Mechanical-Copyright Protection Society Limited

Report and Financial Statements

31 December 2014

Directors

Writer
J Nott

Publishers
J Alway
S Platz
W Downs
N Elderton
M Lavin
J Minch

Executive Director
J Dyball

External Director
P Dolan

Chairman (non-statutory)
C Butler

Secretary
S Burton

External auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office
2 Pancras Square
London N1C 4AG

Registered No. 199120

Strategic Report

The directors present their strategic report for the year ended 31 December 2014.

Principal activity and review of the business

The principal activity of the company is the licensing of mechanical copyrights and the collection and distribution of associated royalties. There has been no change in the principal activity of the company during the year. The company is a wholly-owned subsidiary of the Music Publishers' Association Ltd, a company limited by guarantee and incorporated in the UK, which prepares group financial statements.

Since 1 July 2013 the company has operated under a contract known as the Alliance Stability Deal (the 'Deal') with Performing Right Society Limited ('PRS'), whereby PRS's subsidiary PRS for Music Limited ('PfM') provides substantially all of the company's operational services in return for a fixed fee. The Deal also requires the company to adjust its payments for the support provided under the Alliance Stability Deed to the extent that it generates net profits after tax to fund the additional contribution. Under this arrangement, a contribution of £2.3m was made in 2014 (2013 – £0.7m), therefore giving a breakeven result for the year. In 2013 the additional support received under the Alliance Stability Deed was £3m. Further details are set out in note 3.

The company's key financial and other performance indicators during the year, excluding exceptional items, were as follows:

	2014	2013	Change
	£000	£000	£000
Result on ordinary activities before tax and exceptional items	–	–	–
Net royalties distributed	140,271	148,036	(7,765)
Commission on distributions	16,686	14,659	2,027
Administrative expenses	18,256	16,460	1,796

The 2014 administrative expenses include a £2.3m contribution to PRS under the Alliance Stability Deed. The administrative expenses for 2013 include a £0.7m contribution to PRS under the Alliance Stability Deed and an adjustment to reduce costs recharged by PRS of £3.0m. Excluding these adjustments, expenses have reduced by 14.7%.

Principal risks and uncertainties

The directors established an Audit and Risk Committee in 2014 and delegated to it responsibility for monitoring and management of risks. The Audit and Risk Committee met 3 times in 2014. The principal risks and uncertainties that the company is exposed to can be grouped into the following categories:

Market risks

The company's business is transforming from one that is dominated by physical product licensing to one in which this source of income makes a less significant financial contribution and in which online licensing and broadcast licensing are more economically significant. Because of the Alliance Stability Deal, the Directors consider that the company will be able to avoid incurring losses for the foreseeable future. However, the company is still exposed to risk if its financial forecasts prove to be inaccurate and the actual rate of decline in physical product sales is higher than forecast or the actual rate of growth in the broadcast and online licensing areas is lower than forecast.

Strategic Report

Market risks (continued)

The Competitors successfully attracting members away from the company and members deciding to enter into direct agreements with licensees would also adversely affect levels of future income and the profitability of the company.

Legislative risks

The company is subject to the risk of copyright law changing in the future to the company's detriment. The company is not aware of any pending copyright legislation that would, if enacted, have an adverse impact on the company's business or prospects. However the company is aware of the Collective Rights Management Directive which will be enacted by April 2016, and the company is preparing for the impact of this legislation on the business.

Liquidity and financial instrument risks

The nature of the company's operating model is such that it holds surplus cash; at the end of 2014 the company held cash of £44.9m (2013 – £12.2m). The company also had amounts receivable from PfM and PRS of £22.6m at 31 December 2014 (2013 £53.4m). The Directors do not consider the amount receivable from PfM and PRS to be at risk. The Directors consider that the liquid resources of the company are sufficient to fund the operations for the foreseeable future. The company does not have material financial instrument risk.

Exposure to price and credit risk

The company is exposed to various types of price risk. In the case of physical product licensing, market forces can result in the unit price on which the absolute level of royalty is calculated, reducing. Such a reduction in the price of the physical product would in turn adversely affect the company's income through the concomitant effect on commission income.

The company is also exposed to pricing risk through the risk of licensing schemes being referred to the Copyright Tribunal, such as the recent ITV referral.

The company is committed to the Cannes IV agreement which places a cap on commission rates for certain physical product license schemes within the market and so restricts the company's option of increasing commission rates to compensate for falling volumes. However, as a result of a change of status under the Cannes IV agreement society definitions, the company was allowed to increase some of its commission rates from August 2014.

Credit risk is the risk that a debtor will cause a financial loss for the other party by failing to discharge a payment 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 tests. Details of the company's debtors are shown in note 8 to the financial statements.

On behalf of the Board:

Jane Dyball
Director
12 March 2015

Registered No. 199120

Directors' report

The directors present their report and financial statements for the year ended 31 December 2014.

Dividends

The directors do not recommend a final dividend (2013 – £nil).

Directors

The directors who served the company during the year were as follows:

Writer
J Nott

Publishers
J Alway
P Cornish (resigned 17 July 2014)
S Platz (appointed 18 July 2014)
W Downs
N Elderton
M Lavin
J Minch

Executive Director
J Dyball (appointed 1 January 2014)

External Director
P Dolan

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.

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to 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.

Chairman

Christopher Butler continued as the non-statutory chairman.

Corporate governance

The company's board is responsible for the direction of the company. The Executive Director is responsible for monitoring the financial performance of the company and the satisfactory operation of the contract with PfM. Directors continue to direct policy on commercial matters through close involvement with PfM's committees which specialise in specific areas of commercial focus, such as Licensing and Distribution. The company's Board met 12 times during the year. The company's Audit and Risk Committee which has delegated responsibility for monitoring and managing risks met 3 times during the year.

Future developments

The directors are confident that the changing nature of the industry will create a stable future for the company. The directors are also aware that the markets in which the company operates, while giving rise to many challenges, are still a source of significant revenue for its customers.

Directors' report (continued)

Going concern

The business of the company is undergoing a major transition. As sales of physical products, such as compact discs and DVDs diminish, the commission that the company earns from licensing associated mechanical copyrights diminishes. The company's other sources of income - commission from licensing broadcasters' use of the mechanical right and commission from licensing the mechanical right for online uses - has increased and is expected to continue to increase. In 2014 royalties distributed have continued to decline, as the reduction of income from physical product licensing exceeds the increase from online and broadcast licensing. Commission income, however, has increased aided by additional licensing, as well as an exceptional members' reserve release, and an increase in certain commission rates.

In 2014, the Directors continued to focus closely on the company's prospects, sources of income and cost saving opportunities and were in close dialogue with the Boards of PRS and PfM. On 17 April 2013, the company signed an agreement ('the Alliance Stability Deal') to reconfigure its relationship with PRS. Under the 2013 Agreement, the company sold its shares in PfM for £1 on 1 July 2013 and entered into a contract with PRS for the provision of operational support services. This contract has an initial term of three years and six months. The company is able, under certain circumstances, to extend the contract thereafter. The price payable by the company for the services to be delivered by PRS accelerates the return of the company to profit and incentivises both parties to improve the profitability of the company and its future prospects. The Alliance Stability Deal also requires MCPS to adjust its payments for the support provided under the Alliance Stability Deed to the extent that it generates net profits after tax to fund the additional contribution. A contribution of £2.3m was made in 2014 (2013 – £0.7m), therefore giving a breakeven result for the year.

At 31 December 2014, the company has net liabilities of £12.6m (2013: £12.6m).The Directors have concluded that the working capital of the company and its cash reserves are likely to prove adequate to fund the company's activities for the foreseeable future. This conclusion is supported by the Directors' assessment of market developments, the Alliance Stability Deal, and financial forecasts. As a result the Directors have also concluded that the company remains a going concern and will continue to monitor the company's profitability and prospects within its changing markets.

In connection with the going concern assessment, attention is drawn to the section of this Annual Report setting out the Directors' assessment of the principal risks and uncertainties that the company faces.

Code of Conduct

The company carries on its membership and domestic licensing activities in line with the PRS for Music Code of Conduct, published in 2012 to meet the requirements of the British Copyright Council's Principles of Good Practice for Collective Management Organisations, the principal voluntary framework for UK collecting society best practice. The company is committed to on-going internal review of its Code and operations to ensure that they continue not only to meet BCC standards but are materially aligned with the Government's current Minimum Standards for UK Collecting Societies and proposed statutory minimum criteria for licensing bodies.

Directors' report (continued)

Disclosure of information to the auditor

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.

On behalf of the Board:

Jane Dyball
Director
12 March 2015

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' 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 judgments 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 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.

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 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 18. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 and express an opinion on 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.

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. In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 2014 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report

to the members of Mechanical-Copyright Protection Society Limited

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.

Andy Glover (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
16 March 2015

Notes:

1. The maintenance and integrity of the **Music Publishers' Association Limited** web site www.mpaonline.org.uk, on which the MCPS financial statements are published, is the responsibility of the group directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Profit and loss account

for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Royalties payable	11	140,271	148,036
Income			
Commission levied on distributions	2	16,686	14,659
Interest receivable on short-term deposits		630	821
Fees receivable		76	54
Minor sums	11	708	926
		18,100	16,460
Administrative expenses	3	(18,256)	(16,460)
(Loss)/result on ordinary activities before exceptional items		(156)	–
Exceptional item – gain on disposal of investment	7	156	–
Result on ordinary activities before tax		–	–
Tax on result on ordinary activities	6	–	–
Result for the financial year	13	–	–

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 December 2014

There are no recognised gains or losses other than the result attributable to the shareholders of the company of £nil in the year ended 31 December 2014 (2013 £nil).

Balance sheet

at 31 December 2014

	Notes	2014 £000	Restated* 2013 £000
Fixed assets			
Investments	7	1	45
Current assets			
Debtors: amounts falling due within one year	8	19,992	50,701
Debtors: amounts falling due after one year	8	7,000	7,500
Investments – short-term deposits		20,000	–
Cash at bank and in hand	9	24,911	12,201
		71,903	70,402
Creditors: amounts falling due within one year	10	(3,741)	(3,622)
Royalties payable	11	(80,795)	(79,457)
		(84,536)	(83,079)
Net current liabilities		(12,633)	(12,677)
Total assets less current liabilities		(12,632)	(12,632)
Capital and reserves			
Called up share capital	12	19	19
Profit and loss account	13	(12,651)	(12,651)
Shareholders' deficit	13	(12,632)	(12,632)

*See note 1 and 8 relating to reclassification of debtor due from PRS.

On behalf of the Board:

Jane Dyball
Director
12 March 2015

Statement of cash flows

for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Cash inflow/(outflow) from operating activities	14(a)	31,880	(18,368)
Returns on investments and servicing of finance:			
Interest received		630	821
Cash inflow from investing activities	14(b)	200	513
		32,710	(17,034)
Management of liquid resources	14(c)	(20,000)	28,000
Increase in cash		12,710	10,966

Reconciliation of net cash flow to movement in net funds

	Notes	2014 £000	2013 £000
Increase in cash		12,710	10,966
Cash inflow/(outflow) from movement in liquid resources		20,000	(28,000)
Movement in net funds in the year	14(d)	32,710	(17,034)
Net funds at 1 January	14(d)	12,201	29, 235
Net funds at 31 December		44,911	12,201

Notes to the financial statements

at 31 December 2014

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

Companies Act 2006

The financial statements have been prepared in the format required by the Companies Act 2006, except that the directors have amended certain headings in the Profit and Loss account 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.

Definitions

'MCPS' means Mechanical-Copyright Protection Society Limited.
'PRS' means Performing Right Society Limited.
'PfM' means PRS for Music Limited, formerly The MCPS-PRS Alliance Limited ('the Alliance').
'ICE' means International Copyright Enterprise A.B.

Going concern

The business of the company is undergoing a major transition. As sales of physical products, such as compact discs and DVDs diminish, the commission that the company earns from licensing associated mechanical copyrights diminishes. The company's other sources of income - commission from licensing broadcasters' use of the mechanical right and commission from licensing the mechanical right for online uses - has increased and is expected to continue to increase. In 2014 royalties distributed have continued to decline, as the reduction of income from physical product licensing exceeds the increase from online and broadcast licensing. Commission income, however, has increased aided by additional licensing, as well as an exceptional members' reserve release, and an increase in certain commission rates.

In 2014, the Directors continued to focus closely on the company's prospects, sources of income and cost saving opportunities and were in close dialogue with the Boards of PRS and PfM. On 17 April 2013, the company signed an agreement ('the Alliance Stability Deal') to reconfigure its relationship with PRS. Under the 2013 Agreement, the company sold its shares in PfM for £1 on 1 July 2013 and entered into a contract with PRS for the provision of operational support services. This contract has an initial term of three years and six months. The company is able, under certain circumstances, to extend the contract thereafter. The price payable by the company for the services to be delivered by PRS accelerates the return of the company to profit and incentivises both parties to improve the profitability of the company and its future prospects. The Alliance Stability Deal also requires MCPS to adjust its payments for the support provided under the Alliance Stability Deed to the extent that it generates net profits after tax to fund the additional contribution. A contribution of £2.3m was made in 2014 (2013 – £0.7m), therefore giving a breakeven result for the year.

At 31 December 2014, the company has net liabilities of £12.6m (2013: £12.6m).The Directors have concluded that the working capital of the company and its cash reserves are likely to prove adequate to fund the company's activities for the foreseeable future. This conclusion is supported by the Directors' assessment of market developments, the Alliance Stability Deal, and financial forecasts. As a result the Directors have also concluded that the company remains a going concern and will continue to monitor the company's profitability and prospects within its changing markets.

In connection with the going concern assessment, attention is drawn to the section of this Annual Report setting out the Directors' assessment of the principal risks and uncertainties that the company faces.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Group financial statements

In accordance with section 400(1) of the Companies Act 2006, group financial statements have not been prepared as the company is a wholly owned subsidiary of an EAA company, the Music Publishers' Association Ltd, which produces group financial statements that are publicly available. Consequently, these financial statements 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. Investments in joint ventures and associates are accounted for at the lower of cost and net realisable value.

Revenue recognition

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

Interest receivable on short term deposits
Revenue is recognised as interest accrues using the effective interest method.

Fees receivable
Fees receivable relate to one off membership and licensing fees and are recognised on receipt, which is when the company earns the right to consideration.

Minor sums
Minor sums relate to micro payments received that are too small to distribute to individual members, and hence are accounted for at the time of distribution.

Suspense balances
Suspense balances occur when royalties have been received and their ownership cannot be identified or where it is not possible to distribute the royalties for other reasons. Whilst the company makes every effort to distribute these monies, if not in dispute, or where ownership cannot be established, commission is recognised at a rate of 100% once the monies have been held for more than six years.

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 exception:

- 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.

Foreign currencies

All transactions during the year are translated at the rate ruling at the date of the transactions

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.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Prior year restatement

The 2013 balance sheet and debtors note (note 8) have been restated to separately disclose a loan of £7,500,000 to PRS which is due after more than one year. The loan was previously included as part of amounts due from PfM. There have been no changes to 2013 results, or other balance sheet totals as a result of the restatement.

2. Turnover

Income, which is stated net of value added tax, represents commission earned on royalties received from licensees and subsequently distributed to rights-holders.

An analysis of income by geographical market is given below:

	2014	*2013*
	£000	*£000*
United Kingdom	15,663	13,370
Ireland	280	208
Rest of the World	743	1,081
	16,686	14,659

During the year, the company released monies held in suspense in accordance with the accounting policy on revenue recognition as set out in note 1. The table below shows the effect this had on reported income:

	2014	*2013*
	£000	*£000*
Commission income	14,062	12,759
Suspense account releases	2,624	1,900
Total income	16,686	14,659

3. Administrative expenses

This is stated after charging/(crediting)

	2014	*2013*
	£000	*£000*
Auditor's remuneration – audit services	10	10
PRS service charge (from 1 July 2013)	14,966	8,850
MPA service charge	50	75
Direct costs	955	9,801
	15,971	18,726
Net contribution/(support) under the Alliance Stability Agreement	2,285	(2,266)
Total administrative expenses	18,256	16,460

Auditor's remuneration is included in the PRS service charge. Direct costs included an allocation of costs from PfM until 30 June 2013.

Notes to the financial statements

at 31 December 2014

4. Directors' remuneration

	2014	*2013*
	£000	*£000*
Directors' remuneration	461	191
Company contributions to defined contribution pension schemes	18	2

	No.	*No.*
Members of defined contribution pension schemes	1	1

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

	2014	*2013*
	£000	*£000*
Directors' remuneration	320	94
Company contributions to defined contribution pension schemes	18	2

5. Staff costs

	2014	*2013*
	£000	*£000*
Wages and salaries	70	–
Social security costs	8	–
	78	–

The average monthly number of employees during the year was made up as follows:

	No.	*No.*
Average number of employees – Administration	3	–

Notes to the financial statements

at 31 December 2014

6. Tax

(a) Tax on result on ordinary activities

The tax result is made up as follows:

	2014 £000	2013 £000
Tax on result on ordinary activities	–	–

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 21.5% (2013 – 23.5 %). The differences are explained below:

	2014 £000	2013 £000
Result on ordinary activities before tax	–	–
Result on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 – 23.5%)	–	–
Effects of:		
Adjustments for transfer pricing	–	(35)
Losses arising in the year not relievable against current tax	33	35
Non-taxable income - gain on disposal of investment	(33)	–
Current tax for the year (note 6(a))	–	–

(c) Deferred tax

The corporation tax rate applicable to the company reduced from 23% to 21% from 1 April 2014. A deferred tax asset of £1,900,060 (2013 – £1,880,000) in respect of losses has not been recognised due to insufficient certainty of future trading profits.

(d) Factors which may affect future tax charges

The company is subject to United Kingdom corporation tax. However, for this purpose, amounts due to members and affiliated societies are treated as a deductible expense.

Due to legislative changes, the corporation tax rate will reduce by a further 1% from 1 April 2015 from 21% to 20%. These changes have been substantively enacted and are therefore included in the figures within these financial statements.

Notes to the financial statements

at 31 December 2014

7. Investments

	Subsidiary undertaking	*Joint ventures and associates*	*Total*
	£000	*£000*	*£000*
Cost:			
At 1 January 2014	1	256	257
Disposal	–	(256)	(256)
At 31 December 2014	1	–	1
Amounts provided:			
At 1 January 2014	–	212	212
Disposal	–	(212)	(212)
At 31 December 2014	–	–	–
Net book amount:			
At 31 December 2014	1	–	1
At 1 January 2014	1	44	45

The company sold its 25% shareholding in SOLAR-Music Rights Management GmbH (formerly CELAS GmbH) to PRS for Music Limited on 17 December 2014 for £200,000, giving rise to a gain on disposal of £156,000.

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	*Holding*	*Proportion of voting rights held*	*Nature of business*
Subsidiary undertaking:			
Ampleform Limited	Ordinary £1 shares	99%	Non-trading
Joint venture:			
National Discography Limited	Ordinary £1 shares	50%	Non-trading
Associates:			
British Music Rights Limited	Limited by guarantee	25%	Dormant

The Company has assessed its investments in joint ventures and associates and has concluded that it did not exercise control over them at 31 December 2014 or during the year then ended; hence they are accounted for as investments in accordance with the accounting policy set out in note 1 rather than being equity accounted.

Notes to the financial statements

at 31 December 2014

8. Debtors

	2014 £000	2013 Restated £000
Amounts falling due within one year:		
Trade debtors	1,711	1,097
Due from PfM	15,062	45,912
Due from PRS	500	–
Due from MPA	–	178
Prepayments and accrued income	107	385
Other taxes	2,612	3,129
	19,992	50,701

The balance due from PfM in 2013 has reduced by £7,500,000 from £53,412,000 as previously stated to £45,912,000 as shown above, following the reclassification referred to in note 1. A balance of £7,500,000 is now shown separately as due from PRS in more than one year.

	2014 £000	2013 Restated £000
Amounts falling due after one year:		
Due from PRS	7,000	7,500

The loan to PRS is repayable in instalments over the period 1 January 2015 to 1 January 2021 and is free from interest.

9. Cash in bank

	2014 £000	2013 £000
Cash in bank and in hand	19,855	7,201
Cash held in escrow	5,056	5,000
	24,911	12,201

£5m cash is held in escrow under the 2013 Alliance Stability Deal and is payable in the event of the company becoming liable to PRS due to a breach or early termination of the Services Agreement.

10. Creditors: amounts falling due within one year

	2014 £000	2013 £000
Other creditors, accruals and deferred income	3,508	2,129
Other taxes and social security costs	233	1,493
	3,741	3,622

Notes to the financial statements

at 31 December 2014

11. Royalties payable

	2014	*2013*
	£000	*£000*
At 1 January	79,457	75,507
Add: royalties collected	128,300	142,334
	207,757	217,841
Less: taken to profit as minor sums	(708)	(926)
	207,049	216,915
Distributed during year in respect of:		
Royalty exploitation in UK and Ireland	(135,223)	(128,546)
Royalty exploitation outside UK and Ireland	(5,048)	(19,490)
	(140,271)	(148,036)
	66,778	68,879
Movement in returned royalties, deposits, advances received, etc.	14,017	10,578
At 31 December	80,795	79,457

The company's liability to account for royalties payable accrues when amounts due from the corresponding users of the copyright works are received. Amounts from users that have not been received are recorded within royalties payable both as an amount receivable and an equivalent amount payable. As at 31 December 2014 these amounted to £7.9m (2013 – £8.9m).

12. Issued share capital

		2014		*2013*
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*
Ordinary shares of £1 each	19,200	19	19,200	19

13. Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Profit and loss account*	*Total share-holders' deficit*
	£000	*£000*	*£000*
At 1 January 2013	19	(12,651)	(12,632)
Result for the year	–	–	–
At 1 January 2014	19	(12,651)	(12,632)
Result for the year	–	–	–
At 31 December 2014	19	(12,651)	(12,632)

Notes to the financial statements

at 31 December 2014

14. Notes to the statement of cash flows

(a) Reconciliation of operating result to net cash inflow from operating activities

	2014	*2013*
	£000	*£000*
Result on ordinary activities before taxation	–	–
Interest receivable	(630)	(821)
Profit on disposal of investment	(156)	–
Decrease/(increase) in debtors – amounts falling due within one year	31,209	(23,872)
Increase in creditors – royalties payable	1,338	3,950
Increase in creditors	119	2,375
Net cash inflow from operating activities	31,880	(18,368)

(b) Investing activities

	2014	*2013*
	£000	*£000*
Disposal of investment	200	–
Repayment of capital	–	513
	200	513

(c) Management of liquid resources

	2014	*2013*
	£000	*£000*
Short-term deposits made	(42,007)	(38,002)
Short-term deposits repaid	22,007	66,002
Movement in deposits	(20,000)	28,000

(d) Analysis of net funds

	At 1 January 2014	*Cash flow*	*At 31 December 2014*
	£000	*£000*	*£000*
Cash at bank and in hand	12,201	12,710	24,911
Liquid resources – short term deposits	–	20,000	20,000
Total cash	12,201	32,710	44,911

Notes to the financial statements

at 31 December 2014

15. Other financial commitments

Capital expenditure authorised and contracted by the company at 31 December 2014 was £nil (2013 – £nil).

16. Contingent liability

At 31 December 2014, the company has a contingent liability of £4.5m (2013 – £6.8m) potentially due to PRS as a result of the cost sharing amendments made during 2013 and 2014, which reduced the company's share of the administrative costs of PfM by £7.6m. The Alliance Stability Deal 2013 requires the company to adjust its service support payments to PRS up to this amount once MCPS returns to profitability. The contingent liability takes into account the additional adjustment of £2.3m made in 2014. As disclosed in the directors' report and note 1, there is uncertainty as to when the remaining balance will be settled because of the continuing decline in the audio market. At present, whilst fully acknowledging the legal liability, the directors have concluded that the degree of uncertainty precludes recognition of it as a liability in the company's 2014 financial statements.

17. Related party transactions

Certain directors and parties related to directors are entitled to royalties collected by the company. Parties related to directors include family members and companies controlled by these directors including, where appropriate, publishing companies and their subsidiaries. During 2014, total royalties paid by the company to the directors and to parties related to the directors amounted to £66.8m (2013 – £66.8m, restated to include additional royalties of £16.7m relating to EMI Music Publishing Ltd and Independent Music Publishers' European Licensing (IMPEL)). These royalties were calculated on the same basis as royalties paid to all members and are paid in accordance with the company's normal procedures.

Due to the highly integrated nature of the industry, directors may 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 2014, MCPS paid a management fee of £50,000 (2013 – £75,000) to the Music Publishers Association Ltd ('MPA'), its parent undertaking. At 31 December 2014 there were no amounts outstanding with the MPA (2013 - £0.2m receivable).

18. Ultimate parent undertaking and controlling party

The company is a wholly-owned subsidiary of the Music Publishers' Association Ltd, a company limited by guarantee and incorporated in the UK, which prepares group financial statements. This is both the smallest and largest group of which the company is a member. Group financial statements can be obtained by request in writing to MPA Ltd, 2 Pancras Square, London, N1C 4AG.