loan was discounted at 2.5% (Bank of England rate at the inception date, 2013, plus 2%) and the shortfall debited to profit and loss reserve. The effect of discounting will unwind over the period of the loan as interest charged to the Income statement. In 2019, interest charged was £78,000 (2018 - £76,000).

24 Investments - short-term deposits

Investments are short-term bank deposits consisting of £42,073,000 (2018 - £25,000,000) held in an overnight deposit account, £5,000,000 (2018 - £nil) held in 95 days notice accounts and £50,250,000 (2018 - £50,000,000) held in 6 and 12 months notice accounts. £5,073,000 of these deposits are held in PfM (2018 - £5,000,000). The amounts held for 3 months or less are shown as cash and cash equivalents in the Consolidated statement of cash flows.

25 Provisions for liabilities

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Legal provisions	1,221	-	-	-
Restructuring provisions	475	2,035	-	-
Dilapidations provisions	2,962	2,962	-	-
	4,658	4,997	-	-

Movements on provisions:

Group	Legal provisions £000	Restructuring provisions £000	Dilapidations provisions £000	Total £000
At 1 January 2019	-	2,035	2,962	4,997
Additional provisions in the year	1,221	475	-	1,696
Utilisation of provision	-	(2,035)	-	(2,035)
At 31 December 2019	1,221	475	2,962	4,658

The Group has recognised a provision for the estimated cost of returning its leasehold property to the original condition at the end of the lease.

The Group has recognised a provision for the estimated cost of restructuring the organisation, following the announcement and the commencement of a collective consultation process in 2018. It is expected that most of these costs will have been incurred within one year of the Statement of the financial position date.

The Goup 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 three litigation cases where the Group is the claimant. It is expected that most of the costs will have been incurred within one year of the Statement of financial position date.

26 Retirement benefit schemes

Defined contribution schemes	**2019** **£000**	**2018** **£000**
Charge to Income statement in respect of defined contribution schemes	1,572	1,527

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.

Defined benefit schemes

The Group 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 2019, 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 combined level overall as in prior years. The plan involves the Group making annual payments into the schemes in order to address the deficit by October 2027 for the MCPS-PRS Alliance Pension Scheme and June 2030 for the MCPS-PRS Alliance Pension Scheme (MPCS).

Key assumptions

	2019 **%**	**2018** **%**
Discount rate	2.0	2.9
Pension increases (RPI max 5%)	3.0	3.2
Expected rate of salary increases	n/a	n/a
Price inflation (CPI)	2.0	2.2
Expected rate of decrease of pensions in payment	n/a	n/a
Price inflation (RPI)	3.0	3.3

Mortality assumptions

Assumed life expectations on retirement at age 65:

	2019 **Years**	**2018** **Years**
Retiring today		
- Males	21.9	22.0
- Females	23.8	23.9
Retiring in 20 years		
- Males	23.3	23.4
- Females	25.3	25.4

PERFORMING RIGHT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

26 Retirement benefit schemes **(Continued)**

This decrease in the discount rate is a consequence of the fall in interest rates and decrease in long-term bond yields between 31 December 2018 and 31 December 2019.

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. 2018 CMI mortality projections 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.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	£000	**£000**	**£000**	**£000**
Present value of defined benefit obligations	40,504	30,532	-	-
Deficit in scheme	40,504	30,532	-	-
Deferred taxation balance relating to pension schemes	(1,034)	(1,261)	-	-
Total liability recognised	39,470	29,271	-	-

The defined benefit obligation comprises of £315,559,000 (2018 – £276,620,000) from plans that are wholly or partly funded.

The MCPS-PRS Alliance Pension Scheme closed to future accrual on 31 December 2010. A fixed annual contribution of £2,987,000 has been made to reduce the deficit in the scheme, following the decision at the triennial valuation completed in 2019 for deficit funding to remain at the same combined level as in prior years, but for the split between the PRS and MCPS schemes to be adjusted.

The MCPS-PRS Alliance Pension Scheme (MCPS) closed to future accrual on 31 December 2010. A fixed annual contribution of £513,000 has been made to reduce the deficit in the scheme following the decision at the triennial valuation completed in 2019 for deficit funding to remain at the same combined level as in prior years, but for the split between the PRS and MCPS schemes to be adjusted.

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

26 Retirement benefit schemes (Continued)

Movements in the present value of defined benefit obligations

	MCPS-PRS Alliance Pension Scheme		MCPS-PRS Alliance Pension Scheme (MCPS)		Total	Total
	2019	2018	2019	2018	2019	2018
	£000	£000	£000	£000	£000	£000
At 1 January	(233,790)	(254,917)	(42,830)	(46,385)	(276,620)	(301,302)
Benefits paid	6,664	8,057	600	701	7,264	8,758
Interest cost	(6,683)	(6,272)	(1,233)	(1,151)	(7,916)	(7,423)
Past service costs	-	(200)	-	-	-	(200)
Actuarial gains/(losses)	(31,749)	19,542	(6,538)	4,005	(38,287)	23,547
At 31 December	(265,558)	(233,790)	(50,001)	(42,830)	(315,559)	(276,620)

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

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

	MCPS-PRS Alliance Pension Scheme		MCPS-PRS Alliance Pension Scheme (MCPS)		Total	Total
	2019	2018	2019	2018	2019	2018
	£000	£000	£000	£000	£000	£000
Interest on net defined benefit pension liabilities	649	722	186	202	835	924
Past service costs	-	200	-	-	-	200
	649	922	186	202	835	1,124

26 Retirement benefit schemes **(Continued)**

The fair value of assets and liabilities at the reporting period end were as follows:

	MCPS-PRS Alliance Pension Scheme	
	2019	**2018**
	£000	**£000**
Equity instruments	49,110	50,351
Debt instruments	91,439	81,820
Property	10,758	8,392
Cash	15,560	144
Hedge funds	50,513	56,645
Other	16,604	12,588
Fair value of scheme assets	233,984	209,940
Present value of scheme liabilities	(265,558)	(233,790)
	(31,574)	(23,850)
Related deferred tax asset	1,034	1,261
Net deficit	(30,540)	(22,589)

	MCPS-PRS Alliance Pension Scheme (MCPS)	
	2019	**2018**
	£000	**£000**
Equity instruments	7,206	6,867
Debt instruments	15,267	11,926
Property	-	-
Cash	523	8
Hedge funds	18,075	17,347
Fair value of scheme assets	41,071	36,148
Present value of scheme liabilities	(50,001)	(42,830)
	(8,930)	(6,682)
Related deferred tax asset	-	-
Net deficit	(8,930)	(6,682)
Total net pension deficit	(39,470)	(29,271)

PERFORMING RIGHT SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

26 Retirement benefit schemes **(Continued)**

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

	MCPS-PRS Alliance Pension Scheme	MCPS-PRS Alliance Pension Scheme (MCPS)	Total
	£000	£000	£000
As at 1 January 2018	224,509	38,139	262,648
Expected return on plan assets	5,551	950	6,501
Employer contributions	3,100	400	3,500
Benefits paid	(8,057)	(701)	(8,758)
Actuarial losses	(15,163)	(2,640)	(17,803)
As at 31 December 2018	209,940	36,148	246,088
Expected return on plan assets	6,035	1,047	7,082
Employer contributions	2,987	513	3,500
Benefits paid	(6,664)	(600)	(7,264)
Actuarial losses	21,686	3,963	25,649
As at 31 December 2019	233,984	41,071	275,055

Actuarial (losses)/gains

	MCPS-PRS Alliance Pension Scheme		MCPS-PRS Alliance Pension Scheme (MCPS)		Total	Total
	2019	2018	2019	2018	2019	2018
	£000	£000	£000	£000	£000	£000
(Losses)/gains on plan assets	21,686	(15,163)	3,963	(2,640)	25,649	(17,803)
(Losses)/gains on plan liabilities	(31,749)	19,542	(6,538)	4,005	(38,287)	23,547
	(10,063)	4,379	(2,575)	1,365	(12,638)	5,744

The Company had no post-employment benefits at 31 December 2019 (2018: £nil).

27 Financial commitments, guarantees and contingent liabilities

Group and Company

Capital expenditure authorised and contracted for at 31 December 2019 was £nil (2018 – £nil).

The annual donation to the PRS for Music Foundation in 2019 remained at £3,000,000 (2018 - £3,000,000) and the Company has committed to an annual donation of £2,750,000 in 2020.

28 Operating lease commitments

Operating lease payments represent rentals payable by the Group for certain of its properties. Leases are negotiated for an average term of 15 years.

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

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Within one year	3,242	3,668	-	-
Later than one year and not later than five years	12,942	14,619	-	-
In over five years	14,290	19,796	-	-
	30,474	38,083	-	-

On 2 January 2019, the Group assigned the lease on the 7th floor of 2 Pancras Square to a third party. All of the risks and rewards of the contract transferred upon assignment of the lease.

29 Related party transactions

Group

The remuneration of key management personnel, who are also directors, is disclosed in note 7.

All members of the Group, the directors and parties related to them are entitled to royalties from the Group in respect of the performance of any copyright works owned by them. Parties related to directors include family members and companies controlled by these directors including, where appropriate, publishing companies and their subsidiaries.

During 2019, total royalties paid by PRS to the directors who held office during the year, and to parties related to the directors, amounted to £120,107,000 (2018 - £103,352,000). £119,393,000 (2018 - £102,265,000) of this was paid to publisher directors and parties related to the publisher directors, and £714,000 (2018 – £1,087,000) was paid to the writer directors and parties related to the writer directors. These royalties were calculated on the same basis as royalties paid to all members and are paid in accordance with the society's normal procedures.

PfM received services from ICE Operations and its subsidiaries to the value of £4,760,000 (2018 – £5,080,000). PfM also charged ICE Operations an amount of £nil (2018 – £nil) for services provided and was owed a balance of £nil (2018 – £nil) and had costs to recharge of £nil at the year end (2018 - £nil).

Full details on loans made to ICE Operations can be found in note 19.

During the year PfM charged ICE Services an amount for services provided of £1,980,000 (2018 - £2,530,000), paid commissions of £7,184,000 (2018 - £6,530,000) and paid service charges of £124,000 on PRS legacy deals (2018 - £406,000). PfM was owed a balance of £128,000 (2018 - £1,084,000) and had costs to recharge of £277,000 (2018 - £277,000) at the year end.

Full details on loans made to ICE Services can be found in note 19.

PfM received services from NMP to the value of £2,199,000 (2018 – £2,564,000). PfM also charged NMP an amount of £163,000 (2018 – £198,000) for services provided and was owed a balance of £30,000 (2018 – £15,000) at the year end.

During the year PfM charged SOLAR an amount of £nil (2018 - £nil) for services provided and paid commissions of £3,209,000 (2018 - £4,393,000). PfM was owed a balance of £nil (2018 - £nil) at the year end.

Full details on loans made to SOLAR can be found in note 19.

During the year PfM paid fees to UK Music 2009 Limited of £576,000 (2018 – £602,000). PfM owed a balance of £nil (2018 – £nil) at the year end.

During the year PfM received services from FT, The Digital Copyright Network SAS of £212,000 (2018 – £230,000). PfM owed £nil (2018 – £nil) at the year end.

During the year, PfM provided operational services to MCPS, a company with common directors, under the terms of a service level agreement. The value of the service was £12,715,000 (2018 - £12,737,000). At the year end PfM was owed a balance of £1,246,000 (£2,031,000) from MCPS and had fees to charge of £2,138,000 (2018 - £2,069,000).

During the year, PfM made a contribution to Music Publishers Association Limited (MPA), an organisation chaired by Roberto Neri, a director of PRS for Music Limited and Performing Right Society Limited. MPA is the parent undertaking of MCPS. The value of contribution for 2019 was £113,000 (2018 – £140,000). PfM was owed a balance of £nil (2018 - £nil) at the year end.

29 Related party transactions (Continued)

During the year the Company made donations of £35,000 (2018 - £35,000) and PfM provided subsidised services including accommodation to The PRS Members' Benevolent Fund. The value of the subsidy for 2019 has been estimated as £33,000 (2018 – £42,000). PfM also charged an amount of £254,000 (2018 - £213,000) for other services provided. PfM was owed a balance of £nil (2018 - £nil) and had costs to recharge of £16,000 (2018 - £15,000) at the year end.

During the year the Company made donations of £3,000,000 (2018 - £3,000,000) and PfM provided subsidised services including accommodation to The Performing Right Society Foundation Limited. The value of the subsidy for 2019 has been estimated as £63,000 (2018 – £89,000). PfM also charged an amount of £16,000 (2018 - £7,000) for other services provided. PfM was owed a balance of £9,000 (2018 - £2,000) at the year end.

During the year, PfM made a contribution to the British Academy of Songwriters, Composers and Authors, an organisation with common directors. The value of the contribution for 2019 was £113,000 (2018 - £98,000). During the year PfM was also charged an amount of £149,000 (2018 - £234,000) for sponsorship. There were no amounts outstanding at the end of the current or previous year.

During the year PfM recharged PPL - PRS an amount for costs incurred of £423,000 (2018 - £9,769,000) and had costs to recharge of £4,000 (2018 - £175,000) at the year end. Additionally, the Group incurred service charges of £16,435,000 (2018 - £14,759,000) during the year. The Company was owed a balance of £4,818,000 (2018 - £12,679,000) at the year end for public performance collections made by PPL-PRS.

Full details on loans made to PPL - PRS can be found in note 19.

Due to the highly integrated nature of the industry, many directors will also be related to customers of the Group, either through the provision of music related services to them, or as employees of the same group of companies. All transactions with any such related customers are carried out on an arm's length basis.

30 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	-
		-	2	-	2	-

The amount advanced in the previous year was £2,000 and the closing balance at the year end was £nil. See note 7 for disclosure of directors' remuneration.

31 Controlling party

Performing Right Society Limited (PRS) is a company limited by guarantee and has no share capital. The Directors regard PRS as the ultimate controlling party of the Group.

32 Cash flows generated from operations

	2019 £000	2018 £000
Net distributable income	721,043	649,016
Adjustments for:		
Finance costs	835	1,124
Investment income	(2,675)	(1,627)
Loss on disposal of tangible assets	25	945
Gain on disposal of investment property	(7)	(7)
Loss on disposal of intangible assets	31	134
Amortisation and impairment of intangible assets	6,022	6,781
Depreciation and impairment of tangible assets	1,794	1,813
Foreign exchange losses on cash equivalents	1,746	2,074
Share of loss/(profit) in joint ventures	84	(595)
Pension scheme non-cash movement	(2,439)	(2,152)
(Decrease)/increase in provisions	(339)	1,518
Repayments received on joint venture loans	(7,577)	(2,146)
Draw downs on loans to joint ventures	6,816	11,143
Defined benefit pension contributions paid	3,500	3,500
Movements in working capital:		
Increase in trade and other receivables	(2,772)	(40,280)
(Decrease)/increase in trade and other payables	(19,350)	861
Cash flows generated from operations	706,737	632,102

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