Music Publishers Association Limited

Report and Financial Statements

31 December 2013

Company information

at 31 December 2013

Board*

Chairman

C Butler

Chief Executive

S Osborn

Directors

J Alway
P Barnes
G Bhupsingh
S Clark
P Cornish
N Elderton
C Evans
J F-Brockholes
M Forte
S Groves
L Hawken
A Heath
S Hornall
D Kassner
A King
R King
P Long
J Minch
G Morris
B Newing
S Platz
M Ranyard
J Truelove

Secretary

S Osborn

External Auditor

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

Bankers

Coutts and Co
440 Strand
London WC2R 0QS

Registered Office

6th Floor
British Music House
26 Berners Street
London W1T 3LR

*All Board members are Directors for the purposes of the Companies Act 2006.

Chairman's Introduction

2013 marked the centenary of the premiere of Stravinsky's The Rite of Spring, a performance which provoked the audience at the Théâtre des Champs-Élysées, to a mini riot (although to be fair to Stravinsky reports suggest that Nijinsky's choreography may have been just as much the cause of apoplexy as the score, largely inaudible for the jeers of concertgoers). First reactions often don't stand the test of time, particularly when responding to the shock of the new, and a little historical perspective can recast what appears at the time as a cultural shockwave as in fact simply the tide of progress.

For the music industry, and for music publishers, 2013 saw some significant developments, but I also think a wide angle lens will reveal this to be a period of consolidation, with some seemingly cataclysmic challenges to our business having been met without so far impeding our general forward momentum.

The music business as a whole has entered a new phase, with the transition from physical to digital decelerating and a new transition within digital from downloading to streaming gathering pace. MPA subsidiary the Mechanical-Copyright Protection Society (MCPS) has seen its revenues significantly depleted as a result of these shifts over the past several years. A significant restructuring took place during 2012 as part of a plan to stabilise the Alliance between the Performing Right Society (PRS) and MCPS. The next phase of this project was completed during 2013 when MCPS sold its share in the operating company PRS for Music and effectively left the Alliance, with PRS continuing to deliver royalty processing and other services to MCPS under a service level agreement. This change crucially allows MCPS to take greater control of its own finances. Jane Dyball was appointed as CEO during 2013 (effective from 1 January 2014) and now leads the drive to reduce costs, increase efficiency and develop new and existing sources of revenue.

Another significant milestone during the year was the first distribution to publishers by Printed Music Licensing Limited (PMLL). Established in 2012 and working with the Copyright Licensing Agency as its service provider, the subsidiary of MPA manages licensing of the copying of printed music and has inked a 3 year deal with the Department for Education covering state schools in England. As a result of this licence, in December 2013 PMLL made payments to music publishers with an interest in printed music rights totalling over £1m. The benefits to publishers of licensing this pre-existing usage are clear, but the scheme also benefits the schools by providing clarity and ease of use, and is in accordance with our broader aim of plugging gaps in the existing licensing framework by means of innovative new approaches with minimal disruption to end users.

Such ideals have been espoused by the MPA throughout 2013, not least in our responses to the ongoing reviews of copyright in the UK and Europe. Effective representation of its members' views and interests is central to the work of the MPA and we continue to promote and uphold the value of music at every turn. That value can be measured in different ways. Whilst always maintaining that the worth of our product cannot be fully captured in monetary terms it is nevertheless important that we are equipped with sound economic evidence. In 2013 the MPA and its members contributed to a UK Music survey which for the first time gave a detailed picture of the economic benefit to the UK of the music industry: £3.5bn in gross value added, with £402m coming from the music publishing sector.

The MPA, like the business it serves, is I believe in good shape, and in the wake of Stephen Navin's departure the Board was delighted to appoint Sarah Osborn as the new Chief Executive towards the end of 2013. Notwithstanding some consolidation within the industry, membership of MPA remains very high, representing the vast majority of publishing activity in the UK. Sarah and her team therefore enjoy a clear mandate as they strive to enable those members to do more and better business.

C Butler

Chairman

20 May 2014

Registered No. 140248

Strategic report

The directors present their strategic report for the year ended 31 December 2013.

Principal activities and review of the business

The principal activity of the Music Publishers Association (MPA) is to promote and safeguard the interests of its members and to represent those interests to Government, industry and the public. With the ongoing threats and opportunities faced by our membership, the directors fully expect the MPA to continue this work in future years.

The principal activity of the company's subsidiary, Mechanical-Copyright Protection Society Limited (MCPS), is the licensing, collection and distribution of royalties and licence fees from mechanical copyrights. MCPS has one branch in Ireland.

Prior to 1 July, PRS for Music Limited ('PfM', previously known as The MCPS-PRS Alliance Limited) recharged to MCPS a share of its operating costs in return for services provided. MCPS sold its 50% shareholding in PfM to Performing Right Society Limited ('PRS') on 1 July 2013. The arrangement for sharing PfM costs that existed prior to 1 July 2013 was replaced on that day with a contract for services between MCPS and PfM under which similar services are to be provided in return for a pre-agreed fee.

MCPS and PRS also each own 25% of CELAS GmbH, a joint venture with GEMA, the German society for musical performing and mechanical reproduction rights. CELAS GmbH licenses certain members' online rights on a pan-European basis.

In August 2012, the MPA incorporated a new subsidiary, Printed Music Licensing Limited (PMLL), to manage the licensing of the right by schools to copy printed music. PMLL became operational in 2013. Printed Music Licensing Limited's (PMLL) principal activity is to manage the licensing of the copying of printed music in the UK on behalf of copyright owners. Using mandates obtained from copyright owners it will issue licenses to copy and arrange sheet music, subject to certain conditions, and will collect and distribute monies generated by the issued licenses.

In its first year of operation the company collected licence fees of £2.5m and will distribute 100% of monies to copyright holders after deduction of agreed commission and direct costs. Having secured a three year national licence for state schools in England and Northern Ireland, and a two year national licence for state schools in Scotland starting in 2014, the company anticipates a growth in income in subsequent years from the Schools Printed Music Licence (SPML).

There have been no other significant changes in principal activities during the year.

Strategic report (continued)

Principal activities and review of the business (continued)

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

	2013	*2012*	*Change*
	£000	*£000*	*%*
Group turnover	14,992	15,384	-2.5
Gain on sale of PfM (in MCPS)	12,596	–	n/a
Interest receivable	852	741	15.0
Profit before tax	13,240	1,512	775.7
Tax	(70)	(439)	-84.1
Profit after tax	13,170	1,073	1,127.4

Group turnover decreased by 3% during the year, owing to the continued decline in sales of physical product. The group made a profit in 2013, principally as a result of the gain of £12,596,000 arising on the disposal of MCPS's 50% share of PfM. The group financial statements also reflect MCPS's 50% share of PfM up to the point of its sale to PRS on 30 June 2013, rather than its actual allocation of costs during the year.

The total net income for 2013 of the parent undertaking, MPA, was £675,000 (2012 – £687,000) including membership subscriptions totalling £319,000 (2012 – £323,000). There was an operating surplus amounting to £67,000 (2012 – £55,000). As in previous years we have provided additional disclosures of the financial activities of MPA as a separate company, which do not form part of the audited financial statements. These additional disclosures are on pages 35 and 36, including a detailed profit and loss account. The financial statements of MCPS and PMLL are made available separately.

Principal risks and uncertainties

The main issues and risks facing our industry and our members are discussed throughout this report. The MPA exists for its members and is financially dependent upon them. The main risk therefore facing the MPA is of losing the support of its members and our main strategy to mitigate this risk is to continue to provide vital and cost effective services to our members.

The risks and uncertainties faced by our subsidiary, MCPS, and the directors' approach to them are set out below.

Market risks

MCPS'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. The Directors consider that MCPS will be able to avoid incurring losses for the foreseeable future. MCPS's financial forecasts may prove to be inaccurate if the actual rate of decline in physical product sales is higher than forecast or if the actual rate of growth in the broadcast and online licensing areas is lower than forecast.

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

Legislative risks

MPA is subject to the risk of copyright law changing in the future to the detriment of MCPS and/or PMLL. MPA will be monitoring the implementation of the Collective Rights Management Directive into national law as referred to in the Going Concern of the Directors' report on p. 7

Strategic report (continued)

Principal risks and uncertainties (continued)

Liquidity and financial instrument risks

The nature of MCPS's operating model is such that it holds surplus cash; at the end of 2013 MCPS held cash of £12.2m (2012 – £29.2m) and amounts receivable from PfM and MPA increased from £30.7m at the end of 2012 to £53.4m at 31 December 2013. The Directors do not consider the amount receivable from PfM to be at risk. The Directors consider that the liquid resources of MCPS are sufficient to fund the operations for the foreseeable future. MCPS does not have material financial instrument risk.

Exposure to price and credit risk

MCPS and PMLL are exposed to pricing risk through the risk of licensing schemes being referred to the copyright tribunal. 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 MCPS's income through the concomitant effect on commission income.

MCPS is also exposed to pricing risk through the risk of licensing schemes being referred to the Copyright Tribunal.

The fact that, in the case of certain physical product license schemes, MCPS has committed to a fixed commission rate means that the option of increasing commission rates to compensate for falling volumes is not available to MCPS for the duration of the commitment. This commitment has been extended to June 2014. As part of the agreement for this extension, MCPS has been allowed to increase some of its commission rates from August 2014. Discussions are taking place on a new agreement, which MCPS anticipates will allow it to increase some commission rates further.

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.

On behalf of the Board

S Osborn
Chief Executive

20 May 2014

Registered No. 140248

Directors' report

The directors present their report and financial statements for the year ended 31 December 2013.

Results and dividends

The group profit for the year after taxation amounted to £13,170,000 (2012 – profit of £1,073,000). The company profit for the year after taxation amounted to £71,000 (2012 – profit of £59,000). The directors do not recommend a final dividend.

Future developments

The directors are aware that the markets in which the group (and in particular MCPS) operates, while giving rise to many challenges, are still a source of significant revenue for its customers and for members of MCPS. During 2013, the directors of MCPS and MPA were in discussions with the directors of PRS with a view to improving the future prospects of MCPS. The result of these discussions was an agreement between MCPS and PRS, discussed in more detail in the going concern section, which improves the future prospects of MCPS.

Going concern

The MPA group's business activities together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to price, liquidity and cash flow risk are set out in this Report of the Board.

The MPA is a standalone financially viable entity supported by its members. The MPA finances are not complex and costs are closely controlled to ensure they are covered by income. The directors have also considered the status of the MPA's new subsidiary, PMLL. PMLL collects and distributes license fees as agent for the members of the MPA, after deduction of administrative costs. It is expected to make neither a profit nor a loss and to only make distributions to the extent that monies are received.

As disclosed in their report, the directors of MCPS acknowledge 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 MCPS earns from licensing associated mechanical copyrights diminishes. MCPS'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 2013 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 remained stable aided by additional licensing and an increase in certain commission rates.

In March 2012 PRS and MCPS agreed a temporary change to the basis on which costs of PfM were charged to PRS and MCPS ('the Alliance Stability Deed'). In 2013 the effect of this agreement, which applied until 30 June 2013, was to reduce the losses that would have been reported in the absence of the agreement by £3m (2012 – £4.6m).

On 17 April 2013, MCPS signed an agreement ('the Alliance Stability Deal') to reconfigure its relationship with PRS. Under the 2013 Agreement, MCPS sold its shares in PfM for £1 on 1 July 2013 and entered into a contract with PRS for the provision of licensing services. This contract has an initial term of three years and six months. MCPS is able, under certain circumstances, to extend the contract thereafter. The price payable by MCPS for the services to be delivered by PRS accelerates the return of MCPS to profit and incentivises both parties to improve the profitability of MCPS and its future prospects. The Alliance Stability Deal also requires MCPS to reimburse the value of the support provided under the Alliance Stability Deed to the extent that there are profits to fund the reimbursement. £0.7m was repaid in 2013, therefore giving a breakeven result for the year.

Directors' report (continued)

Going concern (continued)

The March 2012 Agreement and the Alliance Stability deal have allowed the directors to conclude that the working capital of MCPS 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.

The directors of MCPS continue to monitor the company's profitability and prospects within its changing markets, and believe that given the resources mentioned above, the focus on reducing costs and in conjunction with the Alliance Stability deal, the going concern basis used in preparing the MCPS annual report and financial statements should continue to be used. The directors have also considered the status of the group's associate undertaking, CELAS. That company has made a profit for the year and has net assets and current assets.

The MPA notes that in April 2014 the European Union has adopted the Collective Rights Management Directive which will now pass into UK Law by no later than 2016 and which may well have an impact on the respective businesses of its subsidiaries MCPS and PMLL. The MPA together with MCPS and PMLL will assess the impact of the Directive and take all necessary steps to ensure compliance.

Therefore, after making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Board and committees

During the year, Roberto Neri replaced Mark Anders as Chairman of the Pop Publishers Committee, Richard Paine replaced Leslie East as Chairman of the Classical Publishers Committee, Ben Selby continued as Chairman of the Printed Music Publishers Committee and Natalie Longden replaced Kathryn Knight as Chair of the Education and Training Group.

Directors' report (continued)

Directors

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

M Anders (resigned 25 June 2013)
P Barnes
G Bhupsingh – Designated Director (appointed 21 February 2013)
C Butler – Designated Director
S Clark – Designated Director (appointed 8 July 2013)
P Connolly – Designated Director (resigned 23 January 2014)
P Cornish
A Cory-Smith – Designated Director (resigned 20 March 2014)
J Dyball – Designated Director (resigned 11 July 2013)
N Elderton
C Evans
J Fitzherbert-Brockholes – Designated Director
M Forte
S Groves
L Hawken (appointed 20 March 2014)
A Heath
S Hornall
D Kassner (appointed 25 June 2013)
A King
R King
P Long
J Minch
G Morris
S Navin (resigned 27 June 2013)
B Newing
S Platz
N Riddle (resigned 20 March 2014)
J Truelove

A Designated Director is a director who is nominated from within the six member companies with the highest gross annual income of the association.

The following members of the Board retire, having been determined by the drawing of lots, and are eligible under the Articles of Association for re-election if nominated:

P Barnes
S Groves
A Heath
A King
L Hawken
P Long

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 group'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.

Directors' report (continued)

Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

On behalf of the Board

S Osborn
Chief Executive

20 May 2014

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 group and the company and of the profit or loss of the group 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 Music Publishers Association Limited

We have audited the financial statements of Music Publishers Association Limited for the year ended 31 December 2013 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Statement of Cash Flows and the related notes 1 to 22. 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 10, 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 group's and the parent undertaking'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 Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 group's and of the parent undertaking's affairs as at 31 December 2013 and of the group's profit 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 (continued)

to the members of Music Publishers Association 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 by the parent undertaking, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent undertaking 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.

A.J. Glover

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

22 May 2014

Group profit and loss account

for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Turnover			
Turnover: group and share of joint venture's turnover		34,251	57,483
Less: share of joint venture's turnover		(19,259)	(42,099)
Group turnover	2	14,992	15,384
Administrative expenses		(16,927)	(17,009)
		(1,935)	(1,625)
Other operating income	3	1,176	466
Exceptional item – write off of loan	12	–	(4,930)
Gain on disposal of PfM	11	12,596	–
Group operating profit/(loss)	3	11,837	(6,089)
Share of operating profit in joint venture		16	7,781
Share of operating profit in associates	11	667	302
Total operating profit: group and share of joint venture and associates		12,520	1,994
Interest receivable and similar income		852	741
Interest payable and similar charges	6	(16)	(42)
Other finance costs	7	(116)	(1,181)
Profit on ordinary activities before taxation		13,240	1,512
Tax on profit on ordinary activities	8	(70)	(439)
Profit for the financial year	15	13,170	1,073

All amounts relate to continuing activities.

Group statement of total recognised gains and losses

for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Profit for the financial year attributable to members of the parent undertaking		13,170	1,073
Share of actuarial gain on joint venture pension plans	19	1,511	8,213
Share of deferred taxation on joint venture pension plans	11	(127)	(171)
Exchange difference on retranslation of net assets of joint venture and associates	11	(682)	(200)
Total recognised gains and losses relating to the year		13,872	8,915
Group		12,667	(5,385)
Joint venture	11	572	14,020
Associate	11	633	280
		13,872	8,915

Group balance sheet

at 31 December 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Tangible assets	10	10	11
Investment in associate	11(b)	258	138
Other investments	11(c)	6	6
		274	155
Current assets			
Debtors	12	58,146	34,347
Investments – short-term deposits		–	28,000
Cash at bank and in hand		14,430	1,781
		72,576	64,128
Creditors: amounts falling due within one year	13	(4,261)	(1,701)
Royalties payable	14	(80,810)	(75,507)
		(85,071)	(77,208)
Net current liabilities		(12,495)	(13,080)
Total assets less current liabilities		(12,221)	(12,925)
Joint venture deficit:			
Share of gross assets		–	35,888
Share of gross liabilities		–	(49,056)
	11(a)	–	(13,168)
Net liabilities		(12,221)	(26,093)
Capital and reserves			
Profit and loss account	15	(12,221)	(26,093)
Shareholders' deficit	15	(12,221)	(26,093)

The accounts were signed on behalf of the Board by:

Chris Butler

Chairman

20 May 2014

Company balance sheet

at 31 December 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Tangible assets	10	10	11
Current assets			
Debtors	12	43	18
Cash at bank and in hand		1,022	546
		1,065	564
Creditors: amounts falling due within one year	13	(883)	(454)
Net current assets		182	110
Total assets less current liabilities		192	121
Capital and reserves			
Profit and loss account	15	192	121

The accounts were signed on behalf of the Board by:

Chris Butler

Chairman

20 May 2014

Group statement of cash flows

for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Net cash outflow from operating activities	16(a)	(16,691)	(48)
Returns on investments and servicing of finance			
Interest receivable		830	704
Net cash inflow from returns on investments and servicing of finance		830	704
Capital expenditure			
Payments to acquire tangible fixed assets		(4)	(6)
Net cash outflow from capital expenditure		(4)	(6)
Net cash inflow from investing activities	16(b)	514	–
Net cash (outflow)/inflow before management of liquid resources		(15,351)	650
Management of liquid resources			
Decrease/(increase) in short-term deposits	16(c)	28,000	(9,000)
Increase/(decrease) in cash		12,649	(8,350)

Reconciliation of net cash flow to movement in net funds

		2013 £000	2012 £000
Increase/(decrease) in cash		12,649	(8,350)
Cash (inflow)/outflow from movement in liquid resources		(28,000)	9,000
Movement in net funds in the year	16(d)	(15,351)	650
Net funds at 1 January		29,781	29,131
Net funds at 31 December	16(d)	14,430	29,781

Notes to the financial statements

at 31 December 2013

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention in accordance with UK applicable accounting standards. Because of the differing activities of the MPA and its main subsidiary, MCPS, the accounting policies presented here combine the policies of the two companies on the basis the directors consider most appropriate to the circumstances of the group as a whole.

Going concern

The MPA group's business activities together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to price, liquidity and cash flow risk are set out in this Report of the Board.

The MPA is a standalone financially viable entity supported by its members. The MPA finances are not complex and costs are closely controlled to ensure they are covered by income. The directors have also considered the status of the MPA's new subsidiary undertaking, PMLL. PMLL collects and distributes license fees as agent for the members of the MPA, after deduction of administrative costs. It is expected to make neither a profit nor a loss and to only make distributions to the extent that monies are received.

As disclosed in their report, the directors of MCPS acknowledge 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 MCPS earns from licensing associated mechanical copyrights diminishes. MCPS'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 2013 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 remained stable aided by additional licensing and an increase in certain commission rates.

In March 2012 PRS and MCPS agreed a temporary change to the basis on which costs of PfM were charged to PRS and MCPS ('the Alliance Stability Deed'). In 2013 the effect of this agreement, which applied until 30 June 2013, was to reduce the losses that would have been reported in the absence of the agreement by £3m (2012 – £4.6m).

On 17 April 2013, MCPS signed an agreement ('the Alliance Stability Deal') to reconfigure its relationship with PRS. Under the 2013 Agreement, MCPS sold its shares in PfM for £1 on 1 July 2013 and entered into a contract with PRS for the provision of licensing services. This contract has an initial term of three years and six months. MCPS is able, under certain circumstances, to extend the contract thereafter. The price payable by MCPS for the services to be delivered by PRS accelerates the return of MCPS to profit and incentivises both parties to improve the profitability of MCPS and its future prospects. The Alliance Stability Deal also requires MCPS to reimburse the value of the support provided under the Alliance Stability Deed to the extent that there are profits to fund the reimbursement. £0.7m was repaid in 2013, therefore giving a breakeven result for the year.

The March 2012 Agreement and the Alliance Stability deal have allowed the directors to conclude that the working capital of MCPS 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.

The directors of MCPS continue to monitor the company's profitability and prospects within its changing markets, and believe that given the resources mentioned above, the focus on reducing costs and in conjunction with the Alliance Stability deal, the going concern basis used in preparing the MCPS annual report and financial statements should continue to be used. The directors have also considered the status of the group's associate undertaking, CELAS. That company has made a profit for the year and has net assets and current assets.

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

Going concern (continued)

The MPA notes that in April 2014 the European Union has adopted the Collective Rights Management Directive which will now pass into UK Law by no later than 2016 and which may well have an impact on the respective businesses of its subsidiaries MCPS and PMLL. The MPA together with MCPS and PMLL will assess the impact of the Directive and take all necessary steps to ensure compliance.

Therefore, after making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Group financial statements

The group financial statements consolidate the financial statements of Music Publishers Association Limited and its trading subsidiary undertakings, Mechanical-Copyright Protection Society Limited and Printed Music Licensing Limited, drawn up to 31 December each year. No profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006.

Entities in which the group holds an interest on a long-term basis and which are jointly controlled by the group and one or more other ventures under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the gross equity method.

Entities, other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the group financial statements, associates are accounted for using the equity method.

In the parent undertaking financial statements investments in subsidiaries, joint ventures and associates are accounted for at the lower of cost and net realisable value.

Definitions

'MCPS' means Mechanical-Copyright Protection Society Limited.

'PRS' means Performing Right Society Limited.

'PfM' means PRS for Music Limited.

'ICE' means International Copyright Enterprise A.B.

'CELAS' means CELAS GmbH.

'NMP' means Network of Music Partners A/S.

'PMLL' means Printed Music Licensing Limited.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Furniture and fittings	–	25% per annum
Office machinery/software	–	25%-33⅓% per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

Revenue recognition

Subscription income is included in the profit and loss account on an accruals basis in accordance with members' declarations as to subscription category. All other income is accounted for on an accruals basis except reproduction fees which are accounted for as they are received.

Commission on royalties is based on distributions made within the financial year.

All revenue is stated net of value added tax.

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.

Foreign currencies

Company

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

Monetary assets and liabilities denominated 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.

Group

The financial statements are translated at the rate of exchange ruling at the balance sheet date, other than those of the Irish branch of MCPS, which have been translated at the average rate for the year. The exchange differences arising on the retranslation of opening net assets are taken directly to reserves. All other differences are taken to the profit and loss account.

Operating leases

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

Pensions

Until 30 June 2013 the Group participated in two multi-employer defined benefit pension schemes and one multi-employer defined contribution pension scheme, operated by PfM, of which MCPS held a 50% share for the first half of the year. Appropriate proportions of pension costs were recharged to MCPS and these costs are charged to the profit and loss account.

The defined benefit schemes require contributions to be made to separately administered funds. The MCPS-PRS Alliance Pension Scheme (MCPS) (formerly the MCPS scheme) was closed to new entrants from 1 January 1999 and The MCPS-PRS Alliance Pension Scheme (formerly the PRS scheme) was closed to new entrants from 1 January 2003. The schemes closed to future accrual on 31 December 2010 with all remaining active members at that point becoming deferred members and losing the link to final salary.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the profit or loss account on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the charge in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest costs is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Additional disclosures are included in note 19 to these accounts in relation to the deficits in the schemes.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Notes to the financial statements

at 31 December 2013

2. Turnover

Turnover all relates to continuing activities and is exclusive of Value Added Tax.

Type of activity

	2013	2012
	£000	£000
Commission/charge levied on distributions	14,673	15,061
Subscriptions	319	323
	14,992	15,384

Geographical area

	2013	2012
	£000	£000
United Kingdom	13,703	14,721
Ireland	208	304
Rest of the world	1,081	359
	14,992	15,384

3. Group operating profit/(loss)

This is stated after charging/(crediting):

		2013	2012
		£000	£000
Auditor's remuneration	– audit services relating to the company	6	6
	– audit services relating to subsidiaries	31	23
Depreciation of owned fixed assets		5	4
Loss on disposal of fixed assets		–	1
Operating lease rentals	– land and buildings	16	14
	– other	3	2
PRS service charge		8,850	–
Other operating income:			
Minor sums		(926)	(230)
Fees receivable and other income		(250)	(236)
		(1,176)	(466)

Notes to the financial statements

at 31 December 2013

4. Directors' remuneration

	2013	*2012*
	£000	*£000*
Remuneration	175	274
Contributions paid to defined contribution pension schemes	8	15
	No.	*No.*
Members of defined contribution pension schemes	1	1

Remuneration includes the fees paid to the MPA Chief Executive plus those directors only who are simultaneously on both the MPA and MCPS boards.

5. Staff costs

	2013	*2012*
	£000	*£000*
Wages and salaries	203	157
Social security costs	30	32
Other pension costs – defined contribution scheme	13	18
	246	207

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

	No.	*No.*
Membership administration	7	7

MCPS had no employees during this year or last year, other than its directors. Staff who work on the affairs of MCPS are employed by PfM, with a service fee paid to its parent company PRS as part of the Alliance Stability Deal.

6. Interest payable and similar charges

	2013	*2012*
	£000	*£000*
Share of associates' bank interest	(16)	(42)

Notes to the financial statements

at 31 December 2013

7. Other finance costs

	2013	*2012*
	£000	*£000*
Share of joint venture's interest:		
Expected return on pension scheme assets	2,081	3,582
Interest on pension scheme liabilities	(2,197)	(4,763)
	(116)	(1,181)

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2013	*2012*
	£000	*£000*
Current tax:		
UK corporation tax on the result for the year	–	–
Group current tax	–	–
Share of joint venture's current tax	–	351
Share of associate's current tax	(170)	11
Adjustment in respect of prior years	12	(81)
Total current tax (note 8(b))	(158)	281
Deferred tax:		
Share of joint venture's deferred tax	228	158
Group deferred tax (note 8(c))	228	158
Tax on profit on ordinary activities	70	439

Notes to the financial statements

at 31 December 2013

8. Tax (continued)

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are explained below:

	2013	*2012*
	£000	*£000*
Profit on ordinary activities before tax	13,240	1,512
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	3,078	370
Effects of:		
Profit chargeable at lower company rate	–	(2)
Adjustments for transfer pricing	100	245
Pension contributions	(978)	(669)
Expenses not deductible for tax purposes	48	203
Capital allowances in advance of depreciation	(104)	(23)
Profit on disposal of assets not taxable	(3,049)	(739)
Current year loss not utilised	1,072	700
Utilisation of tax losses	(149)	(74)
Losses carried back to prior year	(188)	–
Consortium relief surrendered to MCPS	–	351
Prior year adjustment	12	(81)
Current tax for the year (note 8(a))	(158)	281

(c) Deferred tax

Group

	2013	*2012*
	£000	*£000*
Arising on pension deficit	–	1,460
Recognised on pension spreading deduction	–	351
	–	1,811

Share of movement on joint venture deferred tax asset:

	£000
At 1 January 2013	1,811
Effect of change in tax rate	(127)
Disposal of joint venture	(1,456)
Debited to the profit and loss account	(228)
At 31 December 2013	–

Notes to the financial statements

at 31 December 2013

8. Tax (continued)

(c) Deferred tax (continued)

The group has not recognised a deferred tax asset relating to its subsidiary MCPS of £1,880,000 (2012 – £2,453,000) in respect of losses due to insufficient certainty of future trading profits.

(d) Factors that may affect future tax charges

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

Due to legislative changes, the corporation tax rate reduced by 2% from 23% to 21% on 1 April 2014 and 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.

9. Profit attributable to members of parent undertaking

The profit dealt with in the financial statements of the parent undertaking is £71,000 (2012 – profit of £59,000).

10. Tangible fixed assets

Group and company

	Software	*Office machinery/ furniture and fittings*	*Total*
	£000	*£000*	*£000*
Cost:			
At 1 January 2013	24	25	49
Additions	4	–	4
Disposals	(1)	–	(1)
At 31 December 2013	27	25	52
Depreciation:			
At 1 January 2013	13	25	38
Provided during the year	5	–	5
Disposals	(1)	–	(1)
At 31 December 2013	17	25	42
Net book value:			
At 31 December 2013	10	–	10
At 1 January 2013	11	–	11

Notes to the financial statements

at 31 December 2013

11. Investments

	2013 £000	2012 £000
Joint venture (a)	–	(13,168)
Associates (b)	258	138
Other investments (c)	6	6
	264	(13,024)

(a) Joint venture

	£000
At 1 January 2013	(13,168)
Disposal of joint venture	12,596
Share of operating profit retained by joint venture	16
Exchange difference on retranslation of net assets of joint venture	(682)
Share of actuarial gain on joint venture pension plans	1,511
Share of bank interest receivable retained by joint venture	39
Share of interest payable retained by joint venture	(16)
Share of other Finance costs retained by joint venture	(116)
Share of deferred taxation on joint venture pension plans	(127)
Share of tax retained by joint venture	(53)
At 31 December 2013	–

The group's joint venture, PfM, is a provider of operational services, of which MCPS held a 50% share until 30 June 2013, when it sold its share to PRS.

(b) Associates

	£000
At 1 January 2013	138
Capital repayment	(513)
Share of operating profit retained by associate	667
Share of interest payable retained by associate	(17)
Share of tax retained by associate	(17)
At 31 December 2013	258

The group's associate, CELAS, licenses online rights on a pan-European basis. The group holds 25% of the shares.

Notes to the financial statements

at 31 December 2013

11. Investments (continued)

(c) Other investments

	£000
At 1 January 2013 and 31 December 2013	6

The group's other investments are stated at historical cost. MCPS holds 100% of the shares in Ampleform Limited and 50% of the shares in National Discography Limited. Both companies are non-trading.

Parent undertaking

	Subsidiary undertaking £000
Cost:	
At 1 January 2013 and 31 December 2013	73
Amounts provided:	
At 1 January 2013 and 31 December 2013	(73)
Net book value:	
At 1 January 2013 and 31 December 2013	–

Details of the investments in which the group and the parent undertaking 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 and shares held*	*Nature of business*	*Country of incorporation*
Subsidiaries				
Mechanical-Copyright Protection Society Ltd	Ordinary shares	100%	Collection and distribution of royalties	England and Wales
European Music Rights Organisation Ltd (EMRO)	Ordinary shares	100%	Dormant	England and Wales
Printed Music Licensing Ltd (PMLL)	Ordinary shares	100%	Licensing of printed music	England and Wales
Ampleform Ltd	Ordinary shares	100% †	Dormant	England and Wales
Joint venture				
National Discography Ltd	Ordinary shares	50%†	Dormant	England and Wales
Associates				
CELAS GmbH	Ordinary shares	25%†	Licensing online rights	Germany
British Music Rights Ltd	Ordinary shares	25%†	Dormant	England and Wales

† Held by or via a subsidiary undertaking

Notes to the financial statements

at 31 December 2013

11. Investments (continued)

Until 30 June 2013 PfM was jointly owned by MCPS and PRS. Its principal activity is to provide operational services to the two societies. For the first half of the year the costs incurred by the company were recharged to each society according to the services provided.

In August 2012, the MPA incorporated a new wholly-owned subsidiary, Printed Music Licensing Limited (PMLL), to manage the licensing of the right by schools to copy printed music. PMLL became operational in 2013.

At 31 December 2013 the group owned 25,000 ordinary €1 shares, being 25% of the issued share capital of CELAS GmbH, which 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 and 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.

For the year ended 31 December 2013 CELAS showed a net profit of €1.5m (2012 – profit of €1.4m). The company had net assets of €1.2m (2012 – €2.1m) at the year-end.

MCPS owns 25% of British Music Rights Ltd a company limited by guarantee. This company does not trade.

MPA owns 10% of UK Music 2009 Ltd, a company limited by guarantee.

12. Debtors

		Group		*Company*
	2013	*2012*	*2013*	*2012*
	£000	*£000*	*£000*	*£000*
Trade debtors	1,114	1,336	17	5
Amounts owed by PfM	53,412	30,695	–	–
Amounts owed by subsidiary undertaking	–	–	1	–
Other taxes	3,296	2,064	–	–
Prepayments and accrued income	14	9	–	9
Other debtors	310	243	25	4
	58,146	34,347	43	18

In 2012 MCPS impaired the carrying value of the long-term pension loan balances of £4,930,000 in anticipation of the loans being waived as a condition of the Alliance Stability deal signed in April 2013.

Notes to the financial statements

at 31 December 2013

13. Creditors: amounts falling due within one year

		Group		*Company*
	2013	*2012*	*2013*	*2012*
	£000	*£000*	*£000*	*£000*
Trade creditors	109	45	108	45
Amounts owed to subsidiary undertaking	–	–	253	–
Scholarship fund	10	7	10	7
Other taxes and social security costs	1,530	1,012	37	22
Other creditors, accruals and deferred income	2,612	637	475	380
	4,261	1,701	883	454

14. Royalties payable

The group's liability to account for royalties payable accrues when amounts due from the corresponding users of the copyright works are received. Of the £80.8m royalties payable as at 31 December 2013, £79.5m related to MCPS and £1.3m related to PMLL (2012 – £75.5m and £nil respectively). As at 31 December 2013, potential amounts both receivable and payable of £8.9m (2012 – £11.6m), in respect of transactions where amounts due from users had not been received, were recorded within royalties payable. £29,000 of the £8.9m related to PMLL (2012 – £nil).

15. Reconciliation of shareholders' deficit and movements on reserves

Group	*Revaluation reserve*	*Profit and loss account*
	£000	*£000*
At 1 January 2012	8,971	(43,979)
Profit for the year	–	1,073
Share of actuarial gains on joint venture pension plans	–	8,213
Share of deferred taxation on joint venture pension plans	–	(171)
Exchange difference on retranslation of net assets of associate undertakings	–	(200)
Transfers between reserves	(8,971)	8,971
At 1 January 2013	–	(26,093)
Profit for the year	–	13,170
Share of actuarial gains on joint venture pension plans	–	1,511
Share of deferred taxation on joint venture pension plans	–	(127)
Exchange difference on retranslation of net assets of associate undertakings	–	(682)
At 31 December 2013	–	(12,221)

Notes to the financial statements

at 31 December 2013

15. Reconciliation of shareholders' deficit and movements on reserves (continued)

Company	*Profit and loss account £000*
At 1 January 2012	62
Profit for the year	59
At 1 January 2013	121
Profit for the year	71
At 31 December 2013	192

16. Notes to the statement of cash flows

(a) Reconciliation of group operating profit/(loss) to net cash outflow from operating activities

	2013 £000	*2012 £000*
Group operating profit/(loss)	11,837	(6,089)
Profit on disposal of joint venture	(12,596)	–
Increase in amounts due from associated undertakings	(22,717)	(1,097)
Increase in debtors	(1,231)	(275)
Increase in creditors – royalty	3,950	7,223
Increase in creditors – non-royalty	4,061	185
Loss on disposal of fixed assets	–	1
Depreciation	5	4
Net cash outflow from operating activities	(16,691)	(48)

(b) Cash flows from investing activities

Proceeds from disposal	1	–
Repayment of capital	513	–
Net cash outflow from operating activities	514	–

(c) Management of liquid resources

	2013 £000	*2012 £000*
Short-term deposits made	(38,002)	(28,000)
Short-term deposits repaid	66,002	19,000
	28,000	(9,000)

Notes to the financial statements

at 31 December 2013

16. Notes to the statement of cash flows

(d) Analysis of net funds

	At 1 January 2013	*Cash flow*	*At 31 December 2013*
	£000	*£000*	*£000*
Cash at bank and in hand	1,781	12,649	14,430
Liquid resources – short-term deposits	28,000	(28,000)	–
	29,781	(15,351)	14,430

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

17. Members' guarantees

There were 268 members of MPA at 31 December 2013 each of whom has guaranteed to contribute up to £3 in the event of the winding-up of the Company.

18. Capital commitments

The group had no capital commitments at 31 December 2013 (2012 – £nil).

Notes to the financial statements

at 31 December 2013

19. Pensions

Until 30 June 2013 the group participated in two defined benefit pension schemes, operated by PfM, both of which require contributions to be made to separately administered funds. The MCPS-PRS Alliance Pension Scheme (MCPS) (formerly the MCPS scheme) was closed to new entrants from 1 January 1999 and The MCPS-PRS Alliance Pension Scheme (formerly the PRS scheme) was closed to new entrants from 1 January 2003. On 31 December 2010 the schemes were closed to future accrual with active members losing the link to final salary.

In March 2013 the triennial valuation of the pension schemes was completed. The deficit funding plan was reconfirmed between PfM and the trustees of the schemes, with funding remaining at the same level as in prior years. This plan involves PfM making annual payments into the schemes in order to address the deficit by 2024.

Prior to the completion of the triennial valuation the value of these properties recognised on the balance sheet of PfM was £1.4m. For the purposes of the security, they are valued at an open market value in line with the requirement of the Board of the Pension Protection Fund (which assumes the buildings have been returned to their original state) of £1.38m. They were valued in March 2013 by Altus Edwin Hill.

The group's 50% share of changes in the present value of the defined benefit obligations are analysed as follows:

	2013	*2012*
	£000	*£000*
At 1 January	(100,828)	(102,473)
Benefits paid	1,267	2,275
Interest cost	(2,197)	(4,763)
Actuarial (losses)/gains	(88)	4,133
At 30 June/31 December	(101,846)	(100,828)

The group's 50% share of changes in the fair value of plan assets are analysed as follows:

	2013	*2012*
	£000	*£000*
At 1 January	90,546	68,504
Expected return on plan assets	2,082	3,581
Employer contributions	2,140	16,656
Benefits paid	(1,267)	(2,275)
Actuarial gains	1,599	4,080
At 30 June/31 December	95,100	90,546
FRS 17 deficit in schemes	(6,746)	(10,282)
Related deferred tax asset	1,282	1,460
Net pension liability	(5,464)	(8,822)

Notes to the financial statements

at 31 December 2013

19. Pensions (continued)

The group's 50% share of amounts recognised in the statement of total recognised gains and losses for the year are analysed as follows:

	2013	*2012*
	£000	*£000*
Actual return on scheme assets	3,680	7,662
Less: expected return on scheme assets	(2,081)	(3,582)
	1,599	4,080
Other actuarial gains and losses	(88)	4,133
Actuarial gain recognised in the Statement of Total Recognised Gains and Losses	1,511	8,213

20. Other financial commitments

At 31 December 2013 the group had annual commitments under non-cancellable operating leases as set out below:

Group and company		*2013*		*2012*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
Within one year	16	–	14	–
In two to five years	–	3	–	2
	16	3	14	2

Operating leases for land and buildings are a related party transaction between PfM and MPA, as detailed in note 22.

21. Contingent liabilities

At 31 December 2013, the group has a contingent liability of £6,830,000 (2012 – £4,564,000) potentially due to PRS as a result of the cost sharing amendments made during the year, which reduced MCPS's share of the administrative costs recharged from PfM by £6,830,000 after repayment of £734,000 referred to below. The Alliance Stability deal requires repayment of this amount once MCPS returns to profitability. The amount is net of £734,000 repaid in 2013. As disclosed in the Directors' Report and note 1, there is uncertainty as to when this will be because of the continuing decline in the audio market. At present, whilst fully acknowledging the liability, the directors have concluded that the degree of uncertainty is such as to preclude recognition of it in the group's 2013 financial statements.

Notes to the financial statements

at 31 December 2013

22. Related party transactions

Group

All members of the group, the directors and parties related to them are entitled to royalties from the group. Parties related to directors include family members and companies controlled by these directors including, where appropriate, publishing companies and their subsidiaries.

During 2013, total royalties paid by MCPS to the directors of MCPS and to parties related to the directors amounted to £50.1m (2012 – £78.1m). These royalties were calculated on the same basis as royalties paid to all members and are paid in accordance with MCPS's normal procedures. There were no transactions with the Executive Directors of MCPS during the year.

Also during 2013 PfM recharged fees to its parent companies, which until 30 June 2013 included MCPS. This amounted to a charge to MCPS of £9.7m (2012 – £21.0m) comprising £9.7m (2012 – £16.1m) of administrative costs. The 2012 comparative included the loan write off of £4.9m. At 31 December 2013 PfM owed MCPS £53.4m (2012 – £30.7m).

During 2013 MCPS paid to PRS a service charge of £8.9m (2012 - £nil).

Due to the highly integrated nature of the industry many directors will also be related to customers of the group, 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.

Parent undertaking

Throughout both financial years MPA, the parent undertaking, was under the control of the MPA Board. The MPA Board comprises music publishers and these members are directors for Companies Act purposes. Parties related to Board members are entitled to royalties from the parent undertaking's subsidiary undertaking MCPS. Parties related to Board members include family members and companies controlled by Board members.

During the year ended 31 December 2013, royalties were paid by MCPS to parties related to Board members. These royalties were calculated on the same basis as royalties paid to all members of MCPS and are paid in accordance with normal MCPS procedures.

Subscriptions received during the year include income from publishing companies related to Board members. These subscriptions have been calculated on the same basis as all subscriptions received.

The Board does not consider any such transactions are material to the reader of these financial statements.

During the year MPA made charges of £150,000 (2012 – £150,000) to its subsidiary undertaking, MCPS, and charges of £10,000 (2012 – £nil) to its subsidiary undertaking PMLL.

During the year PfM charged MPA £16,222 (2012 – £16,222) for rent and other services. At 31 December 2013 MPA owed MCPS £253,349 (2012 – £100).

Additional management information (not audited)

for the year ended 31 December 2013

The following page does not form part of the statutory financial statements which are the subject of the independent auditors' report on pages 11 to 12.

Detailed company profit and loss account

for the year ended 31 December 2013

	2013	*2012*
	£	*£*
Net Income		
Subscriptions	319,425	323,205
Management charge to subsidiary companies	160,000	150,000
Sundry receipts	44,412	47,600
Association functions and projects	107,699	101,606
Trade Fairs	–	30,937
ISMNs	1,133	4,597
Training courses and conferences	42,382	28,895
Total income	675,051	686,840

Detailed company profit and loss account (continued)
for the year ended 31 December 2013

	2013	2012
	£	£
Administrative expenses		
Staff salaries and social security	232,289	189,579
Pension scheme costs	13,536	17,827
Directors' remuneration	66,454	130,731
Other staff costs	3,498	2,795
Rent, rates, service charge and cleaning	15,879	16,222
Postage and couriers	1,130	1,127
Telephone and internet	4,366	4,580
Travelling and entertainment	6,699	4,262
Association functions and projects	102,234	96,372
ISMNs	2,312	2,180
Training courses and conferences	11,226	2,434
Attendance at industry functions	5,920	4,724
Royalty charges	297	–
Gold Badges	177	519
General expenses	2,289	1,147
Printing and stationery	4,150	2,491
Insurance	1,800	1,464
Accountancy charges	19,654	18,840
Audit fees	21,300	6,100
Legal and professional	40,246	37,703
Subscriptions and donations	23,508	22,170
Trade fairs and exhibition expenses	2,626	35,197
Press and publicity	6,935	5,625
Promotion and website	2,408	7,676
Lease photocopiers	2,925	2,412
Computer expenses and maintenance	5,814	8,676
Depreciation	5,018	4,136
Books and journals	747	742
Training	1,280	1,368
Bank charges and interest	1,050	956
Bad debts	–	1,667
	607,767	631,722

	2013	2012
	£	£
Operating surplus	67,284	55,118
Interest receivable and similar income	3,385	3,482
Profit on ordinary activities before taxation	70,669	58,600
Tax	–	–
Profit for the financial year	70,669	58,600