3444246

**THE MCPS-PRS ALLIANCE LIMITED**

**DIRECTORS' REPORT & FINANCIAL STATEMENTS**

**For the year ended 31 December 2009**

The directors herewith present the annual report and financial statements for the year ended 31 December 2009

**Results and Dividends**
The profit for the year, after taxation, is £617,000 (2008 profit £310,000) The directors do not recommend payment of a dividend in respect of the year ended 31 December 2009

**Principal activity and review of the business**
The principal activity of the Company is, and will continue to be, to provide operational services to Mechanical-Copyright Protection Society Limited (MCPS) and Performing Right Society Limited (PRS) The costs incurred by the Company are charged to MCPS and PRS as operating fees in proportion to the work carried out on behalf of each Society MCPS and PRS each own 50% of the Company The allocation of costs is in accordance with the principles set out in the shareholders' agreement between MCPS and PRS

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

| | *2009* | *2008* | *Change* |
|---|---|---|---|
| | *£'000* | *£'000* | *%* |
| Profit before tax | 967 | 970 | 0% |
| Tax | (350) | (660) | -53% |
| Profit after tax | 617 | 310 | +99% |
| Licensing and administration expenses | 70,256 | 67,174 | +5% |

The profit arises in the Company because a pension amortisation cost is charged to MCPS and PRS but is not a cost to the Company This is reduced by depreciation charged through the profit and loss of the Company due to the revaluation of the properties which is not charged to MCPS and PRS

The Company's properties were revalued at the year end resulting in a decrease in the property values of £0 7m

The net pension scheme liability as valued under FRS 17 increased from £18 7m to £42 1m during the year

**Future developments**
The directors feel that the changing nature of the industry that both MCPS and PRS operate in will give rise to new opportunities in the future The management policies in place will actively seek to exploit these as and when they occur The Company has a joint venture with the Swedish collecting society (STIM) called ICE which is developing new systems to provide back office operations to both partners These systems are state of the art and capable of dealing with the vast increase in the amount of data being processed They will deliver significant cost savings over the coming years while also allowing the Company to operate in the ever developing online landscape and enable further exploitation of European markets

**Principal risks and uncertainties**
The Alliance exists to provide operational services to its two parent companies MCPS and PRS As a result it faces very few direct risks through competition, legislation, changing technology, price and credit risk, or liquidity risk The Alliance is however, reliant on the continued financial support of its parent companies and hence their financial performance and they face all of these risks and uncertainties Full disclosure of these risks and their ongoing appraisal is made in the directors' reports of the parent companies

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future This is strengthened by the shareholder agreement in place with the parent companies MCPS and PRS, both of which have substantial resources available to fund the Company Accordingly the directors continue to adopt the going concern basis in preparing the accounts

**Corporate governance**

Since 2005, responsibility for the direction of the Company has rested with the Boards of MCPS and PRS The MCPS and PRS Boards have monitored financial progress, formulated policy and horizon plans and appointed the Joint Chairmen and Chief Executive In the context of this governance framework, the responsibility of the Company's Board was limited largely to statutory and constitutional matters It met twice during the year and conducted the remainder of its business by written resolution

At the beginning of 2010, the MCPS and PRS Boards agreed changes in order to enhance the effectiveness of the organisation's governance structure and resolved that powers relating to the operations and business of the Company be transferred back to the Company's Board The Company's Board is supported by numerous committees such as the Audit Committee, the Remuneration Committee and the Nominations Committee

**Directors**

The directors during the year and appointed subsequently were

| **Writers** | **Publishers** |
|---|---|
| Peter Callander (from 20 01 10) | Tom Bradley |
| Simon Darlow (from 20 01 10) | Sarah Levin (from 20 01 10) |
| Mick Leeson (from 20 01 10) | John Minch (from 20 01 10) |
| Sarah Rodgers (from 20 01 10) | Ellis Rich |
| **External Directors** | **Executive Directors** |
| Peter Bamford | Robert Ashcroft (from 25 01 10) |
| Paul Dolan | Jeremy Fabinyi (from 22 07 09 until 25 01 10) |
| Wanda Goldwag (from 20 01 10) | Steve Porter (until 17 07 09) |
| Estelle Morris (from 20 01 10) | Deborah Stones (until 20 01 10) |

**Chairmen**

Tom Bradley and Ellis Rich continued in office as Joint Chairmen until 20 January 2010 when Peter Bamford was appointed as Chairman of the Company

**Directors' qualifying third party indemnity provisions**

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

**Charitable donations**

The Company paid donations on behalf of MCPS amounting to £2,500 during the year (2008 £2,500)

**Disclosure of information to the auditors**

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

**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 is undertaken annually

**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

**Disabled persons**
The Company complies with the requirements of the Disability Discrimination Act of 1995, which came into effect in December 1996, 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

**Auditors**
A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting

By order of the Board
Deborah Stones
Secretary

22 March 2010

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

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

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

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

We have audited the financial statements of The MCPS-PRS Alliance Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows, the Notes to the Statement of Cash Flows, and Notes 1 to 17 to the accounts The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

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

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

Ernst & Young LLP

Michael Wansbury (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
7 April 2010

## PROFIT AND LOSS ACCOUNT
**For the year ended 31 December 2009**

| | Notes | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| **Turnover** | 2 | 73,761 | 68,594 |
| **Licensing and administration expenses** | 3, 4 | (70,256) | (67,174) |
| **Operating profit excluding pension current service cost** | | 3,505 | 1,420 |
| **Pension current service cost** | 17 | (1,091) | (1,892) |
| **Operating profit/(loss)** | | 2,414 | (472) |
| **Bank interest receivable** | | 6 | 11 |
| **Other finance (costs)/income** | 16 | (1,453) | 1,431 |
| **Profit on ordinary activities before taxation** | | 967 | 970 |
| **Tax charge on profit on ordinary activities** | 5 | (350) | (660) |
| **Retained profit for the year** | 13 | 617 | 310 |

All of the Company's operations are classed as continuing

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
**For the year ended 31 December 2009**

| | Notes | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| Profit for the financial year | | 617 | 310 |
| Deferred taxation on defined benefit pension plans | | - | 5,653 |
| Actuarial losses on defined benefit pension plans | 17 | (23,487) | (23,832) |
| Net loss on revaluation of properties | 6 | (690) | (4,462) |
| **Total recognised losses relating to the year** | | (23,560) | (22,331) |

## NOTE OF HISTORICAL COST PROFITS AND LOSSES
**For the year ended 31 December 2009**

| | Notes | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| Reported profit on ordinary activities before taxation | | 967 | 970 |
| Difference between historical cost depreciation charge and the actual charge calculated on the revalued amount | 13 | 288 | 300 |
| **Historical cost profit on ordinary activities before taxation** | | 1,255 | 1,270 |
| **Historical cost profit for the year retained after taxation** | | 905 | 610 |

## BALANCE SHEET
## At 31 December 2009

| | Notes | 2009 £'000 | 2008 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 6 | **47,813** | 51,006 |
| Investments | 8 | **6,190** | 3,269 |
| | | **54,003** | 54,275 |
| **Current assets** | | | |
| Debtors | 9 | **19,610** | 36,937 |
| Cash at bank and in hand | | **8,942** | 4,041 |
| | | **28,552** | 40,978 |
| **Creditors:** amounts falling due within one year | 10 | **(51,278)** | (62,627) |
| **Net current liabilities** | | **(22,726)** | (21,649) |
| **Total assets less current liabilities** | | **31,277** | 32,626 |
| **Creditors:** amounts falling due after more than one year | 11 | **(19,630)** | (20,880) |
| **Net assets excluding pension liability** | | **11,647** | 11,746 |
| **Defined benefit pension liability** | 17 | **(42,134)** | (18,673) |
| **Net liabilities** | | **(30,487)** | (6,927) |
| **Financed by** | | | |
| Called up share capital | 12 | **1** | 1 |
| Other reserves | | **17,002** | 17,002 |
| Revaluation reserve | 13 | **18,491** | 19,469 |
| Profit and loss reserve | 13 | **(65,981)** | (43,399) |
| **Shareholders' funds** | 13 | **(30,487)** | (6,927) |

The financial statements were approved by the Board on 22 March 2010 and were signed on its behalf by

Peter Bamford

Chairman

22/3/10

## STATEMENT OF CASH FLOWS
**For the year ended 31 December 2009**

| | 2009 | 2008 |
|---|---|---|
| | £'000 | £'000 |
| **Net cash inflow from operating activities** | **15,968** | 11,212 |
| **Returns on investment and servicing of finance** | **6** | 11 |
| **Capital expenditure** | **(8,152)** | (10,466) |
| **Acquisitions and disposals** | **(2,921)** | (2,797) |
| **Increase/(decrease) in cash** | **4,901** | (2,040) |

## NOTES TO STATEMENT OF CASH FLOWS

**Reconciliation of operating profit/ (loss) to net cash inflow from operating activities:**

| | 2009 | 2008 |
|---|---|---|
| | £'000 | £'000 |
| Operating profit/(loss) | **2,414** | (472) |
| Depreciation | **10,680** | 11,602 |
| (Profit)/loss on sale of fixed assets | **(25)** | 20 |
| Increase in debtors | **(5,554)** | (7,892) |
| Movements in amounts due to and from parent undertakings | **8,543** | 11,064 |
| Increase/ (decrease) in creditors | **1,739** | (2,183) |
| Difference between pension contributions paid and charge | **(1,829)** | (927) |
| Net cash inflow from operating activities | **15,968** | 11,212 |

| | 2009 | 2008 |
|---|---|---|
| Gross Cash Flows: | £'000 | £'000 |
| a **Returns on investments and servicing of finance** | | |
| Interest received | **6** | 11 |
| b **Capital expenditure** | | |
| Payments to acquire tangible fixed assets | **(8,177)** | (10,469) |
| Receipts from sale of tangible fixed assets | **25** | 3 |
| | **(8,152)** | (10,466) |
| c **Acquisitions and disposals** | | |
| Purchase of interest in an associate undertaking | **(2,921)** | (2,797) |

| **Reconciliation of net cash flow to movement in net funds** | 2009 | 2008 |
|---|---|---|
| | £'000 | £'000 |
| Increase/ (decrease) in cash in the year | **4,901** | (2,040) |
| Net funds at 1 January | **4,041** | 6,081 |
| Net funds at 31 December | **8,942** | 4,041 |

| **Analysis of changes in net funds** | At 1 Jan | Cash flow | At 31 Dec |
|---|---|---|---|
| | 2009 | 2009 | 2009 |
| | £'000 | £'000 | £'000 |
| **Cash at bank and in hand** | **4,041** | **4,901** | **8,942** |

**1. Accounting Policies**

**Accounting convention**

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold and leasehold land and buildings and in accordance with applicable accounting standards

**Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report The Directors acknowledge the net liability position of the Company which the Directors believe is a direct result of the pension liability The removal of this deficit is currently under discussion with the trustees of the pension scheme as part of the triennial valuation process required by the Pension Regulator This must be mutually acceptable to all parties including MCPS and PRS, and takes into consideration the impact on the costs of those companies The Directors believe with the combined cash resources of the parent companies PRS and MCPS and their substantial cash generating ability the Company should continue to adopt the going concern basis in preparing the annual report and accounts

**Definitions**

'MCPS' means Mechanical-Copyright Protection Society Limited
'PRS' means Performing Right Society Limited
'ICE' means International Copyright Enterprise A B

**Consolidated financial statements**

In accordance with section 405(2) of the Companies Act 2006, consolidated financial statements have not been prepared for the Company as whilst it has two wholly owned subsidiaries, one is dormant and the other, which is not material, is wholly recharged to the parent company and is non-profit making Consequently, these financial statements present information about the Company as an individual undertaking and not about its group

**Tangible fixed assets**

Fixed assets were initially stated at cost All freehold and leasehold land and buildings were revalued at 31 December 2003, at market value, based on existing use, as in the directors' opinion this provided a fairer indication of the value of assets used by the business Further revaluations were performed at 31 December 2008 and 31 December 2009

**Depreciation**

Depreciation is calculated to write off the assets evenly over their expected useful lives at the following rates

| | |
|---|---|
| Freehold land and buildings | 2% per annum |
| Leasehold buildings | length of lease - min 1% per annum |
| Property improvements | 5% per annum |
| Computer systems and equipment | 14-50% per annum |
| Motor vehicles | length of lease |

The carrying values of tangible fixed assets are reviewed for impairment in periods, if events or changes in circumstances indicate the carrying value may not be recoverable

**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 in periods if events or changes in circumstances indicate the carrying value may not be recoverable

1. **Accounting Policies** (continued)

**Deferred taxation**

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

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold, 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 balance sheet date

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract Monetary assets and liabilities denominated in foreign currencies have been retranslated into sterling at the middle market rate at the balance sheet date All differences are taken to the profit and loss account

**Leasing and hire purchase commitments**

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

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

**Pension and other post retirement benefits**

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) (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

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 profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested When a settlement or a curtailment occurs the charge in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction

1 **Accounting Policies** (continued)

**Pension and other post retirement benefits** (continued)

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

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur

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

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable

2. **Turnover**

Turnover, which is stated net of VAT, comprises the costs of operating the Company (as charged to the parent companies in proportion to the work carried out on behalf of each) and all arises in the UK Turnover is accounted for on an invoiced basis and is made up as follows

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Operating fees to MCPS | 20,087 | 19,487 |
| Operating fees to PRS | 53,674 | 49,107 |
| | 73,761 | 68,594 |

3. **Licensing and administration expenses**

Licensing and administration expenses include

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Depreciation on owned fixed assets | 10,503 | 11,390 |
| Depreciation of assets held under finance leases | 177 | 212 |
| (Profit)/loss on disposal of fixed assets | (25) | 20 |
| Auditor's remuneration – audit | 137 | 147 |
| Operating lease rentals – computer and office machinery | 47 | 39 |

## 4. Emoluments of directors and employees

a Directors' emoluments

The Company had two executive directors at 31 December 2009, D Stones and J Fabinyi (joined the Board 22 July 2009) S Porter left the Company on 17 July 2009 and received pay in lieu of notice of £312,025 Their total emoluments, and those of the non-executive directors, were recharged to MCPS and PRS in proportion to the services supplied to each company, and are included in the table below

| | **2009** | 2008 |
|---|---|---|
| | **£'000** | £'000 |
| Emoluments | **1,131** | 807 |
| Company contributions to defined contribution pension schemes | **42** | 49 |

| | **2009** | 2008 |
|---|---|---|
| | **No** | No |
| Members of defined benefit pension schemes | **1** | 1 |
| Members of defined contribution pension schemes | **2** | 1 |

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

| | **2009** | 2008 |
|---|---|---|
| | **£'000** | £'000 |
| Emoluments | **509** | 496 |
| Company contributions to defined contribution pension schemes | **29** | 49 |
| Company contributions to defined benefit pension schemes | **76** | 25 |
| Defined benefit pension scheme – accrued pension at end of year | **44** | 37 |

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

| | *Balance Outstanding 1 January 2009* | *Balance outstanding 31 December 2009* | *Maximum liability during the year* |
|---|---|---|---|
| | *£* | *£* | *£* |
| S Porter – season ticket loan | 2,920 | - | 2,920 |

The season ticket loan was interest-free, repayable in 12 monthly instalments

## 4. Emoluments of directors and employees (continued)

b Staff costs

The monthly average number of persons, excluding directors, employed by the Company during the year was

| | 2009 No. | 2008 No |
|---|---|---|
| Licensing | **298** | 299 |
| Distribution and membership | **303** | 307 |
| Support services | **222** | 221 |
| | **823** | 827 |

The aggregate staff costs are analysed as follows

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Salaries | **33,232** | 31,074 |
| Social security costs | **3,132** | 3,068 |
| Costs of pension | | |
| Defined contribution schemes | **339** | 292 |
| Defined benefit schemes | **1,091** | 1,892 |
| Costs of similar benefits | **257** | 188 |
| | **38,051** | 36,514 |

## 5. Taxation

### (a) Analysis of charge in year

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| **Current tax** | | |
| UK corporation tax charge | - | - |
| **Deferred taxation** | | |
| Movement relating to pensions | 350 | 660 |
| Total deferred taxation | 350 | 660 |
| Total tax charge for the year | 350 | 660 |

### (b) Factors affecting current tax for year

The tax assessed for the year differs from the standard rate of corporation tax in the UK The differences are explained below

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Profit on ordinary activities before tax | 967 | 970 |
| Corporation tax at 28% (2008 – 28 5%) | 271 | 276 |
| **Effects of** | | |
| Adjustments for transfer pricing | 581 | 595 |
| Pension contributions | (123) | (2,607) |
| Expenses not deductible for tax purposes | 37 | 44 |
| Capital allowances for year in arrears of depreciation | 707 | 549 |
| Current year loss not utilised | 166 | 1,143 |
| Prior year losses utilised | (1,639) | - |
| Total current tax | - | - |

5. **Taxation** (continued)

**(c) Deferred tax**

The deferred tax included in the balance sheet is as follows

| | 2009 £'000 | 2008 £'000 |
|---|---|---|
| Arising on pension deficit | **5,496** | 5,846 |
| | **5,496** | 5,846 |
| Included within pension liability (Note 17) | **5,496** | 5,846 |
| | **5,496** | 5,846 |

Movement on deferred tax asset

| | £'000 |
|---|---|
| **At 1 January 2009** | **5,846** |
| Debited to the profit and loss account | **(350)** |
| **At 31 December 2009** | **5,496** |

**(d) Factors that may affect future tax charge**

The Company did not recognise a deferred tax asset of £4,193,000 (2008 £4,934,000) made up of losses of £2,445,000 (2008 £3,928,000) and decelerated capital allowances of £1,748,000 (2008 £1,006,000) due to insufficient certainty of future trading profits

No provision has been made for deferred tax on gains recognised on revaluing property to its market value Such tax would become payable only if the properties were sold without it being possible to claim rollover relief or if there were insufficient losses to claim The total amount not provided for is £751,000 (2008 £1,102,000) At present it is not envisaged that any tax will become payable in the foreseeable future

## 6. Tangible fixed assets

| | Freehold land & buildings £'000 | Leasehold land & buildings improvements £'000 | Systems & equipment £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|
| Cost or valuation | | | | | |
| At 1 January 2009 | 1,492 | 37,846 | 109,167 | 1,664 | 150,169 |
| Deficit on revaluation | (40) | (650) | - | - | (690) |
| Additions | 27 | 603 | 7,473 | 74 | 8,177 |
| Disposals | - | - | (100) | - | (100) |
| **At 31 December 2009** | **1,479** | **37,799** | **116.540** | **1,738** | **157,556** |
| **Depreciation** | | | | | |
| At 1 January 2009 | 443 | 9,966 | 87,448 | 1,306 | 99,163 |
| Charge for the year | 32 | 768 | 9,703 | 177 | 10,680 |
| Disposals | - | - | (100) | - | (100) |
| **At 31 December 2009** | **475** | **10,734** | **97,051** | **1,483** | **109,743** |
| **Net book value** | | | | | |
| **At 31 December 2009** | **1,004** | **27,065** | **19,489** | **255** | **47,813** |
| **Net book value** | | | | | |
| At 1 January 2009 | 1,049 | 27,880 | 21,719 | 358 | 51,006 |

The net book value of leasehold land and buildings and improvements at 31 December 2009 included £26 8m (2008 £27 6m) on long leases and £0 3m (2008 £0 3m) on short leases The net book value of motor vehicles held under finance lease agreements is £0 3m (2008 £0 4m), with all lease obligations paid in advance

Freehold and leasehold land and buildings were revalued at 31 December 2009 based on existing use value The valuation was carried out by Altus Edwin Hill Chartered Surveyors and prepared in accordance with the valuation standards issued by the Royal Institution of Chartered Surveyors The open market value does not differ materially from the in use value

On the historical cost basis the freehold and leasehold land and buildings would have been included as follows

| | Freehold £'000 | Leasehold £'000 |
|---|---|---|
| At 1 January 2009 | 965 | 6,646 |
| At 31 December 2009 | **964** | **6,765** |

## 7. Capital commitments

Capital expenditure authorised and contracted for at 31 December 2009 was £1 4m (2008 £1 3m)

## 8. Fixed asset investments

| | *Joint ventures and associates* £'000 | *Other investments* £'000 | *Total* £'000 |
|---|---|---|---|
| Cost | | | |
| At 1 January 2009 | 3,037 | 232 | 3,269 |
| Additions | 2,921 | - | 2,921 |
| **Net book value at 31 December 2009** | **5,958** | **232** | **6,190** |
| Net book value at 1 January 2009 | 3,037 | 232 | 3,269 |

Other investments are not listed

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

| **Name of company** | **Holding** | **Proportion of voting rights and shares held** | **Nature of Business** | **Country of incorporation** |
|---|---|---|---|---|
| *Joint venture* | | | | |
| International Copyright Enterprise (ICE) | Ordinary shares | 50% | Service Centre | Sweden |
| *Associate* | | | | |
| ISAN UK Ltd | Ordinary Shares | 33 3% | Identification of audiovisual works | England & Wales |
| *Subsidiary* | | | | |
| PRS for Music (USA) Ltd | Ordinary Shares | 100% | Membership relations | England & Wales |

**8 Fixed asset investments (continued)**

ICE is a joint venture with the Swedish collection society, STIM, to provide a joint service centre for operational services The initial build was completed at the end of 2009 and it became operational in January 2010

The aggregate amount of capital and reserves held by ICE at the end of 2009 was £3 9m (2008 £0 7m) and a loss was recorded for the financial year of £0 8m (2008 £0 4m)

During the year, pre go-live accumulated losses of £4 2m were recharged from ICE in equal parts to the parent Societies, £2 1m to STIM and £2 1m to the Company A loan of £5m was made to ICE from the Company during 2009 and the charge of £2 1m was offset against this resulting in a net loan of £2 9m all of which is classified as the share capital reserve in the financial statements of ICE

The Company also owns a third share of ISAN, a company set up to standardise audiovisual content identifiers The Company has not yet started to trade

The Company has a fully owned subsidiary called PRS for Music (USA) Limited a UK limited company set up to foster member relationships in the USA

The Other Investment represents the Company's 6 83% ownership of Fast Track, a company which provides information systems to facilitate the sharing of information between the member societies, so as to improve the flow of royalties internationally

The Company owns 12 5% of UK Music 2009 Limited, a company limited by guarantee It represents the collective interests of the UK's commercial music industry, from artists, musicians, songwriters and composers, to record labels, managers, music publishers, studio producers and collecting societies This company commenced activities in 2008

**9. Debtors**

| | **2009** | 2008 |
|---|---|---|
| | **£'000** | £'000 |
| Trade debtors | **16,827** | 11,245 |
| Other debtors | **1,083** | 1,040 |
| Due from MCPS | **-** | 22,880 |
| Prepayments and accrued income | **1,700** | 1,772 |
| | **19,610** | 36,937 |

Trade debtors arise in the Alliance as a result of it raising invoices for joint licences on behalf of MCPS and PRS The revenue is passed directly through the intercompany accounts and is recognised directly in the MCPS and PRS accounts and not within these accounts

**10. Creditors: amounts falling due within one year**

| | **2009** | 2008 |
|---|---|---|
| | **£'000** | £'000 |
| Due to PRS | **9,809** | 53,096 |
| Due to MCPS | **30,200** | - |
| Trade creditors | **2,435** | 2,197 |
| Accruals and deferred income | **8,008** | 5,847 |
| Taxation and social security | **826** | 1,487 |
| | **51,278** | 62,627 |

## 11. Creditors: amounts falling due after more than one year

| | 2009 | 2008 |
|---|---|---|
| | £'000 | £'000 |
| Due to PRS | 15,704 | 13,547 |
| Due to MCPS | 3,926 | 7,333 |
| | 19,630 | 20,880 |

Creditors amounts falling due after more than one year represent the balances of exceptional prepaid pension contributions into the Alliance Pension Schemes which was funded in 2005 by MCPS and PRS They are repayable over 20 years and are non-interest bearing The liabilities were re-allocated in 2009 to reflect a more accurate split between the parent societies resulting in a shift in liabilities from MCPS to PRS of £3 0m

## 12 Share capital

| | 2009 | 2008 |
|---|---|---|
| | £'000 | £'000 |
| Ordinary shares of £1 each, authorised | 50 | 50 |
| Allotted, called up and fully paid | 1 | 1 |

## 13. Reconciliation of shareholders' funds and movement on reserves

| | Share capital £'000 | Other reserves £'000 | Revaluation reserves £'000 | Profit and loss account £'000 | Total shareholders' funds £'000 |
|---|---|---|---|---|---|
| **At 1 January 2008** | 1 | 17,002 | 24,231 | (25,830) | 15,404 |
| Profit for the year | - | - | - | 310 | 310 |
| Transfer of depreciation on revalued tangible fixed assets | - | - | (300) | 300 | - |
| Deficit on revaluation of fixed assets | - | - | (4,462) | - | (4,462) |
| Actuarial losses on Pension scheme liabilities | - | - | - | (23,832) | (23,832) |
| Movement on deferred tax relating to pension liability | - | - | - | 5,653 | 5,653 |
| **At 1 January 2009** | **1** | **17,002** | **19,469** | **(43,399)** | **(6,927)** |
| Profit for the year | | | | **617** | **617** |
| Transfer of depreciation on revalued tangible fixed assets | | | **(288)** | **288** | **-** |
| Deficit on revaluation of fixed assets | | | **(690)** | | **(690)** |
| Actuarial losses on Pension scheme liabilities | | | | **(23,487)** | **(23,487)** |
| **At 31 December 2009** | **1** | **17,002** | **18,491** | **(65,981)** | **(30,487)** |

**14. Related party transactions**

The Company's turnover consists of operating fees recharged to its parent companies MCPS and PRS as analysed per note 2 Amounts due to and from the Company's parent undertakings at the balance sheet date are disclosed in notes 10, 11 and 12

During the year, the Company made further investments in the joint venture company ICE, details of which are disclosed in note 9 The Company also charged ICE for services provided an amount of £2 8m (2008 £1 9m) and was owed a balance of £0 9m (2008 £0 3m) at the year end

**15. Parent undertakings**

The Company is jointly owned by Mechanical-Copyright Protection Society Limited and Performing Right Society Limited, each of which owns 50% of the issued share capital

**16. Other finance costs**

| | 2009<br>£'000 | 2008<br>£'000 |
|---|---|---|
| Expected return on pension scheme assets | **6,874** | 9,516 |
| Interest on pension scheme liabilities | **(8,327)** | (8,085) |
| Net (cost)/ return | **(1,453)** | 1,431 |

## 17. Pensions

The Company operates two contributory pension schemes, The MCPS-PRS Alliance Pension Scheme (formerly the PRS scheme) and The MCPS-PRS Alliance Pension Scheme (MCPS), (formerly the MCPS scheme) 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 As a consequence the current service cost calculated under the projected unit method can be expected to increase over time as the average age of the members increases

A full actuarial valuation of The MCPS-PRS Alliance Pension Scheme was carried out at 31 December 2008 by Mercer Associates to take account of the requirement of FRS 17 in order to assess the liabilities of the scheme and this has been updated as at 31 December 2009

The preliminary actuarial valuation of The MCPS-PRS Alliance Pension Scheme (MCPS) as carried out as at 1 January 2009 was updated by Pension Capital Strategies Limited to take account of the requirement of FRS 17 in order to assess the liabilities of the scheme as at 31 December 2009

Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets

The assets and liabilities in the schemes at 31 December are

| | MCPS-PRS Alliance Pension Scheme | |
|---|---|---|
| | **2009** | 2008 |
| | **£'000** | £'000 |
| Scheme assets at fair value | | |
| Equities | **52,356** | 47,534 |
| Bonds (average) | **24,937** | 23,860 |
| Property | **9,068** | 9,321 |
| Cash | **108** | 280 |
| Hedge Funds | **15,977** | 8,948 |
| Other (GTAA) | **5,506** | 3,262 |
| Fair value of assets | **107,952** | 93,205 |
| Present value of liability | **(148,115)** | (115,271) |
| FRS 17 deficit in the scheme | **(40,163)** | (22,066) |
| Related deferred tax asset | **4,600** | 5,168 |
| Net liability in the balance sheet | **(35,563)** | (16,898) |

17. **Pensions** (continued)

| | MCPS-PRS Alliance Pension Scheme (MCPS) | |
|---|---|---|
| | **2009** | 2008 |
| | **£'000** | £'000 |
| Scheme assets at fair value | | |
| Equities | **10,536** | 7,436 |
| Corporate bonds | **3,080** | 1,729 |
| Gilts | **600** | 1,729 |
| Property bond | **2,021** | 2,072 |
| Cash | **713** | 535 |
| Hedge Funds | **1,765** | 1,560 |
| Other (GTAA) | **951** | 570 |
| Fair value of assets | **19,666** | 15,631 |
| Present value of liability | **(27,133)** | (18,084) |
| FRS 17 deficit in the scheme | **(7,467)** | (2,453) |
| Related deferred tax asset | **896** | 678 |
| Net liability in the balance sheet | **(6,571)** | (1,775) |
| **Total net pension liability in the balance sheet** | **(42,134)** | (18,673) |

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

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

| | MCPS-PRS Alliance Pension scheme | | MCPS-PRS Alliance Pension Scheme (MCPS) | | Total | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **£'000** | £'000 | **£'000** | £'000 | **£'000** | £'000 |
| **Recognised in the profit and loss account:** | | | | | | |
| Current service cost | **733** | 1,149 | **296** | 743 | **1,029** | 1,892 |
| Past service cost | **62** | - | **-** | - | **62** | - |
| Recognised in arriving at operating charge | **795** | 1,149 | **296** | 743 | **1,091** | 1,892 |
| Expected return on pension scheme assets | **5,867** | 8,107 | **1,007** | 1,409 | **6,874** | 9,516 |
| Interest on pension liabilities | **(7,183)** | (6,923) | **(1,144)** | (1,162) | **(8,327)** | (8,085) |
| Net return – finance (cost)/ income | **(1,316)** | 1,184 | **(137)** | 247 | **(1,453)** | 1,431 |
| Total recognised in the profit and loss account | **(2,111)** | 35 | **(433)** | (496) | **(2,544)** | (461) |

17. **Pensions** (continued)

| | MCPS-PRS Alliance Pension scheme | | MCPS-PRS Alliance Pension Scheme (MCPS) | | Total | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **£'000** | £'000 | **£'000** | £'000 | **£'000** | £'000 |
| **Taken to the Statement of Total Recognised Gains and Losses** | | | | | | |
| Actual return on scheme assets | **16,159** | (25,050) | **3,226** | (5,335) | **19,385** | (30,385) |
| Less expected return on scheme assets | **(5,867)** | (8,107) | **(1,007)** | (1,409) | **(6,874)** | (9,516) |
| | **10,292** | (33,157) | **2,219** | (6,744) | **12,511** | (39,901) |
| Other actuarial gains and losses | **(28,160)** | 12,204 | **(7,838)** | 3,865 | **(35,998)** | 16,069 |
| Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses | **(17,868)** | (20,953) | **(5,619)** | (2,879) | **(23,487)** | (23,832) |

***Pensions***

| | MCPS-PRS Alliance Pension Scheme | | MCPS-PRS Alliance Pension Scheme (MCPS) | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **%** | % | **%** | % |
| *Main assumptions* | | | | |
| Rate of salary increase | 4 6 | 4 0 | 4 6 | 4 0 |
| Rate of increase in pensions in payment (LPI) | 3 5 | 2 9 | 3 5 | 2 9 |
| Rate of revaluation of deferred pensions | 3 6 | 3 0 | 3 6 | 3 0 |
| Rate of increase of pensions in payment (LPI min 3) | n/a | n/a | 3 8 | 3 2 |
| Discount rate | 5 7 | 6 3 | 5 7 | 6 3 |
| Inflation assumption | 3 6 | 3 0 | 3 6 | 3 0 |

| | **2009** | 2008 | **2009** | 2008 |
|---|---|---|---|---|
| | **Years** | *Years* | **Years** | *Years* |
| Post-retirement mortality | | | | |
| Current pensioners at 64 – male | | | 23 9 | 22 1 |
| Current pensioners at 64 – Female | | | 26 5 | 25 0 |
| Future pensioners at 64 – male | | | 26 0 | 23 1 |
| Future pensioners at 64 – Female | | | 28 4 | 25 9 |
| Current pensioners at 65 – male | 21 6 | 21 1 | | |
| Current pensioners at 65 – Female | 24 8 | 24 0 | | |
| Future pensioners at 65 – male | 23 4 | 22 2 | | |
| Future pensioners at 65 – Female | 26 7 | 25 0 | | |

17. **Pensions** (continued)

The post-mortality mortality assumptions allow for expected increase 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 2028

Contributions to MCPS-PRS Alliance for ongoing future accrual were paid at an average rate of 21% inclusive of employee contributions of 8% for members accruing one sixtieth of salary per year and 5% for members accruing one eightieth of salary per year In addition, fixed annual contributions of £0 5m have been made to reduce the deficit in the scheme

Contributions to MCPS-PRS Alliance Pension Scheme (MCPS) for ongoing future accrual were paid at an average rate of 27% inclusive of employee contributions of 8% for members accruing one sixtieth of salary per year and 5% for members accruing one eightieth of salary per year In addition, fixed annual contributions of £0 2m will be made to reduce the deficit in the scheme

**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 | |
|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **£'000** | £'000 | **£'000** | £'000 | **£'000** | £'000 |
| At 1 January | **(115,271)** | (122,362) | **(18,084)** | (20,231) | **(133,355)** | (142,593) |
| Current service cost | **(733)** | (1,149) | **(296)** | (743) | **(1,029)** | (1,892) |
| Past service cost | **(62)** | - | **-** | - | **(62)** | - |
| Benefits paid | **3,294** | 2,959 | **229** | 466 | **3,523** | 3,425 |
| Interest cost | **(7,183)** | (6,923) | **(1,144)** | (1,162) | **(8,327)** | (8,085) |
| Actuarial (losses)/gains | **(28,160)** | 12,204 | **(7,838)** | 3,586 | **(35,998)** | 15,790 |
| At 31 December | **(148,115)** | (115,271) | **(27,133)** | (18,084) | **(175,248)** | (133,355) |

The defined benefit obligation comprises £0m (2008 £ 0 1m) arising from unfunded plans and £175 3m (2008 £133 3m) from plans that are wholly or partly funded

17. **Pensions** (continued)

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

| | MCPS-PRS Alliance Pension Scheme £'000 | MCPS-PRSAlliance Pension Scheme (MCPS) £'000 | **Total** **£'000** |
|---|---|---|---|
| As at 1 January 2008 | 119,317 | 20,510 | **139,827** |
| Expected return on plan assets | 8,107 | 1,409 | **9,516** |
| Employer contributions | 1,897 | 922 | **2,819** |
| Scheme Participant contributions | 592 | 217 | **809** |
| Benefits paid | (3,551) | (683) | **(4,234)** |
| Actuarial gains and losses | (33,157) | (6,744) | **(39,901)** |
| As at 31 December 2008 | 93,205 | 15,631 | **108,836** |
| Expected return on plan assets | 5,867 | 1,007 | **6,874** |
| Employer contributions | 1,882 | 1,038 | **2,920** |
| Scheme Participant contributions | 556 | 202 | **758** |
| Benefits paid | (3,850) | (431) | **(4,281)** |
| Actuarial gains and losses | 10,292 | 2,219 | **12,511** |
| As at 31 December 2009 | 107,952 | 19,666 | **127,618** |

**The MCPS-PRS Alliance Pension Scheme**

| | **2009** **£'000** | 2008 £'000 | 2007 £'000 | 2006 £'000 | 2005 £'000 |
|---|---|---|---|---|---|
| Fair value of scheme assets | **107,952** | 93,205 | 119,317 | 114,303 | 103,287 |
| Present value of defined benefit obligation | **(148,115)** | (115,271) | (122,362) | (128,862) | (126,636) |
| Deficit in the scheme | **(40,163)** | (22,066) | (3,045) | (14,559) | (23,349) |
| Experience adjustments arising on plan liabilities | **(28,160)** | 12,204 | 11,907 | 2,794 | (17,363) |
| Experience adjustments arising on plan assets | **10,292** | (33,157) | (2,076) | 5,136 | 10,185 |

**The MCPS-PRS Alliance Pension Scheme (MCPS)**

| | **2009** **£'000** | 2008 £'000 | 2007 £'000 | 2006 £'000 | 2005 £'000 |
|---|---|---|---|---|---|
| Fair value of scheme assets | **19,666** | 15,631 | 20,510 | 19,114 | 16,465 |
| Present value of defined benefit obligation | **(27,133)** | (18,084) | (20,231) | (20,961) | (19,332) |
| (Deficit)/unrecognised surplus in the scheme | **(7,467)** | (2,453) | 279 | (1,847) | (2,867) |
| Experience adjustments arising on plan liabilities | **323** | (321) | 171 | 10 | (1,847) |
| Experience adjustments arising on plan assets | **2,219** | (6,744) | (364) | 926 | 1,359 |

**17. Pensions** (continued)

The Company also operated a separate defined contribution pension scheme for those employees based at the Dublin branch of MCPS until February 2009 when all operations were outsourced to IMRO The scheme will be dissolved in 2010 There were no pre paid or accrued contributions at the year end

From January 2003, a new defined contribution pension scheme called The Alliance Defined Contribution Pension Scheme was open to all employees not in an existing scheme Defined contributions for the year ended 31 December 2009 were £0 4m (2008 £0 3m)