

Registered No: 199120

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

DIRECTORS' REPORT & ACCOUNTS
For the year ended 31 December 2008

The directors submit the eighty third report and statement of accounts for the year ended 31 December 2008.

Results and Dividends

The profit for the year, after taxation, is £46,000 (2007: £245,000). The directors do not recommend payment of a dividend in respect of the year ended 31 December 2008.

Principal activities and review of the business

The principal activity of the Company is the licensing, collection and distribution of royalties and licence fees from mechanical copyrights. There has been no significant change in the principal activity of the Company during the year. The Company has one branch in Ireland.

In accordance with sections 229(2) and 229(5) of the Companies Act 1985, consolidated accounts have not been prepared as the Company's subsidiary undertaking is not material and was dormant throughout the year.

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

	2008 £'000	2007 £'000	Change %
Profit before tax	46	259	-82%
Tax	-	14	
Profit after tax	46	245	-81%
Royalties distributed during the year	184,330	190,515	-3 %
Administrative expenses	19,487	19,047	+2%

The profit after tax has decreased by 81% during the year. This is primarily due to the changing nature of the market and the falling revenues therein.

There was a decrease in royalties distributed during the year owing to an overall decline in the UK audio products market from £110.1m to £95.4m which represents a fall of 13%.

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. They consider that 2009 will not see much, if any, growth in the domestic market; the area of expansion will be within Europe as the competition barriers come down and new markets become available.

Principal risks and uncertainties

There is an ongoing appraisal of the risks and uncertainties that affect the company. The principal areas of issue are summarised below.

- **Competitive Risks**

Historically the monopolistic nature of the Company in the UK and of other societies in Europe has meant that there has been a sustained focus on ensuring EC and UK Monopolies & Merger Commission guidelines are met so as to avert any anti-competitive rulings. The changing nature of the music industry with the growth of online distribution is currently opening up the market to more competition from societies abroad and hence changing the working practices of the Company.

- **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 resources to meet its objectives and to manage financial risk.

▪ **Changing Technology**

With the increasing move towards digital product there is uncertainty over the future market for music and how it will evolve. With this change in technology some revenue streams will inevitably fall in future years. Active review of existing and potential new streams is therefore a key area of focus for the Company.

This review has highlighted a continuing decline in physical market which has only been partially offset by the increase in the digital market. As such the company is carrying out comprehensive reviews of its procedures, costs and revenue streams to ensure that the business model remains intact.

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

▪ **Exposure to price, credit and liquidity risk**

Price risk for the company arises where new licence schemes are challenged and may be referred to the Copyright Tribunal.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the 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 7 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.

The company has considerable financial resources including cash balances and, as a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

Directors

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

Writers

D Ferguson (until 28.01.09)
M Leeson
S A Levine

S L Rodgers
C J Smith (from 26.02.09)

Publishers

C W Booth
T F Bradley (Chairman)
P T Cornish
P G Curran (until 30.04.08)
J M Dyball

NR Elderton (from 26.03.08)
A Heath (until 16.01.08)
S A Hornall
S E Levin
J Minch

B R Newing
S Platz (from 23.07.08)
E S Rich
R Sanghvi

Executive Directors

J R Fabinyi

S Porter

All directors appointed before 24 October 1989 are holders of a director's qualification share in the Company. Qualification shares do not entitle the holder to any beneficial interest in the Company.

In accordance with the Company's articles of association, one third of the directors retire by rotation and, being eligible, are expected to offer themselves for re-election.

Chairman and Deputy Chairman

Tom Bradley was re-appointed as Chairman for one year, (according to the Articles) with effect from 1 July 2008. Paul Curran continued as Deputy Chairman until he resigned as director 30 April 2008. Nigel Elderton became Deputy Chairman with effect from 1 July 2008.

Corporate governance

The Company's Board is responsible for the direction of the Company. It monitors financial progress, formulates policy and horizon plans, appoints the Chairmen, Chief Executive and Secretary and receives regular reports from individual business units within the Company. The Company is working 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 six times during the year. The Board is supported by an Executive Board (from which it receives and considers recommendations on the strategic direction of the Company) and numerous committees such as the Audit and Risk 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.

Charitable donations

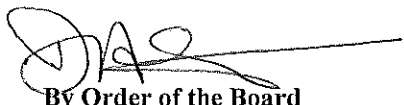
Donations of £2,500 (2007: £2,500) were paid on the Company's behalf by The MCPS-PRS Alliance Limited and are included in costs recharged.

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.

Re-appointment of auditors

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



By Order of the Board

Deborah Stones
Secretary
25 March 2009

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

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

We have audited the Company's accounts for the year ended 31 December 2008, 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 14. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the accounts in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

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

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

Basis of audit opinion

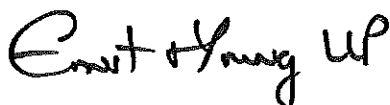
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant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

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

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the accounts.



Ernst & Young LLP
Registered Auditor
London
25 March 2009

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**PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2008**

	Notes	2008 £'000	2007 £'000
Royalties distributed in the year			
Gross royalties distributed		184,330	192,544
Contingency deduction		-	(2,029)
Net royalties distributed	9	<u>184,330</u>	<u>190,515</u>
Income			
Commission levied on distributions	2	15,470	15,220
Interest receivable on short-term deposits		4,029	3,382
Interest payable to related undertaking		(720)	-
Fees receivable		86	94
Minor sums		668	610
		<u>19,533</u>	<u>19,306</u>
Administrative expenses	3	<u>(19,487)</u>	<u>(19,047)</u>
Profit on ordinary activities before tax		46	259
Tax on profit on ordinary activities	5	-	(14)
Retained profit for the year	11	<u>46</u>	<u>245</u>

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 of the Company's operations are classed as continuing.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2008**

There are no recognised gains or losses other than those shown in the Profit and Loss Account above.

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BALANCE SHEET
At 31 December 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Investments - subsidiary undertaking	6	1	1
Investments - associated undertakings	6	10,299	9,907
		<u>10,300</u>	<u>9,908</u>
Current assets			
Debtors:			
amounts falling due after one year		7,333	7,766
amounts falling due within one year		4,001	6,082
		<u>11,334</u>	<u>13,848</u>
Investments - short-term deposits	7	72,000	37,000
Cash at bank and in hand		7,955	13,029
		<u>91,289</u>	<u>63,877</u>
Creditors: amounts falling due within one year			
Creditors	8	(25,431)	(4,377)
Royalties payable	9	(67,843)	(61,139)
		<u>(93,274)</u>	<u>(65,516)</u>
Net current liabilities		<u>(1,985)</u>	<u>(1,639)</u>
Total assets less current liabilities		<u>8,315</u>	<u>8,269</u>
Capital and reserves			
Called up share capital	10	19	19
Revaluation reserve	11	6,918	6,918
Profit and loss account	11	1,378	1,332
		<u>8,315</u>	<u>8,269</u>
Shareholders' funds	11	<u>8,315</u>	<u>8,269</u>

The accounts were approved by the Board on 25 March 2009 and were signed on its behalf by:



T Bradley
Chairman

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STATEMENT OF CASH FLOWS
For the year ended 31 December 2008

	2008 £'000	2007 £'000
Cash inflow/(outflow) from operating activities	27,009	(2,868)
Returns on investments and servicing of finance – net interest received	3,309	3,382
Cash outflow from investing activities	(392)	(256)
Management of liquid resources	<u>(35,000)</u>	<u>-</u>
(Decrease)/increase in cash	<u>(5,074)</u>	<u>258</u>

NOTES TO STATEMENT OF CASH FLOWS
For the year ended 31 December 2008

Reconciliation of profit on ordinary activities before taxation to net cash
outflow from operating activities

	2008 £'000	2007 £'000
Profit on ordinary activities before taxation	46	259
Interest received	(4,029)	(3,382)
Interest Paid	720	-
Decrease in amounts due from associated undertakings	27,851	4,520
(Increase)/decrease in debtors	(2,457)	145
Increase/(decrease) in creditors - royalty	6,704	(5,294)
(Decrease)/increase in creditors - non-royalty	<u>(1,826)</u>	<u>884</u>
Net cash inflow/(outflow) from operating activities	<u>27,009</u>	<u>(2,868)</u>

Cash flows from investing activities

Payment to acquire investments	(392)	(256)
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Management of liquid resources

Short-term deposits made	(98,000)	(34,000)
Short-term deposits repaid	<u>63,000</u>	<u>34,000</u>
	<u>(35,000)</u>	<u>-</u>

Reconciliation of net cash flow to movements in net funds

(Decrease)/increase in cash in the year	(5,074)	258
Cash outflow from movement in liquid resources	<u>35,000</u>	<u>-</u>
Movement in net funds in the year	29,926	258
Net funds at 1 January	<u>50,029</u>	<u>49,771</u>
Net funds at 31 December	<u>79,955</u>	<u>50,029</u>

Analysis of changes in net funds

	At 1 January 2008 £'000	Cash flow £'000	At 31 December 2008 £'000
Cash at bank and in hand	13,029	(5,074)	7,955
Liquid resources - short term deposits	37,000	35,000	72,000
	<u>50,029</u>	<u>29,926</u>	<u>79,955</u>

1. Accounting convention

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

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.

Companies Act 1985

The accounts have been drawn up under the provisions of the Companies Act 1985. Owing to the special circumstances of the business, the directors have departed from certain requirements of Schedule 4 to the Act in order to provide sufficient information to comply with Section 226 of that Act. This departure from the Schedule 4 requirements relates solely to the disclosure of the Company's income where the directors have provided additional information in a manner better suited to give a true and fair view of the business.

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 subsidiary as the directors do not consider the subsidiary to be material. Consequently these accounts present information about the Company as an individual undertaking and not about its group.

Entities, other than subsidiary undertakings, in which the Company has a participating interest and over whose operating and financial policies the Company exercises significant influence are treated as associates.

Definitions

'MCPS' means Mechanical-Copyright Protection Society Limited.

'PRS' means Performing Right Society Limited.

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

Commission

Commission on royalties is based on distributions made within the financial year and is stated net of value added tax.

Foreign currencies

All transactions during the year are translated at the rate ruling at the date of the transactions, other than those of the Irish branch, which have been translated at the average rate for the year.

Monetary assets and liabilities 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.

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.

1. Accounting convention (continued)

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.

Pensions

MCPS-PRS Alliance makes pension contributions to one defined contribution pension scheme and two defined benefit pension schemes in accordance with the advice of actuaries and the rules of the scheme in respect of its employees and an appropriate proportion is recharged to MCPS. The costs are charged to the profit and loss account.

Fixed asset investments

The directors have adopted the alternative accounting policy of carrying investments in associate undertakings at a valuation reflecting their value on the basis of ongoing use by the Company. The directors feel this treatment provides a fairer indication of the value of the assets used by the business. The revaluation surplus was taken to the revaluation reserve.

2. Turnover – commission income

Commission income is deducted from royalties sourced from the following territories:

	2008 £'000	2007 £'000
United Kingdom	14,075	13,975
Ireland	410	442
Rest of the world	985	803
	<u>15,470</u>	<u>15,220</u>

3. Administrative expenses

	2008 £'000	2007 £'000
Recharge from MCPS-PRS Alliance:		
Staff costs	12,477	12,104
Office and accommodation costs	816	901
Information technology	1,104	1,143
Legal and professional costs	912	605
Other costs	1,756	1,834
Depreciation	2,422	2,248
	<u>19,487</u>	<u>18,835</u>
Provision against CELAS investment	-	212
Total administrative expenses	<u>19,487</u>	<u>19,047</u>

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

The recharge from MCPS-PRS Alliance includes the following items:

	2008 £'000	2007 £'000
Auditors' Remuneration – audit services	<u>6</u>	<u>5</u>

4. Directors' emoluments

The emoluments of the non-executive directors, excluding pension contributions, were £211,834 (2007: £212,909). Non-executive directors receive annual remuneration of £12,805 for their services. Directors who are also directors of PRS are paid £21,342, an amount charged equally between MCPS and PRS. No pensions or other benefits are paid to non-executive directors.

In addition the Company has two executive directors. The directors in office during 2008 were J Fabinyi and S Porter. The directors are employed by MCPS-PRS Alliance and paid by that company. Mr. Porter was the highest paid director, and his remuneration, excluding pension contributions, was £496,024 (2007: £305,639), 50% of which was recharged to MCPS. Mr. Fabinyi's total remuneration, excluding pension contributions, was £306,794 (2007: £307,368) 100% of which was recharged to MCPS.

The pension contributions paid in respect of Mr. Porter, in the year were £48,741 (2007: £20,013) to a defined contribution scheme, and £24,816 (2007: £16,326) to a defined benefit scheme. The contributions of Mr. Fabinyi to a defined contribution scheme during the year were £10,284 (2007: £9,941). These were recharged to MCPS on the same basis as the remuneration above.

5. Taxation**(a) Current tax**

	2008	2007
	£'000	£'000
Current tax :		
Tax on profit on ordinary activities	-	-
Prior year adjustment	-	14
	<u>-</u>	<u>14</u>

(b) Factors affecting tax for year

The tax assessed for the year differs from the standard rate of corporation tax in the UK.

The differences are explained below :

Total recognised profit for the year	46	259
Corporation tax at 28.5% (2007: 30%)	13	78
Effects of :		
Adjustments for transfer pricing	(210)	(108)
Losses arising in the year not relievable against current tax	197	30
Prior year adjustment	-	14
Current tax for the year	<u>-</u>	<u>14</u>

A deferred tax asset of £399,000 (2007: £205,000) in respect of losses has not been recognised due to insufficient certainty of future trading profits. The UK statutory tax rate changed from 30% to 28% effective from April 2008. This has been reflected in the unrecognised deferred tax asset above.

(c) Factors which may affect future tax charges

The directors are not aware of any factors that may affect future tax charges, other than as follows:

Should MCPS dispose of its investment in the MCPS-PRS Alliance at net asset value, a loss on disposal of £5,682,000 (2007: gain of £4,974,000) with an associated tax asset of £1,590,960 (2007: liability of £1,392,720) may arise, based on the full corporation tax rate from 1 April 2008 of 28%.

6. Fixed asset investments
(a) Subsidiary undertakings

	Cost of shares in subsidiary undertaking £'000
Cost at 1 January 2008 and 31 December 2008	<u>1</u>

The Company owns 1,000 ordinary £1 shares, being 100% of the share capital, of Ampleform Limited. Ampleform Limited did not trade during the year nor is it expected to trade in the foreseeable future.

(b) Investments, joint ventures and associates

	Number and type of shares held	Historical cost of shares in associated undertakings £'000	Valuation of shares in associated undertakings £'000	% Shares held
The MCPS-PRS Alliance Limited	500 ordinary £1 shares	2,728	9,646	50
National Discography Limited	5,000 ordinary £1 shares	5	5	50
CELAS GmbH	25,000 ordinary €1 shares	468	256	25
At 31 December 2007		<u>3,201</u>	<u>9,907</u>	
Additions: CELAS GmbH		392	392	25
At 31 December 2008		<u>3,593</u>	<u>10,299</u>	

CELAS GmbH is a joint venture formed between MCPS, PRS and GEMA (German society for musical performing and mechanical reproduction rights) to licence certain members' online rights on a Pan-European basis. It is incorporated in Germany. MCPS and PRS each own 25% of the shares and GEMA owns 50% this holding is inclusive of additions made within the year. In addition to share capital, MCPS, PRS and GEMA have also issued loans to CELAS in order to meet the initial capital requirements of the company. CELAS GmbH commenced trading in 2008 with sales revenue of €3.4m largely being realised in the second half of the year.

For the year ended 31 December 2008 the company showed a net loss of €1.4m (2007 - €2.9m).

The Company had a positive equity figure of €316,832 (2007 - €172,172) at the year end.

6. Fixed asset investments (continued)

Investments in associates	Historic Opening Value £'000	Write down £'000	Closing Value at 2007 £'000	Additions 2008 £'000	Closing Value at 2008 £'000
CELAS GmbH	468	(212)	256	392	648

The investment in MCPS-PRS Alliance was previously held at historical cost. As at 31 December 2003, the directors changed the basis of the valuation of this investment and it is now held at a value determined by the directors reflecting its value on the basis of the ongoing use of its assets by the company. Cost is deemed to equate to value in use for National Discography Limited, Ampleform Limited and CELAS investments.

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. MCPS's 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 MCPS and the MCPS-PRS Alliance.

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 below:

	2008 £'000	2007 £'000
As at 31 December:		
Tangible fixed assets	25,503	28,312
Investments	1,620	236
Current assets	20,504	6,123
Share of gross assets	47,627	34,671
Creditors falling due within one year	(31,314)	(14,808)
Creditors falling due after more than one year	(10,440)	(11,065)
Share of gross liabilities	(41,754)	(25,873)
Share of net assets before Pension Scheme Liabilities	5,873	8,798
Share of pension scheme liabilities	(9,337)	(1,096)
Share of net (liabilities)/assets after Pension Scheme Liabilities	(3,464)	7,702
For the year ended 31 December		
Turnover	34,297	32,521
Profit before tax	485	482
Tax	(330)	(311)
Profit after tax	155	171

6. Fixed asset investments (continued)

MCPS also has a 50% share in National Discography Limited, which has not traded during the year and is not expected to trade in the foreseeable future. The aggregate value of its capital and reserves was £10,000.

MCPS owns 25% of British Music Rights Limited (BMR), a company limited by guarantee. During 2008 its activities were funded equally by MCPS and PRS. This company ceased activities at 26 September 2008 when all activities were transferred to a new company, UK Music 2009 Ltd, 12.5% owned by the Alliance.

7. Debtors	2008	2007
	£'000	£'000
Trade debtors	1,469	1,079
Due from associated undertakings	7,333	12,304
Other debtors	647	460
Prepayments and accrued income	-	5
Other taxes	1,885	-
	<u>11,334</u>	<u>13,848</u>

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

	2008	2007
	£'000	£'000
Due from associated undertakings	<u>7,333</u>	<u>7,766</u>

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.

8. Creditors: amounts falling due within one year

	2008	2007
	£'000	£'000
Due to associated undertakings	22,880	-
Corporation tax payable	-	14
Other creditors, accruals and deferred income	1,186	2,207
Other taxes and social security costs	1,365	2,156
	<u>25,431</u>	<u>4,377</u>

9. Royalties payable

	2008 £'000	2007 £'000
At 1 January	61,139	66,433
Add: royalties received	189,088	188,872
	<u>250,227</u>	<u>255,305</u>
Less: taken to profit as minor sums contingency deduction	(668) -	(610) (2,029)
	<u>249,559</u>	<u>252,666</u>
Distributed during year:		
sourced within UK and Ireland	(178,250)	(185,252)
sourced elsewhere	(6,080)	(5,263)
	<u>(184,330)</u>	<u>(190,515)</u>
	65,229	62,151
Movement in returned royalties, deposits, etc	<u>2,614</u>	<u>(1,012)</u>
At 31 December	<u>67,843</u>	<u>61,139</u>

The Company's liability to account for royalties payable accrues when amounts due from the corresponding users of the copyright works are received. As at 31 December 2008, potential amounts both receivable and payable of £14.0m (2007: £12.3m), in respect of transactions where amounts due from users had not been received, were recorded within royalties payable.

A contingency deduction of 1.5% totalling £2,029,000 was made in 2007 to amounts distributed as a contribution towards the Online tribunal costs.

10. Share capital

	2008 £'000	2007 £'000
Ordinary shares of £1 each:		
Authorised	<u>50</u>	<u>50</u>
Alotted, called up and fully paid	<u>19</u>	<u>19</u>

11. Reconciliation of shareholders' funds and movement on reserves

	Share capital £'000	Revaluation reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2007	19	6,918	1,087	8,024
Retained profit for the year	<u>-</u>	<u>-</u>	<u>245</u>	<u>245</u>
At 31 December 2007	19	6,918	1,332	8,269
Retained profit for the year	<u>-</u>	<u>-</u>	<u>46</u>	<u>46</u>
At 31 December 2008	<u>19</u>	<u>6,918</u>	<u>1,378</u>	<u>8,315</u>

12. Related party transactions

Like all members of the Society, the directors and parties related to them are entitled to royalties from the Society. Parties related to directors include family members and companies controlled by these directors including, where appropriate, publishing companies and their subsidiaries. During 2008, total royalties paid by the Company to the directors and to parties related to the directors amounted to £86.2m (2007 £94.4m). 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. There were no transactions with the Executive Directors during the year.

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 arm's length commercial basis.

During 2008, £19.5m (2007: £18.9m) of administrative expenses were recharged by MCPS-PRS Alliance. MCPS funds an appropriate proportion of MCPS-PRS Alliance's costs and, at 31 December 2008, had a balance due to MCPS-PRS Alliance of £15.5m (2007: £12.3m due from MCPS-PRS Alliance), this included a long term loan of £7.3m to fund the Company's share of an exceptional contribution to the defined contribution pension schemes (2007: £7.8m).

During 2008, MCPS paid a management fee of £0.1m (2007: £0.1m) on behalf of the Music Publishers Association Ltd, its ultimate parent undertaking.

MCPS owns 25% of British Music Rights Ltd. In 2008 the activities of British Music Rights Ltd were funded equally by MCPS and PRS, and MCPS paid them £0.4m (2007:£0.4m). The principle activity of British Music Rights Ltd is to represent composers and songwriters rights where necessary.

British Music Rights Ltd changed its name to UK Music 2009 Ltd on the 26 September 2008, at which time MCPS resigned its membership from the company. All rights in and to the name British Music Rights, all related logos and designs and all goodwill attached thereto were transferred to a new company called British Music Rights Ltd, of which MCPS owns 25%. This company does not trade.

13. Capital commitments

Capital expenditure authorised and contracted by the Company at 31 December 2008 was £nil (2007: £nil). However, MCPS is required to fund a percentage of the capital expenditure commitments of MCPS-PRS Alliance dependent on the Society's use thereof. MCPS-PRS Alliance's capital expenditure commitment at 31 December 2008 was £1.3m (2007: £1.2m).

14. Ultimate parent undertaking

The Company is a wholly owned subsidiary of the Music Publishers' Association Ltd, a company limited by guarantee, which does not prepare consolidated accounts. This is both the smallest and largest group of which the company is a member.

