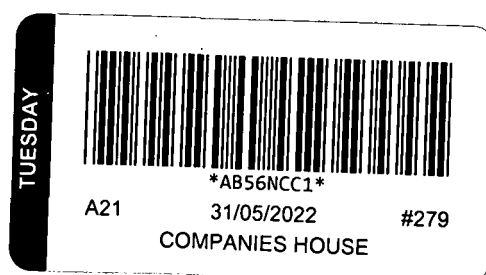


Company Registration No. 03444246 (England and Wales)

**PRS FOR MUSIC LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**



# PRS FOR MUSIC LIMITED

## COMPANY INFORMATION

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**Directors*****Writers***

S Levine  
D Masters  
J Nott  
P Pope

***Publishers***

J Alway  
A Bebawi  
C Butler  
S Platz

***Independent directors***

S Davidson  
E Ingham  
G Mansfield  
T Toumazis

***Executive director***

A Czapary Martin

**Company Secretary**

J Aitken

**Company number**

03444246

**Registered office**

Goldings House  
2 Hays Lane  
London  
United Kingdom  
SE1 2HB

**Independent auditor**

Deloitte LLP  
1 New Street Square  
London  
United Kingdom  
EC4A 3HQ

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

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# PRS FOR MUSIC LIMITED

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# **PRS FOR MUSIC LIMITED**

## **STRATEGIC REPORT**

### ***FOR THE YEAR ENDED 31 DECEMBER 2021***

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The directors present the Strategic report on the Company for the year ended 31 December 2021.

#### **Review of the business**

PRS for Music Limited (the "Company") has continued to provide operational services to its parent company, Performing Right Society Limited ("PRS") (together, the "Group"), and has continued to be a service provider to Mechanical-Copyright Protection Society Limited ("MCPS"). The service to MCPS is provided under a service level agreement with PRS which has operated since 1 July 2013. A new 5-year contract came into effect from 1 July 2021.

The net value of the defined benefit pension schemes, as calculated under FRS 102, increased from a deficit of £25,412,000 to a surplus of £20,901,000 during the year, mainly attributable to the growth in asset values and favourable actuarial variances in long term gilt yields between 31 December 2020 and 31 December 2021.

The performance of the business in 2021 has been in line with expectations. As PfM is a service company, there has been no material impact of Covid-19 directly on the Company. The ongoing impact of Covid-19 on the wider Group is discussed in the PRS Consolidated financial statements.

Due to the principal activities of the Company being to provide operational services, the key financial and other performance indicators are analysed at a Group, as opposed to Company level. These are shown in the financial statements of PRS, which can be obtained by request in writing to Performing Right Society Limited, Goldings House, 2 Hays Lane, London, SE1 2HB.

#### **Principal risks and uncertainties**

The Company exists to operate substantially all of the business activities of its parent company, PRS, and act as a service provider to MCPS. As a result, the extent to which it is exposed to competitive, legislative, technology and price risk is limited.

The Company is exposed to liquidity risk, as it is heavily reliant on the continued financial support of its parent company, PRS, but PRS, in turn, is reliant on the Company for the operation of its business.

The Company has in place a framework to ensure that it has sufficient financial resources to meet its objectives and manage financial risk. The use of financial derivatives is governed by policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages this risk with well-established credit control procedures and ensuring that any amounts due from related parties or joint ventures are proactively monitored against agreed repayment terms.

The principal risks to which PRS is exposed are described in full in the PRS Consolidated financial statements.

# PRS FOR MUSIC LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### **Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006**

This statement sets out below how the board of directors of PRS for Music Limited have had regard to the matters set out in s172(1)(a-f) of the Act when performing their duty under section 172 of the Companies Act. This requires directors to act in the way they consider, in good faith, would be most likely to promote the success of PFM for the benefit of its members as a whole having regard (amongst other matters) to certain factors including likely long term consequences, stakeholder interests and the desirability to maintain high standards of business conduct.

Other than the Chief Executive Officer (CEO), all directors of the PFM board are non-executive directors, comprising writer members, publisher members and independent non-executive directors. The PFM board is responsible for the operational matters of the Group. In addition, certain responsibilities are delegated to PFM board committees (Conflicts, Licensing and Distribution) which are chaired by independent non-executive directors. New directors inducted into PRS are made aware of their directors' duties including section 172(1) of the Companies Act 2006. Induction materials are regularly refreshed and made available to all directors via board portal software and further advice on directors' duties can be obtained from the company secretary.

#### **Stakeholder engagement**

The PFM board is conscious of the impact its business decisions has on stakeholders and the long term consequences of those decisions. It believes in effective engagement with its stakeholders, understanding their views, and also acting fairly with regard to its members. PFM also strongly believes in promoting a culture of inclusion and collaboration, which are integral values underpinning the way in which the Company operates. The key stakeholders for the Company are:

#### *Employees*

Employees are central to the delivery of the purpose, vision and long-term success. The impact of Covid-19 continued into 2021 and health, safety and support for employees mental health and wellbeing remains a priority for the board. A key strategic imperative reviewed at each meeting by the board is to build a high performing and engaged team. During the year, the corporate engagement plan was developed and presented to employees to increase effectiveness of leadership, embed diversity and inclusion, raise employee engagement and satisfaction and expand opportunities for development. The board supported the move to a new office hub to create a collaborative space and support flexible ways of working.

#### *Customers*

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

#### **Decision making**

At the PFM board meetings during the year, together with any other consultation and approvals sought between board meetings, some of the key considerations have been:

#### *Covid-19 response plan*

In response to the pandemic the Group quickly defined its guiding principles as to protect the livelihood and safety of its employees in the first instance, in order to maintain services and key activities to ensure the livelihoods of the members we represent. These guiding principles continued through 2021, with a focus on recovery, maximising revenue and distributions, and cost savings.

#### *Office location*

Contributing to the cost saving efforts, the decision to move out of 2 Pancras Square into a smaller hub in Central London was approved by the PFM board during 2020 and in June 2021 the lease was assigned to a third party. The new Hub in London Bridge opened in November 2021, incorporating ideas and feedback from the business about the look and feel of the space and also reusing 60% of the furniture from the vacated premises at Kings Cross. Although the Hub opened with an initial footprint of 9,677 sq ft, PRS will expand its footprint to 28,212 sq foot later in the year and the plan is for all staff to be together in the one location by the end of 2022. In line with PRS corporate objectives, the new Hub is intended to promote a new way of working which offers greater flexibility to employees and to fully support hybrid working, whilst reducing the total footprint by c45% compared to 2020.

## PRS FOR MUSIC LIMITED

### STRATEGIC REPORT (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### Energy consumption and sustainability

The Group is committed to sustainability and has taken measures to reduce its Carbon footprint and the consequent impact on climate change. Examples of incentives already in place prior to 2021 include:

- Participation in the cycle to work scheme.
- A 'digital-first' approach to document and other information sharing in the first instance.
- A season ticket loan scheme to support employees to commute to the office using public transport.

These incentives continued during 2021 and PRS continued to commit to and promote sustainability in other ways, such as launching new ways of hybrid working and recycling and reusing 60% of the existing furniture when it moved its office space from Kings Cross to London Bridge during the year.

#### GHG emissions and energy use for 2021 financial year

The Group have reported on all of the emission sources required under The Streamlined Energy and Carbon Reporting Regulations (SECR) and the financial control approach has been used to determine which entities should be included in the data collection process.

Energy & Carbon conversion factors from the 'UK Government GHG Conversion Factors for Company Reporting' published annually by the UK Government have been used for calculation purposes, based on the fuel bills received by the Group during the reporting period.

GHG emissions data for period 1 January 2021 to 31 December 2021:

	2021		2020
	Amounts in units	Tonnes of CO2e	Tonnes of CO2e
<b>Scope 1 &amp; 2</b>			
Purchase of electricity	447,252 kwh	155	104
Purchase of Gas	166,539 kwh	45	31
<b>Total</b>		<b>200</b>	<b>135</b>
<b>Scope 3</b>			
Travel related activities	43,998 km	6	0
<b>Total</b>		<b>6</b>	<b>0</b>
		<b>Tonnes of CO2e</b>	<b>206</b>
			<b>135</b>
	Tonnes of CO2e per employee	<b>0.44</b>	<b>0.29</b>
	Tonnes of CO2e per £m of Revenue	<b>0.26</b>	<b>0.21</b>

2020 was the first year of reporting and was also an exceptional year, with Covid-19 impacting both business operations and ways of working through office closures and remote working. Although 2021 was also exceptional in many ways, it was perhaps less so than 2020 and the main drivers for the increase in carbon emissions in 2021 are:

- PRS offices being open for longer periods during 2021 as a result of easing restrictions and fewer lockdowns.
- A small increase in staff travel as restrictions eased from Q2.

## **PRS FOR MUSIC LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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The intensity ratios used are Tonnes of CO2e per employee and Tonnes of CO2e per £m of Revenue, which are considered to be appropriate for the nature of the Groups' operations. Tonnes of CO2e per £m of Revenue has not increased at the same proportion as the metric based upon number of employees. This is driven by an increase in revenue following recovery from Covid-19, whereas employee numbers have remained fairly consistent year on year.

Due to the ongoing presence of Covid-19 in 2021, the metrics reported do not yet give us a clear view of normalised emissions across the Group. PRS will continue to monitor its carbon emissions closely during 2022, as it settles into new premises, embeds new ways of working and reviews its Travel policy, with a view to agreeing and reporting clear targets and ambitions for 2023 onwards.

The Group's environmental strategy concentrates on applying more green practices and procedures designed to address climate change and sustainability. By investing in more environmental sustainability, there is an opportunity to reduce business risk, improve reputation as well as provide prospective cost savings. The main strategies employed by the Group are:

- Recycling: Offices are set up to encourage recycling and responsible disposal of waste products.
- Reducing energy use across the Group wherever possible.
- Sustainable procurement: Wherever possible, sustainability-oriented suppliers are chosen.
- Awareness and responsible attitude: The employees are educated as to the need for awareness and responsibility through the corporate intranet and regular communications.

This report was approved by the Board and signed on its behalf by



.....  
Andrea Czapary Martin  
**Director**  
6 April 2022

# **PRS FOR MUSIC LIMITED**

## **DIRECTORS' REPORT**

### ***FOR THE YEAR ENDED 31 DECEMBER 2021***

---

The directors present their Annual Report and financial statements for the year ended 31 December 2021.

#### **Principal activities**

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

#### **Directors**

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

#### ***Writers***

S Darlow (resigned 19 May 2021)  
E Gregson (resigned 19 May 2021)  
S Levine  
D Masters  
J Nott (appointed 7 July 2021)  
P Pope (appointed 13 July 2021)

#### ***Publishers***

J Alway  
A Bebawi  
C Butler  
S Platz

#### ***Independent directors***

S Cooke (resigned 31 March 2021)  
S Davidson  
E Ingham (appointed 19 May 2021)  
G Mansfield (appointed 8 December 2021)  
M Poole (resigned 19 May 2021)  
T Toumazis

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

N Elderton (resigned 1 January 2021)

#### ***Executive director***

A Czapary Martin

#### **Results and dividends**

The results for the year are set out on page 13. No interim dividends were paid. The directors do not recommend payment of a final dividend (2020 - £nil).

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

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 S234. Such qualifying third party indemnity provision was in force during the financial year and at the date of approving the Directors' report.

#### **Items covered in the Strategic report**

The following items required by law to be included in the Directors' report have been covered in the Strategic report: Section 172(1) Statement, Energy & Carbon statement, Principal risks and uncertainties and Future developments.



## **PRS FOR MUSIC LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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##### **Political donations**

There were no political donations made during the year (2020 - £nil).

##### **Disabled persons**

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

##### **Equal opportunity**

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

##### **Employee involvement**

The Company recognises the importance of keeping employees informed of all developments regarding the Company's work and progress and to this end, copies of all the publications produced by the Company are freely available to all employees. To achieve a common understanding and awareness amongst all employees of the Company's plans, an extensive briefing and consultation process operates.

##### **Future developments**

The directors are confident that the Company's principal customer, PRS, will continue to require the Company to deliver services on its behalf for the foreseeable future and negotiations between PRS and MCPS to review the terms of the service agreement concluded during the year, with a new agreement commencing from 1 July 2021. The directors are aware that its customers will require the Company to continue to improve the efficiency of the services that it delivers and to that end are actively pursuing a series of initiatives to deliver greater efficiency.

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

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **PRS FOR MUSIC LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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##### **Auditor**

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 Company's auditor is 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 Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte as auditor will be proposed at the forthcoming Annual General Meeting.

##### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report and the Directors' report. The Statement of financial position reflects the impact of assuming £25,197,000 of historic liabilities when the MCPS-PRS Alliance dissolved in 2013. As a result, PFM has a net deficit of £12,499,000 at 31 December 2021 (2020 – £58,746,000). This has decreased from 2021 mainly as a result of the defined benefit scheme deficit improving from a net deficit of £25,412,000 to a net surplus of £20,901,000. In March 2022, the latest triennial valuations of the pension schemes were completed. The deficit funding plan has been reassessed between PFM and the trustees of the schemes, following a significant improvement in the valuation of the schemes. The approved plan involves the Group continuing to make annual payments into both schemes through to June 2030, albeit at a reduced combined contribution value, with the intention of both schemes reaching self-sufficiency by December 2032.

The balances due to PRS are as a result of the operational nature of the relationship and the Company has received written confirmation of the financial support from PRS for a period of at least twelve months from the approval of the financial statements. The Directors, having made sufficient enquiries, are satisfied that PRS would be in a position and is willing to provide the level of support required. As a result, the Directors continue to adopt the going concern basis in preparing the financial statements.

##### **Covid-19**

As PFM is a service company, there has been no material impact of Covid-19 directly on the Company. The Company made no use of government support schemes in 2021 (2020 - £47,000). The impact of Covid-19 on the wider Group is discussed in the PRS Consolidated financial statements.

##### **Events after the balance sheet date**

Details of significant events since the balance sheet date are contained in note 27 to the financial statements. There are no events which require adjustments to the financial statements.

##### **Research and development**

During 2021, the Company continued projects to develop its intangible assets.

##### **Financial risk management**

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The management of principal risks and uncertainties is disclosed within the Strategic report, as permitted under s414C(11) of the Companies Act 2006.

## **PRS FOR MUSIC LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **Corporate Governance**

The Company has a corporate governance framework in place, including matters reserved for Board approval and a scheme of delegated authority. As the Company is a wholly owned subsidiary of PRS, its Board of Directors comprises writer and publisher members elected from the Board of its parent company as well as four independent directors, the Executive Director and the Chair of the Members' Council as an observer. It is responsible for oversight of the Company's business activities in accordance with mandated authority from PRS, including the provision of operational services to PRS such as licensing and distribution administration. There are six scheduled Board meetings during each year, along with a number of other meetings with senior management, during which matters of strategic, commercial, operational and financial importance are discussed. Board meetings are supported by a robust level of reporting from the Company's executive management team, in the form of written papers and presentations at each meeting. The Board is supported by the following sub-committees; the Conflicts Committee, the Distribution Committee and the Licensing Committee and these comprise directors from PRS as well as directors of the Company. The Audit Committee and the Nomination and Remuneration Committees report directly into the Members Council (formerly PRS Board).

This report was approved by the Board and signed on its behalf by:



.....  
Andrea Czapary Martin  
Director  
6 April 2022

# PRS FOR MUSIC LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF PRS FOR MUSIC LIMITED

---

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

##### **Opinion**

In our opinion the financial statements of PRS for Music Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income statement;
- the Statement of comprehensive income;
- the Statement of financial position;
- the Statement of changes in equity; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

##### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## PRS FOR MUSIC LIMITED

### INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF PRS FOR MUSIC LIMITED

---

#### ***Other information (continued)***

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

#### ***Responsibilities of directors***

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

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

#### ***Auditor 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### ***Extent to which the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Streamlined Energy & Carbon Reporting regulations.

We discussed among the audit engagement team and relevant internal specialists such as tax, pensions and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

## **PRS FOR MUSIC LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF PRS FOR MUSIC LIMITED**

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#### ***Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)***

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Management override of controls: in common with all audits under ISAs (UK), we are required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

#### **Report on other legal and regulatory requirements**

##### ***Opinions on other matters prescribed by the Companies Act 2006***

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

##### ***Matters on which we are required to report by exception***

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

## **PRS FOR MUSIC LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF PRS FOR MUSIC LIMITED**

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#### **Use of our report**

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



Chris Donovan (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

6 April 2022

**PRS FOR MUSIC LIMITED****INCOME STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
Revenue	3	107,554	86,155
Administrative expenses		(104,545)	(86,054)
<b>Operating profit</b>	<b>4</b>	<b>3,009</b>	<b>101</b>
Investment income	7	833	674
Finance costs	8	(749)	(1,157)
<b>Profit/(loss) before taxation</b>		<b>3,093</b>	<b>(382)</b>
Taxation on profit/(loss)	9	4,616	(271)
<b>Profit/(loss) for the financial year</b>		<b>7,709</b>	<b>(653)</b>

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

The notes on pages 17 to 44 form an integral part of these financial statements



**PRS FOR MUSIC LIMITED****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
<b>Profit/(loss) for the financial year</b>		<u>7,709</u>	<u>(653)</u>
<b>Other comprehensive income</b>			
Actuarial gain on defined benefit pension schemes	21	43,917	11,603
Deferred tax on actuarial differences		<u>(5,379)</u>	<u>-</u>
<b>Other comprehensive income for the year</b>		<u>38,538</u>	<u>11,603</u>
<b>Total comprehensive income for the year</b>		<u>46,247</u>	<u>10,950</u>

The notes on pages 17 to 44 form an integral part of these financial statements

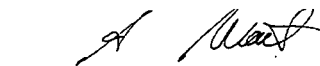
# PRS FOR MUSIC LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Intangible assets	10	19,603	21,540
Tangible assets	11	5,890	10,089
Investments	12	4,084	4,068
Defined benefit pension surplus	21	25,218	-
		<u>54,795</u>	<u>35,697</u>
<b>Current assets</b>			
Trade and other receivables: amounts falling due after more than one year	16	14,871	18,235
Trade and other receivables: amounts falling due within one year	16	69,941	73,260
Investments - short term deposits		5,091	5,089
Cash at bank and in hand		10,486	17,575
		<u>100,389</u>	<u>114,159</u>
<b>Creditors: amounts falling due within one year</b>	18	(158,037)	(175,393)
Net current liabilities		<u>(57,648)</u>	<u>(61,234)</u>
<b>Total assets less current liabilities</b>		<u>(2,853)</u>	<u>(25,537)</u>
<b>Creditors: amounts falling due after more than one year</b>	19	(2,578)	(3,430)
Provisions for liabilities	20	(2,751)	(4,367)
Defined benefit pension liability	21	(4,317)	(25,412)
<b>Net liabilities</b>		<u>(12,499)</u>	<u>(58,746)</u>
<b>Equity</b>			
Called up share capital	22	1	1
Other reserves	23	17,002	17,002
Accumulated losses		(29,502)	(75,749)
<b>Total equity</b>		<u>(12,499)</u>	<u>(58,746)</u>

The financial statements on pages 13 to 16 were approved by the Board of Directors and authorised for issue on 6 April 2022 and are signed on its behalf by:

  
 .....  
 Andrea Czapary Martin  
 Director

Company Registration No. 03444246

The notes on pages 17 to 44 form an integral part of these financial statements

**PRS FOR MUSIC LIMITED****STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	Called up share capital £000	Other reserves £000	Accumulated losses £000	Total Equity £000
<b>Balance at 1 January 2020</b>		1	17,002	(86,699)	(69,696)
<b>Year ended 31 December 2020:</b>					
Loss for the financial year		-	-	(653)	(653)
Other comprehensive income:					
Actuarial gains on defined benefit plans	21	-	-	11,603	11,603
Total comprehensive income for the year		-	-	10,950	10,950
<b>Balance at 31 December 2020</b>		1	17,002	(75,749)	(58,746)
<b>Year ended 31 December 2021:</b>					
Profit for the financial year		-	-	7,709	7,709
Other comprehensive income:					
Actuarial gains on defined benefit plans	21	-	-	43,917	43,917
Tax relating to other comprehensive income		-	-	(5,379)	(5,379)
Total comprehensive income for the year		-	-	46,247	46,247
<b>Balance at 31 December 2021</b>		1	17,002	(29,502)	(12,499)

The notes on pages 17 to 44 form an integral part of these financial statements

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

#### Company information

PRS for Music Limited ("the Company") is a private company limited by shares, domiciled and incorporated in the United Kingdom, England and Wales. The registered office is Goldings House, 2 Hays Lane, London, SE1 2HB, United Kingdom. The Company is a wholly-owned subsidiary of Performing Right Society Limited, which prepares group financial statements. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

#### Statement of compliance

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

The Company has taken advantage of the exemption from preparing a statement of cash flows available under section 7 of FRS 102, on the basis that it is a qualifying entity and the consolidated statement of cash flows included in the financial statements of the parent undertaking includes the Company's cash flows. Group financial statements can be obtained by request in writing to Performing Right Society Limited, 2 Hays Lane, London, SE1 2HB, United Kingdom.

#### Basis of preparation

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

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

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

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

#### Definitions

'PRS' means Performing Right Society Limited

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

'MCPS' means Mechanical-Copyright Protection Society Limited

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

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

'ICE Services' means International Copyright Enterprise Services Limited

'SOLAR' means SOLAR-Music Rights Management GmbH

'PPL - PRS' means PPL PRS Limited

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

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

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report and the Directors' report. The Statement of financial position reflects the impact of assuming £25,197,000 of historic liabilities when the MCPS-PRS Alliance dissolved in 2013. As a result, PFM has a net deficit of £12,499,000 at 31 December 2021 (2020 – £58,746,000). This has decreased from 2021 mainly as a result of the defined benefit scheme deficit improving from a net deficit of £25,412,000 to a net surplus of £20,901,000. In March 2022, the latest triennial valuations of the pension schemes were completed. The deficit funding plan has been reassessed between PFM and the trustees of the schemes, following a significant improvement in the valuation of the schemes. The approved plan involves the Group continuing to make annual payments into both schemes through to June 2030, albeit at a reduced combined contribution value, with the intention of both schemes reaching self-sufficiency by December 2032.

The balances due to PRS are as a result of the operational nature of the relationship and the Company has received written confirmation of the financial support from PRS for a period of at least twelve months from the approval of the financial statements. The Directors, having made sufficient enquiries, are satisfied that PRS would be in a position and is willing to provide the level of support required. As a result, the Directors continue to adopt the going concern basis in preparing the financial statements.

#### Revenue

##### *Operating fees receivable*

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

#### Intangible fixed assets

Computer software and internally generated software costs are stated at cost less accumulated amortisation and accumulated impairment losses. 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, control of the asset and future economic benefits have been established.

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

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

Software	3 - 7 years
----------	-------------

#### Tangible fixed assets

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

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

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

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

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

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

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

Tangible 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 and loss and included in "Other operating (losses)/gains".

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

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

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

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

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

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

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

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

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

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### Cash and cash equivalents

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

#### Financial instruments

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

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

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

#### Financial assets

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

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

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

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

#### Financial liabilities

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

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

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

## PRS FOR MUSIC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

#### 1 Accounting policies

(Continued)

##### Financial Instruments (continued)

###### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

###### **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.

###### **Foreign exchange**

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

###### **Investment Income**

Interest income is recognised on an accruals basis when the Company's right to receive payment have been established, provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.



# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### Taxation

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

#### Current tax

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

#### Deferred tax

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

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

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

#### Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

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

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

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### Employee benefits

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

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

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

#### Retirement benefits

##### *Defined benefit pension plan*

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

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

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

Actuarial gains and losses are recognised in full in the Statement of comprehensive income in the period in which they occur. Any tax impact relating to the defined benefit pension scheme is recognised in the Income statement.

The defined benefit pension surplus 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. Under FRS102, the Company is permitted to recognise a defined benefit pension surplus if the rules of the scheme entitle the Company to recover the surplus either through reduced contributions in the future or through refunds from the plan. The value of a net defined benefit pension surplus is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### Retirement benefits (continued)

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

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

##### **Leases**

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

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

### 2 Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements (other than those involving estimations), that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

##### **Critical judgements and estimates**

Management believe that there have been no critical judgements made and the following estimates have had the most significant effect on amounts recognised in the financial statements.

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

The Company has an obligation to pay pension benefits to members of the defined benefit pension schemes. The cost of these benefits and the present value of the obligation depend on a number of factors including life expectancy, inflation, asset valuations and the discount on corporate bonds. Management estimates these factors in determining the net pension obligation on the Statement of financial position and these estimates are based on recommendations from the Company's actuary, Aon. See note 21 for the disclosures relating to the defined benefit pension schemes.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 3 Revenue

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

	2021 £000	2020 £000
<b>Revenue</b>		
Operating fees receivable from PRS	107,554	86,155

#### Revenue analysed by geographical market

	2021 £000	2020 £000
United Kingdom	107,554	86,155

### 4 Operating profit

	2021 £000	2020 £000
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	3,444	(1,607)
Fees payable to the Company's auditor for the audit of the Company's financial statements	139	128
Depreciation/amortisation of fixed assets	7,751	7,744
Loss on disposal of tangible assets	5,345	8
Loss on impairment of investment	-	232
Loss on disposal of intangible assets	1,170	739
Operating lease charges	667	2,526

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

### 5 Employees

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

	2021 Number	2020 Number
Licensing	44	45
Distribution and membership	163	163
Support services	260	256
	467	464

All employee costs are incurred by the Company and are presented on the following page. Employee costs, which includes the CEO as the highest paid Director, have increased in 2021 due primarily to a capped company-wide incentive scheme being reinstated. The scheme was largely cancelled in 2020 as a result of the impact of Covid-19.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 5 Employees

(Continued)

Their aggregate remuneration comprised:

	2021 £000	2020 £000
Wages and salaries	27,763	24,282
Social security costs	3,182	2,574
Other pension costs	1,639	1,582
	<u>32,584</u>	<u>28,438</u>

### 6 Directors' remuneration

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Remuneration for qualifying services:					
Chair	109	107	109	106	109
Other non-executive directors	184	212	210	183	198
CEO	702	398	1,371	870	974
Pension contributions	33	33	41	33	24
	<u>1,028</u>	<u>750</u>	<u>1,731</u>	<u>1,192</u>	<u>1,305</u>
Number of:					
Non-executive directors	12	13	13	13	12
CEO's	1	1	2	1	1

The number of directors for whom retirement benefits were accruing under defined contribution schemes during the year amounted to 1 (2020 - 1). No directors (2020 - none) were members of the defined benefit schemes.

The directors are considered the key management personnel of the company. Remuneration disclosed above includes amounts paid to non-executive directors and the CEO, who was the highest paid director in the year.

The annual fees paid and minimum expected time commitments for the different categories of non-executive directors included within the table above are:

- Board Chair, annual fee of £109,300 for an expected time commitment of 5-6 days per month (for services to both PRS Members' Council and PFM Board)
- Independent non-executive directors excluding Board Chair, annual fee of £41,480 - £42,000 for an expected time commitment varying from 16-20 days per year (for services to both PRS Members' Council and PFM Board)
- Writer & Publisher non-executive directors – Board only, annual fee of £11,104 for an expected time commitment of 6-10 days per year

During 2021, the actual time incurred by many of the directors listed above exceeded the minimum time expectations.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 6 Directors' remuneration

(Continued)

Remuneration paid to the highest paid director for qualifying services:

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Salary	404	398	245	404	395
Bonus and other benefits	298	-	452	466	579
Compensation for loss of office	-	-	294	-	-
Pension contributions	33	33	22	33	24
	<u>735</u>	<u>431</u>	<u>1,013</u>	<u>903</u>	<u>998</u>

The CEO's bonus is a combination of corporate and personal performance and is based upon a range of stretching targets measured across the year. The objectives are both set, and the results reviewed and approved, by the Remuneration Committee on an annual basis.

### 7 Investment income

	2021 £000	2020 £000
<b>Interest income</b>		
Interest on bank deposits	98	43
Other interest income	735	631
	<u>833</u>	<u>674</u>

### 8 Finance costs

	Note	2021 £000	2020 £000
Interest on other loans due to associated undertakings		408	382
Interest and past service costs related to the net defined benefit liability	21	341	775
		<u>749</u>	<u>1,157</u>

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 9 Taxation

	2021 £000	2020 £000
<b>Deferred tax</b>		
Origination and reversal of timing differences	(4,616)	271

The tax charge assessed for the year is lower than (2020 - higher than) the standard rate of corporation tax in the UK of 19.00% (2020 - 19.00%). The differences are explained below:

	2021 £000	2020 £000
Profit/(loss) before taxation	3,093	(382)
Expected tax charge based on a corporation tax rate of 19.00% (2020 - 19.00%)	588	(73)
Tax effect of expenses that are not deductible in determining taxable profit	673	141
Effect of change in tax rates	(1,291)	-
Group relief	(423)	-
Depreciation on assets not qualifying for tax allowances	132	201
Adjustments for transfer pricing	481	269
Adjustments relating to the pension fund	-	2,476
Deferred tax not provided on current year movement	(4,776)	(2,743)
Tax (credit) / expense for the year	(4,616)	271

In addition to the amount (credited)/charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2021 £000	2020 £000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	5,379	-

Future changes to the UK corporation tax rates were announced in the Chancellor's Budget on 3 March 2021. These include proposed increases to the main rate from 19% to 25% with effect from 1 April 2023. Accordingly, current tax has been calculated at the rate for the year of 19% and, as the changes had been substantively enacted at the balance sheet date, the unrecognised deferred tax asset has been calculated using a rate of 25%.

The Company has an unrecognised deferred tax asset of £6,781,000 (2020 - £14,186,000) made up of trading losses of £3,199,000 (2020 - £7,228,000), pension contribution spreading of £961,000 (2020 - £717,000), and fixed asset and other timing differences of £2,621,000 (2020 - £1,984,000). In addition, there is an unrecognised deferred tax asset arising on pension deficit of £nil (2020 - £4,257,000).

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 10 Intangible fixed assets

	Software £000
<b>Cost</b>	
At 1 January 2021	83,939
Additions	5,839
Disposals	(1,463)
	<u>88,315</u>
At 31 December 2021	<u>88,315</u>
<b>Accumulated amortisation</b>	
At 1 January 2021	62,399
Amortisation charged for the year	6,606
Disposals	(293)
	<u>68,712</u>
At 31 December 2021	<u>68,712</u>
<b>Carrying amount</b>	
At 31 December 2021	<u>19,603</u>
At 31 December 2020	<u>21,540</u>

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. Development costs have been capitalised in accordance with FRS 102 Section 18 Intangible Assets other than Goodwill and are therefore not treated, for dividend purposes, as a realised loss.

Amortisation of intangible assets is included within Administrative expenses in the Income Statement.

The loss on disposal relates to amounts previously capitalised in 2020 for cloud computing developments. To align with updated IFRS guidance on treatment of cloud computing expenditure, these costs were written-off in 2021.



# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 11 Tangible fixed assets

	Leasehold land and buildings and building improvements	Systems and equipment	Total
	£000	£000	£000
<b>Cost</b>			
At 1 January 2021	15,038	7,827	22,865
Additions	1,679	612	2,291
Disposals	(8,051)	(481)	(8,532)
At 31 December 2021	8,666	7,958	16,624
<b>Accumulated depreciation</b>			
At 1 January 2021	6,105	6,671	12,776
Depreciation charged in the year	694	451	1,145
Eliminated in respect of disposals	(2,736)	(451)	(3,187)
At 31 December 2021	4,063	6,671	10,734
<b>Carrying amount</b>			
At 31 December 2021	4,603	1,287	5,890
At 31 December 2020	8,933	1,156	10,089

All leasehold agreements are short-term and for a period of less than 50 years. The loss on disposals relates to write-offs of leasehold improvements made by PFM following the surrendering of the lease on the 8th and 9th floors of the Kings Cross premises in 2021.

### 12 Investments

	Note	2021 £000	2020 £000
Investments in joint ventures	14	4,084	4,068

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 12 Investments

(Continued)

#### Movements in investments

	Joint Ventures £000
<b>Cost or valuation</b>	
At 1 January 2021	4,068
Revaluation changes	16
At 31 December 2021	4,084
<b>Carrying amount</b>	
At 31 December 2021	4,084
At 31 December 2020	4,068

The Company agreed to relinquish its shareholding in FT, The Digital Copyright Network SAS (known as FastTrack) in 2021 for £nil sales proceeds. The value of the investment was £nil at 31 December 2020 and 31 December 2021.

### 13 Subsidiaries

Details of the Company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking and registered company number	Nature of business	Class of shareholding	% Held
GRD Prep Co Limited 08121496	Dormant	Ordinary shares	100.00
Imprimatur Services Limited 03882134	Dormant	Ordinary shares	100.00
PRS for Music (USA) Limited 06805434	Dormant	Ordinary shares	100.00
Rightswatch Limited 04178447	Dormant	Membership	100.00
The MCPS-PRS Alliance Limited 06825354	Dormant	Ordinary shares	100.00

The country of incorporation for all subsidiaries is England & Wales and the registered office address is Goldings House, 2 Hays Lane, London, SE1 2HB.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 14 Joint ventures

Details of the Company's joint ventures at 31 December 2021 are as follows:

Name of undertaking and country of incorporation or residency		Nature of business and registered office	Class of shareholding	% Held
International Copyright Enterprise Services AB	Sweden	Service Centre, Gustavslundsvägen 135, Stockholm, 167 51 Bromma, Sweden	Ordinary shares	33.33
Network of Music Partners A/S	Denmark	Service Centre, Rued Langgaards Vej 8, 2300, Copenhagen S, Denmark	Ordinary shares	50.00
SOLAR-Music Rights Management GmbH	Germany	Pan-European licensing, Rechtsanwältin, Rosenheimer, Straße 11, D-81667 München	Ordinary shares	50.00
Global Repertoire Database Limited	England & Wales	Global repertoire database, Goldings House, 2 Hays Lane, London, UK, SE1 2HB	Membership	50.00
International Copyright Enterprise Services Limited	England & Wales	Multi-territorial licensing, Russell Square House, 10-12 Russell Square, London, UK, WC1B 5EH	Ordinary shares	33.33
PPL PRS Limited	England & Wales	UK public performance licensing, Mercury Place, St. George Street, Leicester, UK, LE1 1QG	Ordinary shares	50.00

The Company has assessed its investments in joint ventures and associates and has concluded that it did not exercise control over them at 31 December 2021 or during the year then ended; hence they are accounted for as investments in accordance with the accounting policy set out in note 1 rather than being equity accounted. If the equity accounting method was used, the value of the investments in joint ventures would be £6,802,000 (2020 - £2,975,000).

### 15 Significant undertakings

Details of the Company's other significant undertakings at 31 December 2021 are as follows:

Name of undertaking and country of incorporation or residency		Nature of business and registered office	Class of shareholding	% Held
UK Music 2009 Limited	England & Wales	Lobbying organisation, 4th floor, 49 Whitehall, London, UK, SW1A 2BX	Membership	10.00

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 16 Trade and other receivables

	2021 £000	2020 £000
<b>Amounts falling due within one year:</b>		
Trade receivables	9,927	15,698
Amounts owed by related parties	51,534	49,463
Loans to joint ventures	5,426	3,851
Other receivables	910	1,044
Prepayments and accrued income	2,144	3,204
	<u>69,941</u>	<u>73,260</u>
<b>Amounts falling due after more than one year:</b>		
Loans to joint ventures	13,709	17,056
Other receivables	1,162	1,179
	<u>14,871</u>	<u>18,235</u>

The directors have considered the Trade and other receivables balance to approximate its fair value. Trade receivables arise as a result of the Company raising invoices for joint licences on behalf of MCPS and PRS.

Amounts owed by related parties arise as a result of invoicing through special purpose vehicles for multi-territory online licensing on behalf of MCPS and PRS. Aside from the loans to joint ventures, which are detailed below, amounts due from related parties are interest free and payable when funds have been received from the licensee.

The associated royalty revenue is recognised by MCPS and PRS and not by the Company. Trade receivables and Amounts owed by related parties are both stated after provisions for impairment of £nil (2020 - £nil).

#### Loans receivable – ICE Services

The Company had total loans of £nil receivable from ICE Services at 31 December 2021 (2020 - £0.2m), with the details of each loan disclosed below. 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. Other related party balances with ICE Services are disclosed in Note 25.

Loan	Local Currency				£000				Terms
	B/fwd	Drawn	Repaid	C/Fwd	B/fwd	Drawn	Repaid	C/Fwd	
Loan 1	-	-	-	-	-	-	-	-	Fully repaid
Loan 2	-	-	-	-	-	-	-	-	Fully repaid
Loan 3	EUR 0.3m	-	EUR 0.3m	EUR 0.3m	210	-	210	-	Repayment in equal instalments, with the final instalment paid in 2021
					<u>210</u>	<u>-</u>	<u>210</u>	<u>-</u>	

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 16 Trade and other receivables

(Continued)

#### Loans receivable - ICE Operations

The Company had total loans of £9.0m receivable from ICE Operations and its subsidiaries at 31 December 2021 (2020 - £8.1m), with the details of each loan disclosed below. A small reclassification of £0.1m has been made between the opening balances of loans 6 and 7. 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%. Other related party balances with ICE Operations are disclosed in Note 25.

Loan	Local Currency				£000				Terms
	B/fwd	Drawn	Repaid	C/Fwd	B/fwd	Drawn	Repaid	C/Fwd	
Loan 1	SEK 1.1m	-	SEK 1.1m	-	89	-	89	-	Repayment in equal instalments, with the final instalment paid Q1 2021
Loan 2	SEK 2.0m	-	SEK 0.6m	SEK 1.4m	162	-	47	115	Repayment in equal instalments until 2024
Loan 3	-	-	-	-	-	-	-	-	Fully repaid
Loan 4	SEK 0.8m	-	SEK 0.8m	-	61	-	61	-	Repayment in equal instalments, with the final instalment paid Q1 2021
Loan 5	SEK 4.3m	-	SEK 1.6m	SEK 2.7m	355	-	137	218	Repayment in equal instalments until 2023
					667	-	334	333	
Loan 6	EUR 0.1m	-	EUR 0.1m	-	73	-	73	-	Repayment in equal instalments, with the final instalment paid Q1 2021
Loan 7	EUR 0.3m	-	EUR 0.1m	EUR 0.2m	207	-	59	148	Repayment in equal instalments until 2023
Loan 8	EUR 1.6m	-	-	EUR 1.6m	1,404	-	-	1,404	Repayment in equal instalments until 2027, starting from 2023
Loan 9	EUR 6.0m	EUR 1.6m	-	EUR 7.6m	5,170	1,442	-	6,612	
Loan 10	EUR 0.7m	-	EUR 0.1m	EUR 0.6m	598	-	127	471	Repayment in equal instalments until 2025
					7,452	1,442	259	8,635	
					8,119	1,442	593	8,968	

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

The Company had total loans of £0.4m receivable from SOLAR Music Rights Management Limited, a wholly owned subsidiary of SOLAR-Music Rights Management GmbH, at 31 December 2021 (2020 - £0.4m). The interest rate for this loan is set at the Bank of England Base rate +2%. Other related party balances with SOLAR are disclosed in Note 25.

Loan	Local Currency				£000				Terms
	B/fwd	Drawn	Repaid	C/Fwd	B/fwd	Drawn	Repaid	C/Fwd	
Loan 1	EUR 0.5m	-	-	EUR 0.5m	429	-	-	429	Full repayment due 2023

#### Loans receivable – PPL – PRS

The Company had total loans of £9.7m receivable from PPL - PRS at 31 December 2021 (2020 - £12.1m). The interest rate for this loan is set at the Bank of England Base rate +2%. Other related party balances with PPL-PRS are disclosed in Note 25.

Loan	Local Currency				£000				Terms
	B/fwd	Drawn	Repaid	C/Fwd	B/fwd	Drawn	Repaid	C/Fwd	
Loan 1	GBP 12.1m	-	GBP 2.4m	GBP 9.7m	12,149	-	2,411	9,738	Repayment in instalments until 2028

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 17 Financial Instruments

As of June 2016 the Company has entered into forward foreign currency contracts on all currency loans made to ICE Operations, ICE Services and SOLAR. A fixed rate is agreed for the term of each loan and forward contracts are booked for a year at a time and rolled forward until the maturity date, currently set at various dates until 2024. All forward contracts are recognised on the Statement of financial position and are measured at fair value through the Income statement, using the fixed market value exchange rates agreed at the start of each forward contract. The value of hedged loans recognised in the Statement of financial position as at 31 December 2021 was £9,397,000 (2020 £8,758,000).

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

	2021 £000	2020 £000
Trade payables	483	1,415
Amounts owed to parent undertaking	126,552	151,316
Amounts owed to MCPS	12,315	7,889
Taxation and social security	4,279	3,146
Accruals	14,408	11,627
	<u>158,037</u>	<u>175,393</u>

The directors have considered the Trade and other payables balance to approximate its fair value.

An amount of £852,000 (2020 - £878,000) within the Amounts owed to the parent undertaking relates to the current element of the interest-free loan from PRS and details of the terms of this loan can be found in note 19. The remainder of the balance is interest free and payable in accordance with the operational agreement between the parties.

The amount of £12,315,000 (2020 - £7,889,000) due to MCPS has no obligation to pay interest now or in the future, has no formal repayment terms and is in accordance with the service level agreement between the parties.

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

	2021 £000	2020 £000
Amounts owed to parent undertaking	<u>2,578</u>	<u>3,430</u>

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

# **PRS FOR MUSIC LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2021**

### **20 Provisions for liabilities**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Legal provisions	2,466	1,405
Dilapidations provisions	285	2,962
	<u>2,751</u>	<u>4,367</u>

### **Movement on provisions:**

	<b>Legal provisions</b>	<b>Dilapidations provisions</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
As at 1 January 2021	1,405	2,962	4,367
Additional provisions in the year	1,923	285	2,208
Reversal of provision	(462)	(2,962)	(3,424)
Utilisation of provision	(400)	-	(400)
At 31 December 2021	<u>2,466</u>	<u>285</u>	<u>2,751</u>

The Company has recognised a provision for the estimated cost of returning its leasehold property in London Bridge to the original condition at the end of the lease (2020 - the provision related to its leasehold property in Kings Cross).

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

Discounting has not been applied to the provisions for liabilities as the impact of this is not considered to be material.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 21 Retirement benefit schemes

Defined contribution schemes	2021 £000	2020 £000
Charge to Income statement in respect of defined contribution schemes	1,639	1,582

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. £237,000 (2020 - £223,000) relating to defined contribution payments has been accrued for at year-end

#### Defined benefit schemes

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

The scheme rules allow the Company to recognise a surplus but as two separately administered schemes there are no automatic provisions to offset the deficit in one scheme against a surplus in the other, hence the need to separately disclose the surplus and deficit on the Statement of financial position.

#### Valuation

In March 2022, the latest triennial valuations of the pension schemes were completed. The deficit funding plan has been reassessed between the Group and the trustees of the schemes, following a significant improvement in the valuation of the schemes. The approved plan involves the Group continuing to make annual payments into both schemes through to June 2030, albeit at a reduced combined annual contribution value, with the intention of both schemes reaching self-sufficiency by December 2032.

#### Key assumptions

	2021 %	2020 %
Discount rate	2.0	1.4
Pension increase (RPI max 5%)	3.1	2.7
Expected rate of salary increases	n/a	n/a
Price inflation (CPI)	2.1	2.1
Expected rate of decrease of pensions in payment	n/a	n/a
Price Inflation (RPI)	3.0	2.7



# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 21 Retirement benefit schemes

(Continued)

#### Mortality assumptions

Assumed life expectations on retirement at age 65:

	2021 Years	2020 Years
Retiring today		
- Males	22.2	22.1
- Females	24.5	24.0
Retiring in 20 years		
- Males	23.5	23.4
- Females	26.0	25.5

The increase in the discount rate is linked to the increase in the yield on corporate bonds between 31 December 2020 and 31 December 2021.

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. 2020 CMI mortality projections have been adopted in the assumptions, on the basis that this reflects the latest market data, with a smoothing factor which makes broadly the same allowance for expected higher life expectancy for pension scheme populations compared with the national population.

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

	2021 £000	2020 £000
Net present value of defined benefit (assets) / liabilities	(20,901)	26,175
(Surplus) / deficit in scheme	(20,901)	26,175
Deferred taxation balance relating to pension schemes	-	(763)
Net total scheme (asset) / liability	(20,901)	25,412
Recognised as:		
Defined benefit pension scheme surplus	(25,218)	-
Defined benefit pension scheme liability	4,317	25,412
Net Total (asset) / liability recognised	(20,901)	25,412

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 21 Retirement benefit schemes

(Continued)

The defined benefit obligation comprises of £306,049,000 (2020 – £342,271,000) from plans that are wholly or partly funded.

The MCPS-PRS Alliance Pension Scheme closed to future accrual on 31 December 2010. A fixed annual contribution of £2,950,000 has been made during 2021 to reduce the deficit in the scheme, following the decision at the triennial valuation completed in 2019 for deficit funding to remain at the same combined level as in prior years, but for the split between the PRS and MCPS schemes to be adjusted.

The MCPS-PRS Alliance Pension Scheme (MCPS) closed to future accrual on 31 December 2010. A fixed annual contribution of £550,000 has been made during 2021 to reduce the deficit in the scheme following the decision at the triennial valuation completed in 2019 for deficit funding to remain at the same combined level as in prior years, but for the split between the PRS and MCPS schemes to be adjusted.

As part of the triennial valuation in progress, a proposal has been approved by the Board to reduce the total annual contribution from £3,500,000 to £2,500,000, split equally between the two schemes.

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

	MCPS-PRS Alliance Pension Scheme		MCPS-PRS Alliance Pension Scheme (MCPS)		Total	Total
	2021	2020	2021	2020	2021	2020
	£000	£000	£000	£000	£000	£000
At 1 January	(286,649)	(265,558)	(55,622)	(50,001)	(342,271)	(315,559)
Benefits paid	8,579	9,334	1,014	887	9,593	10,221
Interest cost	(3,953)	(5,218)	(772)	(991)	(4,725)	(6,209)
Actuarial gains / (losses)	27,538	(25,207)	3,816	(5,517)	31,354	(30,724)
At 31 December	<u>(254,485)</u>	<u>(286,649)</u>	<u>(51,564)</u>	<u>(55,622)</u>	<u>(306,049)</u>	<u>(342,271)</u>

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

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

	MCPS-PRS Alliance Pension Scheme		MCPS-PRS Alliance Pension Scheme (MCPS)		Total	Total
	2021	2020	2021	2020	2021	2020
	£000	£000	£000	£000	£000	£000
Interest on net defined benefit pension liabilities	<u>223</u>	<u>602</u>	<u>118</u>	<u>173</u>	<u>341</u>	<u>775</u>

# **PRS FOR MUSIC LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2021**

### **21 Retirement benefit schemes**

**(Continued)**

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

	<b>MCPS-PRS Alliance Pension Scheme</b>	
	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Equity instruments	40,639	55,113
Debt instruments	114,723	111,979
Property	12,517	10,534
Cash and other	70,770	38,279
Hedge funds	41,054	53,289
Fair value of scheme assets	279,703	269,194
Present value of scheme liabilities	(254,485)	(286,649)
	25,218	(17,455)
Related deferred tax asset	-	763
Net surplus / (deficit)	25,218	(16,692)

	<b>MCPS-PRS Alliance Pension Scheme (MCPS)</b>	
	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Equity instruments	11,300	11,050
Debt instruments	21,000	19,959
Property	-	-
Cash and other	(653)	83
Hedge funds	15,600	15,810
Fair value of scheme assets	47,247	46,902
Present value of scheme liabilities	(51,564)	(55,622)
	(4,317)	(8,720)
Related deferred tax asset	-	-
Net deficit	(4,317)	(8,720)
Total net pension surplus / (deficit)	20,901	(25,412)

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 21 Retirement benefit schemes

(Continued)

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

	MCPS-PRS Alliance Pension Scheme  £000	MCPS-PRS Alliance Pension Scheme (MCPS)  £000	Total  £000
As at 1 January 2020	233,984	41,072	275,056
Expected return on plan assets	4,616	818	5,434
Employer contributions	2,950	550	3,500
Benefits paid	(9,334)	(887)	(10,221)
Actuarial gains	36,978	5,349	42,327
As at 31 December 2020 and 1 January 2021	269,194	46,902	316,096
Expected return on plan assets	3,730	654	4,384
Employer contributions	2,950	550	3,500
Benefits paid	(8,579)	(1,014)	(9,593)
Actuarial gains	12,408	155	12,563
As at 31 December 2021	279,703	47,247	326,950

#### Actuarial gains/(losses)

	MCPS-PRS Alliance Pension Scheme		MCPS-PRS Alliance Pension Scheme (MCPS)		Total	Total
	2021	2020	2021	2020	2021	2020
	£000	£000	£000	£000	£000	£000
Gains on plan assets	12,408	36,978	155	5,349	12,563	42,327
Gain/(loss) on plan liabilities	27,538	(25,207)	3,816	(5,517)	31,354	(30,724)
	39,946	11,771	3,971	(168)	43,917	11,603

### 22 Called up share capital

	2021 £000	2020 £000
Ordinary share capital Issued and fully paid		
1,000 Ordinary shares of £1 each (2020 - 1,000)	1	1

The Company has one class of ordinary shares which carry no right to fixed income.

# PRS FOR MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

### 23 Other reserves

Other reserves of £17,002,000 (2020 - £17,002,000) arose as a result of the transactions which took place on 1 January 1998, through which MCPS and PRS transferred their respective fixed assets, employees and back-office operations to the Company and each took a 50% interest in the Company. Subsequently, in 2013, PRS took full ownership of the Company.

### 24 Operating lease commitments

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

The Company has committed to lease an additional c18,000 square foot of office space at London Bridge from June 2022. At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £000	2020 £000
Within one year	1,635	3,227
Later than one year and not later than five years	12,856	12,882
In over five years	23,196	11,003
	<u>37,687</u>	<u>27,112</u>

### 25 Related party transactions

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

The Company's revenue consists of operating fees recharged to PRS as analysed in note 3. Amounts due to and from MCPS and PRS at the balance sheet date are disclosed in notes 16 and 18.

The Company received services from ICE Operations and its subsidiaries to the value of £5,100,000 (2020 - £4,720,000). There were no outstanding balances due at the year end (2020 - £nil).

Full details on loans made to ICE Operations can be found in note 16.

During the year the Company charged ICE Services an amount for services provided of £810,000 (2020 - £2,140,000), paid commissions of £8,525,000 (2020 - £7,219,000) and paid service charges of £719,000 on PRS legacy deals (2020 - £21,000). The Company was owed a balance of £60,000 (2020 - £462,000) and had costs to recharge of £501,000 (2020 - £nil) at the year end.

Full details on loans made to ICE Services can be found in note 16.

The Company received services from NMP to the value of £1,334,000 (2020 - £1,563,000). The Company also charged NMP an amount of £96,000 (2020 - £179,000) for services provided and was owed a balance of £24,000 (2020 - £27,000) at the year end.

## PRS FOR MUSIC LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

#### 25 Related party transactions

(Continued)

During the year the Company charged SOLAR an amount of £nil (2020 - £nil) for services provided and paid commissions of £8,236,000 (2020 - £6,434,000). The Company was owed a balance of £nil (2020 - £nil) at the year end.

Full details on loans made to SOLAR can be found in note 16.

During the year the Company made a contribution to UK Music 2009 Limited of £543,000 (2020 - £490,000). The Company owed a balance of £nil (2020 - £48,000) at the year end.

During the year the Company received services from FT, The Digital Copyright Network SAS of £nil (2020 - £98,000). The Company owed £nil (2020 - £nil) at the year end. The Company relinquished its investment in FT, The Digital Copyright Network SAS in 2021.

During the year, the Company provided operational services to MCPS, a company with common directors, under the terms of a service level agreement. The value of the service was £13,163,000 (2020 - £12,996,000). At the year end the Company was owed a balance of £1,344,000 (2020 - £1,374,000) and had fees to charge of £1,082,000 (2020 - £1,613,000).

During the year, the Company made a contribution to Music Publishers Association Limited (MPA). MPA is the parent undertaking of MCPS. The value of the contribution for 2021 was £113,000 (2020 - £113,000). The Company was owed a balance of £nil (2020 - £nil) at the year end.

During the year, the Company provided subsidised services including accommodation to The PRS Members' Benevolent Fund. The value of the subsidy for 2021 has been estimated as £10,000 (2020 - £39,000). The Company also charged an amount of £189,000 (2020 - £249,000) for other services provided. The Company was owed a balance of £nil (2020 - £nil) and had costs to recharge of £16,000 (2020 - £15,000) at the year end.

During the year, the Company provided subsidised services including accommodation to the Performing Right Society Foundation Limited. The value of the subsidy for 2021 has been estimated as £26,000 (2020 - £87,000). The Company also charged an amount of £2,000 (2020 - £6,000) for other services provided. The company was owed a balance of £nil (2020 - £22,000) at the year end.

During the year, the Company made a contribution to the British Academy of Songwriters, Composers and Authors, (trading as The Ivors Academy), an organisation with common directors. The value of the contribution for 2021 was £113,000 (2020 - £113,000). During the year the Company was also charged an amount of £124,000 (2020 - £42,000) for sponsorship. There were no amounts outstanding at the end of the current or previous year.

During the year the Company recharged PPL - PRS an amount for costs incurred of £338,000 (2020 - £318,000) and had costs to recharge of £nil at 31 December 2021 (2020 - £nil). Additionally, the Company incurred service charges of £14,409,000 (2020 - £12,673,000) during the year.

Full details on loans made to PPL - PRS can be found in note 16.

## **PRS FOR MUSIC LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **26 Ultimate controlling party**

The Company is a wholly-owned subsidiary of Performing Right Society Limited, a company limited by guarantee and incorporated in the UK. PRS has no share capital. The directors regard PRS as the Company's ultimate parent and the ultimate controlling party. Group financial statements can be obtained by request in writing to Performing Right Society Limited, Goldings House, 2 Hays Lane, London, SE1 2HB.

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

#### **27 Subsequent events**

On 7 February 2022, the Company surrendered to the landlord the Company's remaining lease of the 6th floor of 2 Pancras Square, London N1C. In return for the surrender, the landlord released the Company from all residual liabilities owed by the Company as principal and guarantor under and in respect of its leases of the 7th, 8th and 9th floors. The Company's agreement to act as guarantor of the leases had been required as a condition of the landlord's licence to assign those leases to the third party purchaser on 24 June 2021.