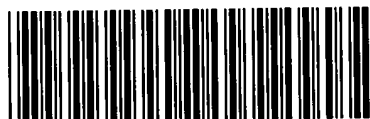


Company Registration No. 00199120 (England and Wales)

Mechanical-Copyright Protection Society Limited
Annual Report and Financial Statements
For the Year Ended 31 December 2021

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Mechanical-Copyright Protection Society Limited

COMPANY INFORMATION

Directors

Writer

J Nott

Publishers

C Butler

W Downs

A Heath

M Lavin

J Minch

S Platz

Executive Director

P Clements

Chair

J Alway

Company secretary

S Burton

Company number

00199120

Registered office

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

Independent auditor

Deloitte LLP
1 New Street Square
London
United Kingdom
EC4A 3HQ

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

CONTENTS

	Page(s)
Strategic report	1 - 3
Directors' report	4 - 7
Independent Auditor report	8 - 10
Income statement	11
Statement of financial position	12
Statement of changes in equity	13
Statement of cash flows	14
Notes to the financial statements	15 - 29

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the Strategic Report and Financial Statements for the year ended 31 December 2021.

Review of the Business

The Alliance Stability Deal, which began with PRS for Music Limited ("PfM") in 2013, concluded in 2015 when the stability deed was repaid. Between 2015 and 2018 MCPS worked to reduce the negative Statement of Financial Position. In 2019 the Statement of Financial Position returned to a positive position and in that year the board agreed a policy to distribute to members any excess on commission earned from its distributions. This policy has delivered £3m in excess commission to members in 2020 (from the 2019 statutory accounts) and £5.9m in 2021 (from the 2020 statutory accounts). A similar proposal for treatment of excess commission earnings in 2021 was agreed by the board in January 2022 and it is anticipated that a distribution of £7.2m will be made during 2022.

In April 2013, the company entered a Service Level Agreement (SLA) with Performing Right Society Limited ("PRS") for the administration of the day-to-day operational services of the business, initially for a period of 3 years and 6 months ending on 31 December 2016. An extension to 30 June 2017 was agreed in 2016, with a new 5-year contract and a renegotiated fixed fee coming into effect from 1 July 2017. Negotiations for a new service agreement were concluded in 2021 and the current iteration of the SLA is effective from 1 July 2021 to 31 December 2025. The latest version of the SLA changed the fee structure. The previous versions of the SLA had fixed fee structures in place with annual inflationary increases, the new SLA fee structure is on a percentage of distributions. In addition, the KPI regime has been refined to increase focus on KPI reporting around distributions. MCPS believes the new SLA solidifies the partnership aspect of the relationship with PRS, enabling closer collaboration and a joint commitment to grow revenue and therefore distributions for members at a competitive cost.

The company's key financial performance indicators during the year were as follows:

	2021	2020	Change
	£000	£000	£000
Profit before taxation	80	115	(35)
Gross royalties distributed (including suspense and minor sums)	181,661	157,874	23,787
Commission on distributions [Note 3]	12,935	11,608	1,327
Administrative expenses	14,428	14,150	(278)

The results for 2021 are significantly ahead of expectations, with distributions at a level not seen since 2009. This is primarily driven by better than expected distributions by UK independent record labels and improved receipts from sister societies internationally. Administrative expenses have marginally increased by 2.0% in 2021 (2020: increased by 2.5%), mainly as a result of the change in service fee under the new SLA with PRS.

Given the nature of the business, the directors are of the opinion that analysis using KPIs other than those stated above is not necessary for understanding the performance of the business.

In returning to a positive Statement of Financial Position during 2019 the Board agreed measures intended to increase member distributions, which have also been continued in 2021, including:

1. Effective from August 2019, reduce the minor sums threshold from £3 down to £2. The minor sums threshold was again reduced, from £2 to £1 effective from September 2020, then from £1 to 5 pence in February 2021 and most recently from 5 pence to 1 pence in January 2022.
2. Introduction of a rebate scheme for commission earnings. Under this scheme all MCPS members who received a distribution in the relevant year received a pro-rated, single sum distribution during the following year. The value for 2021 (to be distributed in 2022) is £7.2m (2020 - £5.9m distributed in 2021).

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 three times in 2021. The principal risks and uncertainties that the company is exposed to can be grouped into the following categories.

Market risks

While sales of physical product have stabilised in 2021, 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, and so continues to monitor this closely.

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.

Some online mandates previously administered by MCPS moved to IMPEL in recent years (a new, completely independent, company named IMPEL was set up in 2017, outside of the MPA group of companies by certain independent publishers), while 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 2022 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. Although the European Copyright Directive will not pass into UK law following the UK's exit from the European Union, there is a risk associated with how similar measures could be implemented into national law and the extent to which any deviations from the EU implementation might create complexities in licensing, and a parallel small risk of a decision by the UK to diverge from the high standards of copyright protection required by European Union membership.

Although the UK left the EU on 31 January 2020 and the transition period ended on 31 December 2020, it is anticipated that there will be a continued period of uncertainty for the UK until future economic arrangements are fully agreed between the UK and other countries. This could have a negative effect on MCPS' income and so the company continues to keep the situation under review.

Liquidity and financial instrument risks

The nature of the company's operating model is such that it holds cash; at the end of 2021 the company held cash and cash equivalents of £82.0m and £30.0m in deposit accounts requiring > 3 months notice (2020 – £87.9m and £35.0m). The company also had amounts receivable from PfM of £12.3m at 31 December 2021 (2020 – £7.9m). The directors do not consider the amount receivable from PfM 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 2021

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 ongoing impact of Covid-19 on the business and this has been disclosed in the Directors report.

Approved by the Board and signed on its behalf by:

Jackie Alway
.....

J Alway

Director

31 March 2022

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their Annual Report and the audited Financial Statements for the company for the year ended 31 December 2021.

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 (appointed 25 February 2021)

C Butler

W Downs

A Heath (appointed 10 September 2021)

M Lavin

J Minch

R Neri (resigned 10 September 2021)

S Platz

Executive Director

P Clements

External Directors

R Constant (resigned 27 October 2021)

S Watt (resigned 27 October 2021)

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.

Chair

J Alway replaced C Butler as the Chair on 21 May 2020, after resigning as Publisher Director. J Alway was formally re-appointed as a Director of the Board on 25 February 2021. As Chair, J Alway will act as a non-voting Director of the Board.

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 (2020 - £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 2021

Political donations

There were no political donations made during the year (2020 - £nil).

Research and development

The company did not engage in any research and development activities during the year (2020 - none).

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 and applicable law), including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland". 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditor

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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte as auditors will be proposed at the forthcoming Annual General Meeting.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 7 times during the year. The company's Finance, Audit and Risk Committee which has delegated responsibility for monitoring and managing risks met 3 times during the year.

Going concern

At 31 December 2021, the company has net assets of £0.6m (2020: £0.5m). 2021 is the third consecutive year MCPS can refund excess commission to its members; which reduces the overall effective blended commission rate (across all distribution areas) charged to members in 2021 to approximately 7.6% (2020: 7.7%).

Overall, the recorded media business unit showed growth compared to 2020 at a rate of 3%, with the increase being primarily driven by better than expected distributions by UK independent record labels and improved receipts from sister societies internationally. The commission that the company earned from licensing associated mechanical copyrights in this area increased by 8% due to changes in the overall blended commission rate. Both distributions and related commission from licensing broadcasters' use of the mechanical right has increased by a modest 1% in 2021. The company's other key source of income, commission from licensing the mechanical right for online uses, has increased in 2021 due to increased value in General Entertainment Online Licensing (GEOL) and growth in Multi Territory Online Licensing (MTOL).

Royalties distributed in 2021 of £181.7m have increased significantly when compared to 2020 (£157.9m), by £23.8m, or 15%. Distributions in recorded media increased by 3% to £49.6m in 2021 (2020: £48.3m). Broadcast distributions grew to £51.9m (2020: £51.5m) which is a 1% increase. Decreases in distributions related to Broadcast Secondary and IPC were more than offset by increases in both Broad Blanket and Radio distributions. Distributions in MTOL increased by 22% to £27.6m in 2021 (2020: £22.6m) due to catch up distributions for some services and growth in the overall value of second stage invoicing. There was also a strong performance in GEOL where distributions were £46.1m (2020: £32m), an increase of £14m or 44%. Overall distributions in the Online sector of the business grew by 35% in 2021 when compared to 2020, delivering total distributions in Online of £73.7m. Suspense distributions remained at the same level as 2020, being £0.6m, and the excess commissions rebate to members was £5.9m in 2021 (2020: £3.0m).

Excluding suspense of £0.6m in 2021 (2020: £0.6m), minor sums release of £0.7m in 2021 (2020: £1.4m) and an adjustment for surplus commission £7.2m (2020: £5.9m) to be distributed back to members, overall commission has increased due to overall increases to distributions in most key areas of the business. It remains the continued intention of the board to further catch up the delayed distributions in 2022, the outcome remains dependent on our SLA partners continuing to improve their performance.

MCPS signed a new service level agreement ("SLA") with PFM, effective from 1 July 2021 to 31 December 2025. This is the third iteration of an SLA with PFM and again refines and improves the service from our partners while further cementing the "partnership model" approach taken by both parties. This agreement delivers renegotiated fee levels based on a percentage of distributions, which is a change from the previous fixed price model used. The revised pricing structure allows both partners to work more collaboratively to grow distributions annually for all members. It also delivered a revised KPI measurement structure with increased focus on KPIs around distributions.

The 5-Year plan approved by the MCPS Board in 2019 has been affected by the global pandemic of 2020 and 2021. Changes to working practices of many licensees has led to declines in certain areas, for example MSB2B and growth in other areas for example Online and independent record labels; overall most areas of the business experienced growth during 2021. The result is that some areas of focus from the original 5 Year Plan have changed, but expectations are that the revised plan will deliver higher growth than originally anticipated.

The company can manage its cash balances sufficiently, as any decrease in revenue collected would also decrease distributions to be made. In any event, further growth is expected in 2022 and the surplus commissions generated in the last 3 years demonstrate that the commission rates charged are sufficient to cover the costs of the business. Cash is paid to members only once cash is received from debtors, and therefore there is a natural cash hedge.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Going concern (continued)

The directors have concluded that the working capital of the company and its cash reserves are sufficient to fund the company's activities for at least 12 months from the date the financial statements are approved and hence continue to adopt the going concern basis in preparing the financial statements. This conclusion is supported by the directors' assessment of market developments and financial forecasts and they 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 residual impact of Covid-19. A full assessment of the impact of Covid-19 has been made and, whilst it is anticipated that it could lead to a downturn in trading in 2022 if recovery does not happen as expected, 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 continue to be 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 ("BCC") 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 company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The company does not use derivative financial instruments to manage these risks nor for speculative purposes. The management of principal risks and uncertainties is disclosed within the Strategic report, as permitted under s414C(11) of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

.....*Jackie Alway*.....

J Alway

Director

31 March 2022

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Mechanical-Copyright Protection Society Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 auditor's 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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team and relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

Valuation of accrued income relating to the online revenue stream:

- we have evaluated the design and implementation of relevant controls associated with valuation of online accrued income;
- we have traced a sample of accrued balances to contract and recalculated the balances to test accuracy; and
- we have challenged estimations made by management at the year-end by taking account of historical billing and settlements and checking historical estimation accuracy

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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.



Chris Donovan (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
31 March 2022

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Gross royalties distributed	15	181,661	157,874
Revenue			
Commission levied on distributions	3	12,935	11,608
Suspense account releases	3	597	581
Fees receivable	3	72	71
Minor sums	3	696	1,427
Total Revenue		14,300	13,687
Administrative expenses	4	(14,428)	(14,150)
Operating loss		(128)	(463)
Investment income	8	208	578
Profit before taxation		80	115
Tax on profit	9	(7)	(15)
Profit for the financial year		73	100

All results are derived from continuing operations. There are no other comprehensive incomes in either the current or previous financial year. Accordingly, no statement of comprehensive income has been presented.

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The notes on pages 15 to 29 form an integral part of these financial statements.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		2021		2020	
	Note	£000	£000	£000	£000
Fixed assets					
Investments	10		1		1
Current assets					
Trade and other receivables	11	15,778		12,349	
Short-term deposits	12	87,000		90,076	
Cash at bank and in hand	13	24,981		32,867	
		<u>127,759</u>		<u>135,292</u>	
Current liabilities - amounts falling due within one year					
Trade and other payables	14	(9,426)		(8,490)	
Royalties payable	15	(117,746)		(126,288)	
		<u>(127,172)</u>		<u>(134,778)</u>	
Net current assets			587		514
Total assets less current liabilities			<u>588</u>		<u>515</u>
Equity					
Called up share capital	18		19		19
Retained profit			569		496
Total equity			<u>588</u>		<u>515</u>

The financial statements on pages 11 to 29 were approved by the board of directors and authorised for issue on 31 March 2022 and are signed on its behalf by:

Jackie Alway

 J Alway
 Director

Company Registration No. 00199120

The notes on pages 15 to 29 form an integral part of these financial statements.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up Share capital £000	Retained profit £000	Total Equity £000
Balance at 1 January 2020	19	396	415
Year ended 31 December 2020:			
Profit and total comprehensive income for the financial year	-	100	100
Balance at 31 December 2020	19	496	515
Year ended 31 December 2021:			
Profit and total comprehensive income for the financial year	-	73	73
Balance at 31 December 2021	19	569	588

The notes on pages 15 to 29 form an integral part of these financial statements.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	£000	2020 £000	£000
Cash flows from operating activities					
Cash (used in)/generated from operations	21		(10,986)		4,786
Income taxes paid			(115)		(590)
Net cash (used in)/generated from operating activities			(11,101)		4,196
Cash flows from investing activities					
Interest received		208		578	
Redeemed from/(Invested in) deposit accounts held > 3 months		5,000		(10,000)	
Net cash flows generated from/(used in) investing activities			5,208		(9,422)
Net cash flows used in financing activities			-		-
Net decrease in cash and cash equivalents			(5,893)		(5,226)
Cash and cash equivalents at beginning of year			87,943		93,247
Effect of foreign exchange rates			(69)		(78)
Cash and cash equivalents at end of year			81,981		87,943
Represented by:					
Investments - short-term deposits held less than 3 months			57,000		55,076
Cash at bank and in hand			24,981		32,867
			81,981		87,943

As at 31 December 2021 £5.0m cash was held in escrow under the 2017 Services Agreement between MCPS and PRS (2020 - £5.0m). In addition to cash and cash equivalents disclosed above, the company also holds £30m (2020 - £35m) in deposit accounts greater than 3 months. Details of the deposits held are disclosed in note 12.

The notes on pages 15 to 29 form an integral part of these financial statements.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Mechanical-Copyright Protection Society Limited (the "company") is a private 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. The company has taken advantage of the disclosure exemptions available to it in relation to financial instruments.

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

At 31 December 2021, the company has net assets of £0.6m (2020: £0.5m). 2021 is the third consecutive year MCPS can refund excess commission to its members; which reduces the overall effective blended commission rate (across all distribution areas) charged to members in 2021 to approximately 7.6% (2020: 7.7%).

Overall, the recorded media business unit showed growth compared to 2020 at a rate of 3%, with the increase being primarily driven by better than expected distributions by UK independent record labels and improved receipts from sister societies internationally. The commission that the company earned from licensing associated mechanical copyrights in this area increased by 8% due to changes in the overall blended commission rate. Both distributions and related commission from licensing broadcasters' use of the mechanical right has increased by a modest 1% in 2021. The company's other key source of income, commission from licensing the mechanical right for online uses, has increased in 2021 due to increased value in General Entertainment Online Licensing (GEOL) and growth in Multi Territory Online Licensing (MTOL).

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Going concern (continued)

Royalties distributed in 2021 of £181.7m have increased significantly when compared to 2020 (£157.9m), by £23.8m, or 15%. Distributions in recorded media increased by 3% to £49.6m in 2021 (2020: £48.3m). Broadcast distributions grew to £51.9m (2020: £51.5m) which is a 1% increase. Decreases in distributions related to Broadcast Secondary and IPC were more than offset by increases in both Broad Blanket and Radio distributions. Distributions in MTOL increased by 22% to £27.6m in 2021 (2020: £22.6m) due to catch up distributions for some services and growth in the overall value of second stage invoicing. There was also a strong performance in GEOL where distributions were £46.1m (2020: £32m), an increase of £14m or 44%. Overall distributions in the Online sector of the business grew by 35% in 2021 when compared to 2020, delivering total distributions in Online of £73.7m. Suspense distributions remained at the same level as 2020, being £0.6m, and the excess commission rebate to members was £5.9m in 2021 (2020: £3.0m).

Excluding suspense of £0.6m in 2021 (2020: £0.6m), minor sums release of £0.7m in 2021 (2020: £1.4m) and an adjustment for surplus commission £7.2m (2020: £5.9m) to be distributed back to members, overall commission has increased due to overall increases to distributions in most key areas of the business. It remains the continued intention of the board to further catch up the delayed distributions in 2022, the outcome remains dependent on our SLA partners continuing to improve their performance.

MCPS signed a new service level agreement ("SLA") with PFM, effective from 1 July 2021 to 31 December 2025. This is the third iteration of an SLA with PFM and again refines and improves the service from our partners while further cementing the "partnership model" approach taken by both parties. This agreement delivers renegotiated fee levels based on a percentage of distributions, which is a change from the previous fixed price model used. The revised pricing structure allows both partners to work more collaboratively to grow distributions annually for all members. It also delivered a revised KPI measurement structure with increased focus on KPIs around distributions.

The 5-Year plan approved by the MCPS Board in 2019 has been affected by the global pandemic of 2020 and 2021. Changes to working practices of many licensees has led to declines in certain areas, for example MSB2B and growth in other areas for example Online and independent record labels; overall most areas of the business experienced growth during 2021. The result is that some areas of focus from the original 5 Year Plan have changed, but expectations are that the revised plan will deliver higher growth than originally anticipated.

The company can manage its cash balances sufficiently, as any decrease in revenue collected would also decrease distributions to be made. In any event, further growth is expected in 2022 and the surplus commissions generated in the last 3 years demonstrate that the commission rates charged are sufficient to cover the costs of the business. Cash is paid to members only once cash is received from debtors, and therefore there is a natural cash hedge.

The directors have concluded that the working capital of the company and its cash reserves are sufficient to fund the company's activities for at least 12 months from the date the financial statements are approved and hence continue to adopt the going concern basis in preparing the financial statements. This conclusion is supported by the directors' assessment of market developments and financial forecasts and they 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.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

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 considered too small to process and 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.

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.

Investment Income

Interest income is recognised on an accruals basis when the company's right to receive payment have been established, provided that it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

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.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

Critical judgements and estimates

The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

Judgements

Principal vs Agent

MCPS has determined that it is acting as an Agent in its agreements with its members and as such the financial statements have been prepared on this basis, with only the commissions that it earns on its distributions to its members accounted for as revenue in the Income Statement. When making this assessment, MCPS has considered that members do not assign the ownership of the mechanical rights to MCPS and only grant permission for MCPS to manage and administer the rights throughout their term of membership. MCPS is also only entitled to deduct commission from its distributions to members and does not have any discretion to withhold any other amounts for the purpose of running the MCPS business.

Estimates

It is management's view that there are no material estimates included within the financial statements.

3 Revenue

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

	2021 £000	2020 £000
Revenue		
Commission income	20,135	17,508
Surplus commission adjustment	(7,200)	(5,900)
	<hr/>	<hr/>
Total commission income	12,935	11,608
 Suspense account releases	 597	 581
Minor sums	696	1,427
Fees receivable	72	71
	<hr/>	<hr/>
	14,300	13,687
	<hr/>	<hr/>

Commission income has been reduced by £7.2m (2020: £5.9m) as an adjustment for excess commission earnings, agreed by the Board to be distributed to members in 2022.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

3 Revenue (Continued)

Revenue analysed by geographical market

	2021 £000	2020 £000
United Kingdom	9,763	10,222
Republic of Ireland	306	329
Rest of the World	4,231	3,136
	<u>14,300</u>	<u>13,687</u>

4 Administrative expenses

	2021 £000	2020 £000
--	--------------	--------------

Expenses for the year are stated after charging:

PRS service charge	13,163	12,996
MPA service charge	134	122
Other administrative expenses	1,062	954
Foreign exchange losses	69	78
Total administrative expenses	<u>14,428</u>	<u>14,150</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 2021 are £51,500 (2020: £57,000). £nil of non-audit services have been provided by the auditors during the year and billed to MCPS directly (2020: £nil).

6 Employees

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

	2021 Number	2020 Number
Administration	<u>2</u>	<u>2</u>

Their net remuneration comprised:

	2021 £000	2020 £000
Wages and salaries	552	568
Social security costs	72	67
Other pension costs	6	6
	<u>630</u>	<u>641</u>

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

7 Directors' remuneration

	2021 £000	2020 £000
Remuneration for qualifying services	452	474

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

	2021 £000	2020 £000
Remuneration for qualifying services	234	272

The directors are considered the key management personnel of the company.

8 Investment income

	2021 £000	2020 £000
Interest income		
Interest on bank deposits	208	498
Unwinding of discount - annual	-	80
Total income	208	578

9 Tax on profit

	2021 £000	2020 £000
Current tax		
UK corporation tax on profits for the current year	(1)	(9)
Deferred tax		
Origination and reversal of timing differences	(6)	(6)
Total tax charge	(7)	(15)

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Tax on profit

(Continued)

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

	2021 £000	2020 £000
Profit before taxation	80	115
Expected tax charge based on a corporation tax rate of 19.00% (2020 - 19.00%)	(15)	(22)
Effect of change in tax rate	8	7
Tax charge for the year	(7)	(15)

The total amount of unrecognised deferred tax asset is £nil (2020 - £nil).

Future changes to the UK corporation tax rates were announced in the Chancellor's Budget on 3 March 2021. These include proposed increases to the main rate from 19% to 25% with effect from 1 April 2023.

10 Investments

	2021 £000	2020 £000
Investments in subsidiaries	1	1

Movements in investments

	Investments in subsidiaries £000
Cost or valuation	
At 1 January 2021 and 31 December 2021	1
Carrying amount	
At 1 January 2021 and 31 December 2021	1

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Investments

(Continued)

Subsidiaries

Details of the company's subsidiaries at 31 December 2021 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 (Company number 01934637) is 2nd Floor, Synergy House, 114-118 Southampton Row, London, WC1B 5AA.

Associates

Details of the company's associates at 31 December 2021 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 2021 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 or significant influence over them at 31 December 2021 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 2021

11 Trade and other receivables

	2021	2020
	£000	£000
Amounts falling due within one year:		
Trade receivables	448	58
Amounts owed by PFM	12,315	7,889
Other receivables	2,966	4,347
Deferred tax asset (note 16)	49	55
	<u>15,778</u>	<u>12,349</u>

The amount of £12.3m (2020 - £7.9m) due from PFM bears no obligation to pay interest now or in the future and has no formal repayment terms and is in accordance with the service level agreement between the parties.

Trade receivables are stated after provisions for impairment of £nil (2020 - £nil). A provision for impairment of £0.7m is included within Other payables (2020 - £0.7m), as this relates to joint billing receivables where the debt is held in PFM but the royalty income is accounted for in MCPS.

12 Short-term deposits

These are short-term bank deposits consisting of £25m (2020 - £10m) held in an overnight deposit account with Santander, £25m (2020 - £25m) held in a 35 day notice account with Santander, £15m (2020 - £15m) held in a 95 day notice account with Santander, £Nil (2020 - £5m) held in a 12 month notice account with Close Brothers, £7m (2020 - £20m) held with Federated Money Market investors in an overnight deposit account and £15m held in a 95 day notice account with Lloyds (2020 - £15m). The interest rates ranged between 0.01% - 0.45% (2020 - 0.1% to 0.4%)

The amounts held in less than 3 month deposit accounts are shown as cash and cash equivalents in the Statement of cash flows.

13 Cash at bank and in hand

	2021	2020
	£000	£000
Cash in bank and in hand	19,951	27,837
Cash held in escrow	5,030	5,030
	<u>24,981</u>	<u>32,867</u>

As at 31 December 2021 £5.0m cash was held in escrow under the 2017 Services Agreement between MCPS and PRS (2020 - £5.0m). These funds are expected to be released from escrow during 2022.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

14 Trade and other payables

	2021 £000	2020 £000
Other payables	9,426	8,490
	<u>9,426</u>	<u>8,490</u>

Other Payables represents, Accruals, Sundry Creditors and Deferred Income.

15 Royalties payable

	2021 £000	2020 £000
At 1 January	126,288	118,272
Add: royalties collected	173,443	167,939
	<u>299,731</u>	<u>286,211</u>
Distributed during the year in respect of:		
Royalty exploitation in UK and Ireland	(143,295)	(129,184)
Royalty exploitation outside UK and Ireland	<u>(38,366)</u>	<u>(28,690)</u>
	<u>(181,661)</u>	<u>(157,874)</u>
	118,070	128,337
Movement in returned royalties, deposits, advances received, etc.	<u>(324)</u>	<u>(2,049)</u>
At 31 December	<u>117,746</u>	<u>126,288</u>

The amounts distributed in the year are inclusive of the commissions, suspense and minor sums amounts disclosed in Note 3 and the Royalties Payable balance includes the £7.2m surplus commission expected to be distributed in 2022.

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 2021 these amounted to £3.2m (2020 – £2.7m).

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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	Assets
	2021	2020
	£000	£000
Balances:		
Tax losses	49	55
	<u>49</u>	<u>55</u>
Movements in the year:		2021
		£000
Asset at 1 January 2021		55
Effect of change in tax rate		(6)
		<u>49</u>
Asset at 31 December 2021		<u>49</u>

17 Retirement benefit schemes

	2021	2020
	£000	£000
Defined contribution schemes		
Charge to profit in respect of defined contribution schemes	6	6
	<u>6</u>	<u>6</u>

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

	2021	2020
	£000	£000
Ordinary share capital		
Issued and fully paid		
19,200 Ordinary shares of £1 each (2020 - 19,200)	19	19
	<u>19</u>	<u>19</u>

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021, total royalties paid by the company to the directors and to parties related to the directors amounted to £81.2m (2020 – £62.2m). 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, however this information is commercially sensitive and therefore related party transactions by director have not been disclosed.

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 2021, MCPS paid a management fee of £0.1m (2020 – £0.1m) to the Music Publishers' Association Limited, its parent undertaking. At 31 December 2021 there were no amounts outstanding with the Music Publishers' Association Limited (2020 - £nil).

During the year MCPS received operational services from PFM, a company with common board directors, under the terms of a service level agreement. The value of the services received was £13.2m (2020 - £13.0m). At the year-end MCPS owed PFM £2.5m (2020 - £1.4m) in relation to service fees payable and was due £12.3m from PFM (2020 - £7.9m) in relation to billing and cash collection activities as part of the operation agreement between the parties.

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 parent and 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 at their registered office, 2nd Floor, Synergy House, 114-118 Southampton Row, London, WC1B 5AA.

MECHANICAL-COPYRIGHT PROTECTION SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

21 Cash generated from operations

	2021 £000	2020 £000
Profit for the financial year	73	100
Adjustments for:		
Tax	7	15
Investment income	(208)	(578)
Foreign exchange losses on cash equivalents	69	78
Movements in working capital:		
Increase in trade and other receivables	(3,321)	(1,195)
(Decrease)/increase in trade and other payables	(7,606)	6,366
Cash (used in)/generated from operations	(10,986)	4,786