



Company Registration No. 00199120 (England and Wales)

Mechanical-Copyright Protection Society Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2019



Mechanical-Copyright Protection Society Limited

COMPANY INFORMATION

Directors

Writer

J Nott

Publishers

J Alway

W Downs

M Lavin

J Minch

R Neri

S Platz

Executive Director

P Clements

External Director

R Constant

Officer

Chairman

C Butler

Secretary

S Burton

Company number

00199120

Registered office

2nd Floor, Synergy House
114-118 Southampton Row
London
WC1B 5AA

Independent auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

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MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the Strategic Report and Financial Statements for the year ended 31 December 2019.

Review of the Business

Since 1 July 2013 Mechanical-Copyright Protection Society Limited ("the company") has operated under a contract known as the Alliance Stability Deal (the 'Deal') with Performing Right Society Limited ('PRS'), whereby PRS's subsidiary PRS for Music Limited ('PfM') provides substantially all the company's operational services in return for a fixed fee. The Deal also required the company to adjust its payments for the support provided under the Alliance Stability Deed to the extent that it generates net profits after tax to fund the additional contribution. The adjustment to the Alliance Stability Deed was fully repaid in 2015. The total additional contributions paid by MCPS to PRS under the Deal was £7.5m. At the commencement of the Deal MCPS had a negative Statement of Financial Position of £12.6m. As at 31 December 2019 the Statement of Financial Position returns to a positive position. This is the first year since the dissolution of the "MCPS-PRS Alliance" that MCPS has returned to a net positive position.

In April 2013 the company entered into a service level agreement (SLA) with PRS for the administration of the day to day operational services of the business. This SLA was for a period of 3 years and 6 months ending on 31 December 2016. An extension to 30 June 2017 was agreed in 2016 and negotiations for a new service agreement were concluded in 2017, with a new 5-year contract and a renegotiated fixed fee coming into effect from 1 July 2017.

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

	2019	2018	Change
	£000	£000	£000
Profit before taxation	2,492	3,795	(1,303)
Gross royalties distributed (including suspense and minor sums)	143,406	142,461	945
Commission on distributions [Note 3]	12,644	15,468	(2,824)
Administrative expenses	13,810	13,680	(130)

Expenses have increased by 0.95% in 2019 (2018: decreased by 9.3%).

In anticipation of returning to a positive Statement of Financial Position during 2019, the Board agreed three measures intended to increase member distributions. The measures were:

1. Effective from August 2019, reduce the minor sums threshold from £3 down to £2. The Board are committed to reducing this threshold further in 2020.
2. Reduce the Limited Manufacture Department for Education scheme commission rate from 20% to 10%, effective from 2019.
3. Introduce a rebate scheme for excess commission earnings. Under this scheme all MCPS members who received a distribution in 2019 will receive a pro-rated, single sum distribution during 2020.

Principal risks and uncertainties

The directors established a Finance, Audit and Risk Committee in 2014 and delegated to it responsibility for monitoring and management of risks. The Finance, Audit and Risk Committee met twice in 2019. The principal risks and uncertainties that the company is exposed to can be grouped into the following categories:

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STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Market risks

While sales of physical product have not declined as quickly as was predicted, the company's business is transforming from one that is dominated by physical market licensing to one in which this source of income makes a less significant financial contribution and in which broadcast licensing values (including Digital AV services) continue to grow. The directors consider that the company will be able to be profitable for the foreseeable future. However, the company is still exposed to risk if its financial forecasts prove to be inaccurate and the actual rate of decline in physical product sales is higher than forecast or the actual rate of growth in the broadcast areas is lower than forecast.

Competitors successfully attracting members away from the company, and/or members deciding to partially or wholly withdraw their rights to enter into direct agreements with licensees, would also adversely affect levels of future income and the profitability of the company.

In December 2014, the MPA incorporated a new subsidiary, Independent Music Publisher's EL Limited (IMPEL). IMPEL was set up with the intention that it would manage online pan-European licensing on behalf of certain independent music publisher members, which licensing has been administered to date by PRS and then by ICE Services on behalf of PRS. IMPEL has not traded since incorporation and did not trade during 2019. A new, completely independent, IMPEL company was set up in 2017, outside of the MPA group of companies by certain independent publishers. Some online mandates currently administered by MCPS moved to the new IMPEL over the past two years, others moved to direct licensing arrangements with third parties in the UK and Europe. In addition, it is anticipated that some other online mandates currently administered by MCPS could, as has been the case in recent years, move to third party administration services during 2020 or thereafter. Subsequently licensing, distributions, commission earnings and attendant costs that relate to any such lost mandate will no longer be reported through MCPS.

Legislative risks

The company is subject to the risk of copyright law changing in the future to the company's detriment. The company is not aware of any pending copyright legislation that would, if enacted, have an adverse impact on the company's business or prospects. However, the company is aware of the Collective Rights Management Directive and the company has agreed a Memorandum of Understanding with the Intellectual Property Office to ensure it is applying the CRM Directive where practical. Should the European Copyright Directive pass into law, there is a small risk associated with how it may be implemented into national law and the extent to which any deviations of interpretation might create complexities in licensing.

On 23 June 2016 the UK electorate voted to leave the European Union. This decision commenced a process that was completed on 31 January 2020, when the UK formally withdrew from the European Union. There will be a transition period, currently scheduled to end on 31 December 2020, during which time future economic arrangements are to be agreed between the UK and EU. It is anticipated that there will be a continued period of uncertainty for the UK economy with increased volatility expected in the financial markets.

Liquidity and financial instrument risks

The nature of the company's operating model is such that it holds surplus cash; at the end of 2019 the company held cash and cash equivalents of £93.2m and £25m in deposit accounts requiring > 3 months notice (2018 – £56.3m and £25m). The company also had amounts receivable from PRS of £1.25m and a payable to PfiM of £2.1m at 31 December 2019 (2018 - total receivable from PRS and PfiM of £29.7m). The directors do not consider the amount receivable from PRS to be at risk. The directors consider that the liquid resources of the company are sufficient to fund the operations for the foreseeable future. The company does not have material financial instrument risk.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Exposure to price and credit risk

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

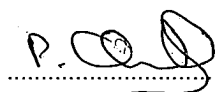
The company is committed to operating under the terms of the Cannes IV agreement which places a cap on commission rates for certain physical product license schemes within the market and so restricts the company's option of increasing commission rates to compensate for falling volumes.

Credit risk is the risk that a debtor will cause a financial loss for the other party by failing to discharge a payment obligation. Company policies are aimed at minimising such losses and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness tests. Details of the company's debtors are shown in note 11 to the financial statements.

Covid-19 risk

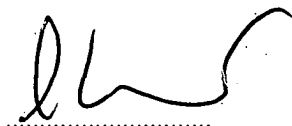
Management have made a full assessment of the impact of Covid-19 on the business and this has been disclosed in the Directors report. There are no proposed changes to the going concern disclosures of the accounts.

On behalf of the board



P Clements
Director

11/08/2020



C Butler
Chairman

11/08/2020

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their Annual Report and the audited Financial Statements for the company for the year ended 31 December 2019.

Principal activities

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

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Writer

J Nott

Publishers

J Alway

W Downs

N Elderton (resigned 21 June 2019)

M Lavin

J Minch

R Neri (appointed 20 June 2019)

S Platz

Executive Director

P Clements (appointed 3 July 2019)

J Dyball (resigned 22 January 2019)

External Director

R Constant

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

Chairman

Christopher Butler continued as the non-statutory chairman.

Results and dividends

The results for the year are set out on page 11.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend (2018 - £nil).

Qualifying third party indemnity provisions

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 s234. Such qualifying third-party indemnity provision was in force during the financial year and also at the date of approving the directors' report.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Future developments

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

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Corporate governance

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

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Going concern

The business of the company continues to undergo a transition. As sales of physical products, such as compact discs and DVDs continue to decline, the commission that the company earns from licensing associated mechanical copyrights diminishes. The decline reported in previous financial statements continued in 2019. Commission from licensing broadcasters' use of the mechanical right has increased in 2019, due to distributions delayed from 2018 being made in 2019. While there were delays to broadcast distributions in 2019, they were not as significant as the previous year, £3.6m in 2019 (£10m in 2018). The company's other main source of income, commission from licensing the mechanical right for online uses, has decreased in 2019, primarily due to increased delays in online licensing, processing and distribution.

Overall royalties distributed have remained in line with 2018, increasing slightly by £0.9m. This is despite delayed and under distributions in broadcast (£3.6m), delayed distributions in online (£10m) and delayed licensing leading to delayed distributions in General Entertainment Online Licensing (£3m). Excluding suspense of £0.6m in 2019 (2018: £0.2m), minor sums release of £1.8m in 2019 (2018: £1.1m) and an adjustment of £3m for surplus profits to be distributed back to members (2018: £nil), overall commission has increased slightly due to higher commission rates being attributable to broadcast distributions and the catch-up of certain 2018 delays in 2019. Although it remains the continued intention of the board to catch up the delayed distributions in 2020, the outcome remains dependent on our SLA partners improving their performance.

A new 5-year service level agreement ("SLA") was signed with PFM, effective from 1 July 2017. This agreement delivered renegotiated fee levels along with a stringent set of Key Performance Indicators (and attendant reporting), which allow the board greater insight into and control of MCPS day to day business. As part of the new SLA, MCPS and PRS have undertaken an evaluation of the MCPS licensing structure and, for the first time since the dissolution of the Alliance, MCPS approved a 5-year growth strategy and a 5-year forecast during 2019. MCPS has also concluded a comprehensive review of its membership agreement, the MA2. The next stage in this process is the review of the technical infrastructure requirements necessary to implement the revised membership agreement. This work commenced in 2019 and will continue through 2020.

At 31 December 2019, the company has net assets of £0.4m (2018: net liabilities of £1.6m). The MCPS recovery plan, which commenced in 2013, is now complete and the directors have concluded that the working capital of the company and its cash reserves are likely to prove adequate to fund the company's activities for the foreseeable future. This conclusion is supported by the directors' assessment of market developments and financial forecasts. As a result the directors have also concluded that the company remains a going concern and will continue to monitor the company's profitability and prospects within its changing markets.

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

Subsequent events

Management have reviewed subsequent events since the statement of financial position date, including the impact of Covid-19. A full assessment of the impact of Covid-19 has been made and, whilst it is anticipated that it will lead to a downturn in trading in 2020, there is no change to valuations in the statement of financial position or in the expectation that the company will have sufficient funds to continue its operations as a going concern. In response to this ongoing risk, the guiding principles of the company are to protect the livelihood and safety of our employees and to maintain services for key activities to ensure membership livelihood.

Code of Conduct

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

Financial risk management


The management of principal risks and uncertainties is disclosed within the Strategic report.

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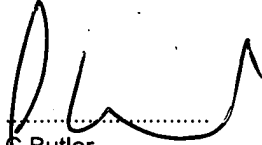
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

On behalf of the board


P Clements
Director

11/08/2020


C Butler
Chairman

11/08/2020

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Mechanical-Copyright Protection Society Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2019; the Income statement; the Statement of cash flows and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

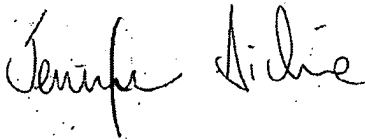
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Jennifer Dickie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

11/08/2020

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Gross royalties distributed	15	143,406	142,461
Revenue			
Commission levied on distributions	3	13,286	15,699
Fees receivable	3	75	71
Minor sums	3	1,817	1,091
Total Revenue		15,178	16,861
Administrative expenses	4	(13,810)	(13,680)
Operating profit		1,368	3,181
Investment income	8	1,124	614
Profit before taxation		2,492	3,795
Tax on profit	9	(473)	(720)
Profit for the financial year		2,019	3,075

The Income Statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 15 to 28 form an integral part of these financial statements.

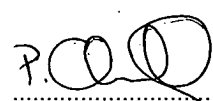
MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Investments	10	1	1
Current assets			
Trade and other receivables falling due after one year	11	-	1,254
Trade and other receivables falling due within one year	11	9,793	30,293
Short term deposits	12	65,000	65,000
Cash at bank and in hand	13	53,247	16,273
		128,040	112,820
Current liabilities - amounts falling due within one year			
Trade and other payables	14	(9,354)	(7,184)
Royalties payable	15	(118,272)	(107,241)
		(127,626)	(114,425)
Net current assets/(liabilities)		414	(1,605)
Total assets less current liabilities		415	(1,604)
Equity			
Called up share capital	18	19	19
Retained profit/(accumulated losses)		396	(1,623)
Total equity		415	(1,604)

The financial statements on pages 11 to 28 were approved by the board of directors and authorised for issue on 11/08/2020 and are signed on its behalf by:



P Clements

Director



C Butler

Chairman

Company Registration No. 00199120

The notes on pages 15 to 28 form an integral part of these financial statements.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up Share capital £000	Accumulated losses £000	Total Equity £000
Balance at 1 January 2018	19	(4,698)	(4,679)
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2018:			
Profit for the financial year	-	3,075	3,075
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	19	(1,623)	(1,604)
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2019:			
Profit for the financial year	-	2,019	2,019
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	19	396	415
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 15 to 28 form an integral part of these financial statements.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Cash generated from operations	21	36,103	17,100
Income taxes paid		(226)	(180)
Net cash inflow operating activities		35,877	16,920
Investing activities			
Interest received		1,124	614
(Invested in)/redeemed from deposit accounts held > 3 months		-	(15,000)
Net cash generated from/(used in) investing activities		1,124	(14,386)
Net cash used in financing activities		-	-
Net increase in cash and cash equivalents		37,001	2,534
Cash and cash equivalents at beginning of year		56,273	53,714
Effect of foreign exchange rates		(27)	25
Cash and cash equivalents at end of year		93,247	56,273
Represented by:			
Investments - short-term deposits held less than 3 months		40,000	40,000
Cash at bank and in hand		53,247	16,273
		93,247	56,273

In addition to cash and cash equivalents disclosed above, the company also holds £25m (2018 - £25m) in deposit accounts greater than 3 months. Details of the deposits held are disclosed in note 12.

The notes on pages 15 to 28 form an integral part of these financial statements.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Mechanical-Copyright Protection Society Limited (the "company") is a company limited by shares, domiciled and incorporated in the United Kingdom (England and Wales). The registered office is 2nd Floor, Synergy House, 114-118 Southampton Row, London, WC1B 5AA, United Kingdom. The company is a wholly-owned subsidiary of the Music Publishers' Association Limited, which prepares group financial statements. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Definitions

'MCPS' means Mechanical-Copyright Protection Society Limited

'MPA' means Music Publishers Association Limited

'PRS' means Performing Right Society Limited

'PfM' means PRS for Music Limited

'ICE Services' means International Copyright Enterprise Services Limited

Statement of compliance

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

Basis of preparation

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared on the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted, which have been consistently applied to all years presented, are set out below.

Format of Income statement and Statement of financial position

The formats of the Income statement and Statement of financial position have been adapted from that prescribed by the Companies Act 2006 in order to better reflect the nature of the business.

Going concern

The business of the company continues to undergo a transition. As sales of physical products, such as compact discs and DVDs continue to decline, the commission that the company earns from licensing associated mechanical copyrights diminishes. The decline reported in previous financial statements continued in 2019. Commission from licensing broadcasters' use of the mechanical right has increased in 2019, due to distributions delayed from 2018 being made in 2019. While there were delays to broadcast distributions in 2019, they were not as significant as the previous year, £3.6m in 2019 (£10m in 2018). The company's other main source of income, commission from licensing the mechanical right for online uses, has decreased in 2019, primarily due to increased delays in online licensing, processing and distribution.

Overall royalties distributed have remained in line with 2018, increasing slightly by £0.9m. This is despite delayed and under distributions in broadcast (£3.6m), delayed distributions in online (£10m) and delayed licensing leading to delayed distributions in General Entertainment Online Licensing (£3m). Excluding suspense of £0.6m in 2019 (2018: £0.2m), minor sums release of £1.8m in 2019 (2018: £1.1m) and an adjustment of £3m for surplus profits to be distributed back to members (2018: £nil), overall commission has increased slightly due to higher commission rates being attributable to broadcast distributions and the catch-up of certain 2018 delays in 2019. Although it remains the continued intention of the board to catch up the delayed distributions in 2020, the outcome remains dependent on our SLA partners improving their performance.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Going concern (continued)

A new 5-year service level agreement ("SLA") was signed with PFM, effective from 1 July 2017. This agreement delivered renegotiated fee levels along with a stringent set of Key Performance Indicators (and attendant reporting), which allow the board greater insight into and control of MCPS day to day business. As part of the new SLA, MCPS and PRS have undertaken an evaluation of the MCPS licensing structure and, for the first time since the dissolution of the Alliance, MCPS approved a 5-year growth strategy and a 5-year forecast during 2019. MCPS has also concluded a comprehensive review of its membership agreement, the MA2. The next stage in this process is the review of the technical infrastructure requirements necessary to implement the revised membership agreement. This work commenced in 2019 and will continue through 2020.

At 31 December 2019, the company has net assets of £0.4m (2018: net liabilities of £1.6m). The MCPS recovery plan, which commenced in 2013, is now complete and the directors have concluded that the working capital of the company and its cash reserves are likely to prove adequate to fund the company's activities for the foreseeable future. This conclusion is supported by the directors' assessment of market developments and financial forecasts. As a result the directors have also concluded that the company remains a going concern and will continue to monitor the company's profitability and prospects within its changing markets.

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

Revenue

Revenue, which is stated net of value added tax, represents commission earned on royalties received from licensees and subsequently distributed to rights-holders, fees receivable, minor sums and suspense balances.

Commission levied on distributions

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

Fees receivable

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

Minor sums

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

Suspense balances

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

Gross royalties distributed

Gross royalties distributed represents distributions paid during the period, gross of commissions and minor sums, and are accounted for at the time the distribution takes place.

Royalties Payable

The company's liability to account for royalties payable accrues when amounts due from the corresponding users of the copyright works are received. Amounts from users that have not been received are recorded within royalties payable both as an amount receivable and an equivalent amount payable.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Non-current investments

Investments are valued at cost less provisions where, in the opinion of the directors, there has been impairment in value. The carrying values of investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

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 exception that 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.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Foreign exchange

Transactions in currencies other than pound sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 11 and 15 for the net of the carrying amount of the debtors and associated impairment provision.

3 Revenue

An analysis of the company's revenue is as follows:

	2019 £000	2018 £000
Revenue		
Commission income	12,644	15,468
Suspense account releases	642	231
Minor sums	1,817	1,091
Fees receivable	75	71
	<u>15,178</u>	<u>16,861</u>

Commission income has been reduced by £3m as an adjustment for excess commission earnings, agreed by the Board in 2019, to be distributed to members in 2020.

Revenue analysed by geographical market

	2019 £000	2018 £000
United Kingdom	11,847	12,385
Republic of Ireland	357	359
Rest of the World	2,974	4,117
	<u>15,178</u>	<u>16,861</u>

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

4 Administrative expenses	2019	2018
	£000	£000
Expenses for the year are stated after charging/(crediting):		
PRS service charge	12,715	12,737
MPA service charge	121	55
Other administrative expenses	947	913
Foreign exchange losses / (gains)	27	(25)
Total administrative expenses	<u>13,810</u>	<u>13,680</u>

5 Auditors' remuneration

The fees payable to the company's auditors for the audit of the company's financial statements for the year ended 31 December 2019 are £48,000 (2018: £46,000). £50,500 of non-audit services, in relation to tax advice, have been provided by the auditors during the year and billed to MCPS directly (2018: £31,000).

6 Employees

The average monthly number of persons (including directors who are also employees) employed by the company during the year was:

	2019	2018
	Number	Number
Administration	<u>4</u>	<u>4</u>

Their net remuneration comprised:

	2019	2018
	£000	£000
Wages and salaries	517	494
Social security costs	63	52
Other pension costs	5	2
	<u>585</u>	<u>548</u>

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7 Directors' remuneration

	2019 £000	2018 £000
Remuneration for qualifying services	473	533

Remuneration disclosed above include the following cost to MCPS of the highest paid director:

	2019 £000	2018 £000
Remuneration for qualifying services	277	342

The directors are the key management personnel of the company.

8 Investment income

	2019 £000	2018 £000
Interest income		
Interest on bank deposits	1,046	538
Unwinding of discount - annual (note 11)	78	76
Total income	1,124	614

9 Tax on profit

	2019 £000	2018 £000
Current tax		
UK corporation tax on profits for the current year	(461)	(204)
Deferred tax		
Origination and reversal of timing differences	(12)	(516)
Total tax charge	(473)	(720)

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Tax on profit

(Continued)

The actual (charge) / credit can be reconciled to the expected (charge) / credit based on the profit or loss and the standard rate of tax as follows:

	2019 £000	2018 £000
Profit before taxation	2,492	3,795
Expected tax charge based on a corporation tax rate of 19.00% (2018 - 19.00%)	(473)	(720)
Tax effect of expenses that are not deductible in determining taxable profit	(1)	-
Effect of change in tax rate	1	-
Loan relationships	13	13
Origination and reversal of timing differences	(13)	(516)
Utilisation of trading losses brought forward	-	503
Tax charge for the year	(473)	(720)

The total amount of unrecognised deferred tax asset is £nil (2018 - £nil).

Future changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and a further reduction to 17% from 1 April 2020. On 11th March 2020 it was announced that the tax rate would remain at 19% for the financial years commencing 1 April 2020 and 1 April 2021.

10 Investments

	2019 £000	2018 £000
Investments in subsidiaries	1	1

Movements in investments

	Investments in subsidiaries £000
Cost or valuation	
At 1 January 2019 and 31 December 2019	1
Carrying amount	
At 1 January 2019 and 31 December 2019	1

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

10 Investments

(Continued)

Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held Direct
Ampleform Limited United Kingdom	Non-trading	Ordinary £1 shares	99.00

The registered office address of Ampleform Limited is 2nd Floor, Synergy House, 114-118 Southampton Row, London, WC1B 5AA.

Associates

Details of the company's associates at 31 December 2019 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held Direct
British Music Rights Limited United Kingdom	Dormant	Limited by guarantee	25.00

The registered office address of British Music Rights Limited is 2 Pancras Square, London, N1C 4AG.

Joint ventures

Details of the company's joint ventures at 31 December 2019 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held Direct
National Discography Limited United Kingdom	Non-trading	Ordinary £1 shares	50.00

The registered office address of National Discography Limited is 1 Upper James Street, London, W1F 9DE.

The Company has assessed its investments in joint ventures and associates and has concluded that it did not exercise control over them at 31 December 2019 or during the year then ended; hence they are accounted for as investments in accordance with the accounting policy set out in note 1 rather than being equity accounted.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Trade and other receivables

	2019	2018
	£000	£000
Amounts falling due within one year:		
Trade receivables	1,038	994
Amounts owed by PFM	-	27,187
Amounts owed by PRS	1,254	1,255
Other receivables	7,440	784
Deferred tax asset (note 16)	61	73
	<u>9,793</u>	<u>30,293</u>

As at 31 December 2019, the balance between MCPS and PFM has moved from a debtor to a creditor, due to a true-up adjustment for the performing and mechanical shares on online lump sums invoiced in 2018 and 2019. The actual usage is showing that the split is now much more significantly in favour of the performing share, rather than the more even splits recorded on the original deal sheets and so an adjustment to royalty income has been processed to reflect the amount that would need to be re-allocated from MCPS to PRS.

The amount of £nil (2018 - £27.2m) due from PFM bears no obligation to pay interest now or in the future and has no formal repayment terms.

Amounts falling due after one year:

Amounts owed by PRS	-	1,254
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The loan to PRS is repayable in instalments over the period 1 January 2015 to 30 June 2020 and is free from interest. As part of the renegotiation of the service agreement in 2017 the repayment period was shortened from 1 January 2021. In accordance with FRS 102, a zero rate loan is measured at the present value of the future payments discounted at a market rate of interest for similar financial instruments. Over the period of the loan, interest payable will be calculated and added to the loan using the effective interest method. The loan was discounted at 2.5% (Bank of England rate at the inception date, 2013, plus 2%) and the effect of discounting will unwind over the period of the loan as interest credited to the profit and loss account. In 2019, the interest credited was £78,000 (2018 - £76,000).

12 Short term deposits

These are short term bank deposits consisting of £10m (2018 - £10m) held in an overnight deposit account with Santander, £10m (2018 - £10m) held in a 35 day notice account with Santander, £5m (2018 - £5m) held in a 6 month notice account with Close Brothers, £5m (2018 - £5m) held in a 12 month notice account with Close Brothers, £20m (2018 - £20m) held with Federated Money Market investors in an overnight deposit account and £15m held in a 95 day notice account with Lloyds (2018 - £15m). The amounts held in less than 3 month deposit accounts are shown as cash and cash equivalents in the Statement of cash flows.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

13 Cash at bank and in hand

	2019 £000	2018 £000
Cash in bank and in hand	48,224	11,136
Cash held in escrow	5,023	5,137
	<u>53,247</u>	<u>16,273</u>

£5m (2018 - £5.1m) cash is held in escrow under the 2017 Services Agreement between MCPS and PRS.

14 Trade and other payables

	2019 £000	2018 £000
Corporation tax payable	359	124
Other payables	6,925	7,060
Payable to PfM	2,070	-
	<u>9,354</u>	<u>7,184</u>

The amount of £2.1m (2018 - £nil) payable to PfM bears no obligation to pay interest now or in the future and has no formal repayment terms.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

15 Royalties payable

	2019 £000	2018 £000
At 1 January	107,241	85,883
Add: royalties collected	160,058	169,101
	<u>267,299</u>	<u>254,984</u>
Distributed during the year in respect of:		
Royalty exploitation in UK and Ireland	(110,691)	(111,759)
Royalty exploitation outside UK and Ireland	(32,715)	(30,702)
	<u>(143,406)</u>	<u>(142,461)</u>
	123,893	112,523
Movement in returned royalties, deposits, advances received, etc.	(5,621)	(5,282)
At 31 December	<u>118,272</u>	<u>107,241</u>

The amounts distributed in the year are inclusive of the commissions, suspense and minor sums amounts disclosed in Note 3.

The company's liability to account for royalties payable accrues when amounts due from the corresponding users of the copyright works are received. Amounts from users that have not been received are recorded within royalties payable both as an amount receivable and an equivalent amount payable. As at 31 December 2019 these amounted to £2.1m (2018 – £3.9m).

16 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2019 £000	Assets 2018 £000
Balances:		
Tax losses	<u>61</u>	<u>73</u>
Movements in the year:		2019 £000
Asset at 1 January 2019		73
Charge to profit or loss		(13)
Effect of change in tax rate - profit or loss		1
Asset at 31 December 2019		<u>61</u>

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

17 Retirement benefit schemes

	2019 £000	2018 £000
Defined contribution schemes		
Charge to profit in respect of defined contribution schemes	5	2

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

18 Called up share capital

	2019 £000	2018 £000
Ordinary share capital		
Issued and fully paid		
19,200 Ordinary shares of £1 each (2018 - 19,200)	19	19

19 Related party transactions

Certain directors and parties related to directors are entitled to royalties collected by the company. Parties related to directors include family members and companies controlled by these directors including, where appropriate, publishing companies and their subsidiaries. During 2019, total royalties paid by the company to the directors and to parties related to the directors amounted to £61.0m (2018 – £67.8m). These royalties were calculated on the same basis as royalties paid to all members and are paid in accordance with the company's normal procedures.

Due to the highly integrated nature of the industry, directors may also be related to customers of the company, either through the provision of music-related services to them or as employees of the same group of companies. All transactions with any such related customers are carried out on a normal arm's length commercial basis. During 2019, MCPS paid a management fee of £0.1m (2018 – £0.1m) to the Music Publishers' Association Limited, its parent undertaking. At 31 December 2019 there were no amounts outstanding with the Music Publishers' Association Limited (2018 - £nil).

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20 Controlling party

The company is a wholly-owned subsidiary of the Music Publishers' Association Limited, a company limited by guarantee and incorporated in the UK, which prepares group financial statements. This company is considered to be the ultimate controlling party and is both the smallest and largest group of which the company is a member. Group financial statements can be obtained by request in writing to Music Publishers' Association Limited, 2nd Floor, Synergy House, 114-118 Southampton Row, London, WC1B 5AA.

21 Cash generated from operations

	2019 £000	2018 £000
Profit for the financial year	2,019	3,075
Adjustments for:		
Tax	473	720
Investment income	(1,124)	(614)
Foreign exchange losses / (gains) on cash equivalents	27	(25)
Movements in working capital:		
Decrease/(increase) in trade and other receivables	21,742	(2,341)
Increase in trade and other payables	12,966	16,285
Cash generated from operations	36,103	17,100