

PRS for Music

2011 Financial Review

The logo for PRS for Music, featuring the text "PRS" in a large, bold, white sans-serif font above the text "forMUSIC" in a smaller, white, lowercase sans-serif font. The text is set against a dark red, irregular, rounded shape that resembles a drop or a stylized musical note.

PRS
*for*MUSIC

Contents

04	Foreword
05	About us
06	The big numbers
08	Money to members Income and costs A closer look at revenue
10	Broadcast and online
11	International
12	Public performance and live
13	Recorded media
14	Costs
15	Basis of preparation

Foreword

I am very pleased, after last year's slight decline, to announce a 3.2 percent increase in royalties collected and distributed to our members in 2011.

International revenues grew by more than 10 percent, to become one of the largest sources of royalty income, while live music returned to an upward trajectory, reflecting both the continued strength of the UK festival market and large stadium tours, which brought an increase in revenues of 8.2 percent.

In another significant development, online royalties rose by 42 percent and now make up over 6 percent of total revenues. This is particularly encouraging, as online now represents a larger source of revenue to our members than some traditional sectors such as pubs and clubs.

While we can take a great deal of encouragement from these financial results, we should not overlook the considerable challenges faced by our organisation, and indeed our industry. Both copyright itself and collective management have been the subject of reviews in the UK, in Europe and in other countries and we must continually strive to defend our right to collect on our members' behalf, upholding the value of their music by promoting and protecting the value of copyright.

There is still much work to do to manage copyright in the digital space. We are actively engaged, along with our colleagues across the music industry, with the Coalition Government, who this year commissioned the Hargreaves Review of Intellectual Property and Growth, the Hooper Feasibility Review of the Digital Copyright Exchange and the current Copyright Consultation.

We have consulted with the European Commission, who will issue a new Directive on The Collective Management of Rights, we have supported the Global Repertoire Database Working Group in its historic quest to develop the infrastructure needed to ensure that the administration of copyright remains fit for the digital age and we have been closely involved with the fight against the unlicensed use of music on the internet.

Amid these positive developments, revenues from recorded media continued to decline, as consumers switched from physical formats such as CDs and DVDs to music streamed and downloaded from the internet. The steady fall witnessed over recent years accelerated in 2011, bringing a 13.2 percent decrease in revenues from the sale of physical product.

It is imperative that we continue to streamline our administration processes to adapt to this changing environment and ensure we remain one of the most efficient collecting societies in the world. Such is the scale of the challenge, however, that we cannot do this alone and must continue to partner with other societies to save cost by eliminating duplication in the back office.

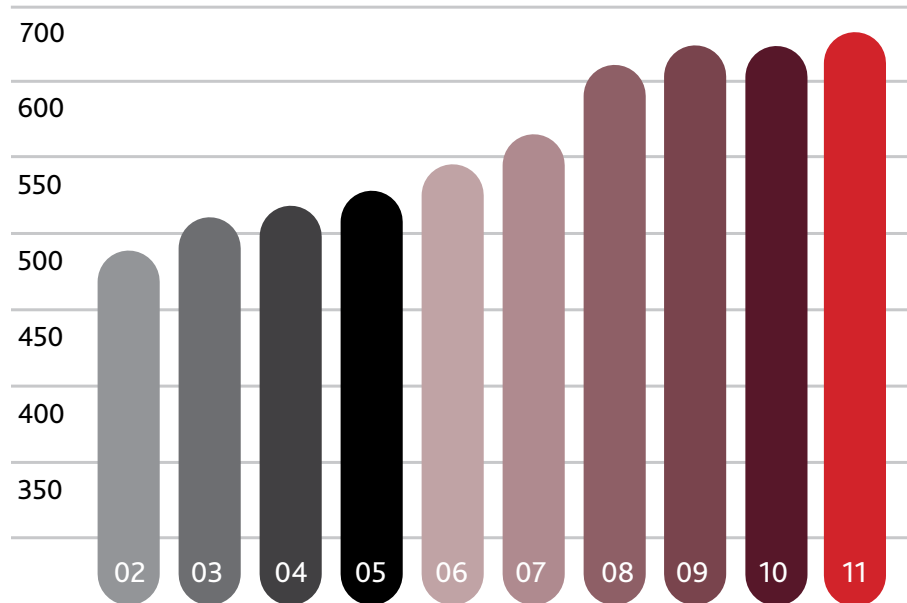
We take great pride in the continuing popularity of our members' music, both here in the UK and in countries around the world. The way we consume music may be changing, but the quality of our members' repertoire is a constant. *PRS for Music* will continue to change ensuring that the creators of music can continue to earn a living from their craft.

Robert Ashcroft, Chief Executive *PRS for Music*
May 2012

About us

We are a society of songwriters, composers and music publishers. We license organisations to play, perform or make available copyright music on behalf of our members and those of overseas societies, distributing the royalties to them fairly and efficiently. We promote and protect the value of copyright.

We have 90,000 members, including rock and pop writers, classical composers, TV and film score composers, library music creators and music publishers. We license 350,000 businesses to use our members' music and have over 90 agreements with affiliated collecting societies, covering 150 countries.



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

10,697

new songwriter, composer
and music publisher members joined in 2011

£630 million

in royalties collected in 2011

78

We have licensed
major digital music services to date,

28

on a pan-European basis

275%

increase in international revenues since 2000

65 billion

uses of music processed annually

7,000

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

By managing our costs we are able to pay
our members just under

90p in every pound

we collect

Money to members

Income and costs

£ million	2011	2010	
Royalty income	630.8	611.2	3.2%
Interest and other income	4.5	4.6	-2.2%
Total revenue	635.3	615.8	3.2%
Costs	(76.5)	(66.4)	15.2%
Charitable donations	(1.5)	(1.5)	-
Net distributable revenue	557.3	547.9	1.7%

*Charitable donations include the PRS for Music Foundation and the PRS for Music Members' Benevolent Fund

Despite the challenging economic climate in 2011, we were able to recognise royalties of £630.8m, up £19.6m on 2010.

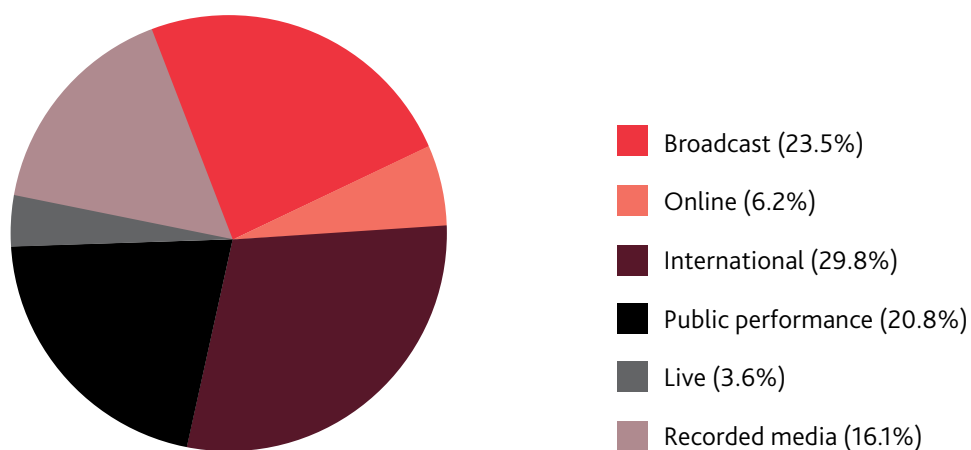
The continued strength of UK music in overseas markets, coupled with the growth of new licensed digital services, helped bolster revenues and led to a 1.7 percent increase in revenue available to our members, from £547.9 in 2010 to £557.3m.

Costs rose by £10.1m due to investments in both future revenue growth and organisational restructuring. The increase also reflects a one off charge for historic pension issues, which is not expected to reoccur.

A closer look at revenue

£ million	2011	2010	
Broadcast	148.4	145.6	1.9%
Online	39.1	27.6	41.7%
International	187.7	169.8	10.5%
Public performance	131.4	130.2	0.9%
Live	22.5	20.8	8.2%
Recorded media	101.7	117.2	-13.2%
Total	630.8	611.2	3.2%

Revenue split %



Broadcast and online

Royalties from TV, radio and online services

£ million	2011	2010	
TV	101.6	96.1	5.7%
Radio	46.8	49.5	-5.5%
Online	38.5	26.5	45.3%
Ringtones	0.6	1.1	-45.5%
Total	187.5	173.2	8.3%

Total royalties from TV and radio broadcasts, together with online and mobile music usages, increased by 8.3 percent in 2011 to £187.5m, despite a steep decline in the ringtone market.

Royalties from digital music services, including download, streaming and subscription, were up 45.3 percent to a record £38.5m. Royalties from online sources now account for more than six percent of total collections - one of the highest proportions for any collecting society in the world. New licensing arrangements with Rdio, Deezer, Research In Motion (RIM) and renewals with Spotify and Beatport supported this growth. We now license 78 digital services in the UK and 28 on a pan-European basis.

TV royalties were up 5.7 percent on 2010, following new licensing agreements with BBC, ITV, Channel 5, Box TV, Bloomberg, Turner, ESPN and Disney.

International

Royalties from music usage overseas

£ million	2011	2010	
Europe	117.7	106.8	10.2%
The Americas	42.0	36.0	16.7%
Asia/Australasia	19.9	18.3	8.7%
Africa/Middle East	2.3	2.5	-8.0%
<i>PRS for Music</i> agencies	5.8	6.2	-6.5%
Total	187.7	169.8	10.5%

Continuing a decade long trend, we achieved strong growth in international royalties, from £169.8m in 2010 to £187.7m in 2011. International is now one of the largest source of revenue for members, accounting for almost 30 percent of total royalties collected.

In 2011, revenues from the Americas grew 16.7 percent, helped by the strong performance of UK songwriters such as Adele and Taio Cruz in the US, Canada and Brazil.

Overall, members have enjoyed a 275 percent increase in international royalties since 2000, underpinning the strength of British repertoire globally and our improved coordination and cooperation with collecting societies around the world.

Meanwhile, the live concert market continues to grow internationally and we have improved music tracking through online tour support tools to capture this.

Public performance

Royalties from public performance including live

£ million	2011	2010	
Pubs and clubs	36.3	36.4	-0.3%
Live	22.5	20.8	8.2%
Hotels and restaurants	19.3	19.1	1.0%
Shops	18.8	18.8	-
Industrial premises	16.8	15.5	8.4%
Cinemas	7.0	7.6	-7.9%
Other	33.2	32.8	1.2%
Total	153.9	151.0	1.9%

Tough trading conditions for UK businesses have translated into modest growth in total public performance and live revenues, which increased by 1.9 percent in 2011 to £153.9m.

Royalties from the retail and hospitality sectors were relatively flat, with less than one percent growth, while revenue from industrial premises grew 8.4 percent to £16.8m.

We saw strong growth in live revenues, up 8.2 percent from 2010 to £22.5m, which were buoyed by high numbers of large stadium concerts, in particular the Take That Progress Tour.

We continued to increase our penetration in the industrial and workplace sectors, with many small businesses benefiting from our entry level £44 music licence.

Recorded media

Royalties from recorded media

£ million	2011	2010	
Audio products (CDs)	76.0	87.3	-12.9%
General entertainment/DVDs	13.4	15.6	-14.1%
Covermounts	1.4	2.1	-33.3%
Other	10.9	12.2	-10.7%
Total	101.7	117.2	-13.2%

We have seen our revenues from the recorded media market reduce again this year, as consumers continue to switch from purchasing physical products such as CDs and DVDs to digital formats. During 2011, this decline accelerated, bringing a 13.3 percent decrease in royalty revenues from £117.2m in 2010 to £101.7m.

Royalties from physical formats including CDs and DVDs now account for 16 percent of overall collections. This reflects a similar decline in the overall physical product market, with the BPI reporting a 13 percent drop in physical album sales in 2011 to 86.2m units.

Revenues from covermounts slipped by more than a third, as fewer media companies used this format to promote their goods.

Costs

Costs

£ million	2011	2010
People	37.1	35.0
Legal and professional	4.7	4.1
Technology	4.2	3.4
Property	3.6	2.9
Depreciation	7.2	9.5
Other	6.7	7.6
Operating costs	63.5	62.5
Defined benefit pension	10.0	1.4
Other non-operating costs	4.5	4.0
Non-operating costs	14.5	5.4
Total costs	78.0	67.9

In 2011, operating costs increased by less than inflation despite the need to collect, process and distribute additional royalties from more than 350,000 businesses and 150 countries.

Non-operating costs increased due to investment in system capabilities such as the global repertoire database.

Contributions to address the deficit on our defined benefit pension schemes also increased non-operational costs in 2011, however the schemes have now closed.

We now process more than 65 billion usages of music annually, from digital streams to live performance to radio air plays.

Basis of preparation

The figures presented in this financial review are based on the audited financial statements of Performing Right Society (PRS), Mechanical-Copyright Protection Society (MCPS) and the MCPS-PRS Alliance Limited (the Alliance); companies that together are referred to as *PRS for Music*.

This financial review has not been audited. Copies of the audited financial statements for PRS, MCPS, and the Alliance, prepared using UK generally accepted accounting practices, can be provided on request.

Copyright House
29-33 Berners Street
London W1T 3AB

T: +44 (0)20 7580 5544
www.prsformusic.com
www.m-magazine.co.uk

**Follow us on Twitter,
Facebook and MySpace**

CO.05.12.CB

The MCPS-PRS Alliance Limited
Performing Right Society Limited
Mechanical-Copyright Protection Society Limited
