ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 31 December 2018
Performing Right Society Limited

Company Registration Number
No. 00134396 (England and Wales)

PERFORMING RIGHT SOCIETY LIMITED

COMPANY INFORMATION

Directors	***Writers*** B Blue S Darlow J Duguid M Escoffery-Ojo N Graham E Gregson S Levine D Masters M Murray J Nott J Simmonds ***Publishers*** J Alway S Anderson W Booth C Butler N Elderton S Hornall R King J Minch R Neri S Platz J Smith ***Executive Director*** R Ashcroft ***External Directors*** S Davidson M Poole
Secretary	D Stones
Company number	00134396
Registered office	2 Pancras Square London N1C 4AG
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

The definitions of subsidiaries, joint ventures and other partners are set out within the Accounting policies on page 17.

PERFORMING RIGHT SOCIETY LIMITED

CONTENTS

PERFORMING RIGHT SOCIETY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the Consolidated Strategic report for Performing Right Society Limited ("the Company") and its subsidiaries (together, "the Group") for the year ended 31 December 2018.

Review of the business
We began 2018 facing a challenging outlook, however 2018 was another year of revenue and net distributable income growth for the Group. Over the past 5 years, the board and management have presided over a more than 45% growth in revenue, leading to a more than 40% increase in distributions paid to its songwriter, composer and music publisher members. The number of members also increased to 135,000 and PRS is now in the top five largest societies in the world in terms of members represented and revenue collected.

Highlights for the year include:

- The launch of PPL PRS Limited. A single point of contact representing the rights of both PRS and PPL in public performance licensing. Businesses that play or perform music in public now need to obtain only one licence "The Music Licence", which grants all permissions required.
- The succesful vote by the European Parliament in September 2018 to proceed with the European Copyright Directive. While there are many hurdles still to overcome, the parliamentary vote with a considerable majority in favour, was a boost to the lobbying efforts of the society and our colleagues and partners across the creative sector.
- The introduction of an enhanced distribution assurance programme to bring distribution processes in line with best practice in the financial services sector to minimise the risk of errors in payments to members.

We continue to evaluate and prepare for the potential consequences of the UK leaving the European Union, as referenced in the legislative risks below, as well as the wider, predicted global slowdown in economic growth. The Group is well placed in representing a musical repertoire that is used all over the world and remains one of only three net exporters of music.

On the Consolidated Statement of financial position, there is a net deficit on total equity amounting to £62,549,000 (2017 - £68,406,000) and a deficit on the Statement of financial position of the Company of £3,559,000 (2017 - £3,559,000). The management and board have a plan to reduce the Group deficit over time, while maintaining the maximum distributions to our members. The decrease in the Group net deficit has arisen because of a decrease in the deficits on the two defined benefit pension schemes funded by PfM. PfM has agreed with the Boards of trustees of the two schemes a deficit recovery plan that is intended to fully fund the schemes before the end of 2030. The decrease in the deficit of the two defined benefit pension schemes is mainly attributable to favourable actuarial variances linked to the increase in long term Gilt yields and reduced life expectancies, partially offset by the reduction in asset values between 31 December 2017 and 31 December 2018.

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

	2018 £000	2017 £000	Change %
Revenue	745,990	716,977	4.0
Net distributable income	649,016	627,937	3.4

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

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 4 times in 2018. The principal risks and uncertainties are detailed on the next page.

Principal risks and uncertainties (continued)

Competitive risk
Owing to the possible monopolistic nature of some of the Group's activities, there is a sustained focus on ensuring compliance with UK and EU competition regulations. Changing working practices are opening up the market to more competition from societies and other organisations and the Group is at the forefront of these changes, actively seeking solutions to respond effectively to increased competition.

Legislative risk
The possible monopolistic nature of some of the Group's activities leads it into a number of areas of risk arising from relevant legislation. The Group is also subject to potential copyright law changes and given the changing nature of the industry this could have a significant impact on the Group's revenue and operating procedures in the future.

With the UK's impending exit from the European Union, and the corresponding business uncertainty on the terms of our exit, there is a risk that the economy may contract, which could have a negative effect on PRS' income. A working group has been convened, consisting of members of the Audit Committee and internal experts, to keep the situation under review. We have also met with the UK based broadcasters operating in the EU to reassure them that we can, and will, continue to license their services.

Fraud risk
Criminal activities such as cybercrime, as well as the internal and external attempts at defrauding companies, are a constant threat. There is a risk that data could be illegally leaked, accessed or used, customers could be prevented from accessing required systems or funds could be misappropriated, resulting in damage to reputation as well as loss of member income. Controls and awareness programmes are in place and a fraud response plan has been created for dealing with incidents of fraud or suspected fraud.

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

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

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, with well-established credit control processes and a requirement that deferred terms are only granted to licensees who demonstrate an appropriate payment history and satisfy credit checking procedures, or with which the Group is actively in negotiations.

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

By order of the Board

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D Stones
Secretary
3 APRIL 2019

The directors present their annual report and the audited financial statements for the Group and the Company for the year ended 31 December 2018.

Principal activities

The principal activity of the Group is the aggregation and licensing of the performing rights vested in it by its members and affiliated societies, and the collection and distribution of the resulting royalties. The Company represents over 135,000 members collecting royalties from various sources, including from live performance, television and radio broadcasts, and streaming.

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

Directors

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

Writers

B Blue		C Hunt	(resigned 24 May 2018)
S Darlow		M Leeson	(resigned 24 May 2018)
J Duguid	(appointed 24 May 2018)	S Levine	
M Escoffery-Ojo	(appointed 10 October 2018)	D Masters	(appointed 24 May 2018)
N Graham		M Murray	
E Gregson		J Nott	
I Heap	(resigned 17 July 2018)	J Simmonds	

Publishers

J Alway	R King
S Anderson	J Minch
W Booth	R Neri
C Butler	S Platz
N Elderton	J Smith
S Hornall	

External Directors

S Davidson
M Poole

Executive Director

R Ashcroft

Nigel Elderton, Chairman, Chris Butler, Deputy Chairman (publisher), and Simon Darlow, Deputy Chairman (writer), all continued in their positions throughout 2018.

Results and dividends

The results for the year are set out on page 10.

No interim dividends were paid. The directors do not recommend payment of a final dividend (2017: £nil).

Qualifying third party indemnity provisions

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

Disabled persons

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

Equal opportunity

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

Employee involvement

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

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

Independent Auditors

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

Statement of directors' responsibilities

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

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

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

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

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

Statement of disclosure to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Going concern

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

The Group Statement of financial position includes the PfM defined benefit scheme deficit and also reflects the impact of impairing the goodwill arising on the acquisition of PfM of £25,197,000 in 2013. As a result, the Group Statement of financial position has a net deficit of £62,549,000 at 31 December 2018 (2017 – £68,406,000). This has decreased from 2017 mainly as a result of the defined benefit scheme deficit decreasing from £37,167,000 to £29,271,000. PfM and the trustees of the pension schemes have agreed a recovery plan to fully fund the schemes by the end of 2030. Part of this plan is an agreed Group contribution per year of £3,500,000. There is also an investment strategy in place to reduce volatility in the future.

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

ICE Operations is fully and equally supported by its shareholders owing to the nature of services it supplies, without which the shareholders would not be able to provide services to their members. The Group's share of the loss for the year to 31 December 2018 was £68,000 (2017 – £154,000). ICE Operations is forecasting to cover its costs in future years and repay its loan finance over 10 years.

ICE Services is fully and equally supported by its shareholders and started trading in 2016. The Group's share of the profit for the year to 31 December 2018 was £840,000 (2017 - £668,000). ICE Services is forecasting to cover its costs in future years and repay its loan finance over 10 years.

SOLAR is fully and equally supported by its shareholders. The Group's share of the profit for the year to 31 December 2018 was £28,000 (2017 – share of loss of £33,000).

NMP is fully and equally supported by its shareholders. The Group's share of the result for the year to 31 December 2018 was £nil (2017 – £nil). It recharges all of its costs not covered by income from other customers to its shareholders. There was a repayment of capital during the year of £594,000 from NMP to PfM.

PPL - PRS is fully and equally supported by its shareholders and started licensing activities in 2018. The Group's share of the loss for the year to 31 December 2018 was £205,000 (2017 - £41,000). PPL - PRS is forecasting to make profits in future years and repay its loan finance over 5 years from the date of commencement of licensing activities in the joint venture.

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 the Company since 1 July 2013.

By order of the Board

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D Stones
Secretary
3 April 2019

PERFORMING RIGHT SOCIETY LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PERFORMING RIGHT SOCIETY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Performing Right Society Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of financial position as at 31 December 2018; the Consolidated Income statement and Consolidated Statement of comprehensive income for the year then ended, the Consolidated Statement of cash flows for the year then ended, the Consolidated and Company Statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF PERFORMING RIGHT SOCIETY LIMITED

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Brian Henderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 APRIL 2019

PERFORMING RIGHT SOCIETY LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Revenue	**3**	745,990	716,977
Licensing and administrative expenses		(107,546)	(101,295)
Other operating income		12,737	13,862
Operating profit	**4**	651,181	629,544
Other investment income	**8**	1,627	2,020
Finance costs	**9**	(1,124)	(928)
Amounts appropriated - donations		(3,036)	(3,041)
Share of profit from joint ventures	**14**	595	569
Profit before taxation		649,243	628,164
Taxation	**10**	(227)	(227)
Net distributable income		649,016	627,937

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

The notes on pages 17 to 49 form an integral part of these financial statements.

PERFORMING RIGHT SOCIETY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Net distributable income		649,016	627,937
Funds attributable to members and affiliated societies		(648,984)	(627,911)
Actuarial gain/(loss) on defined benefit pension schemes	**26**	5,744	(5,102)
Foreign exchange gain on joint venture investments		81	114
Total comprehensive income/(expense) relating to the year		5,857	(4,962)

The notes on pages 17 to 49 form an integral part of these financial statements.

PERFORMING RIGHT SOCIETY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		2018		2017	
	Note	**£000**	**£000**	**£000**	**£000**
Fixed assets					
Intangible assets	**11**		23,148		24,346
Tangible assets	**12**		12,641		9,992
Investment properties	**13**		290		743
Investments	**14**		2,620		2,538
			38,699		37,619
Current assets					
Trade and other receivables: amounts falling due after more than one year	**19**	17,762		12,373	
Trade and other receivables: amounts falling due within one year	**19**	198,833		164,305	
Investments - short-term deposits	**24**	75,000		80,000	
Cash at bank and in hand		107,125		90,851	
		398,720		347,529	
Creditors: amounts falling due within one year	**21**	(464,446)		(413,362)	
Net current liabilities			(65,726)		(65,833)
Total assets less current liabilities			(27,027)		(28,214)
Creditors: amounts falling due after more than one year	**22**		(1,254)		(2,508)
Provisions for liabilities	**25**		(4,997)		(517)
Net liabilities excluding pension liability			(33,278)		(31,239)
Defined benefit pension liability	**26**		(29,271)		(37,167)
Net liabilities			(62,549)		(68,406)
Total equity			(62,549)		(68,406)

The financial statements on pages 10 to 49 were approved by the Board of Directors and authorised for issue on 3 APRIL 2019 and are signed on its behalf by:

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N Elderton
Director
Company Registration No. 00134396

The notes on pages 17 to 49 form an integral part of these financial statements.

PERFORMING RIGHT SOCIETY LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Current assets					
Trade and other receivables: amounts falling due after more than one year	**19**	5,208		6,131	
Trade and other receivables: amounts falling due within one year	**19**	263,929		198,464	
Investments - short-term deposits	**24**	70,000		75,000	
Cash at bank and in hand		71,339		79,134	
		410,476		358,729	
Creditors: amounts falling due within one year	**21**	(412,781)		(359,780)	
Net current liabilities			(2,305)		(1,051)
Creditors: amounts falling due after more than one year	**22**		(1,254)		(2,508)
Net liabilities			(3,559)		(3,559)
Total equity			(3,559)		(3,559)

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company income statement. The net distributable income for the Company for the year was £648,984,000 (2017: £627,911,000).

The financial statements on pages 10 to 49 were approved by the Board of Directors and authorised for issue on 3 APRIL 2019 and are signed on its behalf by:

N Elderton
Director
Company Registration No. 00134396

The notes on pages 17 to 49 form an integral part of these financial statements.

PERFORMING RIGHT SOCIETY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Total Equity £000
Balance at 1 January 2017		(63,444)
Year ended 31 December 2017:		
Net distributable income		627,937
Other comprehensive (expense)/income:		
Funds attributable to members and affiliated societies		(627,911)
Actuarial losses on defined benefit plans	**26**	(5,102)
Foreign exchange gains on investments		114
Total comprehensive expense for the year		(4,962)
Balance at 31 December 2017		(68,406)
Year ended 31 December 2018:		
Net distributable income		649,016
Other comprehensive (expense)/income:		
Funds attributable to members and affiliated societies		(648,984)
Actuarial gains on defined benefit plans	**26**	5,744
Foreign exchange gains on investments	**14**	81
Total comprehensive income for the year		5,857
Balance at 31 December 2018		(62,549)

The notes on pages 17 to 49 form an integral part of these financial statements.

PERFORMING RIGHT SOCIETY LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Total equity £000
Balance at 1 January 2017		(3,559)
Year ended 31 December 2017:		
Total comprehensive income for the year		627,911
Funds attributable to members and affiliated societies		(627,911)
Balance at 31 December 2017		(3,559)
Year ended 31 December 2018:		
Total comprehensive income for the year		648,984
Funds attributable to members and affiliated societies		(648,984)
Balance at 31 December 2018		(3,559)

The notes on pages 17 to 49 form an integral part of these financial statements.

PERFORMING RIGHT SOCIETY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	£000	2018 £000	£000	2017 £000
Cash flows generated from/(used in) operating activities					
Cash generated from operations	**31**		619,605		579,199
Amounts paid to members and affiliated societies			(600,017)		(591,447)
Finance costs paid			(1,124)		(928)
Income taxes refunded			-		1,309
Net cash inflow/(outflow) from operating activities			18,464		(11,867)
Investing activities					
Purchase of intangible assets		(5,717)		(8,859)	
Purchase of property, plant and equipment		(2,447)		(70)	
Proceeds on disposal of property, plant and equipment		3		-	
Proceeds on disposal of investment property		460		-	
Proceeds on joint venture capital repayments		594		445	
Interest received		1,991		1,810	
Funds redeemed from deposit accounts held > 3 months		25,000		54,000	
Net cash generated from investing activities			19,884		47,326
Net cash used in financing activities			-		-
Net increase in cash and cash equivalents			38,348		35,459
Cash and cash equivalents at beginning of year			95,851		62,539
Effect of foreign exchange rates			(2,074)		(2,147)
Cash and cash equivalents at end of year			132,125		95,851
Represented by:					
Investments held < 3 months			25,000		5,000
Cash at bank and in hand			107,125		90,851
			132,125		95,851

Deposits held for 3 months or less are shown as cash and cash equivalents and the comparatives have been aligned to this basis. In addition to cash and cash equivalents held above, the Group holds £50,000,000 (2017 - £75,000,000) in deposit accounts greater than 3 months.

The notes on pages 17 to 49 form an integral part of these financial statements. The Company has elected to take the exemption under FRS102, paragraph 1 - 12 (b) not to present the Company Statement of cash flows.

1 Accounting policies

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

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

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

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

Format of Income statement and Statement of financial position
The formats of the Income statement and Statement of financial position have been adapted from that prescribed by the Companies Act 2006 in order to better reflect the nature of the business.

Definitions:
'PRS' means Performing Right Society Limited.
'PfM' means PRS for Music Limited.
'MCPS' means Mechanical-Copyright Protection Society Limited.
'ICE Operations' means International Copyright Enterprise A.B.
'ICE Services' means International Copyright Enterprise Services Limited.
'NMP' means Network of Music Partners A/S.
'SOLAR' means SOLAR-Music Rights Management GmbH.
'PPL - PRS' means PPL PRS Limited.
'PPL' means Phonographic Performance Limited.
'GEMA' means Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte, a German collecting society.
'STIM' means Svenska Tonsättares Internationella Musikbyrå, a Swedish collecting society.

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

Entities in which the Group holds an interest on a long-term basis and are jointly controlled by the Group and one or more other ventures under a contractual arrangement are treated as joint ventures.

Entities, other than subsidiary undertakings or joint ventures, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence are treated as associates. In the Group financial statements associates, which have been assessed as being immaterial to the Group, are accounted for at cost. In the Company financial statements investments in subsidiaries, joint ventures and associates are accounted for at the lower of cost and net realisable value.

1 Accounting policies **(Continued)**

Basis of consolidation

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

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 Statement of financial position includes the PfM defined benefit scheme deficit and also reflects the impact of impairing the goodwill arising on the acquisition of PfM of £25,197,000 in 2013. As a result, the Group Statement of financial position has a net deficit of £62,549,000 at 31 December 2018 (2017 – £68,406,000). This has decreased from 2017 mainly as a result of the defined benefit scheme deficit decreasing from £37,167,000 to £29,271,000. PfM and the trustees of the pension schemes have agreed a recovery plan to fully fund the schemes by the end of 2030. Part of this plan is an agreed Group contribution per year of £3,500,000. There is also an investment strategy in place to reduce volatility in the future.

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

ICE Operations is fully and equally supported by its shareholders owing to the nature of services it supplies, without which the shareholders would not be able to provide services to their members. The Group's share of the loss for the year to 31 December 2018 was £68,000 (2017 – £154,000). ICE Operations is forecasting to cover its costs in future years and repay its loan finance over 10 years.

ICE Services is fully and equally supported by its shareholders and started trading in 2016. The Group's share of the profit for the year to 31 December 2018 was £840,000 (2017 - 668,000). ICE Services is forecasting to cover its costs in future years and repay its loan finance over 10 years.

SOLAR is fully and equally supported by its shareholders. The Group's share of the profit for the year to 31 December 2018 was £28,000 (2017 – share of loss of £33,000).

NMP is fully and equally supported by its shareholders. The Group's share of the result for the year to 31 December 2018 was £nil (2017 – £nil). It recharges all of its costs not covered by income from other customers to its shareholders. There was a repayment of capital during the year of £594,000 from NMP to PfM.

PPL - PRS is fully and equally supported by its shareholders and started licensing activities in 2018. The Group's share of the loss for the year to 31 December 2018 was £205,000 (2017 - £41,000). PPL - PRS is forecasting to make profits in future years and repay its loan finance over 5 years from the date of commencement of licensing activities in the joint venture.

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.

1 Accounting policies **(Continued)**

Revenue

Operating fees receivable

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

Licence revenue

Broadcasting, Public Performance revenue and Online 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.

Intangible fixed assets other than goodwill

Computer software and internally generated software costs are stated at cost less accumulated amortisation and accumulated impairment losses. Internally generated software costs, which are predominantly the staff costs of individuals contributing to the development of the asset, are capitalised as intangible assets when technical feasibility and future economic benefits have been established. Software is amortised over its estimated useful life on a straight line basis.

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

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be changed.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	5 years

Tangible fixed assets

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

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

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

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

1 Accounting policies **(Continued)**

Tangible fixed assets (continued)
Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will follow to the Group and the cost can be measured reliably.

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

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

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

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

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

Non-current investments
Investments are valued at cost less provisions where, in the opinion of the directors, there has been impairment in value.

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

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

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

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

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

1 Accounting policies **(Continued)**

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

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

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

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

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

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances and investments are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset’s original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Income statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

1 Accounting policies (Continued)

Financial instruments (continued)

Financial liabilities

Basic financial liabilities, including trade and other payables, amounts due to members and affiliated societies and loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

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

Derivatives

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

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

Taxation

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

Current tax

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

1 Accounting policies **(Continued)**

Deferred tax

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

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

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

Provisions

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

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

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

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

Employee benefits

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

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

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

1 Accounting policies **(Continued)**

Retirement benefits

Defined benefit pension plan

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

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

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

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

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

Defined contribution pension plan

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

1 Accounting policies **(Continued)**

Leases

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

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

Foreign exchange

Company

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

Group

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

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

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

Retirement benefit schemes

The Group has an obligation to pay pension benefits to members of the defined benefit pension schemes. The cost of these benefits and the present value of the obligation depend on a number of factors including life expectancy, inflation, asset valuations and the discount on corporate bonds. Management estimates these factors in determining the net pension obligation on the Statement of financial position and these estimates are based on recommendations from the Group's actuary. See note 26 for the disclosures relating to the defined benefit pension schemes.

Provisions

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

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

Impairment of joint ventures

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

Internally capitalised intangible assets

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

Impairment of debtors

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

3 Revenue

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

	2018 £000	2017 £000
Turnover		
Public Performance	192,029	198,136
Broadcast	127,686	134,545
Online	145,658	122,898
International	280,617	261,398
	745,990	716,977

Revenue analysed by geographical market

	2018 £000	2017 £000
United Kingdom, Channel Islands and Isle of Man	336,272	347,174
Europe	302,384	266,610
North America	58,547	55,037
Asia	15,814	14,717
Central and South America	17,353	16,639
Australasia	13,566	13,792
Africa and Middle East	2,054	3,008
	745,990	716,977

4 Operating profit

	2018 £000	2017 £000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	2,074	2,147
Depreciation/amortisation of fixed assets	8,594	9,661
Loss on disposal of tangible assets	945	60
Loss on disposal of intangible assets	134	195
Gain on sale of investment property	(7)	-
Operating lease charges	3,074	3,276

5 Auditors' remuneration

	2018	2017
Fees payable to the Group's auditors and their associates:	**£000**	**£000**
For audit services		
Audit of the financial statements of the Group and parent company	46	45
Audit of the Company's subsidiaries	77	75
	123	120
For other services		
Taxation compliance services	18	14
Other taxation services	22	24
All other non-audit services	132	130
	172	168

6 Employees

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

	2018 Number	2017 Number
Licensing	86	195
Distribution and membership	181	177
Support services	263	260
	530	632

Their aggregate remuneration comprised:

	2018 £000	2017 £000
Wages and salaries	31,980	35,668
Social security costs	3,323	3,795
Other pension costs	1,527	1,454
	36,830	40,917

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

7 Directors' remuneration

	2018 £000	2017 £000
Remuneration for qualifying services	1,376	1,478
Group pension contributions to defined contribution schemes	33	24
	1,409	1,502

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 - 1). No directors (2017: none) were members of the defined benefit schemes.

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

	2018 £000	2017 £000
Remuneration for qualifying services	870	974
Group pension contributions to defined contribution schemes	33	24

The remuneration of non-executive directors, excluding pension contributions, was £506,000 (2017 - £503,000). There were 24 non-executive directors at 31 December 2018 (2017 - 24).

The positions of Chairman and Deputy Chairmen of the Company were unchanged during the year. The remuneration of the Chairman, Nigel Elderton, was £61,000 (2017 - £60,000). The remuneration of the Deputy Chairman (Publisher), Chris Butler, was £32,000 (2017 - £32,000). The remuneration of Deputy Chairman (Writer), Simon Darlow, was £43,000 (2017 - £42,000). These are all included in the remuneration of non-executive directors' amount shown above.

8 Other investment income

	2018 £000	2017 £000
Interest income		
Interest on bank deposits	1,362	1,757
Other interest income	265	263
	1,627	2,020

9 Finance costs

	Note	2018 £000	2017 £000
Other finance costs:			
Interest and other past service costs related to the net defined benefit liability	**26**	1,124	928
		1,124	928

10 Taxation

	2018 £000	2017 £000
Origination and reversal of timing differences	227	227

The tax charge assessed for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit before taxation	649,243	628,164
Expected tax charge based on a corporation tax rate of 19.00% (2017 - 19.25%)	123,356	120,922
Tax effect of expenses that are not deductible in determining taxable profit	539	510
Depreciation on assets not qualifying for tax allowances	180	127
Deferred tax adjustments in respect of prior years	227	227
Deduction for allocable distributions	(123,313)	(120,874)
Adjustments relating to the pension fund	1,091	(982)
Deferred tax not provided on current year movement	(1,853)	297
Tax expense for the year	227	227

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

The Group has an unrecognised deferred tax asset of £13,510,000 (2017 - £15,931,000) made up of non-trading losses £nil (2017 - £nil), trading losses £5,456,000 (2017 - £5,777,000), pension contribution spreading of £1,077,000 (2017 - £1,567,000). In addition, there is an unrecognised deferred tax asset arising on the pension deficit of £4,114,000 (2017 - £5,390,000) and fixed asset and other timing differences of £2,863,000 (2017 - £3,197,000).

11 Intangible fixed assets

Group	**Software**
	£000
Cost	
At 1 January 2018	67,735
Additions	5,717
Disposals	(134)
At 31 December 2018	73,318
Accumulated amortisation	
At 1 January 2018	43,389
Amortisation charged for the year	6,781
At 31 December 2018	50,170
Carrying amount	
At 31 December 2018	23,148
At 31 December 2017	24,346

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

The Company had no intangible assets at 31 December 2018 or 31 December 2017.

12 Tangible fixed assets

Group	Leasehold land and buildings and building improvements	Systems and equipment	Motor vehicles	Total
	£000	£000	£000	£000
Cost				
At 1 January 2018	11,203	7,706	186	19,095
Additions	4,697	713	-	5,410
Disposals	(1,051)	(455)	(186)	(1,692)
At 31 December 2018	14,849	7,964	-	22,813
Accumulated depreciation				
At 1 January 2018	3,614	5,303	186	9,103
Depreciation	676	1,137	-	1,813
Eliminated in respect of disposals	(271)	(287)	(186)	(744)
At 31 December 2018	4,019	6,153	-	10,172
Carrying amount				
At 31 December 2018	10,830	1,811	-	12,641
At 31 December 2017	7,589	2,403	-	9,992

On 2 January 2019 the lease on the 7th floor of the Kings Cross building was assigned to a third party. As at 31 December 2018 the floor was cleared and not in use by the Group and, as such, a disposal of £0.6m for 7th floor assets has been recognised in the financial statements. Improvements previously made to the 8th floor, but removed in 2018, have also been disposed of and new leasehold improvements to the remaining floors have been capitalised, reflecting refurbishment carried out in the current year.

The Company had no tangible fixed assets at 31 December 2018 or 31 December 2017.

13 Investment properties

	Group	Company
	£000	£000
Fair value		
At 1 January 2018	743	-
Disposals	(453)	-
At 31 December 2018	290	-

The Group currently holds 1 (2017 - 2; one in Peterborough and one in Warrington) investment property in Warrington, which is a freehold property.

The Company has taken advantage of the exemption stated by section 35 paragraph 10 (c) of FRS 102 and adopts the fair value as deemed cost. During the year the property at Peterborough was sold for £460,000, generating a profit on disposal of £7,000. A valuation was carried out on the remaining property in June 2018. The directors have reviewed the assumptions of the valuations at the transition date and subsequently at 31 December 2018 and no significant variances were identified. Therefore, the reported fair value still represents the market value at reporting date.

14 Investments

	Notes	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Investments in joint ventures	**16**	2,388	2,306	-	-
Unlisted investments	**18**	232	232	-	-
		2,620	2,538	-	-

Movements in non-current investments

Group	**Joint ventures £000**	**Other £000**	**Total £000**
Cost or valuation			
At 1 January 2018	2,306	232	2,538
Share of profit from joint ventures	595	-	595
Capital repayment	(594)	-	(594)
Foreign exchange gain	81	-	81
At 31 December 2018	2,388	232	2,620
Impairment			
At 1 January 2018	-	-	-
At 31 December 2018	-	-	-
Carrying amount			
At 31 December 2018	2,388	232	2,620
At 31 December 2017	2,306	232	2,538

15 Subsidiaries

Details of the Group's subsidiaries at 31 December 2018 are as follows:

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

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

Performing Right Society Limited has guaranteed the liabilities of the above dormant subsidiaries, in order that they qualify for the exemption from audit under Section 394A or 479A (as appropriate) of the Companies Act 2006 in respect of the year ended 31 December 2018.

16 Joint ventures

Details of joint ventures at 31 December 2018 are as follows:

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

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

17 Associates

Details of associates at 31 December 2018 are as follows:

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

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

18 Significant undertakings

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

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

19 Trade and other receivables

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Amounts falling due within one year:				
Trade receivables	50,671	95,023	22,047	57,604
Amounts owed by related parties	104,206	27,243	66,093	-
Amounts owed by subsidiary undertakings	-	-	150,339	117,301
Amounts owed by joint ventures	5,908	3,047	-	-
Other receivables	34,159	35,934	25,450	23,559
Prepayments and accrued income	3,889	3,058	-	-
	198,833	164,305	263,929	198,464
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	5,208	6,131
Amounts owed by joint ventures	16,096	9,960	-	-
Other receivables	1,666	2,413	-	-
	17,762	12,373	5,208	6,131

19 Trade and other receivables **(Continued)**

Within amounts falling due within one year in the Company, an amount of £922,000 (2017 - £943,000) relates to the current element of the interest free loan to PfM. The loan relates to exceptional contributions into the defined benefit pension schemes made by PfM in 2005 and funded by the Company. The balances are repayable over 20 years and are contractually not interest-bearing. The loan is measured at the present value of the future payments discounted at a market rate of interest for a similar financial instrument. Over the period of the loan, interest payable is calculated and added to the loan using the effective interest method. At the transition date the loan was discounted at 6.5% (Bank of England rate at the inception date, 2005, plus 2%) and the shortfall credited to profit and loss reserve. The effect of discounting will unwind over the period of the loan as interest charged to the Income statement.

Trade receivables are stated after provisions for impairment of £10,848,000 (2017 - £3,892,000).

Loans receivable - ICE Operations

Three Swedish krona loans carried forward from 2017 are being paid in equal instalments until the end of 2020. The balances receivable at 31 December 2018 were SEK 8.8m (£710,000), SEK 0.5m (£40,000) and SEK 6.0m (£485,000).

A Swedish krona loan carried forward from 2017, previously being paid in equal instalments until the end of 2020 has been extended to the end of 2023. The balance receivable at 31 December 2018 was SEK 6.7m (£545,000).

A Swedish krona loan carried forward from 2017 is being paid in equal instalments until the end of 2024. The balance receivable at 31 December 2018 is SEK 2.7m (£220,000).

One Euro loan carried forward from 2017 is being paid in equal instalments until the end of 2020. The balance receivable at 31 December 2018 was €0.9m (£657,000).

One Euro loan carried forward from 2017 due from International Copyright Enterprises GmbH, a wholly owned subsidiary of ICE Operations, was previously being paid in equal instalments until the end of 2020 and has been extended to the end of 2023. The balance receivable at 31 December 2018 was €0.3m (£250,000).

One Euro loan, split into two phases, is carried forward from 2017 and is being repaid in equal instalments until the end of 2023. The balance receivable at 31 December 2018 was €1.4m (£1,216,000).

A new Euro loan was granted and drawn down upon in 2018 and will be repaid in equal instalments from 2019 to 2023. The balance receivable at 31 December 2018 was €1.9m (£1,620,000).

The interest rate for all loans is set per annum and is equal to the six-month Stockholm Interbank offered rate, referred to as STIBOR 6M, +1 or +2%. PfM had total loans of £5,743,000 receivable from ICE Operations and its subsidiaries at 31 December 2018 (2017 - £5,406,000).

Loans receivable – ICE Services

Three Euro loans carried forward from 2017 are being paid in equal instalments until the end of 2020. The balances receivable at 31 December 2018 were €1.3m (£1,023,000), €0.9m (£680,000) and €0.7m (£629,000).

The interest rate for these loans is set at the Bank of England Base rate +2%. Security is provided by a floating charge on the assets of ICE Services. PfM had total loans of £2,332,000 receivable from ICE Services at 31 December 2018 (2017 - £3,172,000).

19 Trade and other receivables (Continued)

Loans receivable – SOLAR Music Rights Management Limited

A Euro loan is carried forward from 2017 and is expected to be repaid by the end of 2021. The interest rate for this loan is set at the Bank of England Base rate +2%. PfM had total loans of £429,000 receivable from SOLAR Music Rights Management Limited, a wholly owned subsidiary of SOLAR-Music Rights Management GmbH, at 31 December 2018 (2017 - £429,000).

Loans receivable – PPL – PRS

A Pound sterling loan is carried forward from 2017 with a further amount of £9,500,000 advanced in 2018. The loan will be repaid in instalments between 2019 and 2023. The interest rate for this loan is set at the Bank of England Base rate +2%. PfM had total loans of £13,500,000 receivable from PPL - PRS at 31 December 2018 (2017 - £4,000,000).

20 Financial Instruments

As of June 2016 PfM has entered into forward foreign currency contracts on all currency loans made to ICE Operations, ICE Services and SOLAR. A fixed rate is agreed for the term of each loan and forward contracts are entered into for a year at a time and rolled forward until the maturity date, currently set at various dates until 2024. All forward contracts are recognised in the statement of financial position and are measured at fair value through the Income statement, using the fixed market value exchange rates agreed at the start of each forward contract. The value of forward contracts recognised in the Statement of financial position as at 31 December 2018 was £8,505,000 (2017: £9,007,000).

21 Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Amounts owed to members and affiliated societies	337,364	288,397	337,364	288,397
Trade payables	1,162	1,828	-	-
Amounts owed to MCPS	28,441	23,121	1,255	1,257
Other taxation and social security	3,719	3,138	665	720
Deferred revenue	70,447	61,705	70,447	61,705
Other payables	3,050	7,701	3,050	7,701
Accruals	20,263	27,472	-	-
	464,446	413,362	412,781	359,780

An amount of £27,186,000 (2017 - £21,864,000) is included within amounts due to MCPS, upon which the Group has no obligation to pay interest now or in the future and has no formal repayment terms.

22 Creditors: amounts falling due after more than one year

		Group		Company	
		2018	2017	2018	2017
	Note	£000	£000	£000	£000
Amounts owed to MCPS	**23**	1,254	2,508	1,254	2,508

23 Amounts owed to MCPS

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Loan from MCPS	2,509	3,765	2,509	3,765
Payable within one year	1,255	1,257	1,255	1,257
Payable after one year	1,254	2,508	1,254	2,508

The loan from MCPS is repayable in instalments up to 30 June 2020 and is free from interest. As part of the renegotiation of the service agreement in 2017 the repayment period was shortened from 1 January 2021. On adoption of FRS 102 the present value of the future payments were discounted at a market rate of interest for similar financial instruments. At the transition date the loan was discounted at 2.5% (Bank of England rate at the inception date, 2013, plus 2%) and the shortfall debited to profit and loss reserve. The effect of discounting will unwind over the period of the loan as interest charged to the Income statement. In 2018, interest charged was £76,000 (2017 - £296,000). The amount in 2017 included an adjustment of £221,000 as a result of the shortened repayment period.

24 Investments - short-term deposits

Investments are short-term bank deposits consisting of £25,000,000 (2017 - £5,000,000) held in an overnight deposit account, £nil (2017 - £25,000,000) held in 9 months notice and 95 days notice accounts at Lloyds and £50,000,000 (2017 - £50,000,000) held in 6 and 12 months notice accounts. £5,000,000 of these deposits are held in PfM (2017 - £5,000,000). The amounts held for 3 months or less are shown as cash and cash equivalents in the Consolidated statement of cash flows and the comparatives have been aligned to this basis.

25 Provisions for liabilities

		Group		Company	
		2018	2017	2018	2017
	Note	£000	£000	£000	£000
Relocation costs		-	2	-	-
Legal provisions		-	515	-	-
Restructuring provisions		2,035	-	-	-
Dilapidations provisions		2,962	-	-	-
		4,997	517	-	-
Retirement benefit obligations	**26**	29,271	37,167	-	-
		34,268	37,684	-	-

Movements on provisions apart from deferred tax liabilities:

Group	Relocation costs £000	Legal provisions £000	Restructuring provisions £000	Dilapidations provisions £000	Total £000
At 1 January 2018	2	515	-	-	517
Additional provisions in the year	-	-	2,035	2,962	4,997
Reversal of provision	(2)	-	-	-	(2)
Utilisation of provision	-	(515)	-	-	(515)
At 31 December 2018	-	-	2,035	2,962	4,997

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

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

26 Retirement benefit schemes

Defined contribution schemes	**2018**	**2017**
	£000	**£000**
Charge to Income statement in respect of defined contribution schemes	1,527	1,454

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

Defined benefit schemes

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

Valuation

In March 2016, the triennial valuations of the pension schemes were completed. The deficit funding plan was reassessed between the Group and the trustees of the schemes, with the deficit funding remaining at the same level as in prior years. The plan involves the Group making annual payments into the schemes in order to address the deficit by February 2028 for the MCPS-PRS Alliance Pension Scheme and June 2030 for the MCPS-PRS Alliance Pension Scheme (MPCS). The next triennial valuation will be taking place in March 2019, and will then be presented to the board for approval.

Key assumptions

	2018	**2017**
	%	**%**
Discount rate	2.9	2.5
Expected rate of increase of pensions in payment	3.2	3.1
Expected rate of salary increases	n/a	n/a
Expected rate of revaluation of deferred pensions	2.2	2.1
Expected rate of decrease of pensions in payment	n/a	n/a
Inflation	3.3	3.2

Mortality assumptions

Assumed life expectations on retirement at age 65:

	2018	**2017**
	Years	**Years**
Retiring today		
- Males	22.0	22.5
- Females	23.9	24.4
Retiring in 20 years		
- Males	23.4	24.0
- Females	25.4	25.9

26 Retirement benefit schemes **(Continued)**

This increase in the discount rate is a consequence of the increase in long-term Gilt yields between 31 December 2017 and 31 December 2018.

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. 2017 CMI mortality projections have been adopted in the assumptions on the basis that it is now widely accepted that reductions in mortality have not been as high as expected in previous projections.

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

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Present value of defined benefit obligations	30,532	38,654	-	-
Deficit in scheme	30,532	38,654	-	-
Deferred taxation balance relating to pension schemes	(1,261)	(1,487)	-	-
Total liability recognised	29,271	37,167	-	-

The defined benefit obligation comprises of £276,620,000 (2017 – £301,302,000) from plans that are wholly or partly funded.

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

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

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

26 Retirement benefit schemes **(Continued)**

Movements in the present value of defined benefit obligations

	MCPS-PRS Alliance Pension Scheme		MCPS-PRS Alliance Pension Scheme (MCPS)		Total	Total
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 January	(254,917)	(251,769)	(46,385)	(45,433)	(301,302)	(297,202)
Benefits paid	8,057	5,847	701	882	8,758	6,729
Interest cost	(6,272)	(6,719)	(1,151)	(1,215)	(7,423)	(7,934)
Past service costs	(200)	-	-	-	(200)	-
Actuarial gains/(losses)	19,542	(2,276)	4,005	(619)	23,547	(2,895)
At 31 December	(233,790)	(254,917)	(42,830)	(46,385)	(276,620)	(301,302)

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

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

	MCPS-PRS Alliance Pension Scheme		MCPS-PRS Alliance Pension Scheme (MCPS)		Total	Total
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Interest on net defined benefit pension liabilities	722	710	202	218	924	928
Past service costs	200	-	-	-	200	-
	922	710	202	218	1,124	928

26 Retirement benefit schemes **(Continued)**

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

	MCPS-PRS Alliance Pension Scheme	
	2018	**2017**
	£000	**£000**
Equity instruments	50,351	60,526
Debt instruments	81,820	87,428
Property	8,392	6,725
Cash	144	16,029
Hedge funds	56,645	47,076
Other	12,588	6,725
Fair value of scheme assets	209,940	224,509
Present value of scheme liabilities	(233,790)	(254,917)
	(23,850)	(30,408)
Related deferred tax asset	1,261	1,487
Net deficit	(22,589)	(28,921)

	MCPS-PRS Alliance Pension Scheme (MCPS)	
	2018	**2017**
	£000	**£000**
Equity instruments	6,867	4,575
Debt instruments	11,926	12,964
Property	-	-
Cash	8	774
Hedge funds	17,347	19,826
Fair value of scheme assets	36,148	38,139
Present value of scheme liabilities	(42,830)	(46,385)
	(6,682)	(8,246)
Related deferred tax asset	-	-
Net deficit	(6,682)	(8,246)
Total net pension deficit	(29,271)	(37,167)

26 Retirement benefit schemes **(Continued)**

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

	MCPS-PRS Alliance Pension Scheme	MCPS-PRS Alliance Pension Scheme (MCPS)	Total
	£000	£000	£000
As at 1 January 2017	223,933	37,145	261,078
Expected return on plan assets	6,009	997	7,006
Employer contributions	3,100	400	3,500
Benefits paid	(5,847)	(882)	(6,729)
Actuarial (losses)/gains	(2,686)	479	(2,207)
As at 31 December 2017	224,509	38,139	262,648
Expected return on plan assets	5,551	950	6,501
Employer contributions	3,100	400	3,500
Benefits paid	(8,057)	(701)	(8,758)
Actuarial losses	(15,163)	(2,640)	(17,803)
As at 31 December 2018	209,940	36,148	246,088

Actuarial (losses)/gains

	MCPS-PRS Alliance Pension Scheme		MCPS-PRS Alliance Pension Scheme (MCPS)		Total	Total
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
(Losses)/gains on plan assets	(15,163)	(2,686)	(2,640)	479	(17,803)	(2,207)
(Losses)/gains on plan liabilities	19,542	(2,276)	4,005	(619)	23,547	(2,895)
	4,379	(4,962)	1,365	(140)	5,744	(5,102)

The Company had no post-employment benefits at 31 December 2018 (2017: £nil).

27 Financial commitments, guarantees and contingent liabilities

Group and Company

Capital expenditure authorised and contracted for at 31 December 2018 was £nil (2017 – £nil).

The annual donation to the PRS for Music Foundation in 2018 remained at £3,000,000 (2017 - £3,000,000).

28 Operating lease commitments

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

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

	Group		**Company**	
	2018	**2017**	**2018**	**2017**
	£000	**£000**	**£000**	**£000**
Within one year	3,668	3,656	-	-
Between two and five years	14,619	14,546	-	-
In over five years	19,796	23,322	-	-
	38,083	41,524	-	-

On 2 January 2019, the Group assigned the lease on the 7th floor of 2 Pancras Square to a third party. All of the risks and rewards of the contract transferred upon assignment of the lease. The future minimum lease payments disclosed above include the costs of the 7th floor lease that the Group was still committed to as at 31 December 2018.

29 Related party transactions

Group

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

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

During 2018, total royalties paid by PRS to the directors who held office during the year, and to parties related to the directors, amounted to £103,352,000 (2017 – £116,571,000). £102,265,000 (2017 – £115,474,000) of this was paid to publisher directors and parties related to the publisher directors, and £1,087,000 (2017 – £1,097,000) was paid to the writer directors and parties related to the writer directors. These royalties were calculated on the same basis as royalties paid to all members and are paid in accordance with the society's normal procedures.

PfM received services from ICE Operations and its subsidiaries to the value of £5,080,000 (2017 – £5,430,000). PfM also charged ICE Operations an amount of £nil (2017 – £nil) for services provided and was owed a balance of £nil (2017 – £nil) and had costs to recharge of £nil at the year end (2017 - £nil).

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

During the year PfM charged ICE Services an amount for services provided of £2,530,000 (2017 - £2,270,000), paid commissions of £6,530,000 (2017 - £3,338,000) and paid service charges of £406,000 on PRS legacy deals (2017 - £1,884,000). PfM was owed a balance of £1,084,000 (2017 - £862,000) and had costs to recharge of £277,000 (2017 - £973,000) at the year end.

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

PfM received services from NMP to the value of £2,564,000 (2017 – £2,570,000). PfM also charged NMP an amount of £198,000 (2017 – £207,000) for services provided and was owed a balance of £15,000 (2017 – £17,000) at the year end.

During the year PfM charged SOLAR an amount of £nil (2017 - £nil) for services provided and paid commissions of £4,393,000 (2017 - £3,021,000). PfM was owed a balance of £nil (2017 - £nil) at the year end.

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

During the year PfM paid fees to UK Music 2009 Limited of £602,000 (2017 – £571,000). PfM owed a balance of £nil (2017 – £nil) at the year end.

PfM also received services from FT, The Digital Copyright Network SAS of £230,000 (2017 – £256,000). PfM owed £nil (2017 – £nil) at the year end.

During the year, PfM provided operational services to MCPS, a company with common directors, under the terms of a service level agreement. The value of the service was £12,737,000 (2017 - £13,862,000). At the year end PfM was owed a balance of £2,031,000 (£2,381,000) from MCPS and had fees to charge of £2,069,000 (2017 - £1,738,000).

During the year, PfM provided subsidised services including accommodation to Music Publishers Association Limited (MPA), an organisation chaired by Jackie Alway, a director of PRS for Music Limited and Performing Right Society Limited. MPA is the parent undertaking of MCPS. The value of the subsidy for 2018 has been estimated as £140,000 (2017 – £127,000). PfM was owed a balance of £nil (2017 - £nil) at the year end.

29 Related party transactions **(Continued)**

During the year the Company made donations of £35,000 (2017 - £35,000) and PfM provided subsidised services including accommodation to The PRS Members' Benevolent Fund. The value of the subsidy for 2018 has been estimated as £42,000 (2017 – £42,000). PfM also charged an amount of £213,000 (2017 - £202,000) for other services provided. PfM was owed a balance of £nil (2017 - £6,000) and had costs to recharge of £15,000 (2017 - £16,000) at the year end.

During the year the Company made donations of £3,000,000 (2017 - £3,000,000) and PfM provided subsidised services including accommodation to The Performing Right Society Foundation Limited. The value of the subsidy for 2018 has been estimated as £89,000 (2017 – £85,000). PfM also charged an amount of £7,000 (2017 - £15,000) for other services provided. PfM was owed a balance of 2,000 (2017 - £1,000) at the year end.

During the year, PfM provided subsidised services including accommodation to the British Academy of Songwriters, Composers and Authors, an organisation with common directors. The value of the subsidy for 2018 has been estimated as £98,000 (2017 - £73,000). During the year PfM was also charged an amount of £234,000 (2017 - £220,000) for sponsorship. There were no amounts outstanding at the end of the current or previous year.

During the year PfM recharged PPL - PRS an amount for costs incurred of £9,679,000 following the launch of the joint venture, and had costs to recharge of £175,000 at 31 December (2017 - costs to recharge of £7,874,000). Additionally, the Group incurred service charges of £14,759,000 (2017 - £2,273,000) during the year. The Group was owed a balance of £12,679,000 (2017 - £nil) at the year end for public performance collections made by PPL-PRS.

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

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

30 Directors' transactions

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

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

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

See note 7 for disclosure of directors' remuneration.

31 Cash flows generated from operations

	2018 £000	2017 £000
Net distributable income	649,016	627,937
Adjustments for:		
Finance costs	1,124	928
Investment income	(1,627)	(2,020)
Loss on disposal of tangible assets	945	60
Gain on disposal of investment property	(7)	-
Loss on disposal of intangible assets	134	195
Amortisation and impairment of intangible assets	6,781	8,023
Depreciation and impairment of tangible assets	1,813	1,638
Foreign exchange losses on cash equivalents	2,074	2,147
Share of profit in joint ventures	(595)	(569)
Pension scheme non-cash movement	(2,152)	(2,345)
Increase/(decrease) in provisions	1,518	(1,184)
Movements in working capital:		
Increase in trade and other receivables	(40,280)	(60,762)
Increase in trade and other payables	861	5,151
Cash flows generated from operations	619,605	579,199

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