Registered No: 3444246

THE MCPS-PRS ALLIANCE LIMITED

DIRECTORS' REPORT & ACCOUNTS
For the year ended 31 December 2006

The directors herewith present the annual report and accounts for the year ended 31 December 2006.

Results and Dividends
The profit for the year, after taxation, is £1,280,000 (2005: £632,000). The directors do not recommend payment of a dividend in respect of the year ended 31 December 2006.

Principal activity and review of the business
The principal activity of the Company is, and will continue to be, to provide operational services to the Mechanical-Copyright Protection Society Limited (MCPS) and the 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:

	2006 £'000	2005 £'000	Change %
Profit before tax	1,563	(61)	n/a
Tax	(283)	693	n/a
Profit after tax	1,280	632	+103%
Licensing and administration expenses	64,055	63,490	+1%

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 performance of its parent companies 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.

Directors
The directors who served since 1 January 2006 were as follows:

Nominated by MCPS
Tom Bradley (Joint Chairman)

Nominated by PRS
Ellis Rich (Joint Chairman)

Executive Directors
Adam Singer (until 15.11.06)
Crispin Evans
Steve Porter

None of the directors has any interest in the shares of the Company.

On 15 November 2006 Adam Singer resigned from the Board.

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 1985. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Corporate governance

The Company's Board is responsible for managing the direction of the Company and executing policy set by the Boards of Directors of MCPS and PRS. It monitors the financial progress, implementation of policy and horizon plans, appoints the Joint Chairmen, Chief Executive and Secretary, and receives regular reports on individual business units within the Company.

The MCPS-PRS Alliance Audit Committee met five times during the year to review management's policies, processes and procedures for identifying, controlling and managing key risks and advise the Board on significant matters arising.

Charitable donations

The Company paid donations on behalf of MCPS amounting to £9,270 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.

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 five and one year 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.

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
25 April 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to 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 those accounts, 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 accounts;
- prepare the accounts 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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 AUDITORS' REPORT TO THE MEMBERS OF THE MCPS-PRS ALLIANCE LIMITED

We have audited the Company's accounts for the year ended 31 December 2006, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the statement of cash flows and the related notes 1 to 19. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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
The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the accounts.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion
In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the accounts.

Ernst & Young LLP
Registered Auditor
London
25 April 2007

	Notes	2006 £'000	2005 £'000
Turnover	2	**67,705**	67,098
Licensing and administration expenses	3,4	**(64,055)**	(63,490)
Operating profit excluding pension current service cost		**3,650**	3,608
Pension current service cost	19	**(2,255)**	(1,942)
Operating profit		**1,395**	1,666
Bank interest receivable		**14**	10
Other finance income/ (costs)	18	**154**	(1,737)
Profit/ (loss) on ordinary activities before taxation		**1,563**	(61)
Tax (charge)/ credit on profit/ (loss) on ordinary activities	5	**(283)**	693
Retained profit for the year	15	**1,280**	632

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		2006 £'000	2005 £'000
Profit for the financial year		**1,280**	632
Deferred taxation on defined benefit pension plans	5	**(2,660)**	2,300
Actuarial gains and losses on defined benefit pension plans	19	**8,866**	(7,666)
Net surplus on revaluation of properties	6	**13,816**	-
Total recognised gain/ (loss) for the year		**21,302**	(4,734)

NOTE OF HISTORICAL COST PROFITS AND LOSSES

		2006 £'000	2005 £'000
Reported profit/ (loss) on ordinary activities before taxation		**1,563**	(61)
Difference between historical cost depreciation charge and the actual charge calculated on the revalued amount	15	**71**	71
Historical cost profit on ordinary activities before taxation		**1,634**	10
Historical cost profit for the year retained after taxation		**1,351**	703

BALANCE SHEET
At 31 December 2006

	Notes	2006 £'000	2005 £'000
Fixed assets			
Tangible assets	6	**58,924**	50,434
Investments	9	**232**	232
		59,156	50,666
Current assets			
Debtors	10	**6,392**	3,454
Cash at bank and in hand		**1,870**	1,168
		8,262	4,622
Creditors: amounts falling due within one year	11	**(25,363)**	(20,705)
Net current liabilities		**(17,101)**	(16,083)
Total assets less current liabilities		**42,055**	34,583
Creditors: amounts falling due after more than one year	12	**(23,380)**	(30,342)
Net Assets excluding pension liability		**18,675**	4,241
Defined benefit pension liability	19	**(11,484)**	(18,352)
Net assets/ (liabilities)		**7,191**	(14,111)
Financed by			
Called up share capital	13	**1**	1
Other reserves	14	**17,002**	17,002
Revaluation reserve	15	**24,531**	10,786
Profit and loss reserve	15	**(34,343)**	(41,900)
Equity shareholders' funds	15	**7,191**	(14,111)

The accounts were approved by the Board on 25 April 2007 and were signed on its behalf by:

Directors

STATEMENT OF CASH FLOWS
For the year ended 31 December 2006

	2006 £'000	2005 £'000
Net cash inflow from operating activities	**7,916**	12,477
Returns on investments and servicing of finance	**14**	10
Taxation paid	**-**	(270)
Capital expenditure	**(7,228)**	(11,604)
Increase in cash	**702**	613

NOTES TO STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash inflow from operating activities:

	2006 £'000	2005 £'000
Operating profit	**1,395**	1,666
Depreciation	**12,539**	13,609
Loss/ (Profit) on sale of fixed assets	**15**	(4)
Increase in debtors	**(2,938)**	(1,097)
(Decrease) / increase in net amount due to parent companies	**(1,710)**	24,129
(Decrease) / increase in creditors	**(594)**	506
Difference between pension contributions paid and charge	**(791)**	(26,332)
Net cash inflow from operating activities	**7,916**	12,477

Gross Cash Flows:

	2006 £'000	2005 £'000
a. **Returns on investments and servicing of finance**		
Interest received	**14**	10
b. **Taxation**		
Corporation tax paid	-	(270)
c. **Capital expenditure**		
Payments to acquire tangible fixed assets	**(7,228)**	(11,623)
Receipts from sale of tangible fixed assets	**-**	19
	(7,228)	(11,604)

Reconciliation of net cash flow to movement in net funds

	2006 £'000	2005 £'000
Increase in cash in the year	**702**	613
Net funds at 1 January	**1,168**	555
Net funds at 31 December	**1,870**	1,168

Analysis of changes in net funds

	At 1 Jan 2006 £'000	Cash flow 2006 £'000	At 31 Dec 2006 £'000
Cash at bank and in hand	**1,168**	**702**	**1,870**

1. Accounting Policies

Accounting convention

The accounts 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.

Definitions

'MCPS' means Mechanical-Copyright Protection Society Limited.
'PRS' means Performing Right Society Limited.

Consolidated accounts

In accordance with sections 229 (2) and 229 (5) of the Companies Act, consolidated accounts have not been prepared for the Company as its wholly owned subsidiaries are non trading. Consequently, these accounts present information about the Company as an individual undertaking and not about its group.

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.

Pension costs

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.

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 mid-market 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.

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. A further revaluation was performed at 31 December 2006.

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

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

Freehold land and buildings	1% 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 an 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.

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.

- 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.

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

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:

	2006	2005
	£'000	£'000
Operating fees to MCPS	**19,184**	19,020
Operating fees to PRS	**48,521**	48,078
	67,705	67,098

3. Licensing and administration expenses

Licensing and administration expenses include:

		2006	2005
		£'000	£'000
Depreciation on owned fixed assets		**12,335**	13,351
Depreciation of assets held under finance leases		**204**	258
Loss/ (Profit) on disposal of fixed assets		**15**	(4)
Auditors' remuneration	- audit	**76**	63
	- non-audit services	**-**	28
Operating lease rentals	- computer and office machinery	**183**	128

4. Emoluments of directors and employees

a. Directors' emoluments:

The Company had two executive directors at 31 December 2006, S Porter, appointed 24 February 2005, and C Evans, appointed 1 November 2005. A Singer resigned from the Board on 15 November 2006. 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:

	2006	2005
	£'000	£'000
Emoluments	**867**	980
Company contributions paid to defined benefit pension schemes	**23**	47
Company contributions to defined contribution pension schemes	**83**	128

	2006	2005
	No.	No.
Members of defined benefit pension schemes	**1**	2
Members of defined contribution pension schemes	**3**	6

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

	2006	2005
	£'000	£'000
Emoluments	**347**	338
Company contributions to defined contribution pension schemes	**24**	42

The following information is provided, in relation to loans to directors, pursuant to section 232 to the Companies Act 1985, as amended.

	Balance Outstanding 1 January 2006 £	Balance Outstanding 31 December 2006 £	Maximum Liability during the year £
S Porter - season ticket loan	-	-	**2,600**

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:

	2006 No.	2005 No.
Licensing	**297**	303
Distribution and Membership	**287**	310
Support services	**224**	230
	808	843

The aggregate staff costs are analysed as follows:

	2006 £'000	2005 £'000
Salaries	**27,815**	27,209
Social security costs	**2,707**	2,494
Costs of pension		
Defined contribution schemes	**151**	219
Defined benefit schemes	**2,250**	3,718
Costs of similar benefits	**284**	312
	33,207	33,952

5. Taxation

(a) Analysis of charge/ (credit) in year

	2006	2005
	£'000	£'000
Current tax		
UK Corporation tax charge	-	-
Adjustments in respect of prior years		
Prior year tax charge	-	98
Group relief	-	(216)
Current year losses carried back	**-**	(124)
Total current tax credit	**-**	(242)
Deferred taxation		
Adjustment for prior year	**-**	(50)
Origination and reversal of timing differences	**-**	(280)
Movement relating to pensions	**283**	(121)
Total deferred taxation	**283**	(451)
Total tax charge/ (credit) for the year	**283**	(693)

(b) Factors affecting tax charge for year

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

	2006	2005
Profit / (Loss) on ordinary activities before tax	**1,563**	(61)
Corporation tax at 30% (2005 - 30%)	**468**	(18)
Effects of		
Adjustments for transfer pricing	**249**	244
Pension contributions	**(2,790)**	(2,884)
Expenses not deductible for tax purposes	**760**	26
Capital allowances for year in arrears of depreciation	**403**	550
Current year losses used to relieve prior year tax	-	124
Current year losses not utilised	**910**	1,958
Total current tax	**-**	-

(c) Deferred tax

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

	2006	2005
	£'000	£'000
Arising on pension deficit	4,922	7,865
	4,922	7,865
Included within provision for liabilities and charges	-	-
Included within pension liability (Note 19)	4,922	7,865
	4,922	7,865

Movement on deferred tax asset:

	£'000
At 1 January 2006	**7,865**
Debited to the profit and loss account	**(283)**
Debited to the STRGL in respect of actuarial loss on defined benefit pension plans	**(2,660)**
At 31 December 2006	**4,922**

(d) Factors that may affect future tax charge

The company did not recognise a deferred tax asset of £1,421,000 (2005: £2,073,000) made up of losses of £908,000 (2005: £1,958,000) and accelerated capital allowances of £513,000 (2005: £115,000) 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. The total amount not provided for is £3,221,000 (2005: £480,000) . 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	Computer Systems & Equipment £'000	Motor Vehicles £'000	Total £'000
Cost or valuation					
At 1 January 2006	1,312	25,376	86,078	1,511	114,277
Surplus on revaluation	416	13,400	-	-	13,816
Additions	-	968	6,138	122	7,228
Disposals	-	-	(226)	(59)	(285)
At 31 December 2006	**1,728**	**39,744**	**91,990**	**1,574**	**135,036**
Depreciation					
At 1 January 2006	339	8,017	54,508	979	63,843
Charge for the year	26	488	11,825	200	12,539
Disposals	-	-	(226)	(44)	(270)
At 31 December 2006	**365**	**8,505**	**66,107**	**1,135**	**76,112**
Net book value					
At 31 December 2006	**1,363**	**31,239**	**25,883**	**439**	**58,924**
Net book value					
At 1 January 2006	973	17,359	31,570	532	50,434

The net book value of leasehold land and buildings and improvements at 31 December 2006 included £30.9m (2005: £17.1m) on long leases and £0.3m (2005: £0.3m) on short leases. The net book value of motor vehicles held under finance lease agreements is £0.4m (2005: £0.5m) with all lease obligations paid in advance.

Freehold and leasehold land and buildings were revalued at 31 December 2006 based on current use value. The valuation was carried out by Edwin Hill Chartered Surveyors. The open market value does not differ materially from the in use value.

On the historical cost basis they would have been included as follows:

	Freehold £'000	Leasehold £'000
At 1 January 2006	1,057	6,182
At 31 December 2006	1,021	5,745

7. Capital commitments

Capital expenditure authorised and contracted for at 31 December 2006 was £0.6m (2005: £0.3m).

8. Other financial commitments

At 31 December 2006 the Company had annual commitments under non-cancellable operating leases as set out below:

	Computer systems and equipment	
	2006	2005
	£'000	£'000
Operating leases which expire:		
Within one year	**3**	134

9. Fixed asset investments

Analysis of Fixed Asset Investments

	£'000
At 1 January and 31 December 2006	232

The fixed asset investment represents the company's 6.83% ownership of Fastrack, 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.

10. Debtors

	2006	2005
	£'000	£'000
Trade debtors	**3,775**	537
Other debtors	**1,256**	1,645
Prepayments and accrued income	**1,361**	1,272
	6,392	3,454

11. Creditors: amounts falling due within one year

	2006	2005
	£'000	£'000
Due to PRS	**9,127**	10,500
Due to MCPS	**8,625**	2,000
Trade creditors	**6,784**	7,311
Taxation and social security	**827**	894
	25,363	20,705

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

	2006	2005
	£'000	£'000
Due to PRS	**15,181**	12,571
Due to MCPS	**8,199**	17,771
	23,380	30,342

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 by MCPS and PRS. They are repayable over 20 years and are non-interest bearing.

13. Share capital

	2006 £'000	2005 £'000
Ordinary shares of £1 each:		
Authorised	**50**	50
Allotted, called up and fully paid	**1**	1

14. Other reserves

This reserve arose as a result of the transactions which took place on 1 January 1998, through which MCPS and PRS transferred their respective fixed assets, employees and back-office operations to the Company and each took a 50% interest in the Company.

15. 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 2005	**1**	**17,002**	**10,857**	**(37,237)**	**(9,377)**
Profit for the year	-	-	-	632	632
Transfer of depreciation on revalued tangible fixed assets	-	-	(71)	71	-
Pension deficit	-	-	-	(5,366)	(5,366)
At 31 December 2005	**1**	**17,002**	**10,786**	**(41,900)**	**(14,111)**
Profit for the year	-	-	-	1,280	1,280
Transfer of depreciation on revalued tangible fixed assets	-	-	(71)	71	-
Actuarial gains on Pension Scheme liabilities (net of deferred tax)	-	-	-	6,206	6,206
Surplus on revaluation	-	-	13,816	-	13,816
At 31 December 2006	**1**	**17,002**	**24,531**	**(34,343)**	**7,191**

16. 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 the Company's parent companies at the balance sheet date are disclosed in notes 11 and 12.

17. Parent companies

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.

18. Other finance costs

	2006	2005
	£'000	£'000
Expected return on pension scheme assets	**7,295**	4,747
Interest on pension scheme liabilities	**(7,141)**	(6,484)
Net return	**154**	(1,737)

19. 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 2005 and updated on 31 December 2006 by a qualified independent actuary. Contributions 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 £525,000 have been made to reduce the deficit in the scheme.

A full actuarial valuation of The MCPS-PRS Alliance Pension Scheme (MCPS) was carried out as at 1 January 2003 and updated on 31 December 2006 by a qualified independent actuary. Contributions were paid at 30% inclusive of employee contributions which averaged 8%. A full actuarial valuation of The MCPS-PRS Alliance Pension Scheme (MCPS) as at 1 January 2006 was finalised in March 2007. Contributions for ongoing future accrual will be 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 £200,000 will be made to reduce the deficit in the scheme. Contributions paid in 2006 exceeded the amounts payable under the latest valuation.

The major actuarial assumptions were:

	MCPS-PRS Alliance Pension Scheme		
	2006	2005	2004
Rate of increase in salaries	**4.10%**	3.80%	3.80%
Rate of increase of LPI pensions in payment	**3.00%**	2.70%	2.80%
Rate of revaluation of deferred pensions	**3.10%**	2.80%	2.80%
Discount rate	**5.10%**	4.90%	5.40%
Inflation assumption	**3.10%**	2.80%	2.80%

	MCPS-PRS Alliance Pension Scheme (MCPS)		
	2006	2005	2004
Rate of increase in salaries	**4.10%**	3.80%	3.80%
Rate of increase of pensions in payment (LPI)	**3.00%**	2.70%	2.80%
Rate of increase of LPI pensions in payment (LPI min 3)	**3.40%**	3.70%	3.80%
Discount rate	**5.10%**	4.90%	5.40%
Inflation assumption	**3.10%**	2.80%	2.80%
Loading for mortality improvements	**0.00%**	0.00%	5.00%

As from 31 December 2005 revised mortality tables reflecting improved life expectancy rates have been used to value the pension liabilities of the MCPS-PRS-Alliance Pension Scheme.

The assets in the scheme and the expected rate of return were:

MCPS-PRS Alliance Pension Scheme

	2006		2005		2004	
	%	**£'000**	%	£'000	%	£'000
Equities	**7.00**	**77,879**	6.80	73,125	6.70	47,138
Bonds (average)	**4.40**	**20,278**	4.20	20,129	4.70	16,358
Property	**5.10**	**10,015**	4.90	9,899	0.00	-
Cash	**5.00**	**132**	4.20	134	4.40	2,578
Other (GTAA)	**10.00**	**5,999**	0.00	-	0.00	-
Total market value of assets		**114,303**		103,287		66,074
Actuarial value of liability		**(128,862)**		(126,637)		(103,923)
FRS17 deficit in the scheme		**(14,559)**		(23,350)		(37,849)
Related deferred tax asset		**4,368**		7,005		3,855
Net FRS17 pension liability		**(10,191)**		(16,345)		(33,994)

MCPS-PRS Alliance Pension Scheme (MCPS)

	2006		2005		2004	
	%	**£'000**	%	£'000	%	£'000
Equities	**7.00**	**12,828**	6.80	10,490	6.70	7,718
Corporate bonds	**4.80**	**1,572**	4.60	1,947	4.70	1,273
Gilts	**4.00**	**1,572**	3.80	1,947	4.70	1,265
Property Bond	**5.10**	**1,943**	4.90	1,921	-	-
Cash	**5.00**	**246**	4.20	160	4.40	405
Other (GTAA)	**10.00**	**953**	-	-	-	-
Total market value of assets		**19,114**		16,465		10,661
Actuarial value of liability		**(20,961)**		(19,332)		(15,959)
FRS17 deficit in the scheme		**(1,847)**		(2,867)		(5,298)
Related deferred tax asset		**554**		860		1,589
Net FRS17 pension liability		**(1,293)**		(2,007)		(3,709)

Total Net FRS 17 pension liability	**(11,484)**	(18,352)	(37,703)

	MCPS-PRS Alliance Pension Scheme		MCPS-PRS Alliance Pension Scheme (MCPS)		Total	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Analysis of the amount charged to operating profit:						
Current service cost	1,564	1,396	691	546	2,255	1,942
Past service cost	5	86	-	-	5	86
Total operating charge	1,569	1,482	691	546	2,260	2,028
Analysis of net return on pension scheme:						
Expected return on pension scheme assets	6,296	4,066	999	681	7,295	4,747
Interest on pension liabilities	(6,177)	(5,605)	(964)	(879)	(7,141)	(6,484)
Net return – finance income/ (cost)	119	(1,539)	35	(198)	154	(1,737)
Analysis of amounts recognised in statement of total recognised gains and losses (STRGL):						
Actual return less expected return on assets	5,136	10,185	926	1,359	6,062	11,544
Experience gains and losses on liabilities	3,722	-	(192)	218	3,530	218
Changes in assumptions	(928)	(17,363)	202	(2,065)	(726)	(19,428)
Actuarial gain/(loss) recognised	7,930	(7,178)	936	(488)	8,866	(7,666)
Movement in deficit during the year:						
Deficit in scheme at beginning of year	(23,349)	(37,849)	(2,867)	(5,298)	(26,216)	(43,147)
Current service cost	(1,564)	(1,396)	(691)	(546)	(2,255)	(1,942)
Contributions	2,310	24,699	740	3,663	3,050	28,362
Past service costs	(5)	(86)	-	-	(5)	(86)
Net return - finance cost	119	(1,539)	35	(198)	154	(1,737)
Actuarial gain/ (loss)	7,930	(7,178)	936	(488)	8,866	(7,666)
Deficit in scheme at end of year	(14,559)	(23,349)	(1,847)	(2,867)	(16,406)	(26,216)

MCPS-PRS Alliance Pension Scheme

History of experience gains and losses:	2006	2005	2004	2003	2002
	£'000	£'000	£'000	£'000	£'000
Difference between expected and actual return on scheme assets	5,136	10,185	998	6,878	(13,075)
Percentage of scheme assets (%)	4.0%	10.0%	2.0%	11.0%	(26.0%)
Experience gains and losses on scheme liabilities	3,722	-	-	1,532	-
Percentage of scheme liabilities (%)	3.0%	0.0%	0.0%	2.0%	0.0%
Total amount recognised in statement of total recognised gains and losses	7,930	(7,178)	(3,068)	4,583	(23,290)
Percentage of scheme liabilities	6.0%	(6.0%)	(3.0%)	5.0%	(26.5%)

MCPS-PRS Alliance Pension Scheme (MCPS)

History of experience gains and losses:	2006	2005	2004	2003	2002
	£'000	£'000	£'000	£'000	£'000
Difference between expected and actual return on scheme assets	926	1,359	315	1,143	(3,039)
Percentage of scheme assets (%)	5.0%	8.0%	3.0%	13.0%	(37.0%)
Experience gains and losses on scheme liabilities	(192)	218	17	(294)	342
Percentage of scheme liabilities (%)	(1.0%)	1.0%	0.0%	(2.0%)	2.6%
Total amount recognised in statement of total recognised gains and losses	936	(488)	332	(288)	(2,788)
Percentage of scheme liabilities	4.0%	(3.0%)	2.0%	(2.0%)	(21.0%)

The Company also operates a separate defined contribution pension scheme for those employees based at the Dublin branch of MCPS. 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 2006 were £151,000 (2005: £219,000).