THE MCPS-PRS ALLIANCE LIMITED

DIRECTORS' REPORT & FINANCIAL STATEMENTS
For the year ended 31 December 2010

The directors herewith present the annual report and financial statements for the year ended 31 December 2010.

Results and Dividends

The profit for the year, after taxation, is £3,495,000 (2009: profit £617,000). The directors do not recommend payment of a dividend in respect of the year ended 31 December 2010.

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:

	2010	*2009*	*Change*
	£'000	*£'000*	*%*
Profit before tax	3,833	967	+296%
Tax	(338)	(350)	-3%
Profit after tax	3,495	617	+466%
Licensing and administration expenses	65,140	70,256	-7%

A profit arises in the Company because the amortisation of a pension prepayment by the parent companies 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. In 2010 the profit has increased due to the charge back to MCPS and PRS of the inter company balances which arise as a result of the difference between payments into the pension funds and the profit and loss charge arising on the pension funds.

The net pension scheme liabilities as valued under FRS 17 decreased from £42.1m to £33.8m 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. Management has policies in place to actively exploit these opportunities 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 parent companies. These systems are state of the art and capable of dealing with the increase in the amount of data being processed. They will allow 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 cash resources available to fund the Company. Accordingly the directors continue to adopt the going concern basis in preparing the financial statements.

Corporate governance

For the period 2005-2009, responsibility for the direction of the Company rested with the Boards of MCPS and PRS. The MCPS and PRS Boards, monitored financial progress and formulated policy and horizon plans. In the context of this governance framework, the responsibility of the Company's Board during that period was limited largely to statutory and constitutional matters.

On 20 January 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 met twelve times during 2010 and was (and continues to be) supported by numerous committees such as the Audit Committee, the Remuneration Committee and the Nomination Committee.

Directors

The directors during the year and appointed subsequently were:

Writers	Publishers
Peter Callander (from 20.01.10 until 29.04.10)	Thomas Bradley (until 30.06.10)
Simon Darlow (from 20.01.10)	Nigel Elderton (from 01.07.10)
Mervyn Guy Fletcher (from 23.06.10)	Stuart Hornall (from 01.01.11)
Michael Leeson (from 20.01.10)	Sarah Levin (from 20.01.10)
Sarah Rodgers (from 20.01.10)	John Minch (from 20.01.10)
	Ellis Rich (until 31.12.10)

External Directors	Executive Directors
Peter Bamford	Robert Ashcroft (from 25.01.10)
Paul Dolan	Jeremy Fabinyi (until 25.01.10)
Wanda Goldwag (from 20.01.10)	Deborah Stones (until 20.01.10)
Estelle Morris (from 20.01.10)	

Chairmen

Thomas 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.

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 Equality Act of 2010, which came into effect in October 2010 and is keeping its employment policies and procedures under review to ensure that disabled persons are not treated any less favourably than able-bodied persons in regards to applications, employment, training and career development.

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
Karen Gale
Secretary

23 March 2011

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MCPS-PRS ALLIANCE LIMITED

We have audited the financial statements of The MCPS-PRS Alliance Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 2010 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
23 March 2011

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	**66,425**	73,761
Licensing and administration expenses	3, 4	**(65,140)**	(70,256)
Operating profit excluding pension current service cost		**1,285**	3,505
Pension current service cost	17	**(1,819)**	(1,091)
Operating (loss)/profit		**(534)**	2,414
Pension curtailment gain	17	**5,626**	-
Bank interest receivable		**9**	6
Other finance costs	16	**(1,268)**	(1,453)
Profit on ordinary activities before taxation		**3,833**	967
Tax charge on profit on ordinary activities	5	**(338)**	(350)
Retained profit for the year	13	**3,495**	617

All of the Company's operations are classed as continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Profit for the financial year		**3,495**	617
Actuarial gains/(losses) on defined benefit pension plans	17	**745**	(23,487)
Deferred taxation on defined benefit plans due	5	**(196)**	-
Net loss on revaluation of properties	6	**-**	(690)
Total recognised gains/(losses) relating to the year		**4,044**	(23,560)

NOTE OF HISTORICAL COST PROFITS AND LOSSES
For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Reported profit on ordinary activities before taxation		**3,833**	967
Difference between historical cost depreciation charge and the actual charge calculated on the revalued amount	13	**276**	288
Historical cost profit on ordinary activities before taxation		**4,109**	1,255
Historical cost profit for the year retained after taxation		**3,771**	905

BALANCE SHEET
At 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	6	**45,333**	47,813
Investments	8	**7,503**	6,190
		52,836	54,003
Current assets			
Debtors	9	**22,851**	19,610
Cash at bank and in hand		**5,540**	8,942
		28,391	28,552
Creditors: amounts falling due within one year	10	**(50,210)**	(51,278)
Net current liabilities		**(21,819)**	(22,726)
Total assets less current liabilities		**31,017**	31,277
Creditors: amounts falling due after more than one year	11	**(23,631)**	(19,630)
Net assets excluding pension liability		**7,386**	11,647
Defined benefit pension liability	17	**(33,829)**	(42,134)
Net liabilities		**(26,443)**	(30,487)
Financed by			
Called up share capital	12	**1**	1
Other reserves		**17,002**	17,002
Revaluation reserve	13	**18,215**	18,491
Profit and loss reserve	13	**(61,661)**	(65,981)
Shareholders' funds	13	**(26,443)**	(30,487)

The financial statements were approved by the Board on 23 March 2011 and were signed on its behalf by:

Peter Bamford

Chairman

	2010	2009
	£'000	£'000
Net cash inflow from operating activities	**5,220**	15,968
Returns on investment and servicing of finance	**9**	6
Capital expenditure	**(7,318)**	(8,152)
Acquisitions and disposals	**(1,313)**	(2,921)
(Decrease)/increase in cash	**(3,402)**	4,901

NOTES TO STATEMENT OF CASH FLOWS

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

	2010	2009
	£'000	£'000
Operating (loss)/profit	**(534)**	2,414
Depreciation	**9,784**	10,680
Loss/(profit) on sale of fixed assets	**14**	(25)
Increase in debtors	**(3,241)**	(5,554)
Movements in amounts due to and from parent undertakings	**2,650**	8,543
Increase in creditors	**283**	1,739
Difference between pension contributions paid and charged	**(3,736)**	(1,829)
Net cash inflow from operating activities	**5,220**	15,968

	2010	2009
Gross Cash Flows:	£'000	£'000
a. **Returns on investments and servicing of finance**		
Interest received	**9**	6
b. **Capital expenditure**		
Payments to acquire tangible fixed assets	**(7,319)**	(8,177)
Receipts from sale of tangible fixed assets	**1**	25
	(7,318)	(8,152)
c. **Acquisitions and disposals**		
Purchase of interest in an associate undertaking	**(1,313)**	(2,921)

Reconciliation of net cash flow to movement in net funds	2010	2009
	£'000	£'000
(Decrease)/increase in cash in the year	**(3,402)**	4,901
Net funds at 1 January	**8,942**	4,041
Net funds at 31 December	**5,540**	8,942

Analysis of changes in net funds	At 1 Jan 2010	Cash flow 2010	At 31 Dec 2010
	£'000	£'000	£'000
Cash at bank and in hand	**8,942**	**(3,402)**	**5,540**

The cash balance contains a contingent security of £0.8m payable to the MCPS-PRS Alliance Pension scheme (MCPS).

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. A deficit funding plan was agreed with the trustees of the pension schemes in 2010 as part of the triennial valuation process required by the Pension Regulator. This was mutually acceptable to all parties and took into consideration the impact on the costs of the Company. 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 financial statements.

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 three wholly owned subsidiaries, two are dormant and the other, which is not material, is wholly recharged to the 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 Schemes closed to future accrual on 31 December 2010. A curtailment gain arises from closure of the Schemes with all remaining active members becoming deferred members and losing the link to final salary.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in 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:

	2010	2009
	£'000	£'000
Operating fees to MCPS	**18,768**	20,087
Operating fees to PRS	**47,657**	53,674
	66,425	73,761

3. Licensing and administration expenses

Licensing and administration expenses include:

	2010	2009
	£'000	£'000
Depreciation on owned fixed assets	**9,636**	10,503
Depreciation of assets held under finance leases	**148**	177
Loss/(profit) on disposal of fixed assets	**14**	(25)
Auditor's remuneration – audit	**150**	137
Operating lease rentals – computer and office machinery	**49**	47

4. Emoluments of directors and employees

a. Directors' emoluments:

The emoluments of the external non-executive directors, excluding pension contributions, were £97,982 (2009: £60,000) charged equally between MCPS and PRS. No pensions or other benefits are paid to non-executive directors.

The emoluments of the Chairman, Peter Bamford, amounted to £67,982. In 2009, under the previous governance regime, the position of Chairman - to which no separate remuneration was attributable - was held jointly by the Chairmen of MCPS and PRS.

During the year the writer and publisher directors continued to receive remuneration through their directorships of MCPS and/or PRS. The remuneration structure has since been aligned with the new governance framework and writer and publisher directors now receive an annual emolument of £6,645 in relation to their directorships of the MCPS-PRS Alliance.

Wanda Goldwag and Estelle Morris, as external directors of PRS, receive remuneration solely from PRS rather than through the MCPS-PRS Alliance.

The Company had three executive directors during the year; Robert Ashcroft (from 25 January 2010), Jeremy Fabinyi (until 25 January 2010) and Deborah Stones (until 20 January 2010). The highest paid director in 2010 was Robert Ashcroft; his remuneration, excluding pension contributions, was £573,744 (2009: Steve Porter £197,066 and pay in lieu of notice of £312,025) charged to MCPS and PRS in equal share. The total emoluments of the executive directors (whilst directors of the MCPS-PRS Alliance), 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.

	2010	2009
	£'000	£'000
Emoluments	**722**	1,131
Company contributions to defined contribution pension schemes	**25**	42

	2010	2009
	No.	No.
Members of defined benefit pension schemes	**-**	1
Members of defined contribution pension schemes	**2**	2

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

	2010	2009
	£'000	£'000
Emoluments	**574**	509
Company contributions to defined contribution pension schemes	**8**	29
Company contributions to defined benefit pension schemes	**-**	76
Defined benefit pension scheme – accrued pension at end of year	**-**	44

Emoluments of directors and employees (continued)

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 2010	*Balance outstanding 31 December 2010*	*Maximum liability during the year*
	£	*£*	*£*
R Ashcroft – season ticket loan	-	2,336	2,336

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

b. Staff costs:

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

	2010	2009
	No.	No.
Licensing	**276**	298
Distribution and membership	**242**	303
Support services	**209**	222
	727	823

The aggregate staff costs are analysed as follows:

	2010	2009
	£'000	£'000
Salaries	**30,251**	33,232
Social security costs	**2,983**	3,132
Costs of pension		
Defined contribution schemes	**551**	339
Defined benefit schemes	**1,819**	1,091
Costs of similar benefits	**222**	257
	35,826	38,051

5. Taxation

(a) Analysis of charge in year

	2010 £'000	2009 £'000
Current tax		
UK corporation tax charge	-	-
Deferred taxation		
Movement relating to pensions	**338**	350
Total deferred taxation	**338**	350
Total tax charge for the year	**338**	350

(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:

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	**3,833**	967
Corporation tax at 28% (2009 – 28%)	**1,073**	271
Effects of		
Adjustments for transfer pricing	**508**	581
Pension contributions	**(2,266)**	(123)
Expenses not deductible for tax purposes	**43**	37
Capital allowances for year in arrears of depreciation	**681**	707
Current year loss not utilised	-	166
Prior year losses utilised	**(39)**	(1,639)
Total current tax	-	-

5. **Taxation** (continued)

(c) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2010 £'000	2009 £'000
Arising on pension deficit	**4,962**	5,496

Movement on deferred tax asset:

	£'000
At 1 January 2010	**5,496**
Adjustment re deferred tax reducing to 27% from 2011	**(196)**
Debited to the profit and loss account	**(338)**
At 31 December 2010	**4,962**

(d) Factors that may affect future tax charge

The Company has not recognised a deferred tax asset of £4,627,000 (2009: £4,193,000) made up of losses of £1,750,000 (2009: £2,445,000) and decelerated capital allowances of £2,877,000 (2009: £1,748,000) 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 £218,000, (2009:£751,000). 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 2010	1,479	37,799	116,540	1,738	157,556
Deficit on revaluation	-	-	-	-	-
Additions	-	1,123	6,032	164	7,319
Disposals	-	-	(143)	(186)	(329)
At 31 December 2010	**1,479**	**38,922**	**122,429**	**1,716**	**164,546**
Depreciation					
At 1 January 2010	475	10,734	97,051	1,483	109,743
Charge for the year	34	792	8,810	148	9,784
Disposals	-	-	(134)	(180)	(314)
At 31 December 2010	**509**	**11,526**	**105,727**	**1,451**	**119,213**
Net book value					
At 31 December 2010	**970**	**27,396**	**16,702**	**265**	**45,333**
Net book value					
At 1 January 2010	1,004	27,065	19,489	255	47,813

The net book value of leasehold land and buildings and improvements at 31 December 2010 included £27m (2009: £26.8m) on long leases and £0.3m (2009: £0.3m) on short leases. The net book value of motor vehicles held under finance lease agreements is £0.3m (2009: £0.3m), with all lease obligations paid in advance.

As disclosed in note 17, as part of the agreement to lower the pension deficit, the Company has had to offer a contingent security over its property assets to the pension schemes. The value of the properties as stated above is £28m.

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 2010 (Restated)	964	8,614
At 31 December 2010	**933**	**9,218**

The brought forward figures for freehold and leasehold land and buildings have been restated because they were misstated in the previous year's financial statements.

7. Capital commitments

Capital expenditure authorised and contracted for at 31 December 2010 was £0.6m (2009: £1.4m).

8. Fixed asset investments

	Joint ventures and associates £'000	*Other investments* £'000	*Total* £'000
Cost:			
At 1 January 2010	5,958	232	6,190
Additions	1,313	-	1,313
Net book value at 31 December 2010	**7,271**	**232**	**7,503**
Net book value at 1 January 2010	5,958	232	6,190

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	25%	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 centre became operational in January 2010.

The aggregate amount of capital and reserves held by ICE at the end of 2010 was £8m (2009: £3.9m) and a loss was recorded for the financial year of £2.3m. (2009: £0.8m loss)

An additional loan of £1.3m was made from the Company to ICE during 2010 and is included as part of ICE's long term liabilities to the Company.

The Company's total investment in ICE was £7.2m at 31 December 2010 (2009: £5.9m) of which £5k is share capital (2009:£5k) £4.3m subordinated loans (2009: £4.3m) and the remaining £2.9m (2009: £1.6m) long term debt.

The Company also owns a quarter share of ISAN, a company set up to standardise audiovisual content identifiers.

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. This ceased trading on the 1 April 2010.

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 11.1% of UK Music 2010 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.

9. Debtors

	2010	2009
	£'000	£'000
Trade debtors	**17,160**	16,827
Other debtors	**1,789**	1,083
Prepayments and accrued income	**3,902**	1,700
	22,851	19,610

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

	2010	2009
	£'000	£'000
Due to PRS	**13,679**	9,809
Due to MCPS	**24,979**	30,200
Trade creditors	**3,347**	2,435
Accruals and deferred income	**7,423**	8,008
Taxation and social security	**782**	826
	50,210	51,278

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

	2010 £'000	2009 £'000
Due to PRS - Prepaid pension contribution	**14,704**	15,704
Due to PRS – arising on Curtailment Gain	**3,631**	-
Due to MCPS - Prepaid Pension contribution	**3,676**	3,926
Due to MCPS – arising on Curtailment Gain	**1,620**	-
	23,631	19,630

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.

In 2010 additional long term creditor balances were created as the curtailment gain that arose when the pension schemes were closed to future accrual lead to a mismatch between the payments made to the Company to fund the pension schemes and the costs charged through turnover to MCPS and PRS. The balances arising are non-interest bearing and are being amortised over 15 years.

12. Share capital

Allotted, called up and fully paid	2010 £'000	2009 £'000
Ordinary shares of £1 each	**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 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 1 January 2010	**1**	**17,002**	**18,491**	**(65,981)**	**(30,487)**
Profit for the year	-	-	-	**3,495**	**3,495**
Transfer of depreciation on revalued tangible fixed assets	-	-	**(276)**	**276**	-
Actuarial profits on Pension scheme liabilities	-	-	-	**745**	**745**
Deferred taxation on defined benefit plans	-	-	-	**(196)**	**(196)**
At 31 December 2010	**1**	**17,002**	**18,215**	**(61,661)**	**(26,443)**

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 9, 10 and 11.

During the year, the Company made further investments in the joint venture company ICE, details of which are disclosed in note 8. The Company received from ICE services to the value of £3.8m (2009: £0m) The Company also charged ICE for services provided an amount of £3.2m (2009: £2.8m) and was owed a balance of £1.1m (2009:£0.9m) at the year end.

The Company funded UK Music 2010 Limited £0.4m (2009: £0.4m) and provided services of £0.6m (2009: 0.5m). The Company was owed £0.1m (2009: £0.1m) at the year end.

The Company also received services from Fast Track of £0.4m (2009: £0.4m). The Company owed £0.3m (2009: £0.1m) 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

	2010	2009
	£'000	£'000
Expected return on pension scheme assets	**8,651**	6,874
Interest on pension scheme liabilities	**(9,919)**	(8,327)
Net cost	**(1,268)**	(1,453)

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. On 31 December 2010 the defined benefit pension schemes were closed to future accrual with active members losing the link to final salary. This resulted in a one off curtailment gain of £5.6m.

The Company also adopted the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) which lead to changes in assumptions in both schemes which have been accounted for as actuarial gains as they relate to future statutory revaluations/pension increases.

At the end of 2010, the Company became aware that steps put in place to effect the required equalisation in retirement ages between men and women were not performed by the required dates. Essentially the schemes need to look at the date retirement benefits for both sexes should have been equalised and calculate any additional liabilities that may arise if these dates are not the same. For The MCPS-PRS Alliance Pension Scheme the period to be re-evaluated is between 1 July 1995 and 14 April 1999, although only members with pensionable service between those dates are affected. For The MCPS-PRS Alliance Pension Scheme (MCPS) the period in question is between 1 July 1995 and 25 March 1996, similarly only affecting members with pensionable service in this period.

It has not been possible at the date of approval of these financial statements to evaluate the effect this has on the liabilities of the schemes and as such no provision has been made in these accounts. However early indications from work currently being undertaken by the actuaries suggest that there is likely to be an increase in liabilities of between £1.0m and £3.8m across both schemes.

During the year the triennial valuation of the Pension schemes was completed. This confirmed a large deficit within the schemes and a funding plan was negotiated and agreed between the Company and the trustees of the schemes. This plan is spread over a 15 year period whereby there is annual payment into the schemes and a final balloon payment at the end. As part of this agreement the Company has had to offer a contingent security over some its property assets to the pension schemes. The value of the properties as stated in the Company accounts is £28m. For the purposes of this security they have been valued at an open market value in line with the requirement of the Board of the Pension Protection Fund (which assumes the buildings have been returned to their original state) of £22.73m. The properties have been split as follows:-

The MCPS-PRS Alliance Pension Scheme	
29-33 Berners Street, London at a value of	£11m
25-27 Berners Street, London at a value of	£10m.

The MCPS-PRS Alliance Pension Scheme (MCPS)	
Elwes House, Peterborough at a value of	£0.48m
Elgar House Streatham at a value of	£0.77m
1 Empire Court Warrington at a value of	£0.48m

The Company also had to grant a separate cash contingent security to The MCPS-PRS Alliance Pension Scheme (MCPS) of £0.8m in order to ensure that the total value of securities between the 2 schemes are of an equal proportion in relation to their deficits.

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

	MCPS-PRS Alliance Pension Scheme	
	2010	2009
	£'000	£'000
Scheme assets at fair value:		
Equities	**65,629**	52,356
Bonds (average)	**22,801**	24,937
Property	**13,632**	9,068
Cash	**603**	108
Hedge Funds	**11,220**	15,977
Other (GTAA)	**6,756**	5,506
Fair value of scheme assets	**120,641**	107,952
Present value of scheme liabilities	**(156,830)**	(148,115)
FRS 17 deficit in the scheme	**(36,189)**	(40,163)
Related deferred tax asset	**4,630**	4,600
Net liability in the balance sheet	**(31,559)**	(35,563)

	MCPS-PRS Alliance Pension Scheme (MCPS)	
	2010	2009
	£'000	£'000
Scheme assets at fair value:		
Equities	**11,996**	10,536
Corporate bonds	**3,047**	3,080
Gilts	**315**	600
Property bond	**2,772**	2,021
Cash	**327**	713
Hedge Funds	**2,591**	1,765
Other (GTAA)	**1,169**	951
Fair value of scheme assets	**22,217**	19,666
Present value of scheme liabilities	**(24,820)**	(27,133)
FRS 17 deficit in the scheme	**(2,603)**	(7,467)
Related deferred tax asset	**333**	896
Net liability in the balance sheet	**(2,270)**	(6,571)
Total net pension liability in the balance sheet	**(33,829)**	(42,134)

17. Pensions (continued)

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	
	2010	2009	**2010**	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Recognised in the profit and loss account:						
Current service cost	**(1,306)**	(733)	**(513)**	(296)	**(1,819)**	(1,029)
Past service cost	**-**	(62)	**-**	-	**-**	(62)
Recognised in arriving at operating charge	**(1,306)**	(795)	**(513)**	(296)	**(1,819)**	(1,091)
Expected return on pension scheme assets	**7,361**	5,867	**1,290**	1,007	**8,651**	6,874
Interest on pension liabilities	**(8,368)**	(7,183)	**(1,551)**	(1,144)	**(9,919)**	(8,327)
Net return – finance (cost)/ income	**(1,007)**	(1,316)	**(261)**	(137)	**(1,268)**	(1,453)
Gains on curtailment	**2,783**	-	**2,843**	-	**5,626**	-
Total recognised in the profit and loss account	**470**	(2,111)	**2,069**	(433)	**2,539**	(2,544)

	MCPS-PRS Alliance Pension scheme		MCPS-PRS Alliance Pension Scheme (MCPS)		Total	
	2010	2009	**2010**	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Taken to the Statement of Total Recognised Gains and Losses						
Actual return on scheme assets	**12,124**	16,159	**1,777**	3,226	**13,901**	19,385
Less: expected return on scheme assets	**(7,361)**	(5,867)	**(1,290)**	(1,007)	**(8,651)**	(6,874)
	4,763	10,292	**487**	2,219	**5,250**	12,511
Other actuarial gains and losses	**(5,741)**	(28,160)	**1,236**	(7,838)	**(4,505)**	(35,998)
Actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	**(978)**	(17,868)	**1,723**	(5,619)	**(745)**	(23,487)

17. Pensions (continued)

Pensions

	MCPS-PRS Alliance Pension Scheme		MCPS-PRS Alliance Pension Scheme (MCPS)	
	2010	2009	**2010**	2009
	%	%	%	%
Main assumptions:				
Rate of salary increase	n/a	4.6	4.4	4.6
Rate of increase in pensions in payment (LPI)	3.3	3.5	3.3	3.5
Rate of revaluation of deferred pensions	2.9	3.6	2.9	3.6
Rate of increase of pensions in payment (LPI min 3)	n/a	n/a	n/a	3.8
Discount rate	5.4	5.7	5.4	5.7
Inflation assumption	3.4	3.6	3.4	3.6

	2010	2009	**2010**	2009
	Years	*Years*	**Years**	*Years*
Post-retirement mortality:				
Current pensioners at 64 – male			24.0	23.9
Current pensioners at 64 – Female			26.6	26.5
Future pensioners at 64 – male			26.1	26.0
Future pensioners at 64 – Female			28.5	28.4
Current pensioners at 65 – male	22.7	21.6		
Current pensioners at 65 – Female	25.6	24.8		
Future pensioners at 65 – male	24.7	23.4		
Future pensioners at 65 – Female	27.5	26.7		

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 2030.

Contributions to MCPS-PRS Alliance for ongoing future accrual were paid at an average rate of 24.9% 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 £3.1m 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 30.5% 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 £0.4m have been made to reduce the deficit in the scheme.

Total contributions to the defined benefit plans in the next year are expected to be £3.8m.

17. Pensions (continued)

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	
	2010	2009	**2010**	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
At 1 January	**(148,115)**	(115,271)	**(27,133)**	(18,084)	**(175,248)**	(133,355)
Current service cost	**(1,306)**	(733)	**(513)**	(296)	**(1,819)**	(1,029)
Past service cost	**-**	(62)	**-**	-	**-**	(62)
Benefits paid	**3,917**	3,294	**298**	229	**4,215**	3,523
Interest cost	**(8,368)**	(7,183)	**(1,551)**	(1,144)	**(9,919)**	(8,327)
Gains on curtailment	**2,783**	-	**2,843**	-	**5,626**	-
Actuarial (losses)/gains	**(5,741)**	(28,160)	**1,236**	(7,838)	**(4,505)**	(35,998)
At 31 December	**(156,830)**	(148,115)	**(24,820)**	(27,133)	**(181,650)**	(175,248)

The defined benefit obligation comprises of £181.7m (2009: £175.3m) from plans that are wholly or partly funded.

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

	MCPS-PRS Alliance Pension Scheme	MCPS-PRS Alliance Pension Scheme (MCPS)	**Total**
	£'000	£'000	**£'000**
As at 1 January 2009	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**
Expected return on plan assets	7,361	1,290	**8,651**
Employer contributions	4,482	1,072	**5,554**
Scheme Participant contributions	494	161	**655**
Benefits paid	(4,411)	(459)	**(4,870)**
Actuarial gains and losses	4,763	487	**5,250**
As at 31 December 2010	120,641	22,217	**142,858**

17. **Pensions** (continued)

The MCPS-PRS Alliance Pension Scheme

	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	**120,641**	107,952	93,205	119,317	114,303
Present value of defined benefit obligation	**(156,830)**	(148,115)	(115,271)	(122,362)	(128,862)
Deficit in the scheme	**(36,189)**	(40,163)	(22,066)	(3,045)	(14,559)
Experience adjustments arising on plan liabilities	**(5,741)**	(28,160)	12,204	11,907	2,794
Experience adjustments arising on plan assets	**4,763**	10,292	(33,157)	(2,076)	5,136

The MCPS-PRS Alliance Pension Scheme (MCPS)

	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	**22,217**	19,666	15,631	20,510	19,114
Present value of defined benefit obligation	**(24,820)**	(27,133)	(18,084)	(20,231)	(20,961)
(Deficit)/unrecognised surplus in the scheme.	**(2,603)**	(7,467)	(2,453)	279	(1,847)
Experience adjustments arising on plan liabilities	**1,459**	323	(321)	171	10
Experience adjustments arising on plan assets	**487**	2,219	(6,744)	(364)	926

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 2010 were £0.6m (2009: £0.4m).