

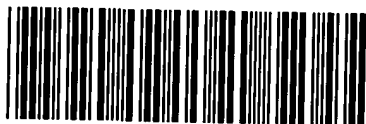
Company number 00288046

PHONOGRAPHIC PERFORMANCE LIMITED

(A company limited by guarantee)

**STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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PHONOGRAPHIC PERFORMANCE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their Strategic Report on Phonographic Performance Limited (PPL) for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The company's principal activity during the year was the collection and distribution of UK and international income for broadcasting and public performance of sound recordings on behalf of its members. The total amount available for distribution in the Statement of Comprehensive Income is distributed to the company's members, with the intention that there are no retained reserves at any particular Statement of Financial Position date.

BUSINESS REVIEW

2015 saw another successful year for PPL with further growth in collections for members. During the year the company increased its licence fee income in accordance with management objectives with income of £197.0 million (2014: £187.1m) and net distributable revenue of £166.7 million (2014: £156.1m). The increase in net distributable revenue has been delivered through growth across all areas of UK licensing activity and also collections from other territories for members.

The Statement of Financial Position reflects a net liability of £4.2 million which is due to timing differences in the payment of liabilities to PPL's members. Despite this, management considers the going concern basis of accounting to be appropriate as the timing of liabilities to members is at the discretion of PPL. In addition, the ability to generate cash through continuous licensing activity coupled with high cash balances held through timing differences between collections and distributions to members, provides adequate resources to continue in operational existence for the foreseeable future.

It is critical that PPL plans carefully for the future. Ongoing development of IT systems will continue and the company will also continue to place increasing emphasis on employee development in order to maintain and further improve its service to members. This investment in IT systems and employee development is needed to meet the demands of increasing membership, evolving media, new tariffs and the developments that the company continues to make in overseas collection for members.

Following a strategic review conducted jointly in 2015, PPL and PRS for Music announced in February 2016 the intention to create a joint venture in the area of public performance licensing. Subject to any regulatory approval that may be required, it is anticipated that the new company (jointly and equally owned by PPL and PRS for Music) would start licensing in 2017 following the acquisition of new premises to house the joint venture company, the development of a new licensing system and the recruitment and training of the joint venture staff. This is a landmark event for PPL and is expected to be a positive development for both licensees and members, building on the successful joint working initiatives delivered in previous years.

PHONOGRAPHIC PERFORMANCE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

KEY PERFORMANCE INDICATORS

The key performance indicators (KPIs) used by PPL to measure annual performance are summarised below:

	2015	2014
Public performance and dubbing	£84.4 m	£76.7 m
Broadcasting and online	£75.9 m	£74.0 m
International	£36.7 m	£36.4 m
Total licence fee income	£197.0 m	£187.1 m
Net distributable revenue	£166.7 m	£156.1 m
Cost to income ratio (excluding pension scheme costs)	14.2%	14.1%

PPL considers its key performance indicators to be income growth, net distributable revenue growth and cost to income ratio. Total licence fee income for 2015 reached £197.0 million; a growth of £9.9 million (5.3%) on the prior year. Public performance income grew by £7.7 million (10.0%), broadcasting and online income grew by £1.9 million (2.6%) and international income increased by £0.3 million (0.8%). Total net distributable revenue in 2015 grew by £10.6 million (6.8%) from 2014. The cost to income ratio was 14.2%, marginally higher than 14.1% in the prior year.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors and management of PPL are aware of their responsibility for managing risk and regularly evaluate the risks and uncertainties that could affect future performance.

In tough market conditions for PPL's members, the changes within the music business in recent times have been immense. For PPL, the economy continues to play a part in the company's ability to collect licensing income and 2015 proved difficult in some markets through business closures and reduced use of music.

Liquidity risk is mitigated by actively managing cash generation and funding requirements. Distribution payments to members are only made on licence fees collected. Price risk occurs where new license arrangements are challenged. Legislative risk can occur where the company is subject to any changes to copyright law. PPL is also exposed to foreign exchange risk in respect of the income collected from overseas Collective Management Organisations. Receipts in foreign currencies are translated into GBP using spot-rates and therefore exposure to foreign exchange risk is considered to be low.

By order of the Board



D HARMSWORTH
SECRETARY
22 March 2016

PHONOGRAPHIC PERFORMANCE LIMITED

REPORT OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

The directors submit their Report of the Directors and the financial statements of PPL to the members for the year ended 31 December 2015.

FUTURE DEVELOPMENTS

The company's business activities and factors likely to affect its future performance are set out in the Strategic Report.

FINANCIAL RISK MANAGEMENT

The company's assessment of its exposure to elements of financial risk is set out in the Strategic Report.

EMPLOYMENT POLICY

The company's policy is to provide employees with regular information on matters of concern to them, so that their views can be taken into account when decisions are taken which could affect them.

The company is committed to providing equal opportunities to all employees, consultants, contractors, customers, agency workers and members of and applicants to the company and does not discriminate on grounds of sex, pregnancy, maternity, sexual orientation, gender re-assignment, marital or civil partnership status, race (to include colour, nationality, ethnic or national origins), religion or belief, disability or age. We aim to ensure that workers are selected, trained, compensated, promoted or transferred solely on the strength of their ability, skills, qualification and merit.

This can only be achieved with the support of all staff, and it is our responsibility to ensure that this equal opportunities policy is observed and to understand clearly that there is a moral and legal duty not to discriminate against individuals on any of the grounds mentioned above. Any matters of concern can be discussed on a confidential basis with a member of the Management Team or the People and Organisational Development Team.

POST BALANCE SHEET EVENTS

In February 2016, the company announced the intention to form a joint venture with PRS for Music in the area of public performance licensing. This is set out in further detail in the in the Strategic Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)". 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:

PHONOGRAPHIC PERFORMANCE LIMITED

REPORT OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its members in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are directors at the time when the report is approved, the following applies:

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

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

PHONOGRAPHIC PERFORMANCE LIMITED

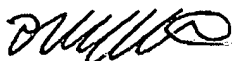
REPORT OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

R Armstrong
J Dobinson (resigned 19 May 2015)
J French
N Hartley (appointed 19 May 2015)
C Hunt
M Kelly
P Leatham
M Mills
F Nevrla (resigned 31 December 2015)
G Newson
C Payne
J Radice
A Sear
C Smith
J Smith
M Smith
P Stack
H Trubridge (appointed 1 January 2016)

By order of the Board



D HARMSWORTH
SECRETARY
22 March 2016

PHONOGRAPHIC PERFORMANCE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC PERFORMANCE LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, Phonographic Performance Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its result and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Strategic Report, Report of the Directors and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Statement of Comprehensive Income for the year ended;
- the Cash Flow Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

PHONOGRAPHIC PERFORMANCE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC PERFORMANCE LIMITED

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Jonathan Ford

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 March 2016

PHONOGRAPHIC PERFORMANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £000	2014 £000
LICENCE FEE INCOME	2	196,979	187,076
Cost of collection and distribution		(27,992)	(26,408)
Cost of servicing defined benefit pension scheme		-	(202)
Total cost of collection and distribution		(27,992)	(26,610)
NET INCOME BEFORE INTEREST AND TAXATION	3	168,987	160,466
Interest receivable	5	1,587	1,337
Interest payable	6	(726)	(840)
Other finance expense		(97)	(5)
NET INCOME BEFORE TAXATION		169,751	160,958
Taxation	8	-	-
AMOUNT AVAILABLE FOR DISTRIBUTION		169,751	160,958
Anti-piracy/copyright protection	4	(3,023)	(4,830)
Amount to be distributed to members		(166,728)	(156,128)
RETAINED RESERVES		-	-
Other comprehensive income / (expense):			
Actuarial gain/(loss) on pension scheme		2,880	(2,636)
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE YEAR		2,880	(2,636)
Cost to income ratio (excluding pension scheme costs)		14.2%	14.1%

The results above for the current and prior year refer entirely to continuing operations.

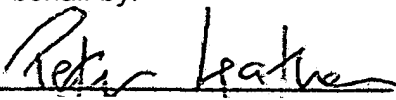
PHONOGRAPHIC PERFORMANCE LIMITED


COMPANY NUMBER: 00288046

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	2015 £000	2014 £000
FIXED ASSETS			
Intangible assets	9	2,657	3,640
Tangible assets	10	566	488
CURRENT ASSETS			
Licence fees receivable		21,281	16,736
Other debtors		547	824
Prepayments and accrued income		7,434	7,820
Short term fixed deposits		122,500	117,000
Cash at bank and in hand		25,178	29,325
		<u>176,940</u>	<u>171,705</u>
CREDITORS: amounts falling due within one year	11	<u>(183,242)</u>	<u>(178,789)</u>
NET CURRENT LIABILITIES		<u>(6,302)</u>	<u>(7,084)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(3,079)</u>	<u>(2,956)</u>
PROVISIONS FOR LIABILITIES	12	(1,170)	(1,390)
NET LIABILITIES BEFORE PENSION LIABILITIES		<u>(4,249)</u>	<u>(4,346)</u>
NET PENSION LIABILITY	14	-	(2,783)
NET LIABILITIES		<u>(4,249)</u>	<u>(7,129)</u>
RESERVES			
Accumulated Losses		<u>(4,249)</u>	<u>(7,129)</u>

The financial statements on pages 8 to 33, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes were approved by the Board of directors on 22 March 2016 and are signed on its behalf by:


P Leathem
Director


J French
Director

PHONOGRAPHIC PERFORMANCE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Retained Earnings £000
Balance as at 1 January 2014	(4,493)
Result for the financial year	-
Other comprehensive expense for the year	(2,636)
	<hr/>
Total comprehensive expense for the year	(2,636)
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Balance as at 31 December 2014	(7,129)
Result for the financial year	-
Other comprehensive income for the year	2,880
	<hr/>
Total comprehensive income for the year	2,880
	<hr/>
Balance as at 31 December 2015	(4,249)
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PHONOGRAPHIC PERFORMANCE LIMITED

CASH FLOW STATEMENT AS AT 31 DECEMBER 2015

	Note	2015 £000	2014 £000
NET CASH FLOW FROM OPERATING ACTIVITIES	15	166,635	175,035
Taxation paid		-	-
Net cash generated from operating activities		166,635	175,035
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangible fixed assets		(1,134)	(1,255)
Purchase of tangible fixed assets		(360)	(90)
Interest paid		(476)	(571)
Interest received		1,820	996
Cash outflow to increase investments		(5,500)	(9,000)
Net cash used in investing activities		(5,650)	(9,920)
CASH FLOW FROM FINANCING ACTIVITIES			
Anti-piracy/copyright protection contributions paid		(1,936)	(3,729)
Payments to members		(163,196)	(160,263)
Net cash used in financing activities		(165,132)	(163,992)
NET (DECREASE) / INCREASE IN CASH AT BANK AND IN HAND		(4,147)	1,123
Cash and cash equivalents at the beginning of the year		29,325	28,202
Cash and cash equivalents at the end of the year		25,178	29,325
Cash and cash equivalents comprises of:			
Cash at bank and in hand		25,178	29,325
Total cash and cash equivalents		25,178	29,325

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

General Information

Phonographic Performance Limited is a private company limited by guarantee. The address of its registered office is 1 Upper James Street, London, W1F 9DE, United Kingdom.

The principal activity of the company was the collection and distribution of UK and international income for broadcasting and public performance of sound recordings on behalf of its members.

Statement of compliance

The financial statements of Phonographic Performance Limited have been prepared in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006. This is the first year in which the financial statements have been prepared under FRS 102. The date of transition to FRS 102 is 1 January 2014. Details of the transition to FRS 102 are disclosed in Note 19.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of accounting

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and Applicable Accounting Standards in the United Kingdom.

b) Going concern

On the basis of their assessment of the company's financial position and resources, the directors believe that the company is well placed to manage its business risks. Management considers the going concern basis to be appropriate despite the net liability and net current liability position, as the timing of current liabilities payable to members is at the discretion of PPL. Therefore the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c) Format of the Statement of Comprehensive Income and the Statement of Financial Position

The formats of the Statement of Comprehensive Income and the 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.

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

d) Foreign currencies

i) Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

ii) Transactions and balances

Monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the reporting date. Foreign currency transactions during the year are translated into sterling at the rate ruling on the date of the transaction. All foreign exchange differences are taken to the Statement of Comprehensive Income in the year in which they arise.

e) Licence fee income

Licence fee income, which excludes value added tax, represents the invoiced value, and is recognised evenly over the period of the licence term.

In the absence of an invoice, broadcasting and online income is accrued based on the amount agreed in the contract.

In the event of over-payments, licence fee income is recognised if the payments could not be refunded, despite efforts to contact the relevant party over a reasonable period of time.

Licence fee income from overseas societies is recognised when an agreement is in place with the overseas society and on a cash received basis.

f) Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements and defined benefit and defined contribution pension plans.

i) Short term benefits

Short term benefits including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii) Defined benefit pension plan

During the year the company operated a contributory defined benefit pension scheme covering its permanent employees and those of Video Performance Limited (VPL). A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The surplus in the scheme is not fully recoverable by the company and therefore the surplus reflected in the Statement of Financial Position is restricted to nil.

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

f) Employee benefits (continued)

The defined benefit obligation is calculated using the projected unit credit method. Annually PPL engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with PPL's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined liability'.

The cost of the defined benefit plan, recognised in the Statement of Comprehensive Income as employee costs, except where included in the cost of an asset, comprises:

- the increase in pension benefit liability arising from employee service during the period; and
- the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Statement of Comprehensive Income as 'other finance expense'.

The last full actuarial valuation was undertaken on the position as at 30 June 2015.

iii) Defined contribution pension plan

The company also operates a defined contribution scheme. A defined contribution plan is a pension plan under which the company pays fixed contributions into 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.

g) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

g) Taxation (continued)

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

ii) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date. A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on a non-discounted basis.

h) Intangible assets

Computer software and system development is stated at cost less accumulated amortisation and accumulated impairment losses. Computer software and system development is amortised over its estimated useful life, on a straight line basis, as follows:

Computer systems	5 years
Computer software	3 years

Costs associated with maintaining computer software are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by PPL are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

i) Tangible fixed assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided at rates calculated to write off the cost of each asset over the expected useful life or predetermined replacement date:

Fixtures, fittings and office equipment	3 years on a straight line basis
Fixtures and fittings (refurbishment)	5 years on a straight line basis
Computer hardware	3 years on a straight line basis

j) Leased assets

At inception, the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

i) Operating leases

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

ii) Lease incentives

Incentives received to enter into an operating lease are credited to the Statement of Comprehensive Income, to reduce the lease expense, on a straight-line basis over the period of the lease.

k) Cash and cash equivalents

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

l) Provisions for liabilities

i) Dilapidations

Provision is made for dilapidations where the lease requires the reinstatement of the premises to its original state. The level of provision is based upon a damages report and is reviewed annually.

ii) Legal costs

Provision is made for the estimated legal costs where litigation is pending and an obligating event has occurred prior to the reporting date.

iii) Refunds

Provision is made for all significant refunds made in the post reporting period which relate to licence fees received in the year.

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

m) Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances, 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 the Statement of Comprehensive Income.

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

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) 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.

ii) Financial liabilities

Basic financial liabilities, including trade creditors and short term loans, 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 creditors 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 creditors 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.

The company does not hold or issue derivative financial instruments.

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

iii) Offsetting

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

n) Unclaimed member distributions

Allocations to members remaining unclaimed for more than seven years are reallocated and redistributed in accordance with the distribution policy.

o) Interest payable to members

Interest is accrued on balances payable to members who do not receive advances at a rate based on the average deposit rate earned by the company for the relevant periods.

p) Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Intangible assets (Section 18)

FRS 102 requires judgement to be exercised when determining whether software costs should be recognised as tangible or intangible assets. Where software is regarded an integral part of the related hardware and the hardware cannot operate without the particular piece of software, it is to be treated as a tangible asset. However, where the software is not an integral part of the related hardware, computer software is to be treated as an intangible asset. Management has decided that the software costs are not an integral part of the related hardware and so have classified these costs as an intangible asset.

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

p) Critical accounting judgements and key source of estimation uncertainty (continued)

ii) Useful economic lives of intangible and tangible assets (Sections 17 and 18)

The annual amortization or depreciation charge for intangible and tangible assets is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See notes 9 and 10 for the carrying amount of intangible and tangible assets and note 1 for the useful economic lives for each class of asset.

iii) Defined benefit pension scheme (Section 28)

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Statement of Financial Position. The assumptions reflect historical experience and current trends. See note 14 for the disclosures relating to the defined benefit pension scheme.

q) Future amendments to FRS 102

Amendments to FRS 102 were issued in July 2015 as a result of changes to the EU-directives and UK Companies Regulations. The amendments are mandatory for periods beginning on or after 1 January 2016, with early adoption permitted for periods beginning on or after 1 January 2015. Entities will have to adopt and comply with all amendments if they elect to early adopt the Amendments to FRS 102 (issued in July 2015). None of these are expected to have a significant effect on the financial statements of the company.

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2. LICENCE FEE INCOME

	2015 £000	2014 £000
Analysis of turnover by licence type:		
Public performance and dubbing income	84,439	76,696
Broadcasting and online income	75,857	73,964
International income	36,683	36,416
	<u>196,979</u>	<u>187,076</u>
Analysis of turnover by territory of origin:		
United Kingdom	158,997	149,448
Rest of Europe	25,319	24,745
Rest of World	12,663	12,883
	<u>196,979</u>	<u>187,076</u>

3. NET INCOME BEFORE INTEREST AND TAXATION

	2015 £000	2014 £000
Net income before interest and taxation is stated after charging / (crediting):		
Services provided by the company's auditor:		
Fees payable for the audit	65	65
Fees payable for other services:		
Audit-related assurance services	26	14
Taxation compliance services	-	-
Depreciation of tangible fixed assets	282	285
Amortisation of intangible assets	2,024	2,113
Operating lease rentals	837	649
Foreign exchange (gain)/loss	(6)	21

Net income includes a recharge of £980,898 (2014: £983,507) of operating expenses to VPL.
PPL's debtors include a balance of £56,606 (2014: £97,595) owed by VPL.

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

4. ANTI-PIRACY / COPYRIGHT PROTECTION

Amounts contributed to:

	2015 £000	2014 £000
The British Phonographic Industry Limited:		
Contributions	2,228	3,320
Legal anti-piracy recoveries	(402)	-
	<u>1,826</u>	<u>3,320</u>
 The International Federation of the Phonographic Industry	 611	 621
Impala	66	65
UK Music	520	824
	<u>3,023</u>	<u>4,830</u>

5. INTEREST RECEIVABLE

	2015 £000	2014 £000
Interest receivable on cash at bank and short term deposits	<u>1,587</u>	<u>1,337</u>

6. INTEREST PAYABLE

	2015 £000	2014 £000
Interest payable on member balances	<u>726</u>	<u>840</u>

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

7. STAFF COSTS

	2015 £000	2014 £000
Gross staff costs:		
Wages and salaries	13,688	12,541
Social security costs	1,257	1,225
Other pension costs	790	612
	<u>15,735</u>	<u>14,378</u>

Other pension costs represents contributions payable and other associated costs in respect of the defined contribution scheme.

Monthly average number of employees:

	Number	Number
Office and management	<u>292</u>	<u>288</u>

Directors' emoluments:

	£000	£000
Aggregate emoluments	<u>961</u>	<u>853</u>

Post-employment benefits are accruing for two directors (2014: two) under a defined benefit scheme. One director (2014: one) is currently a member of the defined contribution scheme.

Emoluments in respect of the highest paid director amounted to:

	£000	£000
Aggregate emoluments	<u>690</u>	<u>590</u>
Defined benefit pension scheme - accrued pension at end of year	<u>29</u>	<u>27</u>

During the year the company had two executive directors who were employed and paid by PPL (2014: two). Of those two executive directors, remuneration paid to the Chief Executive Officer amounted to £689,656 (2014: £590,453) and remuneration paid to the Chairman amounted to £183,659 (2014: £179,663). The remuneration of non-executive directors (by way of meeting attendance fees) is included in the aggregate directors' emoluments figure and amounted to £87,833 for the year (2014: £83,022).

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

8. TAXATION

The charge for taxation for the year is calculated on disallowable items after the deduction of capital allowances.

	2015 £000	2014 £000
Current tax:		
UK corporation tax	-	-
Total tax	-	-

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%).

	2015 £000	2014 £000
Factors affecting tax charge for the year		
Net income before taxation	169,751	160,958
Net income at the UK tax rate 20.25% (2014: 21.5%)	34,369	34,606
Effects of:		
Permanent difference	(34,345)	(34,581)
Accelerated capital allowances and other timing differences	(24)	(25)
Prior year tax adjustment	-	-
Total current tax charge	-	-

The company has an unrecognised deferred tax asset as follows:

	2015 £000	2014 £000
Capital allowances less than depreciation	758	695
Other timing differences	46	46
Deferred tax on pension scheme	(213)	598
Net deferred tax asset - unrecognised	591	1,339

No provision has been made for this deferred tax asset on the basis that the majority of the company's net income is not taxable and therefore the availability of suitable future taxable profits against which it can be realised is not certain.

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

9. INTANGIBLE ASSETS

**Computer
software and
systems
development**

£000

Cost

At 1 January 2015

18,433

Additions

1,134

Disposals

(97)

At 31 December 2015

19,470

Accumulated amortisation

At 1 January 2015

14,886

Charge for the year

2,024

Disposals

(97)

At 31 December 2015

16,813

Net book amount

At 31 December 2015

2,657

At 31 December 2014

3,547

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

10. TANGIBLE ASSETS

	Fixtures, fittings and office equipment	Computer hardware	Total
	£000	£000	£000
Cost			
At 1 January 2015	1,598	724	2,322
Additions	284	76	360
Disposals	-	(8)	(8)
At 31 December 2015	1,881	792	2,673
Accumulated depreciation			
At 1 January 2015	1,230	604	1,834
Charge for the year	193	89	282
Disposals	-	(8)	(8)
At 31 December 2015	1,423	685	2,107
Net book amount			
At 31 December 2015	459	107	566
At 31 December 2014	368	120	488

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £000	2014 £000
Trade creditors	224	74
Amounts owed to members	126,455	122,924
Other creditors including taxation and social security	5,303	4,625
Accruals and deferred income	51,260	51,166
	183,242	178,789

The distributions to members cannot be separately identified until the usage returns in respect of that period have been received and matched against the repertoire database. This reflects the Distribution rules driven by the Council Directive No 92/100/EEC of 19 November 1992 ("The Rental Directive") introduced in the UK with effect from 1 December 1996.

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

12. PROVISION FOR LIABILITIES

	2015 £000	2014 £000
Provision for dilapidations		
At beginning of the year	490	490
Released in the year	-	-
At the end of the year	490	490
Provision for legal costs		
At beginning of the year	100	170
Utilised in the year	-	(70)
Charge for the year	100	-
At the end of the year	200	100
Provision for refunds		
At beginning of the year	800	650
Utilised in the year	(320)	-
Charge for the year	-	150
At the end of the year	480	800
Total provision	1,170	1,390

Dilapidations

The dilapidations provision represents the amount required to reinstate the premises to a state as required under the lease, which expires in 2020. The provision is expected to be fully utilised in 2020.

Legal costs

Legal costs are provided as required for cases where litigation is pending. This provision is expected to be utilised in 2016.

Refunds

Provision is made for all significant refunds made or expected to be made in the post Statement of Financial Position period, which relate to licence fees received in the year.

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

13. OPERATING LEASE COMMITMENTS

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2015 £000	2014 £000
Other:		
Not later than one year	732	671
Later than one year and not later than five years	2,779	2,919
Later than five years	-	870
	<u>3,511</u>	<u>4,460</u>

14. PENSION COSTS

a. Defined Benefit Scheme

The company operates a defined benefit scheme in the UK with assets held in a separately administered fund. The basis on which the net pension liability is recognised in the financial statements is set out in note 1. The scheme was closed to new entrants from 1 July 2003.

A full actuarial valuation using the projected unit method was carried out at 30 June 2015 and updated to 31 December 2015 by a qualified independent actuary.

The company closed the scheme to the future accrual of benefits in June 2014.

The major assumptions used by the actuary were (in nominal terms):

	2015	2014
Rate of increase in salaries	3.50%	4.80%
Rate of increase of pensions in payment	2.80%	3.00%
Rate of increase of pensions in deferment	2.50%	2.50%
Discount rate	3.80%	3.50%
Inflation assumption (RPI)	3.50%	3.30%
Inflation assumption (CPI)	2.50%	2.50%

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

14. PENSION COSTS (continued)

The mortality assumptions used for the 31 December 2015 actuarial valuation were as follows:

Pre-retirement mortality (non pensioners):	PCA00 YOB medium cohort (1% floor)
Post-retirement mortality (non pensioners):	PCA00 YOB medium cohort (1% floor)
Pre-retirement mortality (pensioners):	PCA00 YOB medium cohort (1% floor)

These remain consistent with the 31 December 2014 actuarial valuation, updated under FRS102.

The assets in the scheme, the expected rates of return on assets ('EROA') and the amounts recognised in the Statement of Financial Position are as follows:

	2015		2014	
	£000	Amount (%)	£000	Amount (%)
Equities	7,374	31%	9,080	39%
Diversified growth assets	2,305	10%	2,270	10%
Gilts	-	0%	6,810	30%
Corporate bonds	13,712	59%	4,540	20%
Other (cash)	26	0%	199	1%
Total market value of assets	23,417		22,899	
Actuarial value of liability	(22,367)		(25,682)	
Surplus/(deficit) in the scheme	1,050		(2,783)	
Irrecoverable surplus	(1,050)		-	
Related unrecognised deferred tax asset	-		-	
Net pension asset / (liability)	-		(2,783)	

The surplus in the scheme is not fully recoverable by the company and therefore the surplus reflected in the Statement of Financial Position is restricted to nil.

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

14. PENSION COSTS (continued)

The amount recognised in the Statement of Comprehensive Income:

	2015 £000	2014 £000
Current service cost	-	(202)
Net interest	(97)	(5)
Total	(97)	(207)

Reconciliation of scheme assets and liabilities:

	Assets	Liabilities	Total
At 1 January 2015	22,899	(25,682)	(2,783)
Benefits paid	(451)	451	-
Employer contributions	-	-	-
Employee contributions	-	-	-
Current service cost	-	-	-
Interest income/(expense)	794	(891)	(97)
Remeasurement gains/(losses)			
- Actuarial gains	-	3,755	3,755
- Return on plan assets excluding interest income	175	-	175
At 31 December 2015	23,417	(22,367)	1,050

b. Defined Contribution Scheme

The company also operates a defined contribution scheme.

	2015 £000	2014 £000
Amounts outstanding at year end	91	81

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

15. NET CASH FLOW FROM OPERATING ACTIVITIES

	2015 £000	2014 £000
Net income before interest and taxation	169,751	160,958
Net interest receivable	(861)	(497)
Other finance expense	97	5
Amortisation of intangible assets	2,024	2,113
Depreciation of tangible fixed assets	282	285
Difference between pension charge and cash contribution	97	53
(Increase)/decrease in debtors	(4,118)	10,093
(Decrease)/increase in creditors	(417)	1,945
(Decrease)/increase in provisions	(220)	80
Net cash inflow from operating activities	<u>166,635</u>	<u>175,035</u>

16. TRANSACTIONS WITH DIRECTORS

There were no other transactions with directors during the year (2014: £-).

17. RELATED PARTY TRANSACTIONS

Income collected by PPL is distributed to its members and allocations remaining unclaimed for more than seven years are reallocated and redistributed in accordance with PPL's Distribution rules.

Operating expenses incurred in relation to Video Performance Limited are recharged during the year.

18. RETAINED RESERVES - INCOME, EXPENDITURE AND DISTRIBUTION ACCOUNT

	2015 £000	2014 £000
At start of the year	(7,129)	(4,493)
Actuarial gain/(loss) on the pension scheme	2,880	(2,636)
Movement in deferred tax on the pension scheme	-	-
At end of the year	<u>(4,249)</u>	<u>(7,129)</u>

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

19. TRANSITION TO FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies, which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

Reconciliations

In accordance with the requirements of FRS 102, a reconciliation of the prior year profit and opening balances is provided below.

Reconciliation of profit for the year

	Note	2014 £000
Amount available for distribution as previously reported under UK GAAP		161,161
Holiday pay accrual	(i)	(28)
Remeasurement of finance income on the defined benefit pension plan	(ii)	(175)
Amount available for distribution as reported under FRS 102		<u>160,958</u>

Reconciliation of other comprehensive expense for the year

	Note	2014 £000
Other comprehensive income for year as previously reported under UK GAAP		(2,811)
Remeasurement of finance income on the defined benefit pension plan		<u>175</u>
Other comprehensive expense for the year as reported under FRS 102		<u>(2,636)</u>

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

19. TRANSITION TO FRS 102 (continued)

Reconciliation of equity	Note	1 January 2014 £000	31 December 2014 £000
Total reserves as previously reported under UK GAAP		(4,493)	(7,304)
Remeasurement of finance income on the defined benefit pension plan			175
Total reserves as reported under FRS 102			(7,129)

Notes to reconciliations:

i) Holiday pay accrual

FRS 102 requires short term employee benefits to be charged to the Statement of Comprehensive Income as the employee service is received. This has resulted in the company recognising a liability for holiday pay of £28,115 on transition to FRS 102. Previously holiday pay accruals were not recognised and were charged to the Statement of Comprehensive Income as they were paid. The liability at 31 December 2014 was £28,115. This also resulted in the reduction of an equal amount to be distributed to members as the company's policy is to distribute any net income to the members.

ii) Defined benefit scheme

Under previous UK GAAP, the company recognised an expected return on defined benefit plan assets in the Statement of Comprehensive Income. Under FRS 102, a net interest expense, based on the net defined benefit liability, is recognised in the Statement of Comprehensive Income. The effect of the change has been to reduce the credit to the Statement of Comprehensive Income in the year to 31 December 2014 by £175,000 and decrease the fair value of the plan assets in the Statement of Financial Position by an equivalent amount.

Other adjustments arising on transition to FRS 102

In addition to the transition adjustments identified above which affect the amount available for distribution for the financial year, the following adjustments have arisen which have had no effect on net assets or Statement of Comprehensive Income but which have affected the presentation of these items in the financial statements. The main items are:

Classification of software

Computer software and systems development, with a net book value of £3,641 at 31 December 2014, have been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the company's net assets nor on the profit for the year, except that the previous depreciation charge is now described as amortisation.

PHONOGRAPHIC PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

19. TRANSITION TO FRS 102 (continued)

Cash Flow Statement

The company's Cash Flow Statement reflects the presentation requirements of FRS 102, which are different to that prepared under FRS 1. In addition the Cash Flow Statement reconciles to cash and cash equivalents whereas under previous UK GAAP the Cash Flow Statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.