

COMPANY NO. 288046

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**(A Company Limited by Guarantee)**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

The directors submit the annual report and financial statements to the Members for the year ended 31 December 2009.

**PRINCIPAL ACTIVITY**

The company's principal activity is the collection of licence fees for broadcasting and public performance of sound recordings on behalf of its Members.

The total amount available for distribution is distributed to the company's Members and Performers, with the intention that there are no retained reserves at any particular balance sheet date. The recognition of the net pension liability on introduction of FRS 17 in 2005 resulted in a deficit on the income, expenditure and distribution account.

**BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

During the year the company increased its licence fee revenue from most sources in accordance with management objectives. It is expected that this trend will continue.

PPL considers its key performance indicators to be revenue, revenue growth and cost to revenue ratio. 2009 was a difficult year financially, given the Copyright Tribunal Decision on three Public Performance Background Music Tariffs. The Decision resulted in PPL having to refund customers for Licences purchased between 2006 and 2009. Income before accounting for backdated refunds was £129.6m, an increase of 2%. After accounting for this exceptional item (£18.1m), income declined by 13% from 2008. Broadcasting income grew by £1.0 million (2%) despite an 8% fall in commercial radio revenues, which was as a direct result of a downturn in advertising revenue in this sector. Public performance revenue in the year declined by 10%, due to the Copyright Tribunal decision. International revenue increased by £6.2m (40%) to £21.6 million. Despite further investment in IT systems and employees, the cost to revenue ratio remained at 14.6%, as per the 2008 cost ratio.

**BUSINESS ENVIRONMENT**

In tough market conditions for PPL's Members the changes within the music business in recent times have been immense. Sales of physical music carriers continue to decline generally around the world though the 'use' of music continues to grow as media expands and public performance and dubbing increases.

**STRATEGY**

It is critical that the company plans carefully for the future. Investment in systems will continue to meet the demands of increasing membership, evolving media, new tariffs and the developments that the company has started, and will continue, to make in overseas collection for Members and Performers. In addition to investment in systems, the company will continue to place increasing emphasis on staff and employee training. The company needs to maintain the high quality of service for Members and Performers against a backdrop of increasing media platforms and expanding numbers of territories.

**PRINCIPAL RISKS & UNCERTAINTIES**

The economy continues to play a part in our ability to collect licensing income and 2009 proved particularly difficult in some markets; such as the retail and pub industry where business closures resulted in less venues playing music. As the economy is expected to improve throughout 2010, we would hope to see collection rates and revenues increase.

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**KEY PERFORMANCE INDICATORS**

The Key Performance Indicators (KPIs) used by PPL to measure annual performance are summarised below:-

<b>KPI</b>	<b>2009</b>	<b>2008</b>
Public performance & dubbing income	£48.9m	£54.2m
Broadcasting and online income	£59.1m	£58.1m
International income	£21.6m	£15.4m
Licence fee income before public performance refund	£129.6m	£127.6m
Licence fee income	£111.4m	£127.6m
Distributable revenue	£91.5m	£107.8m
Cost to income ratio	14.6%	14.6%

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing 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 accounting 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;
- 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 adequate 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Disclosure of information to auditors**

In the case of each of the persons who are directors at the time when the report is approved, the following applies:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**CHARITABLE DONATIONS**

The following charitable donations were made during the year ended 31 December 2009:

Hospital Broadcasting Association	£26,000
The Young Musicians Symphony Orchestra	£5,000
Crisis UK	£2,400
Young Persons Concert Foundation	£10,000

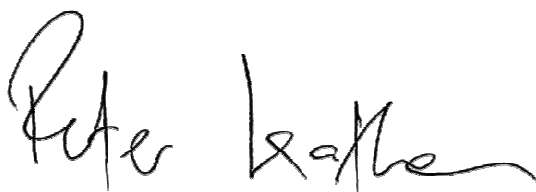
**DIRECTORS AND THEIR INTERESTS**

The directors of the company, who served throughout the year from 1 January 2009 to 31 December 2009, unless otherwise noted, were as follows:

G Barnham  
M Batt (resigned 26 October 2009)  
D Carroll  
A Clark  
R Evers (appointed 13 October 2009)  
J French  
M Kelly (appointed 19 November 2009)  
D McGonigal  
M Mills  
F Nevrkla  
G Newson  
P Leathem  
N Parker (resigned 19 November 2009)  
J Radice  
A Sear  
Rt Hon. Lord Smith of Finsbury  
M Smith  
J Smith  
J Watson (resigned 13 October 2009)

None of the directors who held office at the end of the financial year had any disclosable interest in the company.

By Order of the Board



**P LEATHEM**  
**SECRETARY**

20<sup>th</sup> April 2010

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC  
PERFORMANCE LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2009**

We have audited the financial statements of Phonographic Performance Limited for the year ended 31 December 2009 which comprise the Income, Expenditure and Distribution Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. 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).

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement on page 4 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**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 and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC  
PERFORMANCE LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2009**

- 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.



Brian Henderson (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**INCOME, EXPENDITURE AND DISTRIBUTION ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	Year Ended 31 December 2009		Year Ended 31 December 2008	
		£'000	£'000	£'000	£'000
Licence fee income before public performance refund		129,567		127,648	
Public performance refund		(18,127)		-	
Licence fee income	2		111,440		127,648
Cost of collection and distribution		(18,868)		(18,638)	
Cost of servicing the defined benefit pension scheme		(180)		(343)	
Total cost of collection and distribution			(19,048)		(18,981)
<b>Net income from operating activities before interest and taxation</b>	3		92,392		108,667
Interest receivable			2,104		4,459
Interest payable	5		(1,521)		(2,903)
Other finance (costs)/income	13		(71)		45
<b>Net income from operating activities before taxation</b>			92,904		110,268
Taxation	8		-		-
<b>Amount available for distribution</b>			92,904		110,268
Anti-piracy/copyright protection/industry contributions	4		(1,383)		(2,473)
Amount to be distributed to Members and Performers			(91,521)		(107,795)
<b>Retained reserves</b>	14		Nil		Nil
Cost to Income Ratio (excluding pension scheme costs and public performance refund)			14.6%		14.6%

The results above relate entirely to continuing operations.



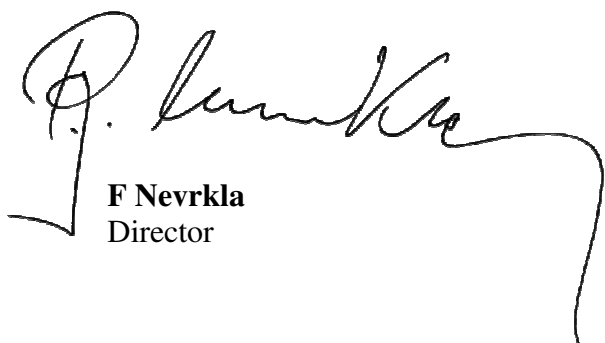
**PHONOGRAPHIC PERFORMANCE LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

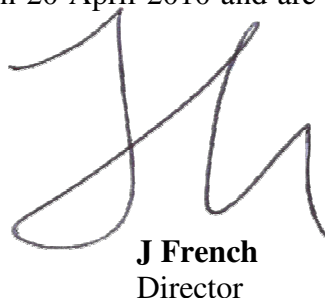
		<b>Year Ended 31 December 2009</b>	<b>Year Ended 31 December 2008</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
Retained reserves		-	-
Actuarial (loss)/gain on pension scheme	14	(2,730)	780
Movement in deferred tax on pension scheme	14	<u>-</u>	<u>(187)</u>
Total recognised losses for the year		<u><u>(2,730)</u></u>	<u><u>593</u></u>

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**BALANCE SHEET**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

		31 December 2009		31 December 2008	
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	9		6,208		2,993
<b>Current assets</b>					
Licence fees receivable			25,124		17,701
Other debtors			1,697		2,174
Prepayments and accrued income			2,997		2,475
Short term fixed deposits			62,000		73,000
Cash at bank and in hand			24,656		18,905
			116,474		114,255
<b>Creditors: amounts falling due within one year</b>					
	10		(122,351)		(116,080)
<b>Net current liabilities</b>					
			(5,877)		(1,825)
<b>Total assets less current liabilities</b>					
			331		1,168
<b>Provisions for liabilities and charges</b>					
	11		(1,220)		(1,914)
<b>Net pension liability</b>					
	13		(3,572)		(985)
<b>Net liabilities</b>					
			(4,461)		(1,731)
<b>Reserves</b>					
Income, expenditure and distribution account	14		(4,461)		(1,731)

The financial statements which comprise the Income, Expenditure and Distribution account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes were approved by the board of directors on 20 April 2010 and are signed on its behalf by:

  
**F Nevrkla**  
 Director

  
**J French**  
 Director

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

		Year Ended 31 December 2009		Year Ended 31 December 2008	
	Note	£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	15		113,889		121,870
<b>Returns on investments and servicing of finance</b>					
Interest received		1,328		4,396	
Interest paid		(1,521)		(3,459)	
Net cash inflow from returns on investments and servicing of finance			(193)		937
<b>Capital Expenditure</b>					
Payment to acquire tangible fixed assets		(4,365)		(591)	
Net cash outflow from capital expenditure			(4,365)		(591)
<b>Distributions</b>					
Payments to Members & Performers		(112,682)		(104,855)	
Anti-piracy/copyright protection/industry contributions paid		(1,898)		(3,976)	
Net cash outflow from distributions			(114,580)		(108,831)
<b>Net cash (outflow)/inflow before use of liquid resources</b>			(5,249)		13,385
<b>Management of liquid resources</b>					
Decrease/(increase) in cash placed on fixed term deposits			11,000		(18,000)
<b>Increase/(decrease) in cash</b>	16		<u>5,751</u>		<u>(4,615)</u>

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

## **1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006. A summary of the more important accounting policies, which have been applied consistently, is set out below.

### **a) Format of income, expenditure and distribution account and the balance sheet**

The formats of the income, expenditure and distribution account and the balance sheet have been adapted from that prescribed by the Companies Act 2006 in order to better reflect the nature of the business.

### **b) Basis of accounting**

The financial statements have been prepared on the going concern basis under the historical cost convention. Management considers the going concern basis to be appropriate despite the net current liability position as the timing of current liabilities payable to members is at the discretion of PPL.

### **c) Contributions to pensions**

During the year the company operated a contributory defined benefit pension scheme covering its permanent employees and those of Video Performance Limited. FRS17 "Retirement Benefits" requires the net pension asset or liability of a company's pension scheme to be recognised in full on the balance sheet. Since Phonographic Performance Limited makes the majority of contributions to the pension scheme and is also making additional contributions in order to fund the deficit, then it is Phonographic Performance Limited who bears the risks and rewards of the deficit or surplus in the scheme. Accordingly the full net pension liability has been recorded in the balance sheet of Phonographic Performance Limited and no liability has been recorded in Video Performance Limited.

The regular service cost of providing pension benefits to employees during the year, together with the costs of any benefits relating to past service, is charged to costs of collection and distribution in the income, expenditure and distribution account in the year.

Interest on the pension scheme liabilities is charged to other finance costs in the income, expenditure and distribution account.

The expected return on the assets of the pension scheme during the year is based on the market value of the assets at the start of the financial year and is offset within other finance costs in the income, expenditure and distribution account.

The difference between the actual and expected return on the assets of the scheme is shown in the statement of total recognised gains and losses for the year, along with any related movement in deferred tax.

The difference between the market value of the assets and the present value of the scheme liabilities is shown net of deferred tax in the balance sheet.

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**1. ACCOUNTING POLICIES (continued)**

**d) Licence fee income**

Licence fee income, which excludes value added tax, represents the invoiced value, and is recognised evenly over the period of the licence term.

Licence fee income from overseas societies is recognised when an agreement is in place with the overseas society and on a cash received basis.

**e) Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided at rates calculated to write off the cost of each asset over the expected useful life or pre-determined replacement date:

Fixtures and fittings	3 years on a straight line basis
Office equipment	3 years on a straight line basis
Computer hardware	3 years on a straight line basis
Computer software (systems)	5 years on a straight line basis
Computer software (other)	3 years on a straight line basis

**f) Unclaimed Members' and Performers' distributions**

Allocations to Members and Performers remaining unclaimed for more than seven years are reallocated in accordance with the Distribution Policy.

**g) Interest payable to Members and Performers**

Interest is accrued on balances payable to Members and Performers who do not receive advances at a rate based on the average deposit rate earned by the company for the relevant periods.

**h) Foreign currencies**

Foreign currency assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are translated at the rate ruling on the date of the transaction. All foreign exchange differences are taken to the income, expenditure and distribution account in the year in which they arise.

**i) Operating leases**

Costs in respect of operating leases are charged to the income, expenditure and distribution account on a straight-line basis over the lease term.

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**1. ACCOUNTING POLICIES (continued)**

**j) Taxation**

Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**k) Deferred taxation**

Deferred taxation has been recognised as a liability or an asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future, using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

**l) Provisions for liabilities and charges**

**Dilapidations**

Provision is made for dilapidations where the lease requires the reinstatement of the premises to its original state. The level of provision is based upon a damages report and is reviewed annually.

**Legal costs**

Provision is made for the estimated legal costs where litigation is pending and an obligating event has occurred prior to the balance sheet date.

**Refunds**

Provision is made for all significant refunds made in the post balance sheet period which relate to licence fees received in the year.

Provisions for liabilities and charges are not discounted and any movements in the provisions are recorded in the income, expenditure and distribution account.

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**2. LICENCE FEE INCOME**

Licence fee income comprises the following:

	<b>Year Ended 31 December 2009 £'000</b>	<b>Year Ended 31 December 2008 £'000</b>
Public performance and dubbing income	48,912	54,167
Broadcasting and online income	59,071	58,076
International income	21,584	15,405
	<u>129,567</u>	<u>127,648</u>
Public performance refund	<u>(18,127)</u>	<u>-</u>
	<u>111,440</u>	<u>127,648</u>

The adjustment above relates to refunds of prior year licence fees arising from the copyright tribunal decision in October 2009, in respect of three background music tariffs. The corresponding liability is recorded in other creditors in note 10.

Analysis of licence fee income by territory of origin:

United Kingdom	107,983	112,243
Rest of Europe	17,328	13,997
Rest of World	4,256	1,408
	<u>129,567</u>	<u>127,648</u>

**3. NET INCOME FROM OPERATING ACTIVITIES BEFORE INTEREST AND TAXATION**

Net income from operating activities before interest and taxation is stated after charging:

	<b>Year Ended 31 December 2009 £'000</b>	<b>Year Ended 31 December 2008 £'000</b>
Fees payable to the company's auditor for the audit of the company's annual accounts	54	54
Fees payable to the company's auditor and its associates for other services:		
Taxation services	3	5
Other services	12	107
Depreciation	1,150	995
Operating lease rentals:		
Land and buildings	855	855
Motor vehicles	21	31

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**4. ANTI-PIRACY / COPYRIGHT PROTECTION/INDUSTRY CONTRIBUTIONS**

	<b>Year Ended 31 December 2009 £'000</b>	<b>Year Ended 31 December 2008 £'000</b>
The British Phonographic Industry Limited:		
Contributions	1,874	1,554
Anti-piracy recoveries	(1,757)	-
Total	<u>117</u>	<u>1,554</u>
The International Federation of the Phonographic Industry		
Impala	794	869
UK Music	65	50
	<u>407</u>	-
	<u><u>1,383</u></u>	<u><u>2,473</u></u>

Anti-piracy recoveries relates to the recovery of contributions made to BPI in prior periods through damages awarded in legal action against piracy.

**5. INTEREST PAYABLE**

	<b>Year Ended 31 December 2009 £'000</b>	<b>Year Ended 31 December 2008 £'000</b>
Interest payable on Member and Performer balances	<u><u>1,521</u></u>	<u><u>2,903</u></u>



**PHONOGRAPHIC PERFORMANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**6. EMPLOYEES AND DIRECTORS**

	<b>Year Ended 31 December 2009 £'000</b>	<b>Year Ended 31 December 2008 £'000</b>
<b>Gross staff costs during the year amounted to:</b>		
Wages and salaries	9,182	8,527
Social security costs	904	757
Other pension costs	249	220
	10,335	9,504
 <b>Average number of employees during the year:</b>		
	<b>No.</b>	<b>No.</b>
Office and management	234	210
 <b>Directors' emoluments</b>		
	<b>£'000</b>	<b>£'000</b>
Total directors' emoluments	1,334	1,424
 Emoluments in respect of the highest paid director amounted to:		
Aggregate emoluments	550	671
Defined Benefit Pension Scheme - accrued pension at end of year	10	10
	<b>No.</b>	<b>No.</b>
Number of directors to whom retirement benefits are accruing under the Defined Benefit Pension Scheme	4	4

**7. TRANSACTIONS WITH DIRECTORS**

There were no other transactions with directors during the year.

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**8. TAXATION**

The charge for taxation for the year is calculated on disallowable items after the deduction of capital allowances.

	<b>Year Ended 31 December 2009 £'000</b>	<b>Year Ended 31 December 2008 £'000</b>
<b>Current Tax:</b>		
UK corporation tax	-	-
Adjustment in respect of prior periods	-	-
Total current tax credit for the year	-	-

	<b>Year Ended 31 December 2009 £'000</b>	<b>Year Ended 31 December 2008 £'000</b>
Net income from ordinary activities before taxation	<u>92,904</u>	<u>110,268</u>
Net income from ordinary activities at the UK tax rate 21%	19,510	23,156
<i>Effects of:</i>		
Permanent differences	(19,481)	(23,125)
Accelerated capital allowances / other timing differences	(29)	(31)
Adjustment in respect of prior periods	-	-
Current tax credit for the year	<u>-</u>	<u>-</u>

The Company had an unrecognised deferred tax asset at 31 December 2009 as follows:

	<b>Year Ended 31 December 2009 £'000</b>	<b>Year Ended 31 December 2008 £'000</b>
Capital allowances in excess of depreciation	100	224
Other timing differences	60	4
Movement in deferred tax on pension scheme	543	-
Net deferred tax asset – unrecognised	<u>703</u>	<u>228</u>

The deferred tax asset is not recognised due to uncertainty over the availability of future taxable profits.

**PHONOGRAPHIC PERFORMANCE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**9. TANGIBLE ASSETS**

	<b>Fixtures, Fittings and Office Equipment</b>	<b>Computer Equipment and Software Developments</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
Balance at start of year	427	10,208	10,635
Additions	356	4,009	4,365
Disposals	(43)	(95)	(138)
Balance at end of year	740	14,122	14,862
<b>Accumulated Depreciation</b>			
Balance at start of year	178	7,464	7,642
Charge for the year	168	982	1,150
Disposals	(43)	(95)	(138)
Balance at end of year	303	8,351	8,654
<b>Net Book Value at end of year</b>	<b>437</b>	<b>5,771</b>	<b>6,208</b>
Net Book Value at start of year	249	2,744	2,993

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>31 December 2009</b>	<b>31 December 2008</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	596	334
Other taxation and social security	2,951	2,921
Other creditors and accruals	37,537	9,272
Deferred income	30,571	30,112
Amounts due to Members and Performers	50,696	73,441
	<u>122,351</u>	<u>116,080</u>

The distributions to Members and Performers cannot be separately identified until the usage returns in respect of that period have been received and matched against the repertoire database. This reflects the Distribution rules driven by the Council Directive No 92/100/EEC of 19 November 1992 ("The Rental Directive") introduced in the UK with effect from 1 December 1996.

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**11. PROVISIONS FOR LIABILITIES AND CHARGES**

	At 1 January 2009 £'000	Utilised in the year £'000	Released in the year £'000	Increase for the year £'000	At 31 December 2009 £'000
Provision for dilapidations	855	-	(140)	-	715
Provision for legal costs	825	(825)	-	475	475
Provision for refunds	234	(234)	-	30	30
	<u>1,914</u>	<u>(1,059)</u>	<u>(140)</u>	<u>505</u>	<u>1,220</u>

**Dilapidations**

The dilapidations provision represents the amount required to reinstate the premises to a state as required under the lease, which expires in 2012. The provision is expected to be fully utilised in 2012.

**Legal Costs**

Legal costs are provided as required for cases where litigation is pending. This provision is expected to be utilised in 2010.

**Refunds**

Provision is made for all significant refunds made in the post balance sheet period which relate to licence fees received in the year.

**12. COMMITMENTS**

**Operating Lease Commitments**

At 31 December 2009 the company was committed to making the following payments during the next year in respect of operating leases:

	31 December 2009 £'000	31 December 2008 £'000
<b>Land and Buildings</b>		
Leases which expire after 2-5 years	<u>869</u>	<u>869</u>
<b>Motor Vehicles</b>		
Leases which expire within 1 year	20	19
Leases which expire within 2 - 5 years	<u>4</u>	<u>8</u>

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**13. PENSION COSTS**

The company operates a defined benefit scheme in the UK with assets held in a separately administered fund. The basis on which the net pension liability is recognised in the financial statements is set out in note 1. The scheme was closed to new entrants from 1 July 2003.

A full actuarial valuation using the projected unit method was carried out at 30 June 2006 and updated to 31 December 2009 by a qualified independent actuary.

The company is currently contributing to the Scheme at a rate of 15.3% of pensionable salaries and is making additional contributions of £150,000 per annum until 31 March 2010, reverting to 15.3% of pensionable salaries from 1 April 2010.

The major assumptions used by the actuary were (in nominal terms):

	<b>31 December 2009</b>	<b>31 December 2008</b>
Rate of increase in salaries	5.20%	4.20%
Rate of increase of pensions in payment	3.70%	2.70%
Rate of increase of pensions in deferment	3.70%	2.70%
Discount rate	5.70%	6.50%
Inflation assumption	3.70%	2.70%
Expected return on Plan assets	7.30%	6.54%

The expected return on scheme assets is based on market expectations at the beginning of the financial period for returns over the life of the asset. The expected return on equities has been determined by including a premium over fixed interest securities to reflect the out performance of equities relative to fixed interest securities.

The assets in the scheme, the expected rates of return and the amounts recognised in the balance sheets are as follows:

	<b>31 December 2009</b>			<b>31 December 2008</b>		
	<b>£'000</b>	<b>EROA (%)</b>	<b>Amount (%)</b>	<b>£'000</b>	<b>EROA (%)</b>	<b>Amount (%)</b>
Equities	9,836	7.45%	95%	7,602	6.70%	95%
Gilts	430	4.45%	4%	389	3.70%	5%
Other (Cash)	107	4.20%	1%	25	2.00%	0%
Total market value of assets	10,373			8,016		
Actuarial value of liability	(14,208)			(9,264)		
Deficit in the scheme	(3,835)			(1,248)		
Related deferred tax asset	263			263		
Net pension liability	<u>(3,572)</u>			<u>(985)</u>		

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**13. PENSION COSTS (continued)**

**The amount recognised in the income, expenditure and distribution account:**

	<b>Year Ended 31 December 2009 £'000</b>	<b>Year Ended 31 December 2008 £'000</b>
Current service cost	(180)	(343)
Interest costs	(606)	(730)
Expected return on pension scheme assets	535	775
Total	<u>(251)</u>	<u>(298)</u>
Actual return on assets	2,022	(2,650)

**Changes in the present value of the defend benefit obligation are as follows:**

	<b>Year Ended 31 December 2009 £'000</b>	<b>Year Ended 31 December 2008 £'000</b>
Opening defend benefit obligation	9,264	12,380
Current service costs	180	343
Employee Contributions	80	86
Interest costs	606	730
Actuarial gain/(loss)	4,217	(4,203)
Benefits paid	(139)	(72)
Closing defend benefit obligation	<u>14,208</u>	<u>9,264</u>

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

	<b>Year Ended 31 December 2009 £'000</b>	<b>Year Ended 31 December 2008 £'000</b>
Opening fair value of scheme assets	8,016	10,236
Expected return on assets	535	775
Actuarial gain/(loss)	1,487	(3,424)
Employer contributions	394	415
Employee contributions	80	86
Benefits paid	(139)	(72)
Closing defend benefit obligations	<u>10,373</u>	<u>8,016</u>

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**13. PENSION COSTS (continued)**

Amounts for current and previous four years:

	31 December 2009	31 December 2008	31 December 2007	31 December 2006	31 December 2005
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(14,208)	(9,264)	(12,380)	(11,303)	(9,640)
Scheme assets	10,373	8,016	10,236	9,301	8,343
Deficit	(3,835)	(1,248)	(2,144)	(2,002)	(1,297)
<b>History of experience gains and losses:</b>					
Adjustment due to change in assumptions	(4,217)	4,205	(95)	(686)	(727)
Experience adjustments on scheme assets	1,487	(3,425)	(266)	(88)	1,066
Total amount recognised in statement of total recognised gains and losses:	(2,730)	780	(361)	(774)	339

The cumulative loss recorded in the statement of total recognised gains and losses in respect of the defined benefit pension scheme and related deferred tax asset is £4,461k (2008: £1,731k).

**14. RETAINED RESERVES – INCOME, EXPENDITURE AND DISTRIBUTION ACCOUNT**

	Year Ended 31 December 2009 £'000	Year Ended 31 December 2008 £'000
At start of year	(1,731)	(2,324)
Actuarial (loss)/gain on the pension scheme	(2,730)	780
Movement in deferred tax on the pension scheme	-	(187)
	(4,461)	(1,731)

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**15. RECONCILIATION OF NET INCOME FROM OPERATING ACTIVITIES BEFORE INTEREST AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>Year Ended 31 December 2009 £'000</b>	<b>Year Ended 31 December 2008 £'000</b>
Net income from operating activities before interest and taxation	92,392	108,667
Depreciation	1,150	995
Difference between pension charge and cash contributions	214	(72)
(Increase)/decrease in debtors	(8,242)	11,283
Increase in creditors	29,069	393
(Decrease)/increase in provisions	(694)	604
Net cash inflow from operating activities	<u>113,889</u>	<u>121,870</u>

**16. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<b>Year Ended 31 December 2009 £'000</b>	<b>Year Ended 31 December 2008 £'000</b>
Increase/(decrease) in cash in the period	5,751	(4,615)
(Decrease)/increase in cash placed on fixed term deposits	(11,000)	18,000
Changes in net funds resulting from cashflows	(5,249)	13,385
Net funds at 31 December 2008	91,905	78,520
Net funds at 31 December 2009	<u>86,656</u>	<u>91,905</u>

**17. ANALYSIS OF CHANGES IN NET FUNDS**

	<b>At 1 January 2009 £'000</b>	<b>Cashflow £'000</b>	<b>At 31 December 2009 £'000</b>
Cash at bank and in hand	18,905	5,751	24,656
Short-term investments	73,000	(11,000)	62,000
	<u>91,905</u>	<u>(5,249)</u>	<u>86,656</u>