PRS for MUSIC

Directors' Report and Accounts

Performing Right Society Limited

For the year ended 31 December 2011

Registered in England No: 134396

Performing Right Society Limited

Directors' Report and Accounts

For the year ended 31 December 2011
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Directors

Writers
B Blue
S Darlow
L de Paul
G Fletcher
N Graham
E Gregson
M Leeson
S Levine
M Murray
J Nott
M Nyman

Publishers
A Bebawi
C Butler
J Dyball
N Elderton
S Hornall
A King
R King
S Levin
P Long
S Platz
E Rich

Executive director
R Ashcroft

External directors
W Goldwag
E Morris

Secretary
V Burnett

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office
29-33 Berners Street
London W1T 3AB

Directors' Report

For the year ended 31 December 2011

The directors present their report and financial statements for the year ended 31 December 2011.

Results

The net distributable income for the year amounted to £419,602,000 (2010 - £399,079,000).

Principal activities and review of the business

The principal activity of the society is the licensing of the performing rights vested in it by its members and affiliated societies and the collection and distribution of resultant royalties and fees. The company represents 78,000 members collecting royalties from various sources, ranging from live performance, television broadcasts, music played in business and radio to digital streaming over the web.

The company's key financial and other performance indicators during the year were as follows:

	2011	2010	Change
	£'000	£'000	%
Result before and after tax	421.1	400.6	+5.1
Donations	1.5	1.5	–
Net distributable income	419.6	399.1	+5.1
Licensing and administrative expenses	55.6	47.7	+16.6

Future developments

The directors feel the changing nature of the industry will give rise to new opportunities in the future, and the management policies in place will actively seek to exploit these as and when they occur.

Principal risks and uncertainties

The Audit Committee of the MCPS-PRS Alliance Limited evaluates the risks and uncertainties that may affect the company's performance. The Audit Committee met four times in 2011. The principal risks and uncertainties are broadly grouped as competitive, legislative and financial instrument risk and are detailed below.

Competitive risks

Owing to the monopolistic nature of some of the company's activities in the UK and of other societies in Europe there is a sustained focus on ensuring EC guidelines are met so as to avert any anti-competitive rulings.

Changing working practices are currently opening up the market to more competition from societies abroad and the company is at the forefront of these changes.

Legislative risks

The monopolistic nature of some of the company's activities leads it into a number of areas of risk concerned with the legislative process. The company is also subject to copyright law changes and given the changing nature of the industry this could have a significant impact on the company's revenue and operating procedures in the future.

Financial instrument risks

The company has in place a financial management framework which ensures that the company has sufficient financial resource to meet its objectives and to manage financial risk at a business unit level.

Changing technology

With the increasing move towards digital product there is uncertainty over the future market for music and how it will evolve. These changing technologies will offer new market opportunities in the future and active review of existing and potential new streams is therefore a key area of focus for the company.

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.

Foreign exchange rate risk

In 2011, the company used forward foreign currency contracts to hedge certain expected foreign currency receipts. The policy in this area was changed during 2011 and, as a result, foreign currency receipts expected to be received after 31 December 2011 will no longer be hedged.

Exposure to price, credit and liquidity risk

Price risk for the company 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 that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses, as such there is a well established credit control process and a requirement that deferred terms are only granted to licensees who either demonstrate an appropriate payment history and satisfy credit checking procedures, or who the company is actively in negotiations with subject to certain criteria..The company's debtors are shown in note 8 to the financial statements.

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

Going concern

After making enquiries, the directors have a reasonable expectation that the company 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.

Post balance sheet event

In early 2012 the company entered into an agreement with the Mechanical-Copyright Protection Society Limited, the effect of which was to vary for a minimum term of 18 months from 1 January 2012, the basis on which the costs of the MCPS-PRS Alliance Limited are shared between the two societies.

The expected impact of this agreement will be to increase the costs borne by the company by £5m in 2012 and by at least £2m in 2013.

Directors' Report

For the year ended 31 December 2011

Directors

The directors who served the company during the year were as follows:

Writers

N Beaham- Powell (until 26.05.11)
D Bedford (until 01.10.11)
B Blue
S Darlow
L de Paul
G Fletcher
N Graham
E Gregson (from 14.12.11)
M Leeson
S Levine
M Murray
J Nott
M Nyman (from 26.05.11)

Publishers

A Bebawi
C Butler
J Dyball
N Elderton
S Hornall
A King
R King
S Levin
P Long
S Platz
E Rich

Executive director

R Ashcroft

External directors

W Goldwag
E Morris

Pursuant to article 57 of the articles of association, the following directors will retire this year and are eligible for nomination for re-appointment pursuant to article 59:

Writers

L De Paul
M Leeson

Publishers

S Hornall
S Platz

Pursuant to article 62 of the articles of association, the following director will retire at the Society's forthcoming annual general meeting and may be validly proposed for re-appointment thereat pursuant to article 59:

Writer

E Gregson

Directors' qualifying third party indemnity provisions

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

Chairman and deputy chairmen

Guy Fletcher was Chairman from 1 January 2011. Michael Leeson continued as Deputy Chairman (Writer) until the end of 2011. Simon Darlow took up the position from 1 January 2012. Paulette Long took office as Deputy Chairman (Publisher) on 1 January 2011.

Corporate governance

The company's board of directors is ultimately responsible for the governance of the company. In 2010 it agreed to delegate some of its decision-making powers to MCPS-PRS Alliance Limited ("the Alliance"), an operational company which is jointly owned by PRS and MCPS. The Alliance board monitors strategic planning, financial and non-financial performance for the *PRS for Music* group and reports back to the PRS and MCPS boards on its activities at joint meetings held four times a year.

The board of the company continues to direct policy through a number of standing committees including those which focus on commercial matters such as licensing, distribution and international activities. The extent of the powers delegated to the Alliance board, the standing committees and PRS for Music's executive management is set out in the board approved mandated authorities.

Transfer to reserves

No appropriations have been made from the income and expenditure account and transferred to distributable reserves.

Donations

Donations and other payments made pursuant to article 48(a) of the articles of association totalled £1.525 million (2010 – £1.525 million) of which £1.5 million (2010 – £1.5 million) was to The Performing Right Society Foundation. The principal activity of The Foundation is to provide funds, to support, to sustain and to further the creation and performance of new music in the UK and increase the public's appreciation of, and education in new music.

The memorandum and articles of association do not authorise the making of political donations or contributions of any kind and none were made.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board
V Burnett
Secretary
18 April 2012

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Independent Auditor's Report

to the Members of Performing Right Society Limited

We have audited the financial statements of Performing Right Society Limited for the year ended 31 December 2011 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Andy Glover (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
18 April 2012

Notes: 1. The maintenance and integrity of the PRS web site (www.prsformusic.com) is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income and Expenditure Account

For the year ended 31 December 2011

	Notes	2011	2010
		£'000	£'000
Turnover	2	**473,840**	445,577
Interest receivable		**2,915**	2,684
Total income for the year		**476,755**	448,261
Licensing and administration expenses	3	**(55,628)**	(47,657)
Result on ordinary activities before tax		**421,127**	400,604
Tax on result on ordinary activities	6	**–**	-
Result before appropriations		**421,127**	400,604
Less amounts appropriated:			
Donations and awards		**(1,525)**	(1,525)
Net distributable income		**419,602**	399,079

All figures are in relation to continuing operations.

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2011

	2011	2010
	£'000	£'000
Net distributable income	**419,602**	399,079
Distributions allocable to members and affiliated societies	**(419,602)**	(399,079)
Total recognised gains and losses relating to the year	**-**	-

Balance Sheet

At 31 December 2011

	Notes	2011 £'000	Restated* 2010 £'000
Fixed assets			
Investments	7	**14,833**	14,923
Current assets			
Debtors:			
amounts falling due after more than one year	8	**17,076**	18,335
amounts falling due within one year	8	**53,450**	55,250
		70,526	73,585
Investments - short-term deposits		**107,000**	98,000
Cash at bank and in hand		**22,190**	28,172
		199,716	199,757
Creditors: amounts falling due within one year	9	**(210,770)**	(210,901)
Net current liabilities		**(11,054)**	(11,144)
Total assets less current liabilities		**3,779**	3,779
Distributable reserves at 31 December	10	**3,779**	3,779

Distributable reserves represent the amount provided for under article 48(b) of the articles of association of the Society which enables the Board to retain such funds as it may consider necessary.

*Restated for a change in accounting policy relating to the carrying value of investments, as explained in Note 1.

The accounts were approved by the Board on 18 April 2012 and were signed on its behalf by:

G Fletcher
Chairman

Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Cash inflow from operating activities	11(a)	**421,845**	392,359
Amounts paid to members and affiliated societies		**(421,817)**	(387,160)
Net cash inflow from operating activities		**28**	5,199
Net cash inflow from investing activities	11(b)	**90**	-
Returns on investments and servicing of finance - net interest received		**2,900**	2,442
Management of liquid resources	11(c)	**(9,000)**	(22,000)
Decrease in cash		**(5,982)**	(14,359)

Reconciliation of Net Cash Flow to Movement in Net Funds

	Note	2011 £'000	2010 £'000
Decrease in cash in the year		**(5,982)**	(14,359)
Cash outflow from movement in liquid resources		**9,000**	22,000
Movement in net funds in the year		**3,018**	7,641
Net funds at 1 January		**126,172**	118,531
Net funds at 31 December	11(d)	**129,190**	126,172

Notes to the Accounts

For the year ended 31 December 2011

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Definitions

'PRS' means Performing Right Society Limited.

'MCPS' means Mechanical-Copyright Protection Society Limited.

'MCPS-PRS Alliance' means The MCPS-PRS Alliance Limited.

'ICE' means International Copyright Enterprise A.B.

'PEL' means Pan European Licensing.

'CELAS' means CELAS GmbH

Licence revenue

Public Performance revenue, PEL revenue, and affiliated society revenue is accounted for on an accruals basis. Public Performance is also accounted for using deferred revenue, which ensures that only revenue relating to the current accounting period is recognised, and any revenue relating to a future accounting period is deferred.

Broadcasting licence revenue is accounted for on an accruals basis. Where income is received directly as a result of audit activities it is recognised net of the associated costs.

Forward contracts

The company used forward foreign currency contracts to reduce exposure to changes in foreign exchange rates in 2011, but ceased this practice with effect from 1 January 2012.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report. The directors believe that the company is well placed to manage its business risks and has considerable financial resources including cash balances. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Investments and prior year adjustment

During the year, the company has changed its accounting policy for its investment in the MCPS-PRS Alliance, reverting to the use of the historic cost convention. The company's directors consider this more conventional method to be less vulnerable to misinterpretation. This change has the effect of reducing the PRS investment in the MCPS-PRS Alliance by £0.9million, The company's investments are shown in note 7 to the financial statements.

All investments are now stated at cost less provisions where, in the opinion of the directors, there has been an impairment in value.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet 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 exception:

- 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 balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the income and expenditure account.

Pensions

MCPS-PRS Alliance makes deficit funding contributions to two closed defined benefit schemes and ongoing contributions to a defined contribution scheme, in accordance with the advice of actuaries and the rules of the schemes in respect of its employees. An appropriate proportion is recharged to PRS. Pension costs are charged to the income and expenditure account as they are invoiced by MCPS-PRS Alliance.

Both of the defined benefit schemes were closed to future accrual as at 31 December 2010.

Notes to the Accounts

For the year ended 31 December 2011

2. Turnover

Turnover, which is stated net of value added tax, is made up as follows:

An analysis of turnover by geographical market is given below:

	2011 £'000	2010 £'000
United Kingdom, Channel Islands and Isle of Man:		
Public Performance	**153,930**	150,996
Broadcasting	**109,643**	111,111
Online	**14,800**	11,135
	278,373	273,242
PEL International	**7,726**	2,694
Overseas:		
Europe	**119,295**	108,568
North America	**38,975**	35,076
Asia	**12,263**	11,839
Central and South America	**7,204**	5,115
Australasia	**7,680**	6,505
Africa and Middle East	**2,324**	2,538
	187,741	169,641
Total turnover	**473,840**	445,577

3. Operating result

This is stated after charging:

	2011 £'000	2010 £'000
Auditors' remuneration - audit services	**8**	8
Recharge from MCPS-PRS Alliance:		
Staff costs	**27,028**	23,882
Office and accommodation costs	**4,607**	4,334
Information technology costs	**2,584**	2,216
Legal and professional costs	**8,342**	5,290
Other costs	**4,724**	5,225
Depreciation	**4,543**	6,710
Pension costs - equalisation	**3,800**	-
Total administrative expenses	**55,628**	47,657

At the end of 2010, the company became aware that the required equalisation in retirement ages between men and women was not effective as originally intended and that there was likely to be an additional liability as a result. The scheme actuary has calculated the provision required, based on equalising the ages of those people who took a pension during the period in question, and forecasting the additional liability on the same basis as that used for valuations. As a result, the MCPS-PRS Alliance has made a one off recharge of £3.8m to the company in 2011.

Notes to the Accounts

For the year ended 31 December 2011

4. Directors' remuneration

The remuneration of non-executive directors, excluding pension contributions, was £412,510 (2010 – £415,673)

The non-executive directors received annual remuneration in 2011 as stated below, Amounts were charged equally between MCPS and PRS when the director was also an MCPS director. However, there was an increase in remuneration from 1 April 2011, so the overall remuneration payment for 2011 is also shown below:

Non-executive directors	**Cost recharing**	**1 January to 31 March**	**1 April to 31 December**	**Overall 2011**
PRS board only	PRS cost	£12,805	£13,061	£12,997
PRS and MCPS boards	Recharged equally PRS and MCPS	£15,805	£16,121	£16,042
MCPS-PRS Alliance	Recharged equally PRS and MCPS, when also a director of MCPS	£6,645	£6,778	£6,744

The remuneration of the Chairman, Guy Fletcher, amounted to £55,825 (2010 - Ellis Rich £55,000). As Deputy Chairmen, Paulette Long received £30,450 (2010 - Andrew King £30,000) and Michael Leeson received £30,449 (2010 – £30,000).

During the year ended 31 December 2011, the company had one executive director, Robert Ashcroft, who was employed and paid by MCPS-PRS Alliance. The highest paid director in 2011 was Robert Ashcroft. His remuneration, excluding pension contributions, was £652,207 (2010: £573,744), 60% of which was recharged to PRS (2010 - 50%). Included in amounts paid within the year to the highest paid director is a contribution to a long term investment plan of £126,225. This has been invested within the plan for future payment.

The pension contributions in respect of Robert Ashcroft, were £18,270 (2010 – £7,500) to a defined contribution scheme. This was recharged to PRS on the same basis as the remuneration above.

5. Staff costs

There were no employees during this year or last year other than the directors.

6. Tax

(a) Tax on result on ordinary activities

The tax charge is made up as follows:	**2011**	2010
	£'000	£'000
Current tax :		
UK corporation tax on the result for the year	**-**	-
Total current tax (note 6(b))	**-**	-
Deferred tax :		
Origination and reversal of timing differences	**-**	-
Tax on result on ordinary activities	**-**	-

(b) Factors affecting tax charge for year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26.5% (2010 – 28%). The differences are explained below:

	2011	2010
	£'000	£'000
Result on ordinary activities before tax	**-**	-
Result on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 – 28%)	**-**	-
Effects of:		
Adjustment for transfer pricing	**(484)**	(459)
Consortium relief surrendered for nil consideration	**483**	-
Losses arising in the year not relievable against current tax	**1**	459
Current tax for the year (note 6(a))	**-**	-

(c) Deferred tax

The corporation tax rate applicable to the company will reduce from 26% to 25% from 1 April 2012. A deferred tax asset of £1,407,627 (2010 – £1,757,180) has not been recognised in respect of losses, due to the non profit making nature of the Society.

6. Tax (continued)

(d) Factors which may affect future tax charges

The society is subject to United Kingdom corporation tax. However, for this purpose, amounts due to members and affiliated societies are treated as a deductible expense.

Due to legislative changes, the corporation tax rate is to reduce by a further 1% from 1 April 2012 from 26% to 25%, then by 1% per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and are not therefore included in the figures within these financial statements. We estimate the impact upon deferred tax to be a reduction in the balance of approximately £2,568,330 over the forthcoming three years.

7. Investments

Investments, joint ventures and associates

During the year, the company changed its accounting policy for the investment in MCPS-PRS Alliance and has reverted to historic cost from valuation. The investment in CELAS remains at historic cost, less impairment provision, in line with previous years.

	Joint ventures and associates £'000
Cost or valuation:	
At 1 January 2011 as previously stated	16,076
Prior year adjustment – reversal of revaluation	(941)
At 1 January 2011 as restated	15,135
Disposal – capital repayment	(90)
At 31 December 2011	15,045
Impairment:	
At 1 January 2011 and 31 December 2011	212
Net book value:	
At 31 December 2011	14,833
At 1 January 2011 as previously stated	15,864
Prior year adjustment – reversal of revaluation	(941)
At 1 January 2011 as restated	14,923

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Holding	Proportion of voting rights held	Nature of business
Joint venture:			
The MCPS-PRS Alliance Limited	Ordinary £1 shares	50%	Service company
Associates:			
CELAS GmbH	Ordinary €1 shares	25%	Pan-European licensing
British Music Rights	Limited by guarantee	25%	Non-trading

CELAS GmbH is a joint venture formed between PRS, MCPS and GEMA, the German society for musical performing and mechanical reproduction rights. It was established to license certain members' online rights on a Pan-European basis. It is incorporated in Germany. PRS and MCPS each own 25% of the shares and GEMA owns 50%. In addition to share capital, PRS, MCPS and GEMA have each issued loans to CELAS GmbH in order to meet the initial capital requirements of the company.

For the year ended 31 December 2011 CELAS GmbH showed a net profit of €0.4 million (2010 – net profit of €0.6 million). The company had a positive equity figure of €0.8m (2010 – €0.8m) at the year end.

Notes to the Accounts

For the year ended 31 December 2011

7. Investments (continued)

Investments, joint ventures and associates (continued)

PRS owns 25% of British Music Rights Limited (BMR), a company limited by guarantee. This company does not trade.

MCPS-PRS Alliance is equally owned by MCPS and PRS and its principal activity is to provide operational services to the two societies. The costs incurred by the company are recharged to each society according to the services provided. The financial statements of PRS do not include any share of the profit or loss of the MCPS-PRS Alliance, because of the nature of the services and relationship between PRS and the MCPS-PRS Alliance.

During the year, the company has changed its accounting policy for its investment in the MCPS-PRS Alliance, reverting to the use of the historic cost convention. The directors consider this more conventional method to be less vulnerable to misinterpretation. Summary profit and loss account and balance sheet information for MCPS-PRS Alliance in respect of the company's 50% share thereof, is set out in the tables below:

	2011	Restated 2010
	£'000	£'000
As at 31 December:		
Tangible fixed assets	**24,038**	22,667
Investments	**2,349**	2,349
Current assets	**15,423**	15,598
Share of gross assets	**41,810**	40,614
Creditors: falling due within one year	**(26,923)**	(25,105)
Creditors: falling due after more than one year	**(11,003)**	(11,816)
Share of gross liabilities	**(37,892)**	(36,920)
Share of net assets before pension scheme liabilities	**3,884**	3,693
Share of pension scheme liabilities	**(31,828)**	(16,914)
Share of net liabilities after pension scheme liabilities	**(27,944)**	(13,221)
For the year ended 31 December:		
Turnover	**38,368**	33,212
Profit before tax	**2,180**	1,917
Tax	**(238)**	(169)
Profit after tax	**1,942**	1,748

Notes to the Accounts

For the year ended 31 December 2011

8. Debtors

Amounts falling due within one year:	2011	2010
	£'000	£'000
Licence income receivable:		
Public performance	**25,621**	26,169
Broadcasting	**2,920**	2,252
International	**542**	1,414
CELAS	**1,355**	1,885
	30,438	31,720
Amounts due from associated undertakings	**7,215**	13,679
VAT recoverable	**12,318**	7,438
Sundry debtors	**2,683**	1,633
Investment income receivable	**796**	780
	53,450	55,250

Amounts falling due after more than one year:	2011	2010
	£'000	£'000
Due from associated undertakings	**17,076**	18,335

During 2010 the defined benefit pension schemes of the MCPS-PRS Alliance were closed to future accrual. This resulted in a one off curtailment gain of which £3.8m was applicable to the company. This balance is being amortised over a 15 year period in line with the funding arrangement agreed during the year.

The 2011 balance above of £17,076,000 is made up of £13.7m being the exceptional prepaid pension contributions made in 2006 to the Alliance Pension Schemes, which is being amortised over twenty years from 1 January 2006 and the additional curtailment gain of £3.4m net of two years amortisation.

9. Creditors: amounts falling due within one year

	2011	2010
	£'000	£'000
Amounts due to members and affiliated societies	**146,366**	148,582
Deferred revenue	**49,028**	48,699
Other creditors	**13,397**	12,057
Accruals	**1,009**	830
Taxation and social security	**970**	733
	210,770	210,901

Notes to the Accounts

For the year ended 31 December 2011

10. Reconciliation of movement in members' funds

	Revaluation reserve	Income and expenditure account	Total members' funds
	£'000	£'000	£'000
At 1 January 2010, as originally stated	**941**	**3,779**	**4,720**
Prior year adjustment	**(941)**	**-**	**(941)**
At 1 January 2010 as restated	**-**	**3,779**	**3,779**
At 31 December 2011	**-**	**3,779**	**3,779**

11. Notes the statement of cash flows

	2011	2010
	£'000	£'000
(a) Reconciliation of operating result to net cash inflow from operating activities		
Result on ordinary activities before tax	**421,127**	400,604
Donations	**(1,525)**	(1,525)
Interest received	**(2,915)**	(2,684)
Decrease/(increase) in amounts due from associated undertakings	**7,723**	(6,502)
Increase in debtors	**(4,649)**	(1,553)
Increase in creditors	**2,084**	4,019
Net cash inflow from operating activities	**421,845**	392,359
(b) Cash flows from investing activities		
Repayment of capital investment	**90**	-

(c) Management of liquid resources

	2011	2011
	£'000	£'000
Short-term deposits made	**(86,000)**	(105,000)
Short-term deposits repaid	**77,000**	83,000
Movement in deposits	**(9,000)**	(22,000)

(d) Analysis of changes in net funds

	At 1 January 2011	**Cash flow**	**At 31 December 2011**
	£'000	**£'000**	**£'000**
Cash at bank and in hand	28,172	(5,982)	22,190
Liquid resources - short-term deposits	98,000	9,000	107,000
Total cash	126,172	3,018	129,190

12. Amounts allocated to members and affiliated societies

	2011	2010
	£'000	£'000
Allocated to members	**333,676**	308,791
Allocated to affiliated socities	**84,224**	80,183
	417,900	388,974

13. Capital commitments

Capital expenditure authorised and contracted for at 31 December 2011 was £nil (2010 – £nil). However, the company is required to fund a percentage of the capital expenditure commitments of MCPS-PRS Alliance dependent on the company's use thereof, which at 31 December 2011 amounted to £0.1 million (2010 – £0.6 million).

14. Financial commitments

PRS used forward currency contracts to minimise currency risk in PRS International revenue in 2011, and at year end all contracts were settled leaving a nil balance. This practice is not being continued into 2012.

15. Related party transactions

The board comprises both executive and non-executive directors. In addition to the two external non-executive directors, there exist two groups of non-executive directors, Publisher directors and Writer directors.

Like all members of the society, these directors and parties related to them are entitled to royalties from the Society in respect of the performance of any copyright works owned by them. Parties related to Publisher and Writer directors include family members and companies controlled by these directors. Parties related to publisher directors also include the publishing companies who nominate those publisher directors to the board and their subsidiaries.

During 2011, total royalties paid by the society to the directors and to parties related to the directors amounted to £68.9 million (2010 – £65.1 million). £68.6 million (2010 – £64.8 million) of this was paid to publisher directors and parties related to the publisher directors, and £0.3 million (2010 – £0.3 million) 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.

Due to the highly integrated nature of the industry, many directors will also be related to customers of the company, 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 a normal arms length commercial basis.

During 2011, £55.6 million (2010 – £47.7 million) of the company's licensing and administrative expenses were recharged by MCPS-PRS Alliance. PRS funds an appropriate proportion of MCPS-PRS Alliance's costs and at 31 December 2011 had a balance due from MCPS-PRS Alliance of £24.4 million (2010 – £32 million), this included a long term loan of £17.1 million to fund the society's share of an exceptional contribution to the defined benefit pension schemes and a one off curtailment gain realised in 2010 on the closure of the schemes to future accrual (2010 – £18.3 million).

During 2011 CELAS made distributions to PRS of £4.5 million (2010 – £1.3 million). The balance owed by CELAS to PRS at the end of 2011 was £1.4 million (2010 – £1.9 million).

16. Limitation of liabilities

PRS was founded in 1914 as a company limited by guarantee; it has no share capital and is non-profit making. The liability of each member is limited to £1.

17. Post balance sheet event

In early 2012 the company entered into an agreement with the Mechanical-Copyright Protection Society Limited, the effect of which was to vary for a minimum term of 18 months from 1 January 2012, the basis on which the costs of the MCPS-PRS Alliance Limited are shared between the two societies.

The expected impact of this agreement will be to increase the costs borne by the company by £5m in 2012 and by at least £2m in 2013.

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