Mechanical-Copyright Protection Society Limited

For the year ended 31 December 2009

Mechanical-Copyright Protection Society Limited

Registered No: 199120

Directors' Report

For the year ended 31 December 2009

The directors submit the eighty fourth report and statement of accounts for the year ended 31 December 2009.

Results and Dividends

The loss for the year, after taxation, is £1,008,000 (2008: profit £46,000). The directors do not recommend payment of a dividend in respect of the year ended 31 December 2009.

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.

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

	2009	2008	Change
	£'000	£'000	%
(Loss)/profit before tax	(1,008)	46	n/a
Tax	-	-	-
(Loss)/profit after tax	(1,008)	46	n/a
Royalties distributed during the year	187,660	184,330	+2%
Administrative expenses	20,087	19,487	+3%

The Company made a loss in 2009 as a result of falling interest rates lowering the interest income.

There was an increase in royalties distributed during the year as a result of a change of distribution policy and computer systems, which allowed for the accelerated distribution of Broadcast royalties by approximately six months. It should be noted that the UK Audio market is overall still in decline.

The directors reviewed the carrying value of the Company's investment in the MCPS-PRS Alliance during 2009, as a result of which the carrying value has increased by £2.8m, reflecting the increased cost savings the company now derives.

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 2010 will not see 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

The MCPS-PRS Alliance has an established Audit Committee that met five times during the year and they evaluate the risks and uncertainties that may affect future performance across MCPS, PRS and MCPS-PRS Alliance. The principal risks and uncertainties are broadly grouped as competitive, legislative and financial instrument risk and are detailed 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 the physical product 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.

Directors' Report

For the year ended 31 December 2009

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 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Directors
The directors who served since 1 January 2009 were as follows:

Writers	Publishers		Executive Directors
David Ferguson (until 28.01.09)	Mark Anders (from 22.07.09)	Stuart A Hornall	Robert Ashcroft (from 11.03.10)
Mick Leeson	C William Booth	Sarah E Levin	Jeremy R Fabinyi
Steve A Levine	Tom F Bradley (Chairman)	John Minch	Steve Porter (until 17.07.09)
Sarah L Rodgers	Peter T Cornish	Ben R Newing	
Christopher J Smith (from 26.02.09)	Jane M Dyball	Simon Platz	**External Directors**
	Nigel R Elderton	Ellis S Rich (until 22.07.09)	Paul D B Dolan (from 11.03.10)
		Rakesh Sanghvi	

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 entitled to offer themselves for re-election.

Chairman and Deputy Chairman
Tom Bradley was re-appointed as Chairman for a sixth and final one-year term (in accordance with the Articles) with effect from 1 July 2009.
Nigel Elderton continued in office as Deputy Chairman.

Corporate governance
The Company's Board is responsible for the direction of the Company. It appoints the Chairman, the Chief Executive and the Secretary. It continues to work to improve and streamline its governance procedures to ensure that it is most able to respond to the rapidly changing environment it operates in. Within this evolving governance structure the Company's Board met eleven times during the year. During the year, the Board was supported by an Executive Board (from which it received and considered recommendations on the strategic direction of the Company) and numerous committees such as the Audit Committee, the Remuneration Committee, the Membership Committee and committees specialising in specific areas of commercial focus, all of which meet on a regular basis enabling directors to fully engage in the governance of the Company. At the beginning of 2010, the Board made changes in order to further enhance the effectiveness of the organisation's governance structure and, together with the Board of Performing Right Society Limited, agreed that powers relating to the operations and business of their jointly-owned operating company The MCPS-PRS Alliance Limited ("the Alliance") be transferred back to the Board of the Alliance. Through its overseeing and ongoing assessment of the effectiveness of the Alliance Board, the Company's Board monitors financial progress, company performance and strategic planning. Directors continue to direct policy on commercial matters through close involvement with the Board's committee.

Charitable donations
Donations of £2,500 (2008: £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.

T F Bradley
On behalf of the Board.

Statement of Directors' Responsibilities

For the year ended 31 December 2009

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Mechanical-Copyright Protection Society Limited

We have audited the financial statements of Mechanical-Copyright Protection Society Limited for the year ended 31 December 2009 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the statement of cash flows and notes to the statement of cash flows, and notes 1 to 14 to the accounts. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 34, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Michael Wansbury (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

7 April 2010

Profit and Loss Account

For the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Royalties distributed in the year			
Net royalties distributed	9	**187,660**	184,330
Income			
Commission levied on distributions	2	**16,283**	15,470
Interest receivable on short-term deposits		**1,671**	4,029
Interest payable to related undertaking		**-**	(720)
Fees receivable		**75**	86
Minor sums		**1,050**	668
		19,079	19,533
Administrative expenses	3	**(20,087)**	(19,487)
(Loss)/profit on ordinary activities before tax		**(1,008)**	46
Tax on (loss)/profit on ordinary activities	5	**-**	-
Retained (loss)/profit for the year	11	**(1,008)**	46

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 2009

		2009 £'000	2008 £'000
(Loss)/profit for the financial year		**(1,008)**	46
Revaluation of investments	6	**2,864**	-
Total recognised gains and losses relating to the year		**1,856**	46

Mechanical-Copyright Protection Society Limited

Balance Sheet

At 31 December 2009

	Notes	2009	2008
		£'000	£'000
Fixed assets			
Investments - subsidiary undertaking	6	**1**	1
Investments - associated undertakings	6	**13,163**	10,299
		13,164	10,300
Current assets			
Debtors:			
amounts falling due after one year	7	**3,926**	7,333
amounts falling due within one year	7	**32,619**	4,001
	7	**36,545**	11,334
Investments - short-term deposits		**16,000**	72,000
Cash at bank and in hand		**5,736**	7,955
		58,281	91,289
Creditors: amounts falling due within one year			
Creditors	8	**(2,475)**	(25,431)
Royalties payable	9	**(58,799)**	(67,843)
		(61,274)	(93,274)
Net current liabilities		**(2,993)**	(1,985)
Total assets less current liabilities		**10,171**	8,315
Capital and reserves			
Called up share capital	10	**19**	19
Revaluation reserve	11	**9,782**	6,918
Profit and loss account	11	**370**	1,378
Shareholders' funds	11	**10,171**	8,315

The accounts were approved by the Board on 24 March 2010 and were signed on its behalf by:

T F Bradley
Chairman

Statement of Cash Flows

For the year ended 31 December 2009

	2009 £'000	2008 £'000
Cash (outflow)/inflow from operating activities	**(59,890)**	27,009
Returns on investments and servicing of finance - net interest received	**1,671**	3,309
Cash outflow from investing activities	**-**	(392)
Management of liquid resources	**56,000**	(35,000)
Decrease in cash	**(2,219)**	(5,074)

Notes to the Statement of Cash Flows

For the year ended 31 December 2009

Reconciliation of (loss)/profit on ordinary activities before taxation to net cash (outflow)/inflow from operating activities

	2009 £'000	2008 £'000
(Loss)/profit on ordinary activities before taxation	**(1,008)**	46
Interest received	**(1,671)**	(4,029)
Interest paid	**-**	720
(Increase)/decrease in amounts due from associated undertakings	**(49,669)**	27,851
Decrease/(increase) in debtors	**1,578**	(2,457)
(Decrease)/increase in creditors - royalty	**(9,044)**	6,704
Decrease in creditors - non-royalty	**(76)**	(1,826)
Net cash (outflow)/inflow from operating activities	**(59,890)**	27,009

	2009 £'000	2008 £'000
Cash flows from investing activities		
Payment to acquire investments	**-**	(392)
Management of liquid resources		
Short-term deposits made	**(5,000)**	(98,000)
Short-term deposits repaid	**61,000**	63,000
	56,000	(35,000)
Reconciliation of net cash flow to movements in net funds		
Decrease in cash in the year	**(2,219)**	(5,074)
Cash (inflow)/outflow from movement in liquid resources	**(56,000)**	35,000
Movement in net funds in the year	**(58,219)**	29,926
Net funds at 1 January	**79,955**	50,029
Net funds at 31 December	**21,736**	79,955

Analysis of changes in net funds	**At 1 January 2009 £'000**	**Cash flow £'000**	**At 31 December 2009 £'000**
Cash at bank and in hand	7,955	(2,219)	5,736
Liquid resources - short-term deposits	72,000	(56,000)	16,000
	79,955	**(58,219)**	**21,736**

Notes to the Accounts

For the year ended 31 December 2009

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 acknowledge the continuing negative impact of a declining Audio Product Market and low interest rates, resulting in the current year loss and their effect on the viability of future profits.

The directors are actively working on reducing the level of costs within the Company to ensure that it returns to profitability in future years, however, it is predicted that losses will continue over the next few years. It should be noted that the Company has large cash reserves on hand/deposit and is able to meet its financial obligations as and when they fall due over this interim period.

The directors recognise the effect of the pension deficit within The MCPS-PRS Alliance, which is ultimately funded by both MCPS and PRS, and hence its negative impact on the costs of the Company. The removal of this deficit is currently under discussion with the trustees of the pension scheme as part of the triennial valuation process required by the Pension Regulator. This must be mutually acceptable to all parties, and takes into consideration the impact on the costs of MCPS and its future as a going concern.

The directors continue to monitor the significant change within the industry and work is continuing to see how MCPS will fit in to this new landscape and return to profitability, however, the directors believe that given the resources mentioned above and the focus on reducing costs, the going concern basis used in preparing the annual report and accounts should continue to be used.

Companies Act 2006

The accounts have been prepared in the format required by the Companies Act 2006, except that the directors have amended certain headings in the Income and Expenditure statement and the order in which items are included so as to better reflect the special circumstances of the Company as permitted under Schedule 1 of that Act.

Consolidated accounts

In accordance with section 400(1) of the Companies Act 2006, consolidated accounts have not been prepared as the Company is a wholly owned subsidiary of an EAA company, which produces consolidated accounts that are publicly available

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.

'ICE' means International Copyright Enterprise A.B.

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.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the Accounts

For the year ended 31 December 2009

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:

These amounts are exclusive of Value Added Tax.	**2009**	2008
	£'000	£'000
United Kingdom	**14,806**	14,075
Ireland	**624**	410
Rest of the world	**853**	985
	16,283	15,470

3. Administrative expenses

	2009	2008
	£'000	£'000
Recharge from MCPS-PRS Alliance:		
Staff costs	**12,224**	12,477
Office and accommodation costs	**824**	816
Information technology	**1,229**	1,104
Legal and professional costs	**1,348**	912
Other costs	**2,565**	1,756
Depreciation	**2,350**	2,422
Pension amortisation adjustment	**(453)**	-
Total administrative expenses	**20,087**	19,487

Legal costs have increased due to the outsourcing of the activities for MCPS Ireland to the Irish Music Rights Organisation.

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

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

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

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

	2009	2008
	£'000	£'000
Auditor's Remuneration - audit services	**7**	6

Notes to the Accounts

For the year ended 31 December 2009

4. Directors' emoluments

The emoluments of the non-executive directors, excluding pension contributions, were £243,294 (2008: £211,834). 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 had two executive directors during the year. The directors in office during 2009 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 £197,066 (2008: £496,024), 50% of which was recharged to MCPS. Mr. Porter left the Company on 17 July 2009 and received pay in lieu of notice of £312,025, 50% of which was recharged to MCPS.

Mr. Fabinyi's total remuneration, excluding pension contributions, was £374,005 (2008: £306,794) 100% of which was recharged to MCPS until 22 July 2009, from which date Mr. Fabinyi became the Acting Chief Executive Officer of the MCPS-PRS Alliance and his remuneration was recharged on the same basis as for Mr. Porter.

The pension contributions paid in respect of Mr. Porter in the year were £29,277 (2008: £48,741) to a defined contribution scheme, and £76,230 (2008: £24,816) to a defined benefit scheme. The contributions of Mr. Fabinyi to a defined contribution scheme during the year were £13,074 (2008: £10,284). These were recharged to MCPS on the same basis as the remuneration above.

5. Taxation

(a) Current tax

	2009	2008
	£'000	£'000
Current tax:		
Tax on profit on ordinary activities	**-**	-

(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:

	2009	2008
Total recognised (loss)/profit for the year	**(1,008)**	46
Corporation tax at 28% (2008: 28.5%)	**(282)**	13
Effects of:		
Adjustments for transfer pricing	**(247)**	(210)
Losses arising in the year not relievable against current tax	**529**	197
Current tax for the year	**-**	-

A deferred tax asset of £952,000 (2008: £399,000) 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.

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

(c) Factors which may affect future tax charges

The 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 £17,971,500 (2008: loss of £5,682,000) with an associated tax asset of £5,032,020 (2008: asset of £1,590,960) may arise, based on the full corporation tax rate from 1 April 2008 of 28%.

Notes to the Accounts

For the year ended 31 December 2009

6. Fixed asset investments

(a) Subsidiary undertakings

	Cost of shares in subsidiary undertaking
	£'000
Cost at 1 January 2009 and 31 December 2009	1

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	Valuation of shares in associated undertakings	% Shares held
		£'000	£'000	
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	860	648	25
At 31 December 2008		3,593	10,299	
Revaluations: The MCPS-PRS Alliance Limited		-	2,864	
At 31 December 2009		3,593	13,163	

The investment in MCPS-PRS Alliance is held at a value determined by the directors, on the basis of the ongoing use of its assets by the Company. This value was re-assessed by the directors during 2009 resulting in the increase shown above, which represents the additional value MCPS now receives from the activities of MCPS-PRS Alliance.

CELAS GmbH is a joint venture formed between MCPS, PRS and GEMA, the German society for musical performing and mechanical reproduction rights. It was established to license certain members' online rights on a Pan-European basis. It is incorporated in Germany. MCPS & PRS own 25% each of the shares and GEMA owns 50%. In addition to share capital, MCPS, PRS and GEMA have each issued loans to CELAS GmbH in order to meet the initial capital requirements of the company.

CELAS GmbH commenced trading in 2008.

For the year ended 31December 2009 the company showed a net loss of €0.2m (2008 – loss €1.4m).

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

Notes to the Accounts

For the year ended 31 December 2009

6. Fixed asset investments (continued)

Investments in associates

	Historic Opening Value £'000	Write down £'000	Closing Value at 2008 £'000	Additions 2009 £'000	Closing Value at 2009 £'000
CELAS GmbH	**860**	**(212)**	**648**	**-**	**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:

	2009 £'000	2008 £'000
As at 31 December:		
Tangible fixed assets	**23,907**	25,503
Investments	**3,095**	1,620
Current assets	**14,276**	20,504
Share of gross assets	**41,278**	47,627
Creditors falling due within one year	**(25,639)**	(31,314)
Creditors falling due after more than one year	**(9,815)**	(10,440)
Share of gross liabilities	**(35,454)**	(41,754)
Share of net assets before pension scheme liabilities	**5,824**	5,873
Share of pension scheme liabilities	**(21,067)**	(9,337)
Share of net liabilities after pension scheme liabilities	**(15,243)**	(3,464)
For the year ended 31 December:		
Turnover	**36,880**	34,297
Profit before tax	**484**	485
Tax	**(175)**	(330)
Profit after tax	**309**	155

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 Ltd a company limited by guarantee. This company does not trade. This company ceased trading in 2008 when all of its activities transferred to UK Music 2009 Limited. UK Music 2009 Limited is 12.5% owned by the MCPS-PRS Alliance.

7. Debtors

	2009	2008
	£'000	£'000
Trade debtors	**1,244**	1,469
Due from associated undertakings	**34,122**	7,333
Other debtors	**112**	647
Other taxes	**1,067**	1,885
	36,545	11,334

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

	2009	2008
	£'000	£'000
Due from associated undertakings	**3,926**	7,333

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

During 2009, £20.1m (2008: £19.5m) of administrative expenses were recharged by MCPS-PRS Alliance. MCPS funds an appropriate proportion of MCPS-PRS Alliance's costs and, at 31 December 2009, had a balance due from MCPS-PRS Alliance of £34.1m (2008: £15.5m due to MCPS-PRS Alliance), this included a long term loan of £3.9m to fund the Company's share of an exceptional contribution to the defined contribution pension schemes (2008: £7.3m). The large decrease in the long term loan balance, relating to the exceptional contribution to the defined contribution pension schemes is due to a re-evaluation of the respective pension debt between MCPS and PRS. The debtor is now calculated in line with scheme membership prior to the formation of the Alliance, which the directors consider better reflects the accumulation of the pension deficit.

8. Creditors: amounts falling due within one year

	2009	2008
	£'000	£'000
Due to associated undertakings	**-**	22,880
Other creditors, accruals and deferred income	**881**	1,186
Other taxes and social security costs	**1,594**	1,365
	2,475	25,431

Notes to the Accounts

For the year ended 31 December 2009

9. Royalties payable

	2009	2008
	£'000	£'000
At 1 January	**67,843**	61,139
Add: royalties received	**173,574**	189,088
	241,417	250,227
Less: taken to profit as minor sums	**(1,050)**	(668)
	240,397	249,559
Distributed during year:		
sourced within UK and Ireland	**(181,413)**	(178,250)
sourced elsewhere	**(6,247)**	(6,080)
	(187,660)	(184,330)
	52,707	65,229
Movement in returned royalties, deposits, etc	**6,092**	2,614
At 31 December	**58,799**	67,843

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 2009, potential amounts both receivable and payable of £12.7m (2008: £14.0m), in respect of transactions where amounts due from users had not been received, were recorded within royalties payable.

10. Share capital

	2009	2008
	£'000	£'000
Ordinary shares of £1 each, authorised	**50**	50
Allotted, called up and fully paid	**19**	19

Notes to the Accounts

For the year ended 31 December 2009

11. Reconciliation of shareholders' funds and movement on reserves

	Share capital	Revaluation reserve	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
At 1 January 2008	19	6,918	1,332	8,269
Retained profit for the year	-	-	46	46
At 31 December 2008	19	6,918	1,378	8,315
Revaluation	-	2,864	-	2,864
Retained loss for the year	-	-	(1,008)	(1,008)
At 31 December 2009	**19**	**9,782**	**370**	**10,171**

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 2009, total royalties paid by the Company to the directors and to parties related to the directors amounted to £107.0m (2008 £86.2m). 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 2009, MCPS paid a management fee of £0.2m (2008: £0.1m) to the Music Publishers Association Ltd, its ultimate parent undertaking.

13. Capital commitments

Capital expenditure authorised and contracted by the Company at 31 December 2009 was £nil (2008: £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 2009 was £1.4m (2008: £1.3m).

14. Ultimate parent undertaking

The Company is a wholly owned subsidiary of the Music Publishers Association Ltd, a company limited by guarantee, which prepares consolidated accounts. This is both the smallest and largest group of which the Company is a member. Consolidated accounts can be obtained by requests in writing to MPA Ltd, 6th Floor, British Music House, 26 Berners Street, London W1T 3LR UK.