Report and Financial Statements

For the year ended 31 December 2014

Performing Right Society Limited

PRS for MUSIC

Directors

Writers
B Blue
S Darlow
G Fletcher
N Graham
E Gregson
C Hunt
M Leeson
S Levine
M Murray
J Nott
M Nyman

Publishers
J Alway
W Booth
C Butler
E Cox
N Elderton
S Hornall
R King
P Long
R Manners
J Minch
S Platz

Executive director
R Ashcroft

External directors
W Goldwag
E Morris

Secretary

D Stones

External auditor

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

Registered Office

2 Pancras Square
London N1C 4AG

Registered No. 134396

Strategic Report

The directors present their strategic report for the year ended 31 December 2014.

Principal activity and review of the business

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 100,000 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 Performing Right Society Limited (PRS) and Mechanical-Copyright Protection Society Limited (MCPS). The costs incurred by PfM for the first six months of 2013 were charged to PRS and MCPS as operating fees in proportion to the work carried out on behalf of each Society. From 1 July 2013, PfM has continued to provide services to PRS and MCPS under a new service level agreement.

2014 was a year of celebration and transformation for the Group. The Company, having been established on 6 March 1914, celebrated its Centenary during the year. Events were held during the course of the year that enabled the Company to showcase the rich talents of its members and also to reinforce the importance and value of copyright in the minds of stakeholders including licensees, politicians and members of the public.

The Board and the Company were all very sad that Lynsey de Paul, who had served as a highly valued director of the Company from 2006 and was also a trustee of the PRS Members Benevolent Fund passed away during the year. Lynsey, who was a pioneering female songwriter and the first female winner of an Ivor Novello award, will be greatly missed.

The Group strives every year to ensure that the services it offers to its members are efficient and of a high standard investing wisely where appropriate to do so. In 2014, substantial investment was made by PfM in new offices in Pancras Square, Kings Cross and in existing offices in Streatham High Road from which services are delivered to members. The Company is confident that the combination of reducing available office space by 36,986sq ft (a 41% reduction), moving close to 300 roles from central London and vacating the costly to maintain Berners Street properties will result in a significant reduction in operating costs. At the same time as these property changes were implemented, desktop IT hardware and software and telephony used by employees was comprehensively modernised, facilitating further efficiencies.

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

	2014	*2013*	*Change*
	£m	*£m*	*%*
Turnover	513.5	510.8	0.5
Net distributable income (excluding exceptional items)	457.2	465.5	(1.8)

In April 2013 the Company and MCPS signed an agreement ('the Alliance Stability Deal') designed to enable MCPS to return to profitability, and thereby create a stable long-term relationship between PRS and MCPS for the benefit of members of both societies. This agreement resulted in the Company buying the 50% share in PfM owned by MCPS on 1 July 2013 for £1. As a result of this, PfM became a wholly-owned subsidiary of the Company and, as a consequence, the Company prepared group financial statements for the first time for the year ended 31 December 2013.

There is a net deficit on reserves amounting to £64.8m (2013: £33.2m) on the group balance sheet and no equivalent deficit on the balance sheet of the Company. The group net deficit,

Strategic Report (continued)

which is the consequence of liabilities exceeding assets, does not mean that the liabilities of the Company itself exceed its assets. This deficit has arisen partly because of the net deficit of PfM caused principally by the deficits on the two defined benefit pension schemes funded by PfM. PfM has agreed with the Board of trustees of the two schemes a deficit recovery plan that is intended to fully fund the schemes before the end of 2024. The balance sheet deficit in PfM increased during the year primarily because of a deterioration in the funding deficits of the two defined benefit pension schemes. This deterioration is consistent with the experiences of many other employers' defined benefit pension schemes and is a consequence of a reduction in prevailing corporate bond rates between 31 December 2013 and 31 December 2014.

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 four times in 2014. The principal risks and uncertainties are detailed below.

Competitive risk

Owing to the monopolistic nature of some of the Group'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 adverse rulings.

Changing working practices are currently opening up the market to more competition from societies abroad and the Group is at the forefront of these changes, and actively seeking strategic partnerships with societies in other countries.

Legislative risk

The monopolistic nature of some of the Group's activities leads it into a number of areas of risk concerned with the legislative process. The Group is also subject to 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.

Financial instrument risks

The Group has in place a financial management framework which ensures that the Group has sufficient financial resource to meet its objectives and to manage financial risk. Foreign exchange risk is minimised through the timely exchange of foreign currency receipts for sterling. Interest rate risk is managed by avoiding investing cash for periods of greater than 12 months.

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 relevant licences. 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 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.

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 that other party by failing to discharge an obligation. Group 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 Group is actively in negotiations with subject to certain criteria. The Group's debtors are shown in note 9 to the financial statements.

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

Strategic Report (continued)

Exposure to price, credit and liquidity risk (continued)

addition, royalties are only distributed once collected and the Group holds substantial cash balances.

On behalf of the Board

D Stones
Secretary
1 April 2015

Registered No. 134396

Directors' report

The directors present their report and financial statements for the year ended 31 December 2014.

Dividends
The directors do not recommend a final dividend (2013 – £nil).

Directors
The directors who served the Company during the year were as follows:

Writers

B Blue
S Darlow
L de Paul (until 8 October 2014)
G Fletcher
N Graham
E Gregson
C Hunt (appointed 8 October 2014)
M Leeson
S Levine
M Murray
J Nott
M Nyman

Publishers

J Alway
W Booth
C Butler
E Cox
N Elderton
S Hornall
A King (resigned 29 May 2014)
R King
P Long (appointed 29 May 2014)
R Manners
J Minch
S Platz

Executive director

R Ashcroft

External directors

W Goldwag
E Morris

Pursuant to articles 57 and 62 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

E Gregson
C Hunt
M Leeson

Publishers

J Minch
S Platz

Directors' report (continued)

Chairman and deputy chairmen

Guy Fletcher, Chairman, Chris Butler, deputy chairman (publisher), and Simon Darlow, deputy chairman (writer), all continued in their positions throughout 2014.

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.

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.

The Group balance sheet includes the PfM defined benefit scheme deficit and also reflects the impact of impairing the goodwill arising on the acquisition of PfM of £25.2m in 2013. As a result, the Group balance sheet has a net deficit of £64.8m at 31 December 2014 (2013 – £33.2m). This has increased from 2013 mainly as result of the defined benefit scheme deficit increasing from £12.0m to £37.1m. PfM and the trustees of the pension schemes have agreed a recovery plan to restore the funding level of the schemes to 100% by the end of 2024. Part of this plan is an agreed company contribution per year of £3.5m. There are also plans to implement a new investment strategy in order to reduce volatility in the future.

The directors have also considered the status of joint ventures and associate undertakings ICE, SOLAR (formerly CELAS) and NMP.

ICE is fully 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 loss for the year to 31 December 2014 was £0.7m (2013 – £0.1m profit). ICE is forecasting to cover its costs in future years and repay its loan finance over 10 years.

SOLAR is fully supported by its shareholders. The profit for the year to 31 December 2014 was €0.8m (2013 – €1.5m). There was a repayment of capital during the year of £0.3m from SOLAR to PfM. SOLAR is also forecasting to make profits in future years.

NMP, which has been operational since October 2012, is fully supported by its shareholders. It recharges all of its costs to its shareholders.

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.

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 PRS since 1 July 2013. PRS, through PfM, provides a range of services to MCPS including licensing and distribution administration, under the terms of a services agreement.

Code of Conduct

The Company carries on its membership and domestic licensing activities in line with the PRS for Music Code of Conduct, published in 2012 to meet the requirements of the British Copyright Council's Principles of Good Practice for Collective Management Organisations, the principal

Directors' report (continued)

voluntary framework for UK collecting society best practice. The Company is committed to on-going internal review of its Code and operations to ensure that they continue not only to meet BCC standards but are materially compliant with criteria specified in The Copyright (Regulation of Relevant Licensing Bodies) Regulations 2014.

Donations

Donations and other payments made pursuant to article 48(a) of the articles of association totalled £1.565m (2013 – £1.535 million) of which £1.5m (2013 – £1.5 million) was to The PRS for Music Foundation ('the 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 auditor

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.

On behalf of the Board

D Stones
Secretary

1 April 2015

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' 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 judgments 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and 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 2014 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Cash Flows and the related notes 1 to 20. 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 8, 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 Report and financial statements 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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's net distributable income 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report (continued)

to the members of Performing Right Society Limited

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
1 April 2015

Notes:

1. The maintenance and integrity of the **Performing Right Society Limited** 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.

Group profit and loss account

for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Turnover	2	513,500	510,782
Other income – operating fees	3	17,250	8,850
Interest receivable and similar income		1,685	3,241
Total income for the year		532,435	522,873
Licensing and administration expenses	3	(76,672)	(56,924)
Operating profit	3	455,763	465,949
Share of operating (loss)/profit in joint venture	8(a)	(371)	177
Total operating profit: group and share of joint venture and associates		455,392	466,126
Other finance income	16	3,525	981
Exceptional item – gain on sale of property	3	1,075	2,095
Exceptional item – impairment of goodwill arising on acquisition of PfM	3	–	(25,197)
Profit on ordinary activities before tax		459,992	444,005
Tax on profit on ordinary activities	6	(200)	(105)
Profit before appropriations		459,792	443,900
Amounts appropriated - donations		(1,565)	(1,535)
Net distributable income	13	458,227	442,365

All amounts relate to continuing activities.

Group statement of total recognised gains and losses

for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Net distributable income		458,227	442,365
Funds attributable to members and affiliated societies		(457,174)	(467,350)
Foreign exchange losses on joint venture investments	8(a)	(704)	(575)
Actuarial losses on defined benefit pension plans	16	(31,843)	(7,666)
Deferred taxation on defined benefit pension plans	6	(117)	–
Total recognised gains and losses relating to the year		(31,611)	(33,226)

Group balance sheet

at 31 December 2014

	Notes	2014 £000	Restated* 2013 £000
Fixed assets			
Intangible assets	8	(412)	–
Tangible assets	7	39,685	24,561
Investments	8	262	308
Investments in joint ventures:			
Share of gross assets	8(a)	14,648	11,731
Share of gross liabilities	8(a)	(8,081)	(4,510)
		6,567	7,221
		46,102	32,090
Current assets			
Debtors: amounts falling due after more than one year	9	2,148	2,794
Debtors: amounts falling due within one year	9	89,575	75,337
		91,723	78,131
Investments – short-term deposits	14(f)	115,000	160,000
Cash at bank and in hand	14(f)	45,950	43,658
		252,673	281,789
Creditors: amounts falling due within one year	10(a)	(318,947)	(325,467)
Net current liabilities		(66,274)	(43,678)
Total assets less current liabilities		(20,172)	(11,588)
Creditors: amounts falling due after more than one year	10(b)	(7,000)	(7,500)
Provision for liabilities and charges	12	(553)	(2,161)
Net liabilities excluding pension liability		(27,725)	(21,249)
Defined benefit pension liability	16	(37,112)	(11,977)
Net deficit		(64,837)	(33,226)
Net deficit on reserves	13	(64,837)	(33,226)

* Reclassification of the loan to MCPS from Creditors: amounts falling due within one year to Creditors: amounts falling due after more than one year (Notes 1 and 10)

Approved by the Board and signed on its behalf

Guy Fletcher
Director
1 April 2015

Company balance sheet

at 31 December 2014

	Notes	*2014* *£000*	*Restated** *2013* *£000*
Fixed assets			
Investments	8	–	46
Current assets			
Debtors: amounts falling due after more than one year	9	13,299	14,558
Debtors: amounts falling due within one year	9	124,317	73,199
		137,616	87,757
Investments – short-term deposits		115,000	160,000
Cash at bank and in hand		36,726	19,160
		289,342	266,917
Creditors: amounts falling due within one year	10(a)	(282,342)	(259,463)
Net current assets		7,000	7,454
Total assets less current liabilities		7,000	7,500
Creditors: amounts falling due after more than one year	10(b)	(7,000)	(7,500)
Net assets		–	–
Distributable reserves	13	–	–

* Reclassification of the loan to MCPS from Debtors: amounts falling due within one year to Creditors: amounts falling due after more than one year (Notes 1 and 10)

Approved by the Board and signed on its behalf

Guy Fletcher
Director
1 April 2015

Group statement of cash flows

for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Cash inflows from operating activities	14(a)	418,132	483,497
Amounts paid to members and affiliated societies		(440,316)	(434,225)
Net cash (outflow)/ inflow from operating activities		(22,184)	49,272
Net cash from investing activities	14(b)	191	507
Returns on investments and servicing of finance – net interest received		1,976	3,749
Management of liquid resources	14(c)	45,000	(53,000)
Capital expenditure and receipts	14(d)	(22,292)	(2,053)
Corporation Tax paid		(399)	–
Acquisitions and disposals	14(e)	–	4,309
Increase in cash		2,292	2,784

Reconciliation of net cash flow to movement in net funds

	Note	2014 £000	2013 £000
Increase in cash		2,292	2,784
Cash decrease from movement in liquid resources		(45,000)	53,000
Movement in net increase in the year	14(f)	(42,708)	55,784
Net funds at 1 January	14(f)	203,658	147,874
Net funds at 31 December	14(f)	160,950	203,658

Notes to the financial statements

at 31 December 2014

1. Accounting policies

Basis of preparation

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

Group financial statements

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. No profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006.

PfM has been included in the group financial statements using the acquisition method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of PfM for the period from its acquisition on 1 July 2013. The purchase consideration was allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

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. In the group financial statements, joint ventures are accounted for using the gross equity method.

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. In the group financial statements associates, which have been assessed as being immaterial to the Group, are accounted for at cost.

In the parent undertaking financial statements investments in subsidiaries, joint ventures and associates are accounted for at the lower of cost and net realisable value.

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.

The Group balance sheet includes the PfM defined benefit scheme deficit and also reflects the impact of impairing the goodwill arising on the acquisition of PfM of £25.2m in 2013. As a result, the Group balance sheet has a net deficit of £64.8m at 31 December 2014 (2013 – £33.2m). This has increased from 2013 mainly as result of the defined benefit scheme deficit increasing from £12.0m to £37.1m. PfM and the trustees of the pension schemes have agreed a recovery plan to restore the funding level of the schemes to 100% by the end of 2024. Part of this plan is an agreed company contribution per year of £3.5m. There are also plans to implement a new investment strategy in order to reduce volatility in the future.

The directors have also considered the status of joint ventures and associate undertakings ICE, SOLAR (formerly CELAS) and NMP.

ICE is fully 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 loss for the year to 31 December 2014 was £0.7m (2013 – £0.1m profit). ICE is forecasting to cover its costs in future years and repay its loan finance over 10 years.

SOLAR is fully supported by its shareholders. The profit for the year to 31 December 2014 was €0.8m (2013 – €1.5m). There was a repayment of capital during the year of £0.3m. SOLAR is also forecasting to make profits in future years.

NMP, which has been operational since October 2012, is fully supported by its shareholders. It recharges all of its costs to its shareholders.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Going concern (continued)

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.

Definitions

'PRS' means Performing Right Society Limited.
'MCPS' means Mechanical-Copyright Protection Society Limited.
'PfM' means PRS for Music Limited, formerly The MCPS-PRS Alliance Limited ('the 'Alliance').
'ICE' means International Copyright Enterprise A.B.
'NMP' means Network of Music Partners A/S.
'PEL' means Pan European Licensing.
'SOLAR' means SOLAR-Music Rights Management GmbH, formerly CELAS GmbH

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and accumulated impairment losses. Negative goodwill arises when the fair values of assets acquired exceeds the consideration paid and is recognised in the profit and loss account in the periods expected to benefit, currently estimated at 12 months.

Tangible fixed assets

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

Depreciation is provided on all 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:

Freehold land and buildings	–	18-40 years
Leasehold buildings	–	shorter of lease term and 40 years
Property improvements	–	5-15 years
Computer systems and equipment	–	3-7 years
Motor vehicles	–	lease term

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

Investments

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Revenue recognition

Operating fees receivable

Revenue is accounted for on an accruals basis so that income is recognised in the period to which it relates.

Interest receivable on short term deposits

Revenue is recognised as interest accrues using the effective interest method.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Revenue recognition (continued)

Licence revenue

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

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.

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 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 balance sheet 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 balance sheet 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 balance sheet date.

Foreign currencies

Company

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.

Group

The financial statements are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the retranslation of opening net assets are taken directly to reserves. All other differences are taken to the profit and loss account.

Leasing and hire purchase commitments

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

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term. Lease incentives are released to the profit and loss account on a straight-line basis over the lease term.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Pensions

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

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the profit or loss account on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the charge 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 profit and loss account. 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 Recognised Gains and Losses in the period in which they occur.

The defined benefit pension asset or liability in the Balance Sheet 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.

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

Prior year restatement

The 2013 group and company balance sheets, the debtors note (note 9) and creditors note (note 10) have been restated to separately disclose a loan of £7,500,000 from MCPS which is due after more than one year. The loan was previously included as part of amounts due within one year. There have been no changes to 2013 results, or other balance sheet totals as a result of the restatement.

Notes to the financial statements

at 31 December 2014

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:

	2014	*2013*
	£000	*£000*
Licensing turnover		
United Kingdom, Channel Islands and Isle of Man:		
Public performance	168,285	162,258
Broadcasting	119,213	114,820
Online	27,541	23,682
	315,039	300,760
PEL International	10,168	9,038
Overseas:		
Europe	117,261	128,122
North America	35,443	38,857
Asia	12,964	11,487
Central and South America	11,944	9,787
Australasia	8,424	10,088
Africa and Middle East	2,257	2,643
	188,293	200,984
Total licensing turnover	513,500	510,782

3. Operating Profit

This is stated after charging/(crediting):	*2014*	*2013*
	£000	*£000*
Depreciation of owned fixed assets	5,963	2,435
Depreciation of assets held under finance leases and hire purchase contracts	30	51
Loss on disposal of fixed assets	1,175	29
Operating lease rentals - property	2,129	704
Operating lease rentals - computer and office machinery	30	11
Auditor's remuneration – audit services relating to the company	10	10
– taxation compliance services relating to the company	3	3
– taxation advisory services relating to the company	75	–
– audit services relating to subsidiaries	177	178
– additional fees relating to 2013 audit of subsidiaries	35	–
– taxation compliance services relating to subsidiaries	30	9
– non-audit services relating to subsidiaries	37	21
Operating fees receivable from MCPS	(17,250)	(8,850)

Notes to the financial statements

at 31 December 2014

3. Operating profit (continued)

Recognised below operating profit:

	2014 £000	2013 £000
Exceptional items:		
Gain on sale of property (note 7)	(1,075)	(2,095)
Impairment of goodwill arising on acquisition of PfM	–	25,197

4. Directors' remuneration

	2014 £000	2013 £000
Directors' remuneration	1,354	1,212
Company contributions to defined contribution pension schemes	19	19

	No.	No.
Members of defined contribution pension schemes	1	1

The amounts in respect of the highest paid director are as follows:

	2014 £000	2013 £000
Director's remuneration	765	750
Company contributions to defined contribution pension schemes	19	19

In addition to amounts paid in respect of the highest paid director is a deferred bonus of £223,032. The aggregate amount now deferred for future payment is £433,236.

Remuneration includes fees paid in respect of qualifying services for directors who are also non-executive directors of PfM.

The remuneration of non-executive directors, excluding pension contributions, was £589,469 (2013 – £461,362). No pensions or other benefits are paid to any director other than the executive director Robert Ashcroft.

The position of Chairman was unchanged during the year. The remuneration of the Chairman, Guy Fletcher, amounted to £80,000 (2013 – £58,251). Chris Butler continued as Deputy Chairman (Publisher) throughout the year and his remuneration for the year was £20,300. Simon Darlow continued as Deputy Chairman (Writer) throughout 2014 and his remuneration for the year was £30,300 (2013 – £31,774). These are all included in the remuneration of non-executive directors amount shown above.

During the year ended 31 December 2014, the company had one executive director, Robert Ashcroft, who was employed and paid by PfM. The highest paid director in 2014 was Robert Ashcroft.

Notes to the financial statements

at 31 December 2014

5. Staff costs

The company had no employees during this year or last year, other than its directors. Staff who work on the Company's business are employed by PfM, with costs recharged to the Company.

Costs are as follows:

	2014	*2013*
	£000	*£000*
Wages and salaries	29,750	25,861
Social security costs	3,231	2,651
Defined contribution pension schemes	1,322	943
Costs of other benefits	311	275
	34,614	29,730

The average monthly number of employees during the year was made up as follows:

	2014	*2013*
	No.	*No.*
Licensing	173	161
Distribution and membership	197	207
Support services	245	232
	615	600

6. Tax

a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2014	*2013*
	£000	*£000*
Current tax:		
UK corporation tax on the profit for the year	–	(351)
Total current tax (note 6(b))	–	(351)
Deferred tax:		
Movement relating to pensions	200	105
Deferred tax on pension spreading	–	351
Total deferred tax (note 6(c))	200	456
Tax on profit on ordinary activities	200	105

Notes to the financial statements

at 31 December 2014

6. Tax (continued)

b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 21.5% (2013 – 23.5 %). The differences are explained below:

	2014	*2013*
	£000	*£000*
Profit on ordinary activities before tax	459,992	444,005
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 – 23.5%)	98,898	103,231
Effects of:		
Higher taxes on overseas joint venture earnings	(18)	5
Pension contributions	(3,172)	(1,957)
Expenses not deductible for tax purposes (including goodwill write-down)	48	5,981
Capital allowances for year in arrears of depreciation	350	279
Depreciation of capitalised revenue expenditure	(1,041)	(486)
Current year loss not utilised	3,508	1,745
Carry back of tax losses	97	107
Profit on disposal of assets not allowable for tax purposes	(41)	(240)
Deduction for allocable distributions	(98,629)	(109,016)
Current tax for the year (note 6(a))	–	(351)

c) Deferred tax

	2014	*2013*
	£000	*£000*
Arising on pension deficit	2,139	2,456

d) Movement on deferred tax asset:

	£000
At 1 January 2014	2,456
Debited to the statement of total recognised gains and losses	(117)
Debited to the profit and loss account	(200)
At 31 December 2014	2,139

Notes to the financial statements

at 31 December 2014

6. Tax (continued)

	2014	*2013*
	£000	*£000*
Pension liability (note 16)	2,139	2,456

The corporation tax rate reduced by 2% from 23% to 21% on 1 April 2014 and by a further 1% from 1 April 2015 from 21% to 20%. These changes have been substantively enacted and the effect of them is therefore included in the figures within these financial statements.

The Group has an unrecognised deferred tax asset of £10,345,381 (2013 – £8,598,000) made up of non-trading losses of £397,600 (2013 – £399,000), trading losses of £6,479,656 (2013 – £2,760,000), decelerated capital allowances of £1,808,325 (2013 – £1,804,000), pension contributions spreading of £1,659,800 (2013 – £3,206,000). In addition, there is an unrecognised deferred tax asset arising on pension deficit of £5,709,000 (2013 – £429,000). The deferred tax assets have not been recognised due to insufficient certainty of future trading profits.

7. Tangible fixed assets

Group

	Freehold land and buildings	*Leasehold land and building improvements*	*Systems and equipment*	*Motor vehicles*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Cost or valuation:					
At 1 January 2014	441	1,593	24,700	92	26,826
Additions	–	8,647	13,645	–	22,292
Disposals	–	(491)	(1,201)	(39)	(1,731)
At 31 December 2014	441	9,749	37,144	53	47,387
Depreciation:					
At 1 January 2014	8	18	2,188	51	2,265
Charge for the year	68	179	5,716	30	5,993
Disposals	–	(25)	(496)	(35)	(556)
At 31 December 2014	76	172	7,408	46	7,702
Net book value:					
At 31December 2014	365	9,577	29,736	7	39,685
At 31 December 2013	433	1,575	22,512	41	24,561

The net book value of leasehold land and buildings and improvements at 31 December 2014 includes £4.7m (2013 – £0.6m) on long leases. The net book value of motor vehicles held under finance lease agreements is £7,000 (2013 – £41,000), with all lease obligations paid in advance.

Notes to the financial statements

at 31 December 2014

7. Tangible fixed assets (continued)

In November 2014 the company moved from its Berners Street offices to occupy four floors of a new office building at 2 Pancras Square, Kings Cross and also its newly refurbished offices in Streatham. The King Cross property is under a 15 year lease agreement. The refurbishment costs of both the Kings Cross and Streatham properties have been incurred in 2014 and are included in additions to tangible fixed assets. The sale and leaseback of the Berners Street properties was accounted for in 2012 and 2013. The further gain on the sale of the property of £1.1m in 2014 relates to the release of provisions brought forward and not utilised during the year.

8. Investments

Group

	2014	*2013*
	£000	*£000*
Investments:		
Associate (b)	30	76
Other fixed asset investments (c)	232	232
	262	308
Joint ventures (a)	6,567	7,221
	6,829	7,529

Notes to the financial statements

at 31 December 2014

8. Investments (continued)

Details of the investments in which the Group holds any class of share capital are as follows:

Name of company	Country of incorporation	Proportion of voting rights and shares held	Holding	Nature of business
Subsidiaries:				
PRS for Music Ltd	England and Wales	100%	Ordinary shares	Service Company
Imprimatur Services Ltd	England and Wales	100%	Ordinary shares	Dormant
PRS for Music (USA) Ltd	England and Wales	100%	Ordinary shares	Dormant
Joint ventures:				
International Copyright Enterprise Services AB (ICE)	Sweden	50%	Ordinary shares	Service Centre
Network of Music Partners (NMP)	Denmark	50%	Ordinary shares	Service Centre
SOLAR-Music Rights Management GmbH	Germany	50%	Ordinary shares	Pan-European licensing
Global Repertoire Database Ltd*	England and Wales	50%	Membership	Global repertoire database
Associate:				
ISAN UK Ltd	England and Wales	25%	Ordinary shares	Identification of audiovisual works
Other investments:				
UK Music 2009 Ltd	England and Wales	10%	Ordinary shares	Lobbying organisation
Fast-Track Ltd	England and Wales	6.83%	Ordinary shares	Royalty information systems

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

Notes to the financial statements

at 31 December 2014

8. Investments (continued)

(a) Joint ventures

	2014	*2013*
	£000	*£000*
At 1 January:	7,221	–
Acquired with subsidiary undertaking	–	7,619
Acquisition	498	–
Share of (loss)/profit retained by joint ventures	(371)	177
Foreign exchange loss	(704)	(575)
Capital repayment	(77)	–
	6,567	7,221

On 17 December 2014 PfM acquired a 25% share in SOLAR-Music Rights Management GmbH (formerly known as CELAS GmbH) from MCPS for £200k giving a total shareholding of 50%

	2014	2013
	£000	£000
Share of gross assets at 31 December:		
ICE	7,553	7,899
NMP	3,528	3,832
SOLAR	3,567	–
	14,648	11,731
Share of gross liabilities at 31 December:		
ICE	(4,682)	(4,220)
NMP	(330)	(290)
SOLAR	(3,069)	–
	(8,081)	(4,510)
Share of net assets	6,567	7,221

Notes to the financial statements

at 31 December 2014

8. Investments (continued)

(a) Joint ventures (continued)

The Company owns 50% of International Copyright Enterprise Services AB, a company registered in Stockholm and jointly owned by STIM, a Swedish collecting society. ICE is a joint venture with STIM to provide a joint service centre for operational services. The Company's total investment in ICE was £4.4m at 31 December 2014 (2013 – £4.4m), of which £5,000 is share capital (2013 – £5,000).

Summary profit and loss account and balance sheet information for the Company's 50% share in ICE is set out below:

	2014	*2013*
	£000	*£000*
As at 31 December:		
Intangible assets	5,599	5,341
Tangible fixed assets	209	226
Current assets	1,745	2,332
Share of gross assets	7,553	7,899
Creditors: amounts falling due within one year	(1,938)	(1,074)
Creditors: amounts falling due after more than one year	(2,744)	(3,146)
Share of gross liabilities	(4,682)	(4,220)
Share of net assets	2,871	3,679
For the period ended 31 December:		
Turnover	4,933	2,954
(Loss)/profit before tax	(371)	177
Tax on profit on ordinary activities	-	-
(Loss)/profit after tax	(371)	177

Creditors falling due within one year and Creditors falling due after more than one year in ICE include a £2.5m loan from PfM, details of which are given in note 9.

Notes to the financial statements

at 31 December 2014

8. Investments (continued)

(a) Joint ventures (continued)

During 2012 PfM invested £3.5m in 50% of the share capital of Network of Music Partners A/S (‘NMP’), a company registered in Denmark and jointly owned by Nordisk Copyright Bureau, (‘NCB’). NMP is a joint venture with NCB to provide back-office services to the music copyright administration industry. The aggregate amount of capital and reserves held by NMP at the end of 2014 was £6.4m (2013 – £7.1m) and a result of £nil was recorded for the financial year (2013 – £nil).

Summary profit and loss account and balance sheet information for the Company’s 50% share in NMP is set out below:

	2014	*2013*
	£000	*£000*
As at 31 December:		
Intangible assets	2,367	2,982
Tangible fixed assets	349	467
Current assets	812	383
Share of gross assets	3,528	3,832
Creditors: amounts falling due within one year	(330)	(290)
Share of gross liabilities	(330)	(290)
Share of net assets	3,198	3,542
For the period ended 31 December:		
Turnover	2,557	1,238
Result before tax	–	–
Tax on profit on ordinary activities	–	–
Result after tax	–	–

On 17 December 2014 PfM acquired a 25% share in SOLAR from MCPS giving a total shareholding of 50%. Summary balance sheet information for the total share of net assets acquired is set out below:

	£000
As at 31 December 2014:	
Share of gross assets	3,567
Share of gross liabilities	(3,069)
Share of net assets	498
Negative goodwill arising on acquisition	(412)
	86
Discharged by:	
Cash – reclassification from Investment in Associates	86

Notes to the financial statements

at 31 December 2014

8. Investments (continued)

(b) Associates

	2014	2013
	£000	£000
Cost:		
At 1 January	288	770
On acquisition of PfM	–	30
Addition	200	–
Return of capital	(314)	(512)
Reclassification to Joint ventures	(144)	–
At 31 December	30	288
Impairment:		
At 1 January	212	212
Revaluation	(154)	–
Reclassification to Joint ventures	(58)	–
At 31 December	–	212
Net book value		
At 31 December	30	76
At 1 January	76	588

Following the acquisition of an additional 25% share in SOLAR from MCPS for £200k, the total holding in SOLAR was 50% leading to the investment being reclassified as a joint venture.

(c) Other fixed asset investment

	£000
At 1 January and 31 December 2014	232

The Group's associates are immaterial to the Group's group financial statements and hence have been accounted for as investments rather than being equity accounted.

Notes to the financial statements

at 31 December 2014

8. Investments (continued)

Company

	Joint ventures and associates
	£000
Cost:	
At 1 January 2014	258
Disposal	(200)
At 31 December 2014	58
Impairment:	
At 1 January 2014	212
Revaluation	(154)
At 31 December 2014	58
Net book value:	
At 31 December 2014	–
At 1 January 2014	46

On 17 December 2014 the Company sold its 25% share in SOLAR to its subsidiary undertaking PfM for £200k.

9. Debtors

		Group		*Company*
				*Restated**
	2014	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*
Amounts falling due within one year:				
Licence income receivable	48,138	37,466	48,138	37,466
Amounts due from PfM	–	–	59,424	20,450
VAT recoverable	13,227	12,391	12,334	9,940
Short term loan receivable – ICE	398	466	–	–
Trade debtors	19,317	15,967	–	–
Sundry debtors	5,006	4,711	3,342	4,323
Prepayments and accrued income	1,828	3,073	168	459
Corporation tax	1,661	1,263	911	561
	89,575	75,337	124,317	73,199

*Prior year reclassification of the £7.5m loan to MCPS from Amounts due from PfM to Creditors: amounts falling due after more than one year

Notes to the financial statements

at 31 December 2014

9. Debtors (continued)

	Group		*Company*	
	2014	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*
Amounts falling due after more than one year:				
Loan to ICE	2,148	2,794	–	–
Loan to PfM	–	–	13,299	14,558
	2,148	2,794	13,299	14,558

The loan to ICE is a non-subordinated element of the ICE investment. The loan was revalued at 31 December 2014 and due to foreign exchange movements reduced by £355,000.

A new credit facility was agreed with ICE on 28 January 2014, under which a loan of SEK 30.5m will be repaid in twenty eight equal quarterly instalments until the end of 2020. A further loan of SEK 4.7m was agreed on 19 May 2014 to be repaid in equal instalments from 2015 to 2024. The interest rate for both is set per annum and is equal to the six month Stockholm Interbank offered rate, referred to as STIBOR 6M.

The balance of £13.3m due from PfM comprises £10.7m of funding provided to PfM for a contribution to the two defined benefit pension schemes in 2005, which is being amortised over twenty years from 1 January 2006 and an additional amount payable also by PfM as a consequence of closing the PfM pension schemes to future accrual in 2010. This additional amount is being amortised over 15 years. The balances are not interest bearing.

10. (a) Creditors: amounts falling due within one year

	Group		*Company*	
		*Restated**		
	2014	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*
Amounts due to members and affiliated societies	204,201	187,343	204,201	187,343
Deferred revenue	52,776	50,612	52,776	50,612
Trade creditors	2,362	2,849	–	–
Royalties placed on deposit	18,186	15,355	18,186	15,355
Other creditors	5,189	4,700	5,189	4,700
Due to MCPS	15,554	45,912	500	–
Accruals	19,034	17,323	904	904
Other taxes and social security	1,645	1,373	586	549
	318,947	325,467	282,342	259,463

*Prior year reclassification of the £7.5m loan to MCPS from Due to MCPS to Creditors: amounts falling due after more than one year

Notes to the financial statements

at 31 December 2014

10. (b) Creditors: amounts falling due within more than one year

	Group		Company	
		*Restated**		*Restated**
	2014	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*
Due to MCPS	7,000	7,500	7,000	7,500
	7,000	7,500	7,000	7,500

*Prior year reclassification of the £7.5m loan to MCPS from Due to MCPS (Group) and Amounts due from PfM (Company) to Creditors: amounts falling due after more than one year

11. Obligations under finance leases and hire purchase contracts

Annual commitments under non-cancellable operating leases are as follows:

	Land and Buildings		*Other leases*		*TOTAL*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Operating leases which expire:						
Within one year	12	700	–	–	12	700
In two to five years	8	–	26	23	34	23
In over five years	2,658	2,555	–	–	2,658	2,555
	2,678	3,255	26	23	2,704	3,278

12. Provisions for liabilities and charges

	Relocation costs
	£000
At 1 January 2014	2,161
Utilised during the year	(350)
Released during the year	(1,258)
At 31 December 2014	553

The Group has recognised a provision for the estimated cost of the consequences of relocating offices. The costs represent contractual or similar past obligations at the balance sheet date. It is expected that most of these costs will have been incurred within two years of the balance sheet date.

Notes to the financial statements

at 31 December 2014

13. Reconciliation of shareholders' funds and movements on reserves

Group

	Distributable reserves
	£000
At 1 January 2014	(33,226)
Net distributable income	458,227
Funds attributable to members and affiliated societies	(457,174)
Foreign exchange losses in investment	(704)
Actuarial losses on defined benefit plans	(31,843)
Deferred tax on defined benefit pension plans	(117)
At 31 December 2014	(64,837)

Company

	Distributable reserves
	£000
At 1 January 2014	–
Net distributable income	457,174
Funds attributable to members and affiliated societies	(457,174)
At 31 December 2014	–

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.

Notes to the financial statements

at 31 December 2014

14. Notes to the statement of cash flows

a) Reconciliation of operating profit to net cash inflow from operating activities

	2014	*2013*
	£000	*£000*
Operating profit	455,763	465,949
Donations	(1,565)	(1,535)
Interest received	(1,685)	(3,241)
Depreciation	5,993	2,486
Loss/(profit) on sale of fixed assets	1,175	(2,881)
Reversal of impairment charge	(154)	–
Increase in debtors	(13,484)	(10,636)
(Decrease)/increase in creditors	(23,878)	36,935
(Decrease)/increase in provisions	(533)	2,161
Difference between pension contributions paid and charged	(3,500)	(5,741)
Net cash inflow from operating and exceptional activities	418,132	483,497

b) Cash flows from investing activities

	2014	*2013*
	£000	*£000*
Payments to acquire investments	(200)	–
Repayment of capital investment	391	507
	191	507

c) Management of liquid resources

	2014	*2013*
	£000	*£000*
Short-term deposits made	(335,000)	(290,000)
Short-term deposits repaid	380,000	237,000
Movement in deposits	45,000	(53,000)

d) Capital expenditure and receipts

	2014	*2013*
	£000	*£000*
Payments to acquire tangible fixed assets	(22,292)	(7,058)
Receipts from sale of tangible fixed assets	–	5,005
	(22,292)	(2,053)

Notes to the financial statements

at 31 December 2014

14. Notes to the statement of cash flows (continued)

e) Acquisitions

	2014	*2013*
	£000	*£000*
Net cash acquired with subsidiary undertaking	–	4,309

f) Analysis of net funds

	At 1 January 2014	*Cash flow*	*At 31 December 2014*
	£000	*£000*	*£000*
Cash at bank and in hand	43,658	2,292	45,950
Liquid resources – short-term deposits	160,000	(45,000)	115,000
Total cash	203,658	(42,708)	160,950

15. Amounts allocated to members and affiliated societies

	2014	*2013*
	£000	*£000*
Allocated to members	345,642	349,362
Allocated to affiliated societies	85,897	79,628
	431,539	428,990

16. Pensions

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

In March 2013, the triennial valuation of the pension schemes was completed. The deficit funding plan was reconfirmed between the Company and the trustees of the schemes, with funding remaining at the same level as in prior years. This plan involves the Company making annual payments into the schemes in order to address the deficit by 2024.

Notes to the financial statements

at 31 December 2014

16. Pensions (continued)

The assets and liabilities in the schemes at 31 December are:

	MCPS-PRS Alliance Pension Scheme	
	2014	*2013*
	£000	*£000*
Scheme assets at fair value:		
Equities	86,681	80,552
Corporate bonds	63,800	22,461
Gilts	–	2,222
Property	12,292	16,737
Cash	26,543	47,160
Hedge funds	–	893
Other (GTAA)	286	6,070
Fair value of scheme assets	189,602	176,095
Present value of scheme liabilities	(221,151)	(188,078)
FRS 17 deficit in the scheme	(31,549)	(11,983)
Related deferred tax asset	1,698	2,040
Net deficit	(29,851)	(9,943)

	MCPS-PRS Alliance Pension Scheme (MCPS)	
	2014	*2013*
	£000	*£000*
Scheme assets at fair value:		
Equities	16,546	15,385
Corporate bonds	4,458	3,962
Gilts	143	125
Property bond	2,654	3,216
Cash	7,296	5,248
Hedge funds	–	172
Other (GTAA)	55	1,083
Fair value of scheme assets	31,152	29,191
Present value of scheme liabilities	(38,854)	(31,641)
FRS 17 deficit in the scheme	(7,702)	(2,450)
Related deferred tax asset	441	416
Net deficit	(7,261)	(2,034)
Total net pension deficit	(37,112)	(11,977)

The pension plans have not invested in any of the Company’s own properties or other assets used by the Company.

Notes to the financial statements

at 31 December 2014

16. Pensions (continued)

The amounts recognised in the profit and loss account and the statement of total recognised gains and losses for the year are analysed as follows:

	MCPS-PRS Alliance Pension Scheme		*MCPS-PRS Alliance Pension Scheme (MCPS)*			*Total*
	2014	*2013*	*2014*	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Recognised in the profit and loss account:						
Expected return on pension scheme assets	11,196	4,920	1,870	808	13,066	5,728
Interest on pension liabilities	(8,156)	(4,053)	(1,385)	(694)	(9,541)	(4,747)
Net return – finance income	3,040	867	485	114	3,525	981
Total recognised in the profit and loss account	3,040	867	485	114	3,525	981

Notes to the financial statements

at 31 December 2014

16. Pensions (continued)

	MCPS-PRS Alliance Pension Scheme		MCPS-PRS Alliance Pension Scheme (MCPS)			Total
	2014	2013	2014	2013	2014	2013
	£000	£000	£000	£000	£000	£000
Taken to the statement of total recognised gains and losses:						
Actual return on scheme assets	15,831	10,585	1,906	2,103	17,737	12,688
Less: expected return on scheme assets	(11,196)	(4,920)	(1,870)	(808)	(13,066)	(5,728)
	4,635	5,665	36	1,295	4,671	6,960
Other actuarial gains and losses	(30,341)	(12,784)	(6,173)	(1,842)	(36,514)	(14,626)
Actuarial gains and losses recognised in the statement of total recognised gains and losses	(25,706)	(7,119)	(6,137)	(547)	(31,843)	(7,666)

	2014	2013
	%	%
Main assumptions:		
Rate of salary increase	n/a	n/a
Rate of increase in pensions in payment (LPI)	3.0	3.3
Rate of revaluation of deferred pensions	2.0	2.5
Rate of increase of pensions in payment (LPI min 3)	n/a	n/a
Discount rate	3.5	4.4
Inflation assumption	3.1	3.5

This decrease in the discount rate is a consequence of a reduction in prevailing corporate bond rates between 31 December 2013 and 31 December 2014.

Notes to the financial statements

at 31 December 2014

16. Pensions (continued)

	2014	*2013*
	Years	*Years*
Post-retirement mortality:		
Current pensioners at 65 – male	22.2	22.1
Current pensioners at 65 – female	24.7	24.6
Future pensioners at 65 – male	23.5	23.4
Future pensioners at 65 – female	26.2	26.1

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.

There were no continuing contributions to MCPS-PRS Alliance Pension Scheme for on-going future accrual due to the scheme's closure in 2010. Fixed annual contributions of £3.1m have been made to reduce the deficit in the scheme as agreed during the 2013 triennial valuation.

There were no continuing contributions to MCPS-PRS Alliance Pension Scheme (MCPS) for on-going future accrual due to the scheme's closure in 2010. Fixed annual contributions of £0.4m have been made to reduce the deficit in the scheme as agreed during the 2013 triennial valuation.

Total contributions to the defined benefit plans in the next year are expected to be £3.5m.

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

	MCPS-PRS Alliance Pension Scheme		*MCPS-PRS Alliance Pension Scheme (MCPS)*		*Total*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
At 1 January	(188,078)	(174,062)	(31,641)	(27,593)	(219,719)	(201,655)
Benefits paid	5,424	4,904	345	974	5,769	5,878
Interest cost	(8,156)	(7,894)	(1,385)	(1,247)	(9,541)	(9,141)
Actuarial losses	(30,341)	(11,026)	(6,173)	(3,775)	(36,514)	(14,801)
At 31 December	(221,151)	(188,078)	(38,854)	(31,641)	(260,005)	(219,719)

The defined benefit obligation comprises of £260.0m (2013 – £219.7m) from plans that are wholly or partly funded.

Notes to the financial statements

at 31 December 2014

16. Pensions (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*
At 1 July 2013	162,494	27,707	190,201
Expected return on plan assets	4,920	808	5,728
Employer contributions	5,542	200	5,742
Benefits paid	(2,526)	(819)	(3,345)
Actuarial gains and losses	5,665	1,295	6,960
At 1 January 2014	176,095	29,191	205,286
Expected return on plan assets	11,196	1,870	13,066
Employer contributions	3,100	400	3,500
Benefits paid	(5,424)	(345)	(5,769)
Actuarial gains and losses	4,635	36	4,671
At 31 December 2014	189,602	31,152	220,754

The MCPS-PRS Alliance Pension Scheme

	2014	*2013*
	£000	*£000*
Fair value of scheme assets	189,602	176,095
Present value of defined benefit obligation	(221,151)	(188,078)
Deficit in the scheme	(31,549)	(11,983)
Experience adjustments arising on plan liabilities	752	(50)
Experience adjustments arising on plan assets	4,635	5,665

The MCPS-PRS Alliance Pension Scheme (MCPS)

	2014	*2013*
	£000	*£000*
Fair value of scheme assets	31,152	29,191
Present value of defined benefit obligation	(38,854)	(31,641)
Deficit in the scheme.	(7,702)	(2,450)
Experience adjustments arising on plan liabilities	226	–
Experience adjustments arising on plan assets	36	1,295

Notes to the financial statements

at 31 December 2014

16. Pensions (continued)

	£000
FRS17 deficit at 1 January 2014, excluding deferred tax asset	(14,433)
Interest cost	(9,541)
Actuarial losses on scheme liabilities	(36,514)
Actuarial gains on scheme assets	4,671
Expected return on scheme assets	13,066
Employer contributions	3,500
FRS17 deficit at 31 December 2014, excluding deferred tax asset	(39,251)

From January 2003, a new defined contribution pension scheme called The Alliance Defined Contribution Pension Scheme was open to all employees not in an existing scheme. Contributions to this scheme for the year ended 31 December 2014 were £1.3m (2013 – £1.1m).

17. Other financial commitments

Capital expenditure authorised and contracted for at 31 December 2014 was £nil (2013 – £nil).

In October 2014 the Board of Directors agreed to a commitment to increase the annual donation to the Foundation from £1.5m to £3.0m across the next three years by an additional £0.5m per annum.

18. Contingent assets

At 31 December 2014, the Group had a contingent asset of £4.5m (2013 – £6.8m) potentially due to PRS as a result of the cost sharing amendments made during 2013 and 2014, which reduced the company's share of the administrative costs of PfM by £7.6m. The Alliance Stability Deal 2013 requires MCPS to adjust its service support payments to PRS up to this amount once MCPS returns to profitability. The contingent asset takes into account an additional adjustment of £2.3m made in 2014. There are plans in place to improve MCPS's future prospects and to return MCPS to profitability, however, there is uncertainty as to when the remaining balance will be settled because of the continuing decline in the audio market. At present, whilst fully acknowledging the asset, the directors have concluded that the degree of uncertainty precludes recognition of it in the Group's 2014 financial statements.

19. Related party transactions

Group

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 2014, total royalties paid by PRS to the directors and to parties related to the directors amounted to £87.5m (2013 – £84.8m). £87.0m (2013 – £84.3m) of this was paid to publisher directors and parties related to the publisher directors, and £0.5m (2013 – £0.5m) 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.

Notes to the financial statements

at 31 December 2014

19. Related party transactions (continued)

Group (continued)

PfM received services from ICE to the value of £5.6m (2013 – £5.7m). The company also charged ICE an amount of £nil (2013 – £0.1m) for services provided and was owed a balance of £20,267 (2013 – £26,236) at the year end.

£2.5m of loans advanced in the past to ICE were outstanding at the end of 2014 (2013 – £3.3m). A new credit facility was agreed with ICE on 28 January 2014, under which a loan of SEK 30.5m will be repaid in twenty eight equal quarterly instalments until the end of 2020. A further loan of SEK 4.7m was agreed on 19 May 2014 to be repaid in equal instalments from 2015 to 2024. The interest rate for both is set per annum and is equal to the six month Stockholm Interbank offered rate, referred to as STIBOR 6M.

PfM received services from NMP to the value of £2.7m (2013 – £3.1m). The company also charged NMP an amount of £0.2m (2013 – £0.7m) for services provided and was owed a balance of £39,103 (2013 – £31,967) at the year end.

PfM provided funding to Global Repertoire Database Ltd of £0.2m (2013 – £ nil) and also charged an amount of £36,685 (2013 – £ nil) for services provided.

During the year PfM paid fees to UK Music 2009 Limited of £0.7m (2013 – £0.4m) and also charged an amount of £11,183 (2013 – £10,559) for services provided. PfM owed a balance of £158,216 (2013 – was owed £1,350) at the year end.

During the year, PfM provided subsidised services including accommodation to UK Music 2009 Limited. The value of the subsidy for 2014 has been estimated as £96,480 (2013 – £114,000).

During the year, PfM provided subsidised services including accommodation to The British Academy of Songwriters, Composers and Authors (BASCA), an organisation whose Board is chaired by Simon Darlow, a Director of PRS for Music Limited and PRS Limited. The value of the subsidy for 2014 has been estimated as £81,456 (2013 – £72,000).

During the year, PfM provided subsidised services including accommodation to MPA. MPA is chaired by Chris Butler, a director of PRS and of PfM. The value of the subsidy for 2014 has been estimated as £81,527 (2013 – £100,000).

During the year, PfM provided subsidised services including accommodation to The PRS Members’ Benevolent Fund. The value of the subsidy for 2014 has been estimated as £39,056 (2013 – £32,000).

During the year, PfM provided subsidised services including accommodation to The PRS for Music Foundation. The value of the subsidy for 2014 has been estimated as £63,079 (2013 – £51,000).

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.

Parent undertaking

Throughout both financial years PRS, the parent undertaking, was under the control of the PRS board. The PRS 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.

During 2014, CELAS paid royalties to PRS of £0.8m (2013 – £3.1m). The loan balance owed by CELAS to PRS at the end of 2014 was £nil (2013 – £nil).

Notes to the financial statements

at 31 December 2014

20. 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.

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