Directors' Report and Accounts

Performing Right Society Limited

For the year ended 31 December 2010

Registered in England No: 134396

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Directors' Report

For the year ended 31 December 2010

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

Principal activity and review of the business
The principal activity of the Society is the licensing, collection and distribution of royalties and fees from the performing rights vested in it by its members and affiliated societies. The Company currently represents some 72,000 members and their rights, collecting royalties from various sources, ranging from live performance, television broadcasts, music played in business, radio to digital streaming over the web.

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

	2010	2009	Change
	£'000	£'000	%
Result before and after tax	400.6	387.9	+3.3
Donations	1.5	1.3	+15.4
Net distributable income	399.1	386.6	+3.2
Administrative expenses	47.7	53.7	-11.2

Future Developments
The directors feel the changing nature of the industry will give rise to new opportunities in the future, and the management policies in place will actively seek to exploit these as and when they occur.

Principal risks and uncertainties
The MCPS-PRS Alliance has an established Audit Committee that met four times during the year and they evaluate the risks and uncertainties that may affect future performance across MCPS, PRS and MCPS-PRS Alliance. The principal risks and uncertainties are broadly grouped as competitive, legislative and financial instrument risk and are detailed below.

Competitive Risks
Owing to the monopolistic nature of the Company in the UK and of other societies in Europe there is a sustained focus on ensuring EC guidelines are met so as to avert any anti – competitive rulings.

Changing working practices are currently opening up the market to more competition from societies abroad and the Company is at the forefront of these changes.

Legislative Risks
The monopolistic nature of the Company also leads it into a number of areas of risk concerned with the legislative process. The Company is also subject to copyright law changes and given the changing nature of the industry this could have a significant impact on the Company's operating procedures in the future.

Financial Instrument Risks
The Company has in place a financial management framework which ensures that the Company has sufficient financial resource to meet its objectives and to manage financial risk at a business unit level.

Changing Technology
With the increasing move towards digital product there is uncertainty over the future market for music and how it will evolve. These changing technologies will offer new market opportunities in the future and active review of existing and potential new streams is therefore a key area of focus for the Company.

The Board and the Audit Committee are fully aware of the pressures and opportunities this changing market imposes on the future of the business and are acting accordingly to optimise beneficial effects where possible.

Use of Forward Foreign Currency Contracts
The Company uses forward foreign currency contracts for receipts in US Dollars, Euros, Yen, Swiss Francs, Australian Dollars, Canadian Dollars and Swedish Kroner, so as to reduce exposure to fluctuating foreign exchange rates. This hedging occurred on 85% of forecast revenues for each of the aforementioned currencies in 2010 and will do so in 2011.

Exposure to price, credit and liquidity risk
Price risk for the Company arises where new licence schemes are challenged. Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the Company's debtors are shown in Note 8 to the accounts.

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

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts

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.

Transfer to reserves
No appropriations have been made from the income and expenditure account and transferred to distributable reserves.

Directors' Report

For the year ended 31 December 2010

Directors

The directors during the year and appointed subsequently were as follows:

Writers

Nigel Beaham-Powell
David Bedford
Barry Blue (from 29.04.10)
Peter Callander (until 29.04.10)
Simon Darlow
Lynsey de Paul
Guy Fletcher
Nicky Graham
Edward Gregson (until 29.04.10)
Michael Leeson
Stephen Levine
Mitch Murray
Julien Nott (from 29.04.10)

Publishers

Antony Bebawi (from 23.06.10)
William Booth (until 11.06.10)
Christopher Butler
Jane Dyball
Nigel Elderton
Stuart Hornall
Andrew King
Richard King
Sarah Levin
Paulette Long
Simon Platz
Ellis Rich

Executive Directors

Jeremy Fabinyi (until 26.02.10)
Robert Ashcroft (from 25.01.10)

External Directors

Wanda Goldwag
Estelle Morris

Pursuant to article 57 of the articles of association, the following directors will retire this year and are eligible for nomination for re-appointment pursuant to article 59:

Writers

Nigel Beaham-Powell
David Bedford

Publishers

Christopher Butler
Jane Dyball
Andrew King
Sarah Levin
Ellis Rich

Pursuant to article 62 of the articles of association, the following director will retire at the Society's forthcoming annual general meeting and may be validly proposed for re-appointment thereat pursuant to article 59:

Publishers
Antony Bebawi

Chairman and Deputy Chairmen
Ellis Rich - whose second and final term of office as Chairman expired on 31 December 2010 - was replaced by Guy Fletcher on 1 January 2011. Michael Leeson continued as Deputy Chairman (Writer) and Andrew King continued until the end of 2010 as Deputy Chairman (Publisher). Paulette Long took office as Deputy Chairman (Publisher) on 1 January 2011.

Donations
Donations and other payments made pursuant to article 48(a) of the articles of association totalled £1.525 million (2009: £1.325 million) of which £1.5 million (2009: £1.25 million) was to The Performing Right Society Foundation. The principal activity of The Foundation is to provide funds, to support, to sustain and to further the creation and performance of new music in the UK and increase the public's appreciation of, and education in new music.

The memorandum and articles of association do not authorise the making of political donations or contributions of any kind and none were made

Corporate governance
The Company's Board is responsible for the direction of the Company. It appoints the Chairman, the Secretary and, together with the Board of Mechanical-Copyright Protection Society Limited ("the MCPS Board"), it is responsible for the appointment of the Group Chief Executive. It continues to work to improve and streamline its governance procedures to ensure that it is most able to respond to the rapidly changing environment it operates in. At the beginning of 2010, the Board made changes in order to further enhance the effectiveness of the organisation's governance structure and, together with the MCPS Board, agreed that powers relating to the operations and business of their jointly-owned operating company The MCPS-PRS Alliance Limited ("the Alliance") be transferred back to the Board of the Alliance. Through its overseeing and ongoing assessment of the effectiveness of the Alliance Board, the Company's Board monitors financial progress, company performance and strategic planning. Directors continue to direct policy on commercial matters through close involvement with the Board's committees which specialise in specific areas of commercial focus, such as Licensing, Distribution and Membership & Copyright. The Company's Board met six times during the year.

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.

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

Guy Fletcher
Chairman
On behalf of the Board
30 March 2011

Statement of Directors' Responsibilities

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 Performing Right Society Limited

We have audited the financial statements of Performing Right Society Limited for the year ended 31 December 2010 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows, and the related notes 1 to 14. 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 above, 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 (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 2010 and of its result 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 matters 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.

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

30 March 2011

Income and Expenditure Account

For the year ended 31 December 2010

	Notes	2010	2009
		£'000	£'000
Licence revenue	1b, 2	**445,577**	438,757
Interest receivable		**2,684**	2,796
Total income for the year		**448,261**	441,553
Licensing and administration expenses	3	**(47,657)**	(53,674)
Result on ordinary activities before tax		**400,604**	387,879
Tax on result on ordinary activities	6	**-**	-
Result before appropriations		**400,604**	387,879
Less amounts appropriated:			
Donations and awards		**(1,525)**	(1,325)
Net distributable income		**399,079**	386,554

There is no difference between the result on ordinary activities before tax and the result for the year stated above and their historical cost equivalents.

All figures are in relation to continuing operations.

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2010

	2010	2009
	£'000	£'000
Net distributable income	**399,079**	386,554
Distributions allocable to members & affiliated societies	**(399,079)**	(386,554)
Revaluation loss	**-**	(3,508)
Total recognised gains and losses relating to the year	**-**	(3,508)

Balance Sheet

At 31 December 2010

	Notes	2010		2009	
		£'000	**£'000**	£'000	£'000
Fixed assets					
Investments	7	**15,864**		15,864	
			15,864		15,864
Current assets					
Debtors:					
amounts falling due after one year	8	**18,335**		15,704	
amounts falling due within one year	8	**55,250**		49,584	
Investments - short-term deposits		**98,000**		76,000	
Cash at bank and in hand		**28,172**		42,531	
			199,757		183,819
Creditors: amounts falling due within one year	9		**(210,901)**		(194,963)
Net current liabilities			**(11,144)**		(11,144)
Total assets less current liabilities			**4,720**		4,720
Non distributable revaluation reserve	13		**941**		941
Distributable reserves	13		**3,779**		3,779
Balance at 31 December	13		**4,720**		4,720

Distributable reserves represent the amount provided for under article 48(b) of the articles of association of the Society which enables the Board to retain such funds as it may consider necessary.

The accounts were approved by the Board on 30 March 2011 and were signed on its behalf by:

Guy Fletcher
Chairman

Statement of Cash Flows

For the year ended 31 December 2010

	2010 £'000	2009 £'000
Cash inflow from operating activities	392,359	428,239
Amounts paid to members and affiliated societies	(387,160)	(373,120)
Net cash inflow from operating activities	5,199	55,119
Returns on investments and servicing of finance - interest received	2,442	2,468
Management of liquid resources	(22,000)	(37,000)
(Decrease)/increase in cash	(14,359)	20,587

Notes to the Statement of Cash Flows

For the year ended 31 December 2010

	2010 £'000	2009 £'000
Reconciliation of result on ordinary activities before tax to net cash inflow from operating activities		
Result on ordinary activities before tax	**400,604**	387,879
Donations and awards	**(1,525)**	(1,325)
Interest	**(2,684)**	(2,796)
(Increase) / decrease in amounts due from associated undertakings	**(6,502)**	41,132
(Increase) / decrease in debtors	**(1,553)**	5,145
Increase / (decrease) in creditors	**4,019**	(1,796)
Net cash inflow from operating activities	**392,359**	428,239
Management of liquid resources		
Short-term deposits made	**(105,000)**	(226,000)
Short-term deposits repaid	**83,000**	189,000
	(22,000)	(37,000)
Reconciliation of net cash flow to movement in net funds		
(Decrease) / increase in cash in the year	**(14,359)**	20,587
Cash outflow from movement in liquid resources	**22,000**	37,000
Movement in net funds in the year	**7,641**	57,587
Net funds at 1 January	**118,531**	60,944
Net funds at 31 December	**126,172**	118,531

Analysis of changes in net funds

	At 1 January 2010 £'000	Cash flow £'000	At 31 December 2010 £'000
Cash at bank and in hand	42,531	(14,359)	28,172
Liquid resources - short-term deposits	76,000	22,000	98,000
	118,531	7,641	**126,172**

Notes to the Accounts

For the year ended 31 December 2010

1. Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of the investments in associate undertakings.

The financial statements have been prepared in the format required by the Companies Act 2006, except that the directors have amended certain headings in the Income and Expenditure account and the order in which items are included so as to better reflect the special circumstances of the Company as permitted under Schedule 1 of that Act.

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 believe that the Company is well placed to manage its business risks and has considerable financial resources including cash balances. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The following is a summary of the more important accounting policies used by the Company and is given to assist in the interpretation of the accounts.

a. Definitions

'PRS' means Performing Right Society Limited.

'MCPS' means Mechanical-Copyright Protection Society Limited.

'MCPS-PRS Alliance' means The MCPS-PRS Alliance Limited.

'ICE' means International Copyright Enterprise A.B.

'PEL' means Pan European Licensing.

b. Licence revenue

i. Public Performance revenue is accounted for on an accruals basis.

ii. Broadcasting licence revenue is accounted for on an accruals basis. Where income is received directly as a result of audit activities it is recognised net of associated costs.

iii. PEL revenue is accounted for on an accruals basis.

iv. Income from affiliated societies is accounted for on an accruals basis.

c. Pension costs

MCPS-PRS Alliance makes pension contributions to a number of its pension schemes in accordance with the advice of actuaries and the rules of the schemes in respect of its employees and an appropriate proportion is recharged to PRS. Pension costs are charged to the income and expenditure account as they are invoiced by MCPS-PRS Alliance.

Both of the defined benefit schemes were closed to future accrual as at 31st December 2010.

d. Fixed asset investments

The Directors have adopted the alternative accounting policy of carrying the investments in the associate undertakings at a valuation reflecting their value on the basis of their ongoing use by the Company. The Directors consider this treatment provides a fairer indication of the value of the assets used by the business

e. 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 are retranslated at the rates of exchange ruling at the balance sheet date. All differences are taken to the income and expenditure account.

f. Forward contracts

The Company uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

g. Deferred taxation

Deferred taxation 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 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;
- 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.

Notes to the Accounts

For the year ended 31 December 2010

2. Licence revenue

Licence revenue, which is stated net of value added tax, is made up as follows:

	2010 £'000	2009 £'000
a. United Kingdom, Channel Islands and Isle of Man		
Public Performance	**150,996**	150,218
Broadcasting	**111,111**	110,557
Online	**11,135**	10,197
	273,242	270,972
b. PEL International	**2,694**	**851**
c.Overseas		
Europe	**108,568**	107,123
North America	**35,076**	35,394
Asia	**11,839**	12,501
Central and South America	**5,115**	4,900
Australasia	**6,505**	5,263
Africa and Middle East	**2,538**	1,753
	169,641	166,934
	445,577	438,757

3. Licensing and administration expenses

	2010 £'000	2009 £'000
Recharge from MCPS-PRS Alliance:		
Staff costs	**23,882**	27,924
Office and accommodation costs	**4,334**	4,191
Information Technology costs	**2,216**	2,287
Legal and professional costs	**5,290**	3,348
Other costs	**5,225**	7,430
Depreciation	**6,710**	8,041
Pension Amortisation adjustment	**-**	453
Total administration expenses	**47,657**	53,674

Staff costs have reduced during 2010 as a direct result of the redundancies made in 2009.

Legal and professional costs have increased as a result of increased debt collection activities within the Public Performance sector of the business.

Other costs have decreased as during 2009 there was a charge back from ICE, a joint venture between MCPS-PRS Alliance and STIM, for its accumulated losses which was a one off charge not repeated in 2010.

	2010 £'000	2009 £'000
Auditor's remuneration:		
-Audit services	**8**	7

There were no employees during this year or last year other than the directors.

4. Directors' emoluments

The emoluments of the non-executive directors, excluding pension contributions, were £415,673 (2009: £414,036) Non-executive directors receive annual emoluments of £12,805 for their services. Directors who are also directors of MCPS are paid £21,342, an amount charged equally between MCPS and PRS. No pensions or other benefits are paid to non-executive directors.

The emoluments of the Chairman, Ellis Rich amounted to £55,000 (2009: £53,768). As Deputy Chairmen, Andrew King received £30,000 (2009: £30,000) and Michael Leeson received £30,000 (2009: £30,000).

The emoluments of the external directors were: Wanda Goldwag £35,975 (2009: £35,975), and Estelle Morris £35,975 (2009: £35,975).

Further to corporate governance changes implemented in 2010, the remuneration structure for non-executive directors was revised at the beginning of 2011. Non-executive directors continue to receive annual emoluments of £12,805 for their services, however directors who are also directors of MCPS are paid £15,805, an amount charged equally between MCPS and PRS. Non-executive directors of the MCPS-PRS Alliance receive in addition £6,645 per annum, an amount charged equally between MCPS and PRS.

During the year ended 31 December 2010, the Company had two Executive Directors, Jeremy Fabinyi and Robert Ashcroft. Both were employed and paid by MCPS-PRS Alliance.

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), 50% of which was recharged to PRS. Jeremy Fabinyi ceased to be a director of the company on 26 February 2010 and his remuneration while an Executive Director, excluding pension contributions, was £68,414 (2009: £258,207) of which £28,528 was recharged 50% to PRS, and £39,886 was recharged 60% to PRS.

The pension contributions in respect of Robert Ashcroft, were £7,500 (2009: Steve Porter £29,277) to a defined contribution scheme, and £nil to a defined benefit scheme (2009: Steve Porter £76,229).

The pension contributions in respect of Jeremy Fabinyi, while an Executive Director, were £2,809 (2009:£7,023) to a defined contribution scheme.

Both were recharged to PRS on the same basis as the remuneration above.

5. Related party transactions

The Board comprises both executive and non-executive directors. In addition to the two external non-executive directors, there exist two groups of non-executive directors, Publisher directors and Writer directors.

Like all members of the Society, these directors and parties related to them are entitled to royalties from the Society in respect of the performance of any copyright works owned by them. Parties related to Publisher and Writer directors include family members and companies controlled by these directors. Parties related to Publisher directors also include the publishing companies who nominate those Publisher directors to the Board and their subsidiaries.

During 2010, total royalties paid by the Society to the directors and to parties related to the directors amounted to £65.1 million (2009: £65.3 million). £64.8 million (2009: £65.0 million) of this was paid to Publisher directors and parties related to the Publisher directors, and £0.3 million (2009: £0.3 million) was paid to the Writer directors and parties related to the Writer directors. These royalties were calculated on the same basis as royalties paid to all members and are paid in accordance with the Society's normal procedures.

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

During 2010, £47.7 million (2009: £53.7 million) of the Society's licensing and administrative expenses were recharged by MCPS-PRS Alliance. PRS funds an appropriate proportion of MCPS-PRS Alliance's costs and at 31 December 2010 had a balance due from MCPS-PRS Alliance of £32 million (2009: £25.5 million), this included a long term loan of £18.3 million to fund the Society's share of an exceptional contribution to the defined benefit pension schemes and a one off curtailment gain realised in 2010 on the closure of the schemes to future accrual. (2009: £15.7 million).

During 2010 CELAS made distributions to PRS of £1.3 million (2009: £ 0.7million). The balance owed by CELAS to PRS at the end of 2010 was £1.9 million (2009: £1.1 million).

Notes to the Accounts

For the year ended 31 December 2010

6. Tax on result on ordinary activities

(a) Analysis of charge in year

	2010 £'000	2009 £'000
Current tax :		
Tax on result on ordinary activities	-	-

(b) Factors affecting tax charge for year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28%. The differences are explained below:

	2010 £'000	2009 £'000
Total recognised gains for the year	-	-
Corporation tax at 28% (2009 28%)	-	-
Effects of :		
Adjustment for transfer pricing	(459)	(334)
Losses arising in the year not relievable against current tax	459	334
	-	-

The corporation tax rate applicable to the company will reduce from 28% to 26% from 1 April 2011.

A deferred tax asset of £1,757,180 (2009: £1,363,620) has not been recognised in respect of losses due to the non profit making nature of the Society.

(c) Factors which may affect future tax charges

The Society is subject to United Kingdom corporation tax. However, for this purpose, amounts due to members and affiliated societies are treated as a deductible expense.

There is no potential deferred tax liability.

Should PRS dispose of its investment in the MCPS-PRS Alliance at net asset value, a loss on disposal of £27,405,000 (2009: loss of £29,518,500) may arise, which would result in a potential deferred tax asset of £7,399,350 (2009: asset of £8,265,180) based on the full corporation tax rate from 1 April 2011 of 27% (2009: 28%).

A number of changes to the UK Corporation tax system were announced in the June 2010 and March 2011 Budget statements. The Finance (No 2) Act 2010, enacted in July 2010, included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. The effect of this change on the deferred tax balances has been included in the figures within these accounts.

Further changes to the rate are proposed to reduce the rate by a further 1% from 1 April 2011 (i.e. to 26%) then by 1% per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and are not therefore included in the figures within these accounts. We estimate the impact upon deferred tax to be a reduction in the balance of approximately £1,644,300 over the forthcoming three years. It is not yet possible to quantify the impact of these rate changes upon current tax.

Notes to the Accounts

For the year ended 31 December 2010

7. Fixed asset investments

Investments, joint ventures and associates

	Number and type of shares held	Historical Cost of shares in associated undertaking	Valuation of shares in associated undertaking	% Shares held
		£'000	£'000	
The MCPS-PRS Alliance Limited	500 ordinary £1 shares	14,275	15,216	50
CELAS GmbH	25,000 ordinary €1 shares	860	648	25
At 1 January 2010		15,135	15,864	
At 31 December 2010		15,135	15,864	

The investment in MCPS-PRS Alliance is held at a value determined by the directors on the basis of the ongoing use of its assets by the Company.

	Historic Opening Value	Write down	Closing value at 2009	Additions 2010	Closing value at 2010
	£'000	£'000	£'000	£'000	£'000
CELAS GmbH	648	-	648	-	648

CELAS GmbH is a joint venture formed between PRS, MCPS and GEMA, the German society for musical performing and mechanical reproduction rights. It was established to license certain members' online rights on a Pan-European basis. It is incorporated in Germany. PRS & MCPS own 25% each of the shares and GEMA owns 50%. In addition to share capital, PRS, MCPS and GEMA have each issued loans to CELAS Gmbh in order to meet the initial capital requirements of the company.

CELAS GmbH commenced trading in 2008.

For the year ended 31 December 2010 the company showed a net profit of €0.6 million (2009: net loss of €0.2 million).

The company had a positive equity figure of €781,459 (2009: €162,209) at the year end.

PRS owns 25% of British Music Rights Limited (BMR), a company limited by guarantee. This company does not trade.

MCPS-PRS Alliance is equally owned by MCPS and PRS and its principal activity is to provide operational services to the two societies. The costs incurred by the company are recharged to each society according to the services provided. PRS' accounts do not include any share of the MCPS-PRS Alliance's profit or loss because of the nature of the services and relationship between PRS and the MCPS-PRS Alliance.

Notes to the Accounts

For the year ended 31 December 2010

Summary profit and loss account and balance sheet information for MCPS-PRS Alliance in respect of the Company's 50% share thereof, is set out in the tables below:

	2010 £'000	2009 £'000
As at 31 December:		
Tangible fixed assets	**22,667**	23,906
Investments	**3,751**	3,095
Current assets	**14,195**	14,276
Share of gross assets	**40,613**	41,277
Creditors falling due within one year	**(25,105)**	(25,639)
Creditors falling due after more than one year	**(11,815)**	(9,815)
Share of gross liabilities	**(36,920)**	(35,454)
Share of net assets before pension scheme liabilities	**3,693**	5,823
Share of pension scheme liabilities	**(16,914)**	(21,067)
Share of net liabilities after pension scheme liabilities	**(13,221)**	(15,244)
For the year ended 31 December:		
Turnover	**33,212**	36,881
Profit before Tax	**1,917**	483
Tax	**(169)**	(175)
Profit after tax	**1,748**	308

8. Debtors

Debtors are made up as follows:

Amounts falling due within one year:	**2010**	2009
	£'000	£'000
Licence income receivable		
Public Performance	**26,169**	26,453
Broadcasting	**2,252**	1,613
International	**1,414**	650
CELAS	**1,885**	1,123
	31,720	29,839
Amounts due from associated undertakings	**13,679**	9,808
VAT recoverable	**7,438**	5,580
Sundry debtors	**1,633**	3.819
Investment income receivable	**780**	538
	55,250	49,584

Amounts falling due after more than one year:	**2010**	2009
	£'000	£'000
Due from associated undertakings	**18,335**	15,704

During the year the defined pension schemes were closed to future accrual. This resulted in a one off curtailment gain of which £3.8m was applicable to PRS. This balance is being amortised over a 15 year period in line with the funding arrangement agreed during the year.

The 2010 balance of £18,335,000 is made up of £14.7m being the exceptional prepaid pension contributions made in 2006 to the Alliance Pension Schemes which is being amortised over twenty years from 1 January 2006 and the additional curtailment gain of £3.6m net of one years amortisation.

During 2010, £47.7m (2009: £53.6m) of administrative expenses were recharged by MCPS-PRS Alliance. PRS funds an appropriate proportion of MCPS-PRS Alliance's costs and, at 31 December 2010, had a balance due from MCPS-PRS Alliance of £32m (2009: £25.5m due to MCPS-PRS Alliance), this included the long term loan balances above.

9. Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Amounts due to members and affiliated societies	**148,582**	136,663
Deferred revenue	**48,699**	48,516
Other creditors	**12,057**	6,935
Accruals	**830**	2,110
Taxation and social security	**733**	739
	210,901	194,963

Notes to the Accounts

For the year ended 31 December 2010

10. Amounts allocated to members and affiliated societies

	2010 £'000	2009 £'000
Allocated to members	**308,791**	296,421
Allocated to affiliated societies	**80,183**	75,467
	388,974	371,888

11. Capital commitments

Capital expenditure authorised and contracted for at 31 December 2010 was £nil (2009: £nil). However, PRS is required to fund a percentage of the capital expenditure commitments of MCPS-PRS Alliance dependent on the Society's use thereof, which at 31 December 2010 amounted to £0.6 million (2009: £1.4 million).

12. Financial commitments

PRS uses forward currency contracts to minimise currency risk in PRS International revenue. The PRS Board has approved forward contracts for 85% of revenue received in US Dollars, Euros, Yen, Swiss Francs, Australian Dollars, Canadian Dollars and Swedish Kroner for 2011.

The amount committed for 2011 is £20.6 million in US Dollars, £59.8 million in Euros, £9.6 million in Yen, £2.8 million in Swiss Francs, £6.2 million in Australian Dollars, £4.2 million in Canadian Dollars and £3.9 million in Swedish Kroner over agreed monthly dates in 2011.

13. Reconciliation of movement in members' funds

	Revaluation reserve £'000	Income and expenditure account £'000	Total members' funds £'000
At 31 December 2009	**941**	**3,779**	**4,720**
31 December 2010	**941**	**3,779**	**4,720**

14. Limitation of liabilities

The Society was founded in 1914 as a company limited by guarantee; it has no share capital and is non-profit making.
The liability of each member is limited to £1.

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