

PERFORMING  
RIGHT SOCIETY | 2015  
**FINANCIAL  
REVIEW**



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WE REPRESENT OVER

118,000

SONGWriters, COMPOSERS AND MUSIC PUBLISHERS

●●●●●●●●●● IN OTHER WORDS ●●●●●●●●●●

OUR MEMBERS COULD FILL LONDON'S O2 ARENA

SIX TIMES



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## Basis of preparation

The figures presented in this financial review are for the Performing Right Society Limited (PRS). This review has not been audited. Audited financial statements for PRS are prepared using accepted UK accounting practices.

Unlike previous years, the Mechanical-Copyright Protection Society Limited (MCPS) financial figures are not included. MCPS is a separate legal entity with different board and management structures. The year-on-year comparisons shown on page 7 are adjusted for PRS only.

# FOREWORD

In 2015 we delivered revenues of £537.4m, which represents, on a constant currency basis, 7% growth over 2014, reinforcing our position as a global leader in collective rights management. All revenue streams contributed to this growth. At the same time, distributions to members increased by 8.4% due to greater efficiency in our operations. At £460.9m therefore, our members received an extra £35.6m compared with the prior year. This was achieved alongside the continued transformation of our business in an increasingly competitive market.

Online revenues reached £42.4m, representing an increase of 12.8% over 2014. This was driven by underlying market growth and improved licensing. International revenues totalled £195.6m, an increase of 10.4% on a constant currency basis, showing the value of investing in better tracking to identify when music created by our members is used overseas. Broadcast revenues were £124.2m: an increase of 4.1%, in part due to growth in advertising on commercial radio stations. Finally, in Public Performance, which is our oldest revenue stream, royalties grew to £175.2m, an increase of 4.1%, reflecting our strategy of communicating the value of music to businesses.

We have continued to strengthen our relationship with our European partners. In June 2015 the European Commission cleared the proposed joint venture between *PRS for Music*, *STIM* and *GEMA*. This allowed us to establish *ICE Services*, a multi-territorial online licensing hub based in London. Our London operation complements the newly-

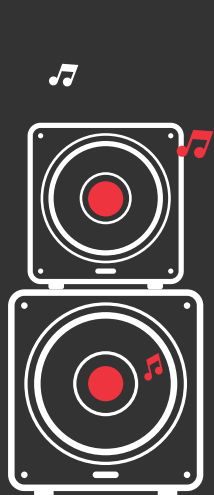
expanded scope of *ICE Operations*, now based in Berlin and providing online processing and invoicing services in addition to its original multi-territory, multi-rights, full chain of title, copyright service. *ICE* will have a transformative effect on the industry. It will enable the highest matching percentage rates and the lowest rate of disputed invoice claims anywhere, while ensuring that rightsholders benefit from business efficiencies by eliminating duplicate processing.

Our *Public Performance* business embarked on a process of significant change as we commenced preparatory work with our advisors for our recently announced joint venture with *PPL*. This remains a key strategic programme, which we are confident will deliver long term benefits for both members and licensees.

In addition to focusing on driving improvements in operations and licensing, we are striving to achieve fair value for our members when their music is used. We have been a leading voice in the debate on the future of copyright in the digital market and our advocacy has been instrumental in helping the European Commission to recognise that abuse of the safe harbour provisions in European Law has both harmed the creative industries and restrained growth in the economy as a whole by creating an imbalance between the interests of the technology platforms and the creative industries<sup>1</sup>.

Robert Ashcroft,  
Chief Executive Performing Right Society

<sup>1</sup> *Is copyright law fit for purpose in the Internet era (September 2014)* [www.prsformusic.com/copyright-internet](http://www.prsformusic.com/copyright-internet)



OUR ROYALTY REVENUES FOR 2015 WERE  
**£537.4 MILLION**  
WE DISTRIBUTED  
**£460.9 MILLION**  
TO MEMBERS AND AFFILIATE SOCIETIES



THAT'S MUSIC TO OUR EARS



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# ABOUT US

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The Performing Right Society was founded in 1914 and we are one of the largest – and most efficient – collecting societies in the world. We manage the performing right assigned to us by our 118,000 songwriter, composer and publisher members.

We understand that music is a vital cultural force and we exist to help our members and those of overseas societies earn from their music.

We provide businesses and other organisations with access to music from all around the world, from the largest media corporation or retail chain to the most intimate live performance space.

We have well-established and long-standing relationships with more than 100 societies world-wide. We collect international remittances through over 120 reciprocal agreements with collecting societies in other countries and license businesses in the UK to perform music in public (Public Performance Sales or General Licensing), broadcasters, and digital service providers.

Each year, we license more than 350,000 businesses, including radio stations and television channels and a range of online digital service providers. Through our business relationships, we champion and promote the value of music and highlight its benefits in motivating staff and creating a welcoming environment for customers.

After deducting the costs of running our organisation, the income we receive from licence fees and investments is distributed to our members and affiliated society rightsholders.

We deliver the best returns to our members while striving to keep our operating costs as low as possible and ensuring we invest in infrastructure to keep pace with an ever more complex licensing world.

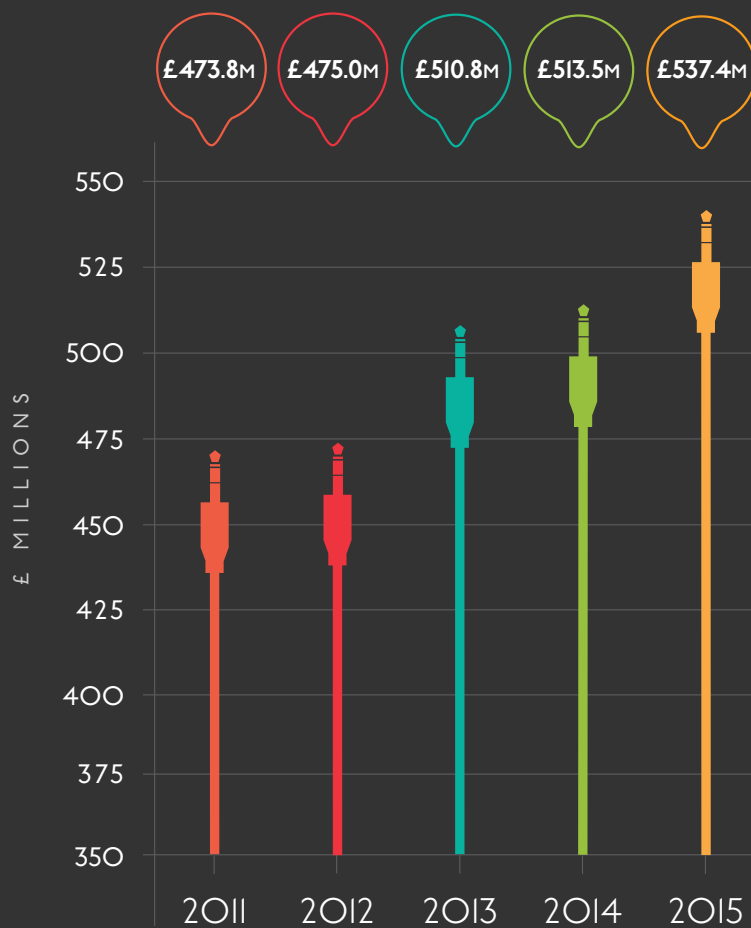
We are an efficient and forward-looking society, very active in lobbying for more transparent and efficient collective management. We support cross industry initiatives to improve the legislative environment for copyright and advocate improved industry data for faster and more accurate payment to our members.

We are the largest funder of new music in the UK and in 2015, we donated £2m to the PRS for Music Foundation, a registered charity established for the advancement of the performance and appreciation of new music.

The PRS for Music Foundation is a charity dedicated to music of all genres across the UK, and it supports a wide range of creative projects – from band showcases, UK tours and festivals to composer residencies, commissions and professional development.

If you would like more information about PRS and our members, please visit [prsformusic.com](http://prsformusic.com).

# OUR TRACK RECORD



**PRS ROYALTY REVENUE 2011 - 2015**

# HEADLINE RESULTS

## ROYALTY REVENUE COLLECTED, COSTS AND DISTRIBUTIONS TO MEMBERS:

<i>£ million</i>	2015	2014	%
Revenue - royalties	537.4	513.5	4.7
Interest and other income	2.1	1.6	31.3
<b>Total revenue</b>	<b>539.5</b>	<b>515.1</b>	<b>4.7</b>
Costs	-67.8	-57.6	-17.7
Charitable donations	-2.1	-1.6	-31.3
<b>Net Distributable Revenue pre deed</b>	<b>469.6</b>	<b>455.9</b>	<b>3.0</b>
Deed payback from MCPS	4.5	2.3	
<b>Net Distributable Revenue post deed</b>	<b>474.1</b>	<b>458.2</b>	<b>3.5</b>
<i>Cost to income ratio</i>	<i>13.0%</i>	<i>11.4%</i>	
<b>Distributions</b>	<b>460.9</b>	<b>425.3</b>	<b>8.4</b>





## 2015 PERFORMING RIGHT SOCIETY HIGHLIGHTS

- Our revenue grew 7.0% on a constant currency basis, with significant increases across all revenue streams.
- Member distributions increased by 8.4%. We achieved this by speeding up the processing of distributions for on-demand subscription services, international receipts and live concert performances.
- Our costs increased in 2015. This additional investment was used to secure significant revenue uplift in 2015 and supported our strategic work to meet the demands of an ever-changing marketplace.
- We continued to provide services to MCPS, helping them pay back the remaining £4.5m of support provided by PRS in 2012, significantly ahead of expectations.

## ROYALTY REVENUE COLLECTED BY SOURCE

£ million	2015	2014	%
International	195.6	188.3	3.9
Public Performance	175.2	168.3	4.1
Broadcast TV and radio	124.2	119.3	4.1
Online	42.4	37.6	12.8
<b>Total</b>	<b>537.4</b>	<b>513.5</b>	<b>4.7</b>
Revenue on a constant currency basis	537.4	502.4	7.0

# INTERNATIONAL

## ROYALTIES FROM OVERSEAS SOCIETIES

£ million	2015	2014	%
Europe	118.9	114.7	3.7
North America	40.8	34.9	16.9
Asia Pacific	20.4	20.3	0.5
Developing / Emerging	7.7	10.2	-24.5
Cruise Lines	5.2	3.7	40.5
Agencies	2.3	4.0	-42.5
Other (incl. direct licensing)	0.3	0.5	-40.0
<b>Total</b>	<b>195.6</b>	<b>188.3</b>	<b>3.9</b>
<b>Revenue on a constant currency basis</b>	<b>195.6</b>	<b>177.2</b>	<b>10.4</b>

- Our international revenues totalled £195.6m, representing an increase of 10.4% on a constant currency basis. This was driven by a number of exceptional payments, cable settlements and broadcast growth.
- Our income from live was boosted by major tours by artists including U2, Ed Sheeran and One Republic.
- We saw strong improvements across Europe, including broadcast settlements in Germany and Italy, backdated cable settlements from Nordic and Benelux countries and strong receipts from Switzerland and France.



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# £195.6 MILLION

COLLECTED IN ROYALTIES FROM  
INTERNATIONAL MUSIC USE

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## IN 2015

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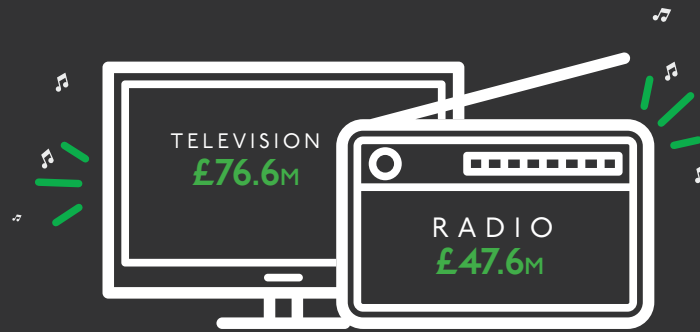
- In North America, our receipts from Canada, and US societies BMI and SESAC, were our highest on record. This was due to the popularity of our members' music on US and Canadian radio in 2014 and 2015, as well as growth in online income as societies licensed more services.
- Asia Pacific growth was driven by TV commercials in Japan, increased use of our members' music on Australian radio, payments from Foxtel and steady income increases across South East Asian markets.
- Developing/emerging markets fell due to the economic crisis and weakening of Russian, Argentinian and Brazilian currencies.

# BROADCAST TV AND RADIO

## ROYALTIES FROM BROADCAST TV AND RADIO

£ million	2015	2014	%
TV	76.6	73.3	4.5
Radio	47.6	46.0	3.5
<b>Total</b>	<b>124.2</b>	<b>119.3</b>	<b>4.1</b>

- Our broadcast TV and radio revenues reached £124.2m, increasing by 4.1%.
- Despite an increase in viewer choice and the growing strength of on-demand services, the television market remained strong. This was reflected by increases in TV revenues of 4.5%.
- We have seen a strengthened advertising market in commercial radio underpin revenue growth for radio.



**PRS BROADCAST REVENUES**  
FROM TV AND RADIO REACHED  
**£124.2 MILLION**  
.....  
AN INCREASE OF 4.1%

WE CURRENTLY LICENSE  
.....



## ROYALTIES FROM ONLINE SERVICES

£ million	2015	2014	%
Downloads	6.1	9.4	-35.1
Streaming	23.7	21.0	12.9
Gaming	2.6	1.5	73.3
Video on-demand	10.0	5.7	75.4
<b>Total</b>	<b>42.4</b>	<b>37.6</b>	<b>12.8</b>

- Our online revenues reached £42.4m in 2015, increasing by 12.8%.
- Our streaming revenue increased by 12.9% as a result of a number of new deals with digital service providers with improved terms and conditions for key services.
- The underlying market for downloads continues its well documented decline (in excess of 15%) as more people are attracted to the benefits of streaming.
- We saw significant increases in royalties for video on-demand services, driven by strong subscriber growth.
- A notable achievement in 2015 was our settlement with SoundCloud for backdated and future royalties.



£6.1M



£23.7M



£2.6M



£10.0M

# BIG DATA - VOLUME OF MUSIC USES



With the transition from downloads to streaming there was a corresponding increase in the volume of data processed from **126 billion** in 2012 to over **2 trillion** uses in 2015. This trend is set to increase. With these ever increasing data volumes and in collaboration with industry partners, we are leading the drive for increased levels of songwriter and composer metadata.

2,528,924,664,325

975,448,842,316

136,863,130,159

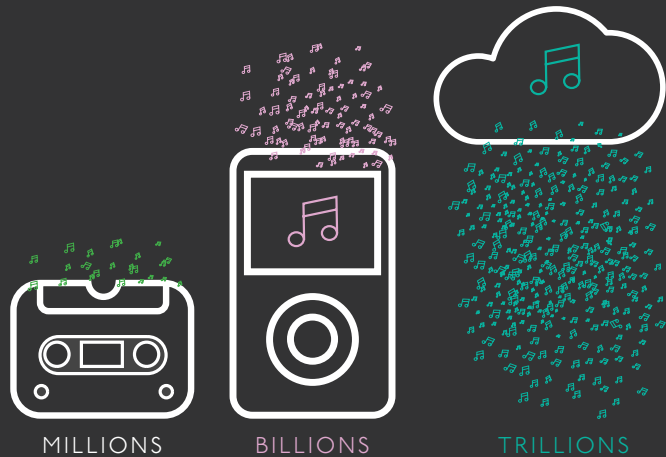
126,015,122,915

2012

2013

2014

2015



WE HAVE GONE FROM PROCESSING  
**MILLIONS TO BILLIONS**

↓↓↓↓↓↓↓↓↓↓ AND NOW ↓↓↓↓↓↓↓↓↓↓

**TRILLIONS**

OF USES

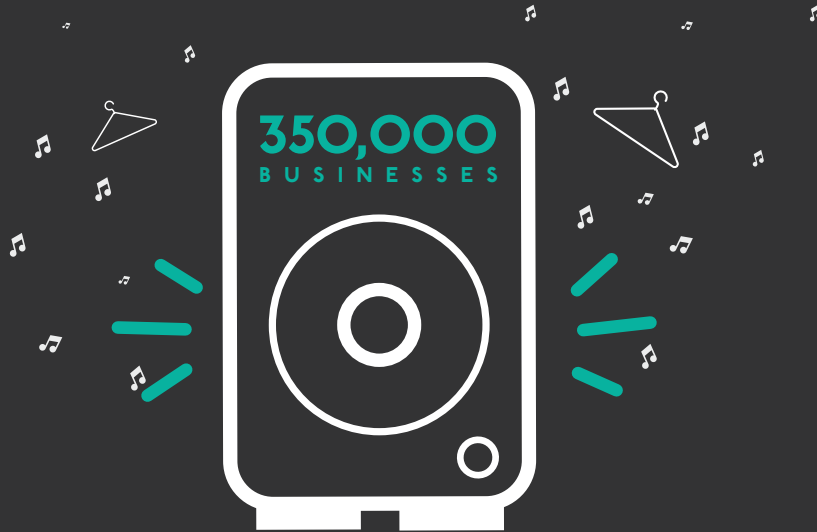
# PUBLIC PERFORMANCE

## ROYALTIES FROM PUBLIC PERFORMANCE

£ million	2015	2014	%
Pubs and clubs	44.0	42.0	4.8
Live	28.3	27.1	4.4
Hotels and restaurants	22.8	21.3	7.0
Shops	22.5	22.6	-0.4
Industrial premises	20.2	18.8	7.4
Cinemas	8.3	9.1	-8.8
Other	29.1	27.4	6.2
<b>Total</b>	<b>175.2</b>	<b>168.3</b>	<b>4.1</b>

- Our Public Performance royalties continued to grow achieving £175.2m, an increase of 4.1%.
- We saw growth across a number of sectors through new licences and existing account retention, reflecting our strategy of communicating the value of music to businesses.
- We saw strong year-on-year growth of 4.4% in the live sector, driven by increased ticket sales for large events and tours, coupled with the licensing of additional music festivals.
- Cinema revenues increased year-on-year after adjusting for a 'one off' catch up invoice for backdated collections in 2014.





## PUBLIC PERFORMANCE

# THE BREAKDOWN



£44.0<sub>M</sub>

PUBS &  
CLUBS



£28.3<sub>M</sub>

LIVE



£22.8<sub>M</sub>

HOTELS &  
RESTAURANTS



£22.5<sub>M</sub>

SHOPS



£20.2<sub>M</sub>

INDUSTRIAL  
PREMISES



£8.3<sub>M</sub>

CINEMAS



£29.1<sub>M</sub>

OTHER

# COSTS

## COSTS

£ million	2015	2014	%
People	37.5	36.4	-3.0
Outsourced services	14.8	15.3	3.3
Professional and legal	7.9	5.6	-41.1
Property	4.4	5.0	12.0
Publicity and marketing	2.1	2.8	25.0
Technology	2.3	2.5	8.0
Tax	0.2	0.2	0.0
Other	1.7	2.4	29.2
<b>Total operating cost</b>	<b>70.9</b>	<b>70.2</b>	<b>-1.0</b>
Depreciation, disposals and impairments	8.9	6.0	-48.3
Governance	0.9	1.0	10.0
Donations and rent subsidy	2.1	1.6	-31.3
<b>PRS total cost</b>	<b>82.8</b>	<b>78.8</b>	<b>-5.1</b>
<i>Exceptional items</i>			
Pensions - defined benefit	1.3	-3.5	-137.1
Profit on property disposal	0.0	-1.1	-100.0
<b>Unadjusted PRS costs</b>	<b>84.1</b>	<b>74.2</b>	<b>-13.3</b>
Service fee from MCPS	-14.2	-15.0	-5.3
<b>Net PRS cost</b>	<b>69.9</b>	<b>59.2</b>	<b>-18.1</b>

# INVESTING IN THE FUTURE



- In 2015 our costs increased by 13.3% in comparison to 2014. These increases helped secure a significant revenue uplift to enable our investment in important strategic programmes in order to meet the demands of a complex, competitive and ever-changing marketplace.
- Areas of cost increases include exceptional costs (non-recurring 2014 pension and property credits) and one-off costs associated with litigation and planned investments to deliver additional value for our members and licensees. In 2015 we began our digital transformation programme to implement further efficiencies and ensure our members benefit from a market-leading service. Our forthcoming joint venture with PPL is expected to generate additional revenue and reduce operating costs.
- We demonstrated our ongoing support of new music and talent by the Board agreeing an increased donation of £2.0m in 2015 to the PRS for Music Foundation.
- Overall, our business is both healthy and growing and the costs we can control are well controlled.

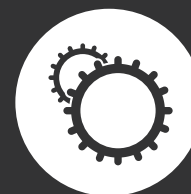
WE ARE ONE OF THE MOST EFFICIENT COLLECTING SOCIETIES IN THE WORLD



TRANSFORM DIGITAL SERVICES



DEFEND FAIR VALUE



PROCESS SMARTER

**= MORE MONEY FOR OUR MEMBERS**

# HOW WE OPERATE

In an increasingly competitive environment, we continue to uphold a governance structure that ensures transparency and fairness for members, with no bias towards any particular musical genre or interest group. We are open, transparent and a strong advocate for modernisation as we continually embrace new approaches and technologies in our mission to offer ever-better services to members at an ever-lower cost.

We launched our Code of Conduct in 2012. It covers all aspects of PRS membership and areas we license, from shops to new online streaming services. It complies with the British Copyright Council's Principles of Good Practice for Collection Management Organisations Policy Framework and outlines the roles and responsibilities of PRS, sets best practice and determines the standards that govern how the society operates.

Importantly, it explains how we can help each other and what to do if things go wrong. Please visit our website to read the Code of Conduct.

[prsformusic.com/codeofconduct](https://prsformusic.com/codeofconduct)

These are the figures for 2015\*:

## Licensing

- 1,564,630 contacts made
- 78 complaints recorded
- No complaints referred to the Ombudsman
- Two outstanding at the end of the year, both received 23 December

## Membership

- 38,882 contacts made
- Five complaints recorded
- One complaint referred to the Ombudsman, it was not upheld
- Zero outstanding at the end of the year

\* All figures include both MCPS and PRS related contacts and complaints.

# OUR CUSTOMERS – A PASSION FOR MUSIC

We provide businesses and other organisations — from the largest media corporation or retail chain to the most intimate live performance space — with access to music from all around the world.

EACH YEAR WE LICENSE AROUND

# 350,000 BUSINESSES

# PREMISES INCLUDING



WE LICENSE **AROUND 500**



..... MUSIC FESTIVALS EACH YEAR .....

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# THE FUTURE

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We delivered greater value to our members in 2015 than ever before, with record royalty revenue and distributions, and are committed to making further improvements over the coming years.

The future is increasingly digital and both our members and licensees expect to have the option of conducting their business with us online. Members rightly expect detailed insight into the use of their repertoire, so they may identify where their money is and when they will be paid. Our licensees want straightforward and simple licensing solutions that meet their needs with the minimum administrative burden.

We have, therefore, launched a comprehensive programme of digital transformation and will make a significant investment into our systems over the next few years to ensure that members experience of our service matches our ability to deliver revenue growth and increased distributions.

We will continue our focus on championing collaboration and partnership because we believe that engagement with industry stakeholders enables the development of market solutions. This philosophy is borne out by ICE, which is set to deliver significant efficiencies over the coming years.

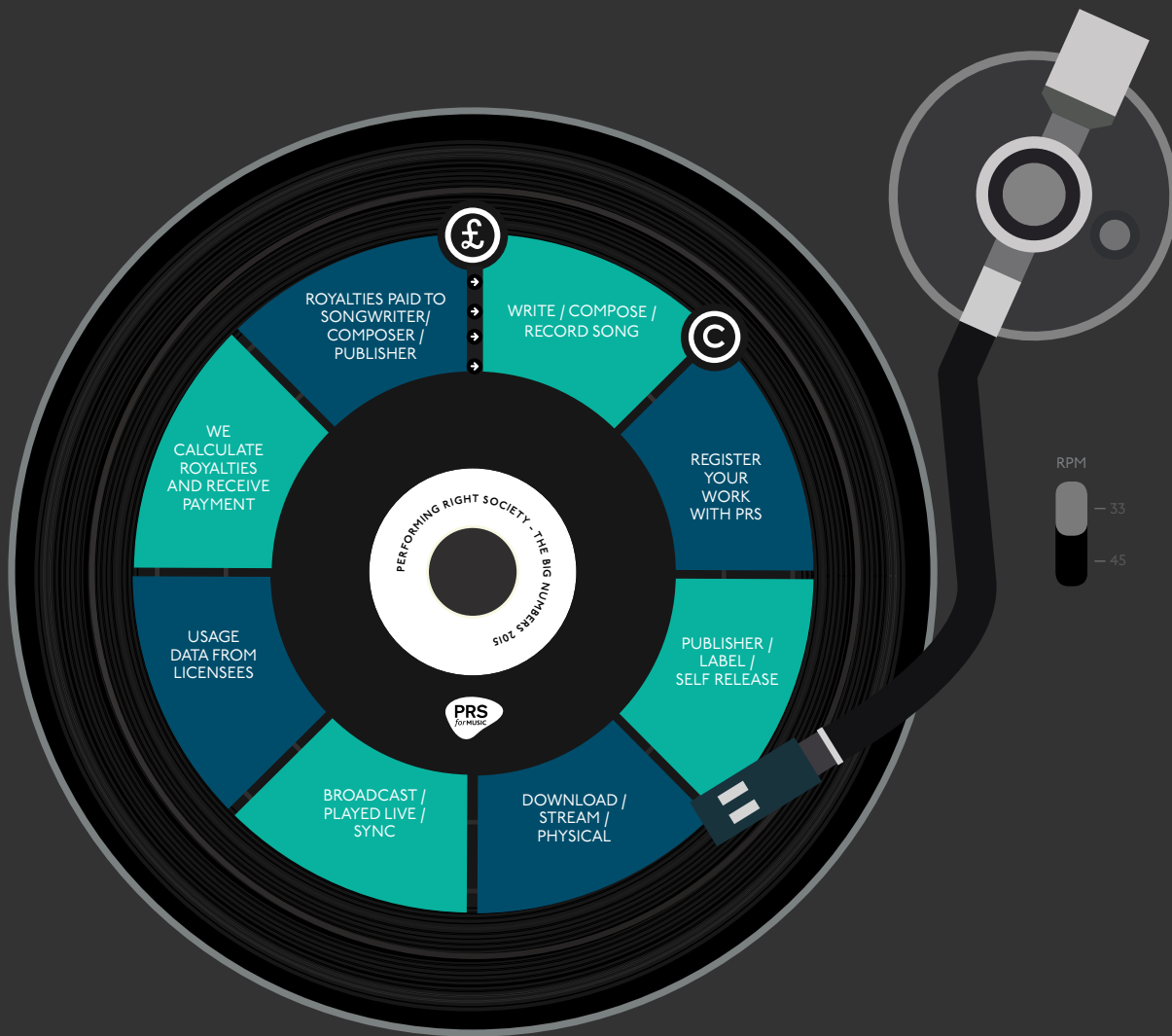
We are partnering with PPL around our Public Performance licensing activities, creating a joint venture in the form of a new operating company jointly and equally owned by PPL and PRS. This new company will focus on serving all our UK Public Performance licensing customers. The creation

of a single point of contact for our customers will further streamline the customer experience and allow us to realise efficiencies from joint working, to the benefit of both licensees and members.

Significant progress has already been made in engaging the European Commission with the urgent need for regulatory change to tackle the transfer of value from music and other creative works to certain online platforms. This transfer is an unintended consequence of the 'safe harbour' defences embodied in European copyright legislation, originally intended to facilitate the build-out of the high-speed internet. This work is expected to conclude over the coming 12 months and we are committed to ensuring that we achieve fair value for the use of music by ensuring there is a level playing field for digital service providers in a fully-functioning online market. The debate is now moving into the political arena and we urge members to ensure their voices are heard by contacting their MEPs both before and after the summer recess.

Our mission is to achieve fair value for songwriters, composers and music publishers by licensing organisations to play, perform and make available music created by our members. Our vision is to be the leading music rights management organisation in the world. It is for our members, our licensees, for legislators and other stakeholders to judge our success, but with a record year behind us and a series of important structural reforms in progress, we believe we are well on our way.

# THE STORY OF A SONG



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