

PRS for Music

2010 Financial Review



PLAY | PERFORM | REPRODUCE

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Adapting to tougher times

Although 2010 was a difficult year for both the music industry and the wider economy, we collected £611.2m for our members.

When compared to 2009's record royalties collection of £618.2m, our revenues were 1.1% down. However, I am pleased to say that, while our overall royalty revenue fell by £7.0m, the amount we paid to our songwriter, composer and publisher members fell by only £0.9m. We achieved this through a renewed focus on improving efficiency and reducing administration costs.

We worked hard to drive through fundamental changes to how we operate, so that we are agile enough both to anticipate, and take advantage of, the challenges that lie ahead.

We have already seen transformations within the music industry that have significantly impacted our business. The internet continues to dominate discussions as more of us access music online. This trend poses challenges for us in the licensing world, and we have still to capture the full value of music use online. During 2010, growth in royalties from legal digital services slowed to 4.3%, delivering a total revenue of £26.5m, up from £25.4m in 2009. We now licence 63 digital music services in the UK.

International revenues rose as use of our members' music abroad continued to grow, up 1.7% from £166.9m in 2009 to £169.8m in 2010.

We saw an 8.8% fall in revenue from recorded media in 2010, primarily from declining CD and DVD sales, with customers switching to digital formats, both legal and unlicensed.

It is clear that 2011 will again be a tough year as we continue to fight for copyright protection across new digital frontiers and adapt to the increasingly fragmented industry. But we are forecasting a return to growth for *PRS for Music*, and are committed to ensuring that we capture the full value of your creative works.

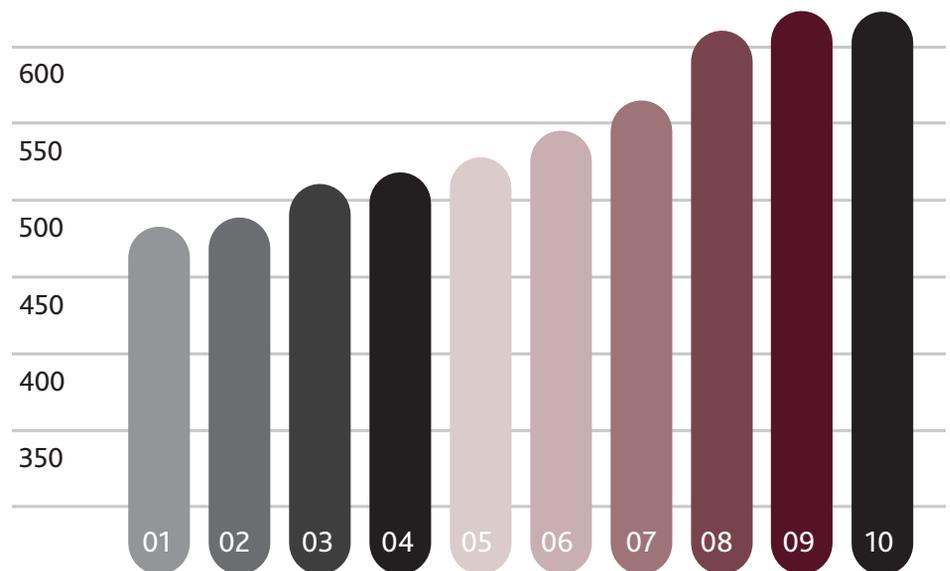
Robert Ashcroft, Chief Executive *PRS for Music*
May 2011

Focused on copyright

We enable businesses and community groups to gain access to the music they need, while making sure the songwriters, composers and publishers are paid for their creativity when their works are played, performed or reproduced.

Collectively, we now process more than one billion usages of music annually, from digital streams to radio plays. At the very heart of our business is copyright protection, is under continued threat, be this from rampant piracy, confusion about the functions of copyright, or pressure to relax intellectual property legislation.

PRS for Music is committed to playing a larger role in championing the rights of our members, enabling us to continue the important job of collecting and distributing royalty payments to music creators.



Money collected by *PRS for Music* (£ millions)

1 billion

uses of music processed

257%

increase in international revenues since 1999

£611 million

in royalties collected in 2010

7,000

We visit over **7,000** venues each year
to ensure our members are paid for the use of their music

10,226

new songwriter, composer
and music publisher members joined in 2010

63

We have licensed
major digital music services to date,

17

on a pan-European basis

By driving down costs we are able to pay
our members just under

**90p in every
pound** we collect

Delivering money to members

£ million	2010	2009	
Revenue - royalties	611.2	618.2	-1.1%
Interest and other income	4.6	5.6	
Total revenue	615.8	623.8	
Costs	(66.4)	(73.7)	
Charitable donations	(1.5)	(1.3)	
Net distributable revenue	547.9	548.8	-0.2%

In 2010, *PRS for Music* collected a total of £611.2m in royalties for our songwriter, composer and publisher members, down 1.1% on the previous year's record of £618.2m.

An 8.8% drop in recorded music sales contributed to the overall decline of £7m in royalties collected.

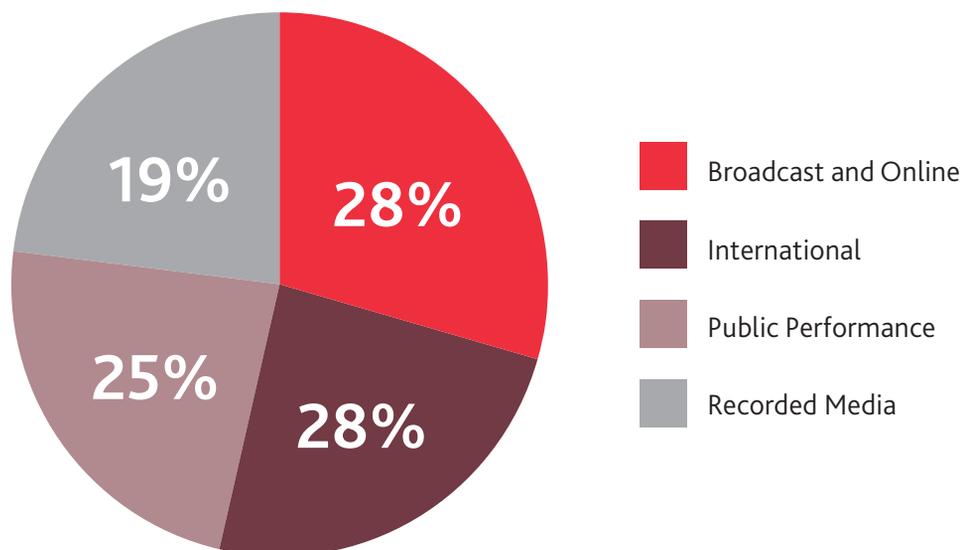
This was offset by a 4.3% growth in royalties from legal digital services, a 1.9% rise in radio royalties, and cost savings of nearly 10%.

In total, net distributable revenue fell just 0.2% last year, from £548.8m in 2009 to £547.9m in 2010.

Breaking it down

£ million	2010	2009	
Broadcast and Online	173.2	172.6	0.3%
International	169.8	166.9	1.7%
Public Performance	151.0	150.2	0.5%
Recorded Media	117.2	128.5	-8.8%
Total	611.2	618.2	-1.1%

Revenue split %



Stability in TV, radio and online

Broadcast and online

£ million	2010	2009	
TV	96.1	96.1	0%
Radio	49.5	48.6	1.9%
Online	26.5	25.4	4.3%
Ringtones	1.1	2.5	-56.0%
Total	173.2	172.6	0.3%

In 2010, there was a marginal increase of 0.3% in overall royalty collections, due to growth in the online and radio sectors.

Radio royalty collections increased primarily due to the gradual improvement of the commercial radio market.

During 2010, royalties from digital services grew by 4.3% with 63 major digital music services now licensed in the UK.



Music use abroad

International

£ million	2010	2009	
Europe	106.8	105.0	1.7%
The Americas	36.0	36.4	-1.1%
Asia/Australasia	18.3	17.7	3.4%
Africa/Middle East	2.5	1.7	47.1%
<i>PRS for Music Agencies</i>	6.2	6.1	1.6%
Total	169.8	166.9	1.7%

International royalties saw a 1.7% increase of £2.9m during 2010, representing the continued strength of our members' music used around the globe.

Revenues increased from countries including Australia, Norway, Sweden, Brazil, Hungary and South Africa. This reflects a combination of increased local collections, strengthening copyright rules, improved service and fluctuating exchange rates.

Tough trading at home

Public performance

£ million	2010	2009	
Pubs and clubs	36.4	37.6	-3.2%
Live	20.8	22.3	-6.7%
Hotels and restaurants	19.1	18.5	3.2%
Shops	18.8	17.8	5.6%
Industrial premises	15.5	15.0	3.3%
Cinemas	7.6	6.4	18.8%
Other	32.8	32.6	0.6%
Total	151.0	150.2	0.5%

Revenue from the public performance of music increased by 0.5% in 2010 to £151m, up by £0.8m on 2009.

However, growth in this sector is slowing reflecting difficult trading conditions in the UK domestic economy.

Live music was hit by fewer large tours throughout the year, although festivals continue to be a significant part of the UK live music scene.



Shifting music consumption

Recorded media

£ million	2010	2009	
Audio products (CDs)	87.3	95.1	-8.2%
General entertainment/DVD	15.6	15.8	-1.3%
Covermounts	2.1	3.3	-36.4%
Other	12.2	14.3	-14.7%
Total	117.2	128.5	-8.8%

Despite only a minor fall in entertainment and DVD products, all other areas of the recorded music sector witnessed a significant decline, as customers continued to switch away from physical products.

Royalties collected for CD sales fell £7.8m as consumers opted for other formats and competing entertainment products, while newspaper groups used the covermount format less, further depressing royalty collections.

Costs

£ million	2010	2009	
People	36.1	37.3	-3.2%
Legal and professional	4.1	4.2	-2.4%
Technology	3.4	3.5	-2.9%
Property	2.9	2.4	20.8%
Depreciation	9.5	10.4	-8.7%
Other	9.0	10.3	-12.6%
Operating Costs	65.0	68.1	-4.6%
Donations	1.5	1.3	15.4%
Exceptional Costs	1.4	5.6	-75.0%
Total Costs	67.9	75.0	-9.5%

Controlling costs

Our focus on reducing administration costs and improving efficiency meant that while revenue fell by £7m, the amount distributable to songwriter, composer and publisher members decreased by £0.9m. We made £547.9m available for distribution in 2010.

In 2010 we closed our final salary pension scheme, which we expect to save £25m over the next 15 years.

Over the course of the last two years, our focus on efficiency has allowed us to reduce our headcount by over 10%.

Investing in the future

We are working with international collecting societies to help streamline royalties processing, share the investment in new systems and reduce duplications in our procedures.

We have continued to invest in such ventures, including the International Copyright Enterprise (ICE) with Swedish collecting society STIM, and the more recent partnership with Danish collecting society NCB.

The project with NCB, currently known as NMP, will create a joint operating system to improve our recorded media royalties processing systems.

We are also actively pursuing joint ventures with other international organisations, with a view to sharing best practice, IT investment, data, overhead costs and expertise. By combining our back office functions we can take cost out of the collecting society network, which is better for both music users and music creators.



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