THE MCPS-PRS ALLIANCE LIMITED

DIRECTORS' REPORT & ACCOUNTS
For the year ended 31 December 2002

Registered No: 3444246

The directors herewith present the annual report and accounts for the year ended 31 December 2002.

Principal activity and review of the business

The principal activity of the Company is 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 profit and loss account shows a profit before tax of £31,000 for the year (2001: £52,000). No dividend is proposed.

During 2002, the Company commenced licensing of online music use jointly on behalf of MCPS and PRS.

Directors

The directors during the year were:

Nominated by MCPS

Jonathan Simon (Joint Chairman)	Crispin Evans	Barry Hitchens (until 16.07.02)
Tom Bradley	Barrie Guard	Sarah Rodgers
Peter Cornish (from 03.09.02)		

Nominated by PRS

David Bedford (Joint Chairman)	Peter Callander	Michael Leeson
Nigel Beaham Powell	Nigel Elderton	Ellis Rich

Executive Directors

John Hutchinson	Steve Porter
David Lester	John Rathbone

External Directors

Malcolm Coster
David Kee

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

Andrew Potter retired as Joint Chairman on 1 January 2002 and was succeeded by David Bedford.

Corporate governance

The Company's Board has eight main meetings each year and is responsible for the direction of the Company. It monitors the financial progress, formulates policy and horizon plans, appoints the Joint Chairmen, Chief Executive and Secretary, and receives regular reports on individual business units within the Company.

The Risk Management Committee met four 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 £14,195 during the year (2001: £13,650).

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.

D. A. Lester

By order of the Board
David Lester
Secretary
21 May 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare the accounts for each financial year which give a true and fair view of the state of affairs of the Company and of its profit or loss for that year. In preparing those accounts, the directors are required to:

(a) select suitable accounting policies and then apply them consistently;

(b) make judgements and estimates that are reasonable and prudent;

(c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and

(d) 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE MCPS-PRS ALLIANCE LIMITED

We have audited the Company's accounts for the year ended 31 December 2002, 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 18. These accounts have been prepared on the basis of 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
As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.
Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 if, in our opinion, the directors' report is not consistent with the accounts, if 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 transactions with the company 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 United Kingdom auditing standards 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 of the state of affairs of the Company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

21 May 2003

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2002

	Notes	2002 £'000	(restated) 2001 £'000
Turnover	2	**55,833**	53,905
Licensing and administration expenses	3, 4	**(55,811)**	(53,863)
Operating profit		**22**	42
Bank interest receivable		**9**	10
Profit on ordinary activities before taxation		**31**	52
Tax on profit on ordinary activities	5	**44**	(7)
Retained profit for the year	16	**75**	45

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

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2002 £'000	(restated) 2001 £'000
Profit for the financial year		**75**	45
Total recognised gains relating to the year		**75**	45
Prior year adjustment	13	**(55)**	
Total gains recognised since the last annual report		**20**	

BALANCE SHEET
At 31 December 2002

	Notes	2002 £'000	(restated) 2001 £'000
Fixed assets			
Tangible assets	6	**42,930**	34,680
Investments	9	**17,003**	17,003
		59,933	51,683
Current assets			
Debtors	10	**2,732**	1,806
Cash at bank and in hand		**79**	187
		2,811	1,993
Creditors: amounts falling due within one year	11	**(6,701)**	(11,006)
Net current liabilities		**(3,890)**	(9,013)
Total assets less current liabilities		**56,043**	42,670
Creditors: amounts falling due after more than one year	12	**(38,580)**	(25,238)
Provisions for liabilities and charges			
Deferred taxation	5	**(314)**	(358)
		(38,894)	(25,596)
		17,149	17,074
Financed by			
Called up share capital	14	**1**	1
Other reserves	15	**17,002**	17,002
Profit and loss account	16	**146**	71
Equity shareholders' funds	16	**17,149**	17,074

The accounts were approved by the Board on 21 May 2003 and were signed on its behalf by:

Directors

STATEMENT OF CASH FLOWS
For the year ended 31 December 2002

	2002 £'000	2001 £'000
Net cash inflow from operating activities	**19,089**	13,532
Returns on investments and servicing of finance	**9**	10
Taxation paid	**(1)**	-
Capital expenditure	**(19,205)**	(13,424)
(Decrease)/increase in cash	**(108)**	118

NOTES TO STATEMENT OF CASH FLOWS

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

	£'000	£'000
Operating profit	**22**	42
Depreciation	**10,953**	11,093
Loss on sale of fixed assets	**2**	4
(Increase)/decrease in debtors	**(926)**	79
Increase in net amount due to parent companies	**9,409**	2,463
Decrease in creditors	**(371)**	(149)
Net cash inflow from operating activities	**19,089**	13,532

Gross Cash Flows:

	2002 £'000	2001 £'000
a. **Returns on investments and servicing of finance**		
Interest received	**9**	10
b. **Taxation**		
Corporation tax paid	**(1)**	-
c. **Capital expenditure**		
Payments to acquire fixed assets	**(19,238)**	(13,455)
Receipts from sale of fixed assets	**33**	31
	(19,205)	(13,424)

Reconciliation of net cash flow to movement in net funds

	2002 £'000	2001 £'000
(Decrease)/increase in cash in the year	**(108)**	118
Net funds at 1 January	**187**	69
Net funds at 31 December	**79**	187

Analysis of changes in net funds

	At 1 Jan 2002 £'000	Cash flow 2002 £'000	At 31 Dec 2002 £'000
Cash at bank and in hand	187	(108)	79

1. Accounting Policies

Accounting convention
The accounts have been prepared under the historical cost convention modified to include the revaluation of certain freehold 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 and its wholly owned subsidiaries as the directors do not consider the subsidiaries to be material. 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. 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 expected cost of pensions in respect of the defined benefit pension schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. Variations from the regular cost are spread over the expected remaining service lives of current employees in the scheme. The pension cost is assessed in accordance with the advice of qualified actuaries.

The Company also makes contributions to a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable.

Fixed assets
Fixed assets are initially stated at cost. Certain freehold land and buildings have subsequently been revalued with the revaluation deficit being written off. In accordance with the transitional provisions of FRS15, these revaluations have not been updated since the last revaluation on 24 November 1998.

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	20-50% 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, except that 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.

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 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 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 licence fees. Turnover is accounted for on an invoiced basis and is made up as follows:

	2002	2001
	£'000	£'000
Operating fees to MCPS	**16,695**	16,746
Operating fees to PRS	**39,032**	37,159
Licence fees	**106**	-
	55,833	53,905

3. Licensing and administration expenses

Licensing and administration expenses include:

		2002	2001
		£'000	£'000
Depreciation on owned fixed assets		**10,644**	10,773
Depreciation of assets held under finance leases		**309**	320
Loss on sale of fixed assets		**2**	4
Auditors' remuneration	- audit	**55**	51
	- non-audit services	**80**	40
Operating lease rentals	- computer and office machinery	**173**	200

4. Emoluments of directors and employees

a. Directors' emoluments:

The Company had four executive directors, J Hutchinson, D Lester, S Porter and J Rathbone throughout the year ended 31 December 2002. Their total emoluments, and those of the non-executive directors, were recharged equally to MCPS and PRS, and are included in the table below:

	2002 £'000	2001 £'000
Emoluments	1,069	1,028
Company contributions paid to defined benefit pension schemes	44	30
Company contributions to defined contribution pension schemes	73	68

	2002 No.	2001 No.
Members of defined benefit pension schemes	2	2
Members of defined contribution pension schemes	1	1

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

	2002 £'000	2001 £'000
Emoluments	315	316
Company contributions paid to money purchase pension schemes	73	68

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 2002 £	Balance Outstanding 31 December 2002 £	Maximum Liability during the period £
J Rathbone	- season ticket loan	-	243	2,911
S Porter	- season ticket loan	-	-	2,348

The season ticket loans were both interest-free loans repayable in 12 monthly instalments.

b. Staff costs:

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

	2002 No.	2001 No.
Licensing	**251**	242
Distribution and Membership	**388**	395
Support services	**242**	226
	881	863

and the aggregate staff costs are analysed as follows:

	2002 £'000	2001 £'000
Salaries	**23,367**	22,253
Social security costs	**2,107**	1,962
Costs of pension and similar benefits	**2,316**	1,981
	27,790	26,196

c. Pension costs:

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). Since 1 January 1998, all eligible employees of the Company have been able to join The MCPS-PRS Alliance Pension Scheme. Eligible former-MCPS employees were able to join The MCPS-PRS Alliance Pension Scheme (MCPS) until 1 January 1999 when the scheme was closed to new entrants and, thereafter, were eligible to join The MCPS-PRS Alliance Pension Scheme. The MCPS-PRS Alliance Pension Scheme was closed to new entrants from 1 January 2003. As a result, under the projected unit valuation method the current service cost for both schemes will increase as employees approach retirement.

Both schemes provide benefits based on final pensionable salary and are funded by the payment of contributions to separately administered trust funds. The cost to the Company of operating these schemes during 2002 was £2.0 million (2001: £1.8 million).

A full valuation of The MCPS-PRS Alliance Pension Scheme was carried out at 31 December 2000 by a qualified independent actuary. The Scheme's funding level was 101%. Contributions were paid at 16.8% of pensionable salaries up to December 2001, increasing to 18% from January 2002. These rates are inclusive of employee contributions which averaged 4.2% up to December 2002, increasing to 5.00% from January 2003.

A full actuarial valuation of The MCPS-PRS Alliance Pension Scheme (MCPS) was carried out as at December 2000 by a qualified independent actuary. The Scheme's funding level was 108%. Contributions were paid at 15.4% from January 2002 increasing to 16.4% from January 2003 and 17.4% from January 2004. These rates are inclusive of employee contributions which averaged 4% up to December 2002, increasing to 5.00% from January 2004.

FRS17 valuations of both pension schemes were carried out as at 31 December 2002 by qualified independent actuaries. The major assumptions were:

	MCPS-PRS Alliance Pension Scheme		MCPS-PRS Alliance Pension Scheme (MCPS)	
	2002	2001	**2002**	2001
Rate of increase in salaries	**3.90%**	3.75%	**3.90%**	4.25%
Rate of increase of LPI pensions in payment	**2.40%**	2.25%	**2.40% to 3.40%**	2.75% to 3.75%
Rate of revaluation of deferred pensions	**2.40%**	2.25%	**2.40%**	2.75%
Discount rate	**5.50%**	6.0%	**5.40%**	5.75%
Inflation assumption	**2.40%**	2.25%	**2.40%**	2.75%

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

	MCPS-PRS Alliance Pension Scheme				MCPS-PRS Alliance Pension Scheme (MCPS)			
	2002		2001		**2002**		2001	
	%	**£'000**	%	£'000	%	**£'000**	%	£'000
Equities	**6.30**	**36,463**	7.00	46,427	**7.00**	**6,616**	7.00	8,998
Bonds (average)	**4.10**	**8,793**	4.75	12,416	**5.40**	**1,057**	5.75	1,170
Other	**3.10**	**4,998**	3.50	400	**5.40**	**455**	7.00	543
Total market value of assets		**50,254**		59,243		**8,128**		10,711
Actuarial value of liability		**(87,929)**		(73,543)		**(13,297)**		(12,822)
FRS17 deficit in the scheme		**(37,675)**		(14,300)		**(5,169)**		(2,111)
Related deferred tax asset		**11,303**		4,290		**1,551**		633
Net FRS17 pension liability		**(26,372)**		(10,010)		**(3,618)**		(1,478)

Reconciliation to the balance sheet

	Reserves		Net assets	
	2002	**2001 (as restated)**	**2002**	**2001 (as restated)**
	£'000	£'000	**£'000**	£'000
Excluding pension liability	**17,148**	17,073	**17,149**	17,074
FRS 17 pension liability	**(29,990)**	(11,488)	**(29,990)**	(11,488)
Including pension liability	**(12,842)**	5,585	**(12,841)**	5,586

	MCPS-PRS Alliance Pension Scheme 2002 £'000	MCPS-PRS Alliance Pension Scheme (MCPS) 2002 £'000
Analysis of the amount charged to operating profit		
Current service cost	1,205	586
Past service cost	-	-
Total operating charge	1,205	586
Analysis of net return on pension scheme		
Expected return on pension scheme assets	3,861	726
Interest on pension liabilities	(4,406)	(737)
Net return – finance cost	(545)	(11)
Analysis of amounts recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on assets	(13,075)	(3,039)
Experience gains and losses on liabilities	-	342
Changes in assumptions	(10,215)	(91)
Actuarial loss recognised	(23,290)	(2,788)
Movement in deficit during the year		
Deficit in scheme at beginning of year	(14,300)	(2,111)
Current service cost	(1,205)	(586)
Contributions	1,665	327
Net return - finance cost	(545)	(11)
Actuarial loss	(23,290)	(2,788)
Deficit in scheme at end of year	(37,675)	(5,169)
History of experience gains and losses		
Difference between expected and actual return on scheme assets	(13,075)	(3,039)
Percentage of scheme assets (%)	(26.0%)	(37.0%)
Experience gains and losses on scheme liabilities	-	342
Percentage of scheme liabilities (%)	0%	(2.6%)
Total amount recognised in statement of total recognised gains and losses	(23,290)	(2,788)
Percentage of scheme liabilities	(26.5%)	(21.0%)

The Company also operates a separate pension scheme for those employees based at the Dublin branch of MCPS. The pension scheme for Ireland-based employees is a defined contribution scheme.

From January 2003, a new contributory pension scheme called The Alliance Defined Contribution Pension Scheme was open to all employees not in an existing scheme.

5. Taxation

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

	2002 £'000	(restated) 2001 £'000
Current tax		
UK Corporation tax charge	-	1
Deferred taxation		
Origination and reversal of timing differences	(44)	6
Tax on profit on ordinary activities	(44)	7

(b) Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2002	2001
Profit on ordinary activities before tax	31	52
Corporation tax at 20% (2001 - 10%)	6	5
Effects of		
Expenses not deductible for tax purposes	100	1,092
Capital allowances for period in excess of depreciation	(444)	(1,061)
Increase in provisions	(2)	(4)
Prior year tax losses set off	-	(31)
Losses arising in the year not relievable against current tax	340	-
Total current tax	-	1

(c) Factors that may affect future tax charges

The Company has recognised a net deferred tax liability of £314,000 (2001 restated - £358,000). The actual corporation tax that will arise on the reversal of this liability in the future will depend on the tax rate applicable to the level of taxable profits reported by the Company. The deferred tax liability has been calculated based on the full 30% tax rate.

(d) Deferred tax

The deferred tax included within provisions for liabilities and charges on the balance sheet is as follows:

	2002 £'000	(restated) 2001 £'000
Accelerated capital allowances	1,004	453
Tax losses carried forward	(659)	(62)
Other timing differences	(31)	(33)
	314	358

	£'000
At 1 January 2002 as originally reported	303
Prior year adjustment (FRS19)	55
At 1 January 2002 as restated	358
Profit and loss account movement arising during the year	(44)
At 31 December 2002	314

6. Tangible fixed assets

	Freehold £'000	Land & Buildings Leasehold & Improvements £'000	Computer Systems & Equipment £'000	Motor Vehicles £'000	Total £'000
Cost or valuation					
At 1 January 2002	2,103	12,918	55,435	1,265	71,721
Additions	-	465	18,333	440	19,238
Disposals	-	-	(9,726)	(442)	(10,168)
At 31 December 2002	**2,103**	**13,383**	**64,042**	**1,263**	**80,791**
Depreciation					
At 1 January 2002	698	5,901	29,768	674	37,041
Charge for the year	38	466	10,139	310	10,953
Disposals	-	-	(9,725)	(408)	(10,133)
At 31 December 2002	**736**	**6,367**	**30,182**	**576**	**37,861**
Net book value					
At 31 December 2002	**1,367**	**7,016**	**33,860**	**687**	**42,930**
Net book value					
At 1 January 2002	1,405	7,017	25,667	591	34,680

The net book value of leasehold and improvements at 31 December 2002 included £6.7m (2001: £6.9m) on long leases and £0.3m (2001 : £0.1m) on short leases. The net book value of motor vehicles held under finance lease agreements is £0.7m (2001: £0.6m) with all lease obligations paid in advance.
Freehold land and buildings include the revaluation of a property in Edinburgh. The building was valued at £275,000 on 24 November 1998 assuming an open market value and vacant possession. This was £311,000 lower than cost and the deficit arising was reflected in the accounts.

7. Capital commitments

Capital expenditure authorised and contracted for at 31 December 2002 was £1.0 million (2001: £0.9 million).

8. Other financial commitments

At 31 December 2002 the Company had annual commitments under non-cancellable operating leases as set out below:

	Computer systems and equipment	
	2002 £'000	2001 £'000
Operating leases which expire:		
Within one year	**95**	25
In two to five years	**1,025**	149
	1,120	174

9. Fixed asset investments

There was no movement in the investment in subsidiary undertakings during the year.

The investment in subsidiary undertakings at 31 December 2001 and 31 December 2002 was:

	Number and type of shares held	Cost of shares in subsidiary undertakings £'000	Proportion of share capital owned %	Aggregate capital & reserves £'000
Idealcarry Limited	1,000 ordinary £1 shares	14,275	100	14,275
Carrybuild Limited	1,000 ordinary £1 shares	2,728	100	2,728
		17,003		

Neither of the above companies traded during 2002 nor are they expected to trade in the foreseeable future.

10. Debtors

	2002 £'000	2001 £'000
Trade debtors	**304**	79
Other debtors	**848**	552
Prepayments and accrued income	**1,580**	1,175
	2,732	1,806

11. Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Trade creditors	**5,890**	6,239
Due to PRS	-	3,552
Due to MCPS	-	381
Corporation tax	-	1
Taxation and social security	**811**	833
	6,701	11,006

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

	2002 £'000	2001 £'000
Interest-free loans	**17,001**	17,001
Due to PRS	**15,318**	6,256
Due to MCPS	**6,261**	1,981
	38,580	25,238

The interest-free loans represent loans from the Company's subsidiary undertakings, Idealcarry Limited and Carrybuild Limited, arising on the transfer of those companies' assets to MCPS-PRS on 1 January 1998.

13. Prior year adjustment

FRS 19 'Deferred Taxation' was issued on 7 December 2000 and is mandatory for years ending on or after 23 January 2002. Accordingly, the Company has adopted FRS 19.

The impact of FRS 19 is to decrease the tax charge and increase profit after tax by £11,000 for the current financial year. The restated comparatives for the prior year have the effect of decreasing the tax charge by £31,000 and increasing the profit after tax by the same amount. Last year's deferred tax liability on the balance sheet has been restated as £358,000 from £303,000 as originally reported.

14. Share capital

	2002 £'000	2001 £'000
Ordinary shares of £1 each:		
Authorised	50	50
Allotted, called up and fully paid	1	1

15. 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.

16. Reconciliation of shareholders' funds and movement on reserves

	Share capital £'000	Other reserves £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2001	1	17,002	112	17,115
Profit for the year	-	-	14	14
At 1 January 2002 as previously stated	1	17,002	126	17,129
Effect of prior year adjustment on				
Opening tax creditor	-	-	24	24
Current year tax charge	-	-	31	31
At 1 January 2002 as restated	1	17,002	71	17,074
Profit for the year	-	-	75	75
At 31 December 2002	**1**	**17,002**	**146**	**17,149**

17. Related party transactions

The Company's turnover is operating fees recharged to its parent companies MCPS and PRS as analysed per note 2, and licence fees. The licence fees receivable were also payable to MCPS and PRS. Amounts due to the Company's parent companies at the balance sheet date are disclosed in notes 11 and 12.

18. 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.