

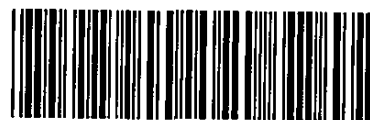
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MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

DIRECTORS' REPORT & ACCOUNTS

For the year ended 31 December 2010

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Registered No: 199120

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DIRECTORS' REPORT

For the year ended 31 December 2010

The directors submit the eighty-fifth report and statement of accounts for the year ended 31 December 2010

Results and dividends

The loss for the year, after taxation, is £2,331,000 (2009 loss £1,008,000) The directors do not recommend payment of a dividend in respect of the year ended 31 December 2010

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

	2010	2009	Change
	£'000	£'000	%
Loss on ordinary activities before tax	(2,331)	(1,008)	131%
Tax on loss on ordinary activities	-	-	-
Retained loss for the year	(2,331)	(1,008)	131%
Net royalties distributed	166,789	187,660	-11%
Administrative expenses	18,768	20,087	-7%

The Company made a greater loss in 2010 than in 2009, this was partially as a result of the continued record low interest rates and the continued decline in the UK Audio market

There was a decrease in royalties distributed during the year also as a result of the continued decline in the UK Audio market and the effect of one off gains in 2009 relating to accelerated Broadcast royalties

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 2011 will not see any growth in the domestic market, the potential 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 four 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

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DIRECTORS' REPORT

For the year ended 31 December 2010

- 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.

- 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.

Going concern

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 or in 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. A deficit funding plan was agreed with the trustees of the pension scheme in 2010 as part of the triennial valuation process required by the Pension Regulator. This was mutually acceptable to all parties, and took 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.

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DIRECTORS' REPORT

For the year ended 31 December 2010

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 2010 were as follows

Writers

Michael Leeson
Stephen Levine

Sarah Rodgers
Christopher Smith

Publishers

Mark Anders
Antony Bebawi (from 15 06.10)
William Booth (until 11 06 10)
Thomas Bradley
Peter Cornish
Jane Dyball

Nigel Elderton (Chairman)
Stuart Hornall
Sarah Levin
John Minch
Benjamin Newing
Gerald Orakwusi (from 05 10.10)

Simon Platz
Rakesh Sanghvi (until 30 09 10)

Executive Directors

Robert Ashcroft (from 11 03 10) Jeremy Fabinyi (until 01 09 10)

External Directors

Paul Dolan (from 11 03 10)

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

Thomas Bradley continued as Chairman for a sixth and final one-year term (in accordance with the Articles) which expired on 30 June 2010. Nigel Elderton continued in office as Deputy Chairman until 30 June 2010 and took office as Chairman on 1 July 2010. Peter Cornish took over as Deputy Chairman on 1 July 2010.

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DIRECTORS' REPORT

For the year ended 31 December 2010

Corporate governance

The Company's Board is responsible for the direction of the Company. It appoints the Chairman, the Secretary and, together with the Board of Performing Right Society Limited ("the PRS Board"), it is responsible for the appointment of the Group Chief Executive. 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. 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 PRS Board, 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 committees which specialise in specific areas of commercial focus, such as Licensing, Distribution and Membership & Copyright. The Company's Board met six times during the year.

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.



N Elderton

Chairman

On behalf of the Board

30 March 2011

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2010

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.

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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 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 14. 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 6, 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 (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 2010 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.

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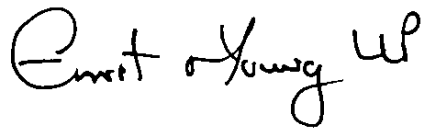
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

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



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

30 March 2011

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PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Royalties distributed in the year			
Net royalties distributed	9	<u>166,789</u>	<u>187,660</u>
Income			
Commission levied on distributions	2	14,494	16,283
Interest receivable on short-term deposits		746	1,671
Fees receivable		64	75
Minor sums	9	<u>1,133</u>	<u>1,050</u>
		16,437	19,079
Administrative expenses	3	<u>(18,768)</u>	<u>(20,087)</u>
Loss on ordinary activities before tax		<u>(2,331)</u>	<u>(1,008)</u>
Tax on loss on ordinary activities	5	-	-
Retained loss for the year	11	<u>(2,331)</u>	<u>(1,008)</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 2010

		2010 £'000	2009 £'000
Loss for the financial year		(2,331)	(1,008)
Revaluation of investments	6	-	2,864
Total recognised gains and losses relating to the year		<u>(2,331)</u>	<u>1,856</u>

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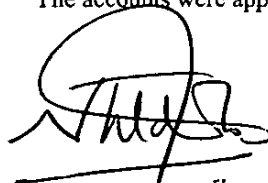
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BALANCE SHEET

For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investments - subsidiary undertaking	6	1	1
Investments - associated undertakings	6	13,163	13,163
		<u>13,164</u>	<u>13,164</u>
Current assets			
Debtors			
amounts falling due after one year	7	5,296	3,926
amounts falling due within one year	7	26,943	32,619
		<u>32,239</u>	<u>36,545</u>
Investments - short-term deposits		15,000	16,000
Cash at bank and in hand		8,553	5,736
		<u>55,792</u>	<u>58,281</u>
Creditors: amounts falling due within one year			
Creditors	8	(2,545)	(2,475)
Royalties payable	9	(58,571)	(58,799)
		<u>(61,116)</u>	<u>(61,274)</u>
Net current liabilities		<u>(5,324)</u>	<u>(2,993)</u>
Total assets less current liabilities		<u>7,840</u>	<u>10,171</u>
Capital and reserves			
Called up share capital	10	19	19
Revaluation reserve	11	9,782	9,782
Profit and loss account	11	(1,961)	370
Shareholders' funds	11	<u>7,840</u>	<u>10,171</u>

The accounts were approved by the Board on 30 March 2011 and were signed on its behalf by



N Elderton

Chairman

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CASH FLOW STATEMENT

For the year ended 31 December 2010

	2010	2009
	£'000	£'000
Cash inflow/(outflow) from operating activities	1,071	(59,890)
Returns on investments and servicing of finance – net interest received	746	1,671
Management of liquid resources	1,000	56,000
Increase/(decrease) in cash	2,817	(2,219)

NOTES TO CASH FLOW STATEMENT

For the year ended 31 December 2010

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

	2010	2009
	£'000	£'000
Loss on ordinary activities before taxation	(2,331)	(1,008)
Interest received	(746)	(1,671)
(Increase)/decrease in debtors – amounts falling due after one year	(1,370)	3,407
Decrease/(increase) in debtors – amounts falling due within one year	5,676	(28,618)
Decrease in creditors - royalties payable	(228)	(9,044)
Increase/(decrease) in creditors	70	(22,956)
Net cash inflow/(outflow) from operating activities	1,071	(59,890)
Management of liquid resources		
Short-term deposits made	(28,000)	(5,000)
Short-term deposits repaid	29,000	61,000
	1,000	56,000

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CASH FLOW STATEMENT

For the year ended 31 December 2010

NOTES TO CASH FLOW STATEMENT (continued)

For the year ended 31 December 2010

Reconciliation of net cash flow to movements in net funds

	2010	2009
	£'000	£'000
Increase/(decrease) in cash in the year	2,817	(2,219)
Cash inflow from movement in liquid resources	(1,000)	(56,000)
Movement in net funds in the year	1,817	(58,219)
Net funds at 1 January	21,736	79,955
Net funds at 31 December	<u>23,553</u>	<u>21,736</u>

Analysis of changes in net funds

	At 1 January	Cash flow	At 31 December
	2010		2010
	£'000	£'000	£'000
Cash at bank and in hand	5,736	2,817	8,553
Liquid resources - short term deposits	16,000	(1,000)	15,000
	<u>21,736</u>	<u>1,817</u>	<u>23,553</u>

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NOTES TO THE ACCOUNTS

For the year ended 31 December 2010

1. Accounting policies

Basis of preparation

The financial statements of Mechanical-Copyright Protection Society Limited were approved for issue by the Board of Directors on 30 March 2011. The financial statements are 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. A deficit funding plan was agreed with the trustees of the pension scheme in 2010 as part of the triennial valuation process required by the Pension Regulator. This was mutually acceptable to all parties, and took 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.

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NOTES TO THE ACCOUNTS

For the year ended 31 December 2010

1. Accounting policies (continued)

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 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, they are accounted for at the time of distribution.

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 for the profit and loss and account and at the year end rate for the balance sheet.

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.

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NOTES TO THE ACCOUNTS

For the year ended 31 December 2010

1. Accounting policies (continued)

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 schemes in respect of its employees and an appropriate proportion is recharged to MCPS. The costs are charged to the profit and loss account.

Both of the defined benefit schemes were closed to future accrual as at 31 December 2010.

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.

	2010 £'000	2009 £'000
United Kingdom	13,329	14,806
Ireland	445	624
Rest of the world	720	853
	<u>14,494</u>	<u>16,283</u>

3. Administrative expenses

	2010 £'000	2009 £'000
Recharge from MCPS-PRS Alliance:		
Staff costs	9,739	12,224
Office and accommodation costs	991	824
Information technology	1,228	1,229
Legal and professional costs	2,630	1,348
Other costs	1,380	2,565
Depreciation	2,800	2,350
Pension amortisation adjustment	-	(453)
Total administrative expenses	<u>18,768</u>	<u>20,087</u>

Staff costs have reduced during 2010 as a direct result of the redundancies made in 2009.

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

Other costs have decreased as during 2009 there was a charge back from ICE, a joint venture between MCPS-PRS Alliance and STIM, for its accumulated losses, which was a one off charge not repeated in 2010.

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NOTES TO THE ACCOUNTS

For the year ended 31 December 2010

3. Administrative expenses (continued)

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

The recharge from MCPS-PRS Alliance includes the following items

	2010 £'000	2009 £'000
Auditor's Remuneration – audit services	<u>8</u>	<u>7</u>

4. Directors' emoluments

The emoluments of the non-executive directors, excluding pension contributions, were £219,953 (2009 £243,294) Non-executive directors received annual emoluments of £12,805 for their services Directors who were also directors of PRS were paid £21,342, an amount charged equally between MCPS and PRS No pensions or other benefits are paid to non-executive directors

Further to the corporate governance changes in 2010, the remuneration structure for non-executive directors was revised at the beginning of 2011 Non-executive directors continue to receive annual emoluments of £12,805 for their services, however directors who are also directors of PRS are paid £15,805, an amount charged equally between MCPS and PRS Non-executive directors of the MCPS-PRS Alliance receive in addition £6,645 per annum, an amount charged equally between MCPS and PRS

In addition the Company had two executive directors during the year The directors in office during 2010 were Jeremy Fabinyi, until 1 September 2010, and Robert Ashcroft, from 11 March 2010 Both were employed and paid by MCPS-PRS Alliance Robert Ashcroft was the highest paid director, and his remuneration, excluding pension contributions, was £511,094, 50% of which was recharged to MCPS

While an executive director Jeremy Fabinyi's total remuneration, excluding pension contributions, was £263,687 (2009 £374,005) This was recharged on the same basis as for Robert Ashcroft until 25 January 2010, after which date it was recharged 60% to PRS and 40% to MCPS Jeremy Fabinyi ceased to be a director of MCPS on 1 September 2010 but remained in employment with the MCPS-PRS Alliance In 2009, 100% of Jeremy Fabinyi's remuneration was recharged to MCPS until 22 July 2009, from which date he became the Acting Chief Executive Officer of the MCPS-PRS Alliance and his remuneration was recharged equally between MCPS and PRS

The pension contributions paid in respect of Robert Ashcroft, in the year were £7,500 to a defined contribution scheme, and £nil to a defined benefit scheme The contributions of Jeremy Fabinyi to a defined contribution scheme during his time as director were £11,650 (2009 £13,074) These were recharged to MCPS on the same basis as the remuneration above

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NOTES TO THE ACCOUNTS

For the year ended 31 December 2010

5. Taxation

(a) Current tax

	2010 £'000	2009 £'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		
Total recognised loss for the year	(2,331)	(1,008)
Corporation tax at 28% (2009 28%)	(653)	(282)
Effects of		
Adjustments for transfer pricing	(49)	(247)
Losses arising in the year not relievabale against current tax	702	529
Current tax for the year	-	-

The corporation tax rate applicable to the company will reduce from 28% to 27% from 1 April 2011

A deferred tax asset of £1,597,000 (2009 £952,000) in respect of losses has not been recognised due to insufficient certainty of future trading profits

(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 £15,858,000 (2009 loss of £17,971,500) with an associated tax asset of £4,281,660 (2009 asset of £5,032,020) may arise

A number of changes to the UK corporation tax system were announced in the June 2010 and March 2011 Budget statements. The Finance (No 2) Act 2010, enacted in July 2010, included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. The effect of this change on the deferred tax balances has been included in the figures within these accounts.

Further changes to the rate are proposed to reduce the rate by a further 1% from 1 April 2011 (i.e. to 26%) then by 1% per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted and are not therefore included in the figures within these accounts. We estimate the impact upon deferred tax to be a reduction in the balance of approximately £951,458 over the forthcoming three years. It is not yet possible to quantify the impact of these rate changes upon current tax.

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For the year ended 31 December 2010

6. Fixed asset investments

(a) Subsidiary undertakings

	Cost of shares in subsidiary undertaking £'000
Cost at 1 January 2010 and 31 December 2010	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 £'000	Valuation of shares in associated undertakings £'000	% Shares held
The MCPS-PRS Alliance Limited	500 ordinary £1 shares	2,728	12,510	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 2009 and 2010		<u>3,593</u>	<u>13,163</u>	

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 31 December 2010 the company showed a net profit of €0.6m (2009 – loss €0.2m).

The company had a positive equity figure of €781,459 (2009 - €162,209) at the year end.

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NOTES TO THE ACCOUNTS

For the year ended 31 December 2010

6. Fixed asset investments (continued)

Investments in associates

	Historic		Closing Value	Additions	Closing Value
	Opening Value	Write down	at 2009	2010	at 2010
	£'000	£'000	£'000	£'000	£'000
CELAS GmbH	648	-	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:

	2010 £'000	2009 £'000
As at 31 December:		
Tangible fixed assets	22,666	23,907
Investments	3,752	3,095
Current assets	14,196	14,276
Share of gross assets	<u>40,614</u>	<u>41,278</u>
Creditors falling due within one year	(25,105)	(25,639)
Creditors falling due after more than one year	(11,816)	(9,815)
Share of gross liabilities	<u>(36,921)</u>	<u>(35,454)</u>
Share of net assets before pension scheme liabilities	3,693	5,824
Share of pension scheme liabilities	(16,915)	(21,067)
Share of net liabilities after pension scheme liabilities	<u>(13,222)</u>	<u>(15,243)</u>
For the year ended 31 December		
Turnover	33,213	36,880
Profit before tax	1,916	484
Tax	(169)	(175)
Profit after tax	<u>1,747</u>	<u>309</u>

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NOTES TO THE ACCOUNTS For the year ended 31 December 2010

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.

7. Debtors	2010 £'000	2009 £'000
Amounts falling due within one year		
Trade debtors	1,374	1,244
Due from associated undertakings	24,652	30,196
Other debtors	314	112
Other taxes	603	1,067
	<u>26,943</u>	<u>32,619</u>

Amounts falling due after one year

	2010 £'000	2009 £'000
Due from associated undertakings	<u>5,296</u>	<u>3,926</u>

During the year the defined benefit pension schemes were closed to future accrual. This resulted in a one off curtailment gain of which £1,736k was applicable to MCPS. This balance is being amortised over a 15 year period in line with the funding arrangement agreed during the year.

The 2010 balance of £5,296,000 is made up of £3.7m being the MCPS share of the exceptional prepaid pension contributions made in 2006 to the Alliance Pension Schemes, which is being amortised over twenty years from 1 January 2006 and the additional curtailment gain of £1.6m net of one year's amortisation.

During 2010, £18.8m (2009: £20.1m) of administrative expenses were recharged by MCPS-PRS Alliance. MCPS funds an appropriate proportion of MCPS-PRS Alliance's costs and, at 31 December 2010, had a balance due from MCPS-PRS Alliance of £29.9m (2009: £34.1m due from MCPS-PRS Alliance), which included the long term loan balances mentioned above.

8. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Other creditors, accruals and deferred income	887	881
Other taxes and social security costs	1,658	1,594
	<u>2,545</u>	<u>2,475</u>

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For the year ended 31 December 2010

9. Royalties payable

	2010 £'000	2009 £'000
At 1 January	58,799	67,843
Add royalties received	162,715	173,574
	<u>221,514</u>	<u>241,417</u>
Less taken to profit as minor sums	(1,133)	(1,050)
	<u>220,381</u>	<u>240,397</u>
Distributed during year		
sourced within UK and Ireland	(161,418)	(181,413)
sourced elsewhere	(5,371)	(6,247)
	<u>(166,789)</u>	<u>(187,660)</u>
	53,592	52,707
Movement in returned royalties, deposits, etc	4,979	6,092
	<u>58,571</u>	<u>58,799</u>
At 31 December		

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 2010, potential amounts both receivable and payable of £12.8m (2009: £12.7m), in respect of transactions where amounts due from users had not been received, were recorded within royalties payable.

10. Share capital

Allotted, called up and fully paid

	2010 £'000	2009 £'000
Ordinary shares of £1 each	<u>19</u>	<u>19</u>

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NOTES TO THE ACCOUNTS

For the year ended 31 December 2010

11. Reconciliation of shareholders' funds and movement on reserves

	Called up Share capital	Revaluation reserve	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
At 1 January 2009	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
Retained loss for the year	-	-	(2,331)	(2,331)
At 31 December 2010	<u>19</u>	<u>9,782</u>	<u>(1,961)</u>	<u>7,840</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 2010, total royalties paid by the Company to the directors and to parties related to the directors amounted to £98.6m (2009 £107.0m). 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 2010, MCPS paid a management fee of £0.2m (2009 £0.2m) to the Music Publishers Association Ltd, its ultimate parent undertaking.

13. Capital commitments

Capital expenditure authorised and contracted by the Company at 31 December 2010 was £nil (2009 £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 2010 was £0.6m (2009 £1.4m).

14. Ultimate parent undertaking

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 consolidated accounts. This is both the smallest and largest group of which the Company is a member. Consolidated accounts can be obtained by request in writing to MPA Ltd, 6th Floor, British Music House, 26 Berners Street, London W1T 3LR UK.