Directors' Report and Accounts

Performing Right Society Limited

For the year ended 31 December 2009

Registered No: 134396

PRS for MUSIC

Performing Right Society Limited

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Directors' Report

For the year ended 31 December 2009

The directors present the accounts for the year ended 31 December 2009.

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 65,000 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:

	2009	2008	Change
	£'000	£'000	%
Result before and after tax	387.9	368.4	+5.3%
Donations	1.3	1.3	-
Net distributable income	386.6	367.2	+5.3%
Administrative expenses	53.7	49.1	+9.4%

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
There is a continuous appraisal of the risks and uncertainties that affect the Company. The principal areas of issue are summarised 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.

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 2009 and will do so in 2010.

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 2009

Directors

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

Writers

Nigel Beaham-Powell
David Bedford
Peter Callander
Simon Darlow (from 28.01.09)
David Ferguson (until 28.01.09)
Guy Fletcher
Nicky Graham
Edward Gregson
Michael Leeson
Stephen Levine
Mitch Murray
Lynsey de Paul

Publishers

William Booth
Christopher Butler
Jane Dyball
Nigel Elderton
Stuart Hornall
Andrew King
Richard King
Sarah Levin
Paulette Long
Simon Platz
Ellis Rich

Executive Directors

Steve Porter (resigned 17.07.09)
Jeremy Fabinyi (from 22.07.09 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

Peter Callander
Guy Fletcher
Nicky Graham
Edward Gregson
Stephen Levine
Mitch Murray

Publishers

William Booth
Nigel Elderton
Richard King

The following director has been proposed by the board of directors for appointment at the Society's forthcoming annual general meeting pursuant to article 35 (d):

Executive Director
Robert Ashcroft

Chairman and Deputy Chairmen
Ellis Rich continued as Chairman for the year. Michael Leeson and Andrew King continued as Deputy Chairman (Writer) and Deputy Chairman (Publisher) respectively.

Donations
Donations and other payments made pursuant to article 48(a) of the articles of association totalled £1.33 million (2008: £1.27 million) of which £1.25 million (2008: £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, Chief Executive and the Secretary. 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. Within this evolving governance structure the Company's Board met eight times during the year. During the year the Board was supported by an Executive Board (from which it received and considered recommendations on the strategic direction of the Company) and numerous committees such as the Audit Committee, the Remuneration Committee, the Membership Committee and committees specialising in specific areas of commercial focus, all of which meet on a regular basis enabling directors to fully engage in the governance of the Company. 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 Board of Mechanical-Copyright Protection Society Limited, 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.

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.

Ellis Rich
On behalf of the Board

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 2009 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and Notes to 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its 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

24 March 2010

Income and Expenditure Account

For the year ended 31 December 2009

	Notes	2009	2008
		£'000	£'000
Licence revenue	1b, 2	**438,757**	410,782
Interest receivable		**2,796**	6,758
Total income for the year		**441,553**	417,540
Licensing and administration expenses	3	**(53,674)**	(49,107)
Result on ordinary activities before tax		**387,879**	368,433
Tax on result on ordinary activities	6	**-**	-
Result before appropriations		**387,879**	368,433
Less amounts appropriated:			
Donations and awards		**(1,325)**	(1,275)
Net distributable income		**386,554**	367,158

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 2009

	Notes	2009	2008
		£'000	£'000
Net distributable income		**386,554**	367,158
Distributions allocable to members & affiliated societies		**(386,554)**	(367,158)
Revaluation loss	7	**(3,508)**	-
Total recognised gains and losses relating to the year		**(3,508)**	-

Balance Sheet

At 31 December 2009

	Notes	2009		2008	
		£'000	**£'000**	£'000	£'000
Fixed assets					
Investments	7	**15,864**		19,372	
			15,864		19,372
Current assets					
Debtors:					
amounts falling due after one year	8	**15,704**		13,547	
amounts falling due within one year	8	**49,584**		97,689	
Investments - short-term deposits		**76,000**		39,000	
Cash at bank and in hand		**42,531**		21,944	
			183,819		172,180
Creditors: amounts falling due within one year	9		**(194,963)**		(183,324)
Net current liabilities			**(11,144)**		(11,144)
Total assets less current liabilities			**4,720**		8,228
Non distributable revaluation reserve	13		**941**		4,449
Distributable reserves	13		**3,779**		3,779
Balance at 31 December	13		**4,720**		8,228

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 24 March 2010 and were signed on its behalf by:

Ellis Rich
Chairman

Statement of Cash Flows

For the year ended 31 December 2009

	2009 £'000	2008 £'000
Cash inflow from operating activities	428,239	313,541
Amounts paid to members and affiliated societies	(373,120)	(340, 618)
Net cash inflow / (outflow) from operating activities	55,119	(27,077)
Net cash outflow from investing activities	-	(392)
Returns on investments and servicing of finance - interest received	2,468	7,048
Management of liquid resources	(37,000)	29,000
Increase in cash	20,587	8,579

Notes to the Statement of Cash Flows

For the year ended 31 December 2009

	2009 £'000	2008 £'000
Reconciliation of result on ordinary activities before tax to net cash inflow from operating activities		
Result on ordinary activities before tax	**387,879**	368,433
Donations and awards	**(1,325)**	(1,275)
Interest	**(2,796)**	(6,758)
Decrease / (increase) in amounts due from associated undertakings	**41,132**	(38,913)
Decrease / (increase) in debtors	**5,145**	(10,290)
(Decrease) / increase in creditors	**(1,796)**	2,344
Net cash inflow from operating activities	**428,239**	313,541
Cash flow from investing activities		
Payment to acquire investment	**-**	(392)
Management of liquid resources		
Short-term deposits made	**(226,000)**	(310,000)
Short-term deposits repaid	**189,000**	339,000
	(37,000)	29,000
Reconciliation of net cash flow to movement in net funds		
Increase in cash in the year	**20,587**	8,579
Cash outflow / (inflow) from movement in liquid resources	**37,000**	(29,000)
Movement in net funds in the year	**57,587**	(20,421)
Net funds at 1 January	**60,944**	81,365
Net funds at 31 December	**118,531**	60,944

Analysis of changes in net funds	**At 1 January 2009 £'000**	**Cash flow £'000**	**At 31 December 2009 £'000**
Cash at bank and in hand	21,944	20,587	42,531
Liquid resources - short-term deposits	39,000	37,000	76,000
	60,944	57,587	**118,531**

Notes to the Accounts

For the year ended 31 December 2009

1. Basis of preparation

The accounts 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 accounts 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 statement 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; has considerable financial resources including cash balances; and; accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

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.

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. 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.

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 2009

2. Licence revenue

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

	2009 £'000	2008 £'000
a. United Kingdom, Channel Islands and Isle of Man		
Public Performance	**150,218**	146,647
Broadcasting	**120,754**	124,148
	270,972	270,795
b. Overseas		
Europe	**107,974**	92,166
North America	**35,394**	28,479
Asia	**12,501**	8,740
Central and South America	**4,900**	3,994
Australasia	**5,263**	5,031
Africa and Middle East	**1,785**	1,577
	167,785	139,987
	438,757	410,782

3. Licensing and administration expenses

	2009 £'000	2008 £'000
Recharge from MCPS-PRS Alliance:		
Staff costs	**27,924**	24,883
Office and accommodation costs	**4,191**	4,310
Information Technology costs	**2,287**	1,828
Legal and professional costs	**3,348**	3,604
Other costs	**7,430**	5,601
Depreciation	**8,041**	8,881
Pension Amortisation adjustment	**453**	-
Total administration expenses	**53,674**	49,107

Staff costs have increased in 2009 as a direct result of redundancy costs relating to the transfer of staff to ICE and those incurred as part of a Company restructure.

Other costs have increased as a result of a charge back from ICE, a joint venture between MCPS-PRS Alliance and STIM, for its accumulated losses since inception. These losses were split 50% PRS and 50% MCPS. ICE was set up to provide a joint copyright database for music rights between the two societies that would be fit for purpose in the changing industry landscape.

The Pension adjustment relates to a re-evaluation of the exceptional pension contribution made in 2005. This contribution has been adjusted for earlier years to reflect scheme membership between PRS and MCPS prior to the formation of the MCPS-PRS Alliance. It is amortised over a 20 year period and the adjustment reflects an increase of that amortisation based on this revision. The directors consider this to be a fairer basis of calculation.

	2009 £'000	2008 £'000
Auditor's remuneration:		
-Audit services	**7**	6

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

Notes to the Accounts

For the year ended 31 December 2009

4. Directors' emoluments

The emoluments of the non-executive directors, excluding pension contributions, were £414,036 (2008: £404,311). Non-executive directors receive annual remuneration 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 £53,768 (2008: £59,198). As Deputy Chairmen, Andrew King received £30,000 (2008: Andrew King £28,804) and Michael Leeson received £30,000 (2008: Michael Leeson - £31,119).

The emoluments of the external directors were: Wanda Goldwag £35,975 (2008: £36,007), and Estelle Morris £35,975 (2008: £27,454).

During the year ended 31 December 2009, the Company had two Executive Directors, Steve Porter and Jeremy Fabinyi. Both were employed and paid by MCPS-PRS Alliance.

The highest paid director in 2009 was Steve Porter, his remuneration, excluding pension contributions, was £197,066 (2008: £496,024), 50% of which was recharged to PRS. Steve Porter left the Company on 17 July 2009 and received pay in lieu of notice of £312,025, of which 50% was recharged to PRS. Jeremy Fabinyi's remuneration while an Executive Director, excluding pension contributions, was £258,207 (2008: £0) of which 50% was recharged to PRS.

The pension contributions in respect of Steve Porter, were £29,277 (2008:£48,741) to a defined contribution scheme, and £76,229 to a defined benefit scheme (2008: £24,816).

The pension contributions in respect of Jeremy Fabinyi, while an Executive Director, were £7,023 (2008:£0) 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 2009, total royalties paid by the Society to the directors and to parties related to the directors amounted to £65.3 million (2008: £53 million). £65.0million (2008: £52.5 million) of this was paid to Publisher directors and parties related to the Publisher directors, and £0.3 million (2008: £0.5 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 2009, £53.7 million (2008: £49.1 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 2009 had a balance due from MCPS-PRS Alliance of £25.5million (2008: £66.7 million), this included a long term loan of £15.7 million to fund the Society's share of an exceptional contribution to the defined benefit pension schemes (2008: £13.5 million).

During 2009 CELAS made distributions to PRS of £0.7 million (2008: £ 0.1million). The balance owed by CELAS to PRS at the end of 2009 was £1.1million (2008: 0.7 million).

Notes to the Accounts

For the year ended 31 December 2009

6. Tax on result on ordinary activities

(a) Analysis of charge in year

	2009 £'000	2008 £'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:

	2009 £'000	2008 £'000
Total recognised gains for the year	-	-
Corporation tax at 28% (2008 28.5%)	-	-
Effects of :		
Adjustment for transfer pricing	(334)	(231)
Losses arising in the year not relievable against current tax	334	231
	-	-

A deferred tax asset of £1,363,620 (2008: £1,011,000) has not been recognised in respect of losses due to the non profit making nature of the Company.

The investment in MCPS-PRS Alliance was re-valued by the directors during the year and the subsequent change in value has no effect on the current tax position of the Company.

(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 £29,518,500 (2008: loss of £17,229,000) may arise, which would result in a potential deferred tax asset of £8,265,180 (2008: asset of £4,824,120) based on the full corporation tax rate from 1 April 2009 of 28% (2008: 28.5%).

Notes to the Accounts

For the year ended 31 December 2009

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	18,724	50
CELAS GmbH	25,000 ordinary €1 shares	860	648	25
At 31 December 2008		15,135	19,372	
Revaluation loss: The MCPS-PRS Alliance Limited			(3,508)	
At 31 December 2009		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. This value was re-assessed by the directors during 2009, resulting in the reduction shown above, which represents the fact that MCPS now receives a higher proportion of benefit from the activities of the Alliance, than in previous years, and as such the value to PRS has fallen.

	Historic Opening Value	Write down	Closing value at 2008	Additions 2009	Closing value at 2009
	£'000	£'000	£'000	£'000	£'000
CELAS GmbH	860	(212)	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 31December 2009 the company showed a net loss of €0.2 million (2008 – net loss of €1.4 million).

The company had a positive equity figure of €162,209 (2008 - €316,832) at the year end.

PRS owns 25% of British Music Rights Limited (BMR), a company limited by guarantee. This company ceased trading in 2008 when all of its activities transferred to UK Music 2009 Limited. UK Music 2009 Limited is 12.5% owned by the MCPS-PRS Alliance.

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 2009

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:

	2009	2008
	£'000	£'000
As at 31 December:		
Tangible fixed assets	**23,906**	25,503
Investments	**3,095**	1,619
Current assets	**14,276**	20,504
Share of gross assets	**41,277**	47,626
Creditors falling due within one year	**(25,639)**	(31,313)
Creditors falling due after more than one year	**(9,815)**	(10,440)
Share of gross liabilities	**(35,454)**	(41,753)
Share of net assets before pension scheme liabilities	**5,823**	5,873
Share of pension scheme liabilities	**(21,167)**	(9,336)
Share of net (liabilities) after pension scheme liabilities	**(15,244)**	(3,463)
For the year ended 31 December:		
Turnover	**36,881**	34,297
Profit before Tax	**483**	485
Tax	**(175)**	(330)
Profit after tax	**308**	155

Notes to the Accounts

For the year ended 31 December 2009

8. Debtors

Debtors are made up as follows:

	2009 £'000	2008 £'000
Licence income receivable		
Public Performance	**26,453**	26,835
Broadcasting	**1,613**	6,569
International	**650**	138
CELAS	**1,123**	685
	29,839	34,227
Amounts due from associated undertakings	**25,512**	66,643
VAT recoverable	**5,580**	5,229
Sundry debtors	**3.819**	4,927
Investment income receivable	**538**	210
	65,288	111,236

Amounts falling due after more than one year included above are:

	2009 £'000	2008 £'000
Due from associated undertakings	**15,700**	13,500

This balance is the MCPS share of exceptional prepaid pension contributions into the Alliance Pension Schemes which was funded by MCPS and PRS and is being amortised over twenty years from 1 January 2006.

During 2009, £53.6m (2008: £49.1m) of administrative expenses were recharged by MCPS-PRS Alliance. PRS funds an appropriate proportion of MCPS-PRS Alliance's costs and, at 31 December 2009, had a balance due from MCPS-PRS Alliance of £25.5m (2008: £66.6m due to MCPS-PRS Alliance), this included a long term loan of £15.7m to fund the Company's share of an exceptional contribution to the defined contribution pension schemes (2008: £13.5m). The large increase in the long term loan balance, relating to the exceptional contribution to the defined contribution pension schemes is due to re-evaluation of the respective pension debt between PRS and MCPS. The debt is now calculated in line with scheme membership prior to the formation of the Alliance, which the directors consider better reflects the accumulation of the pension deficit.

9. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Amounts due to members and affiliated societies	**136,663**	123,227
Deferred revenue	**48,516**	49,951
Other creditors	**6,935**	7,014
Accruals	**2,110**	2,053
Taxation and social security	**739**	1,079
	194,963	183,324

Notes to the Accounts

For the year ended 31 December 2009

10. Amounts allocated to members and affiliated societies

	2009	2008
	£'000	£'000
Allocated to members	**296,421**	268,951
Allocated to affiliated societies	**75,467**	72,847
	371,888	341,798

11. Capital commitments

Capital expenditure authorised and contracted for at 31 December 2009 was £ nil (2008: £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 2009 amounted to £1.4 million (2008: £1.3 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 2010.

The amount committed for 2010 is £21 million in US dollars, £62 million in euros, £7 million in yen, £2 million in Swiss francs, £5 million in Australian dollars, £4 million in Canadian dollars and £3 million in Swedish kroner over agreed monthly dates in 2010.

13. Reconciliation of movement in members' funds

	Revaluation reserve	Income and expenditure account	Total members' funds
	£'000	£'000	£'000
At 31 December 2008	**4,449**	**3,779**	**8,228**
Revaluation loss	**(3,508)**	**-**	**(3,508)**
31 December 2009	**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.

Performing Right Society Limited
29-33 Berners Street
London
W1T 3AB

Registered in England No: 134396

T: +44 (0)20 7580 5544

www.prsformusic.com

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