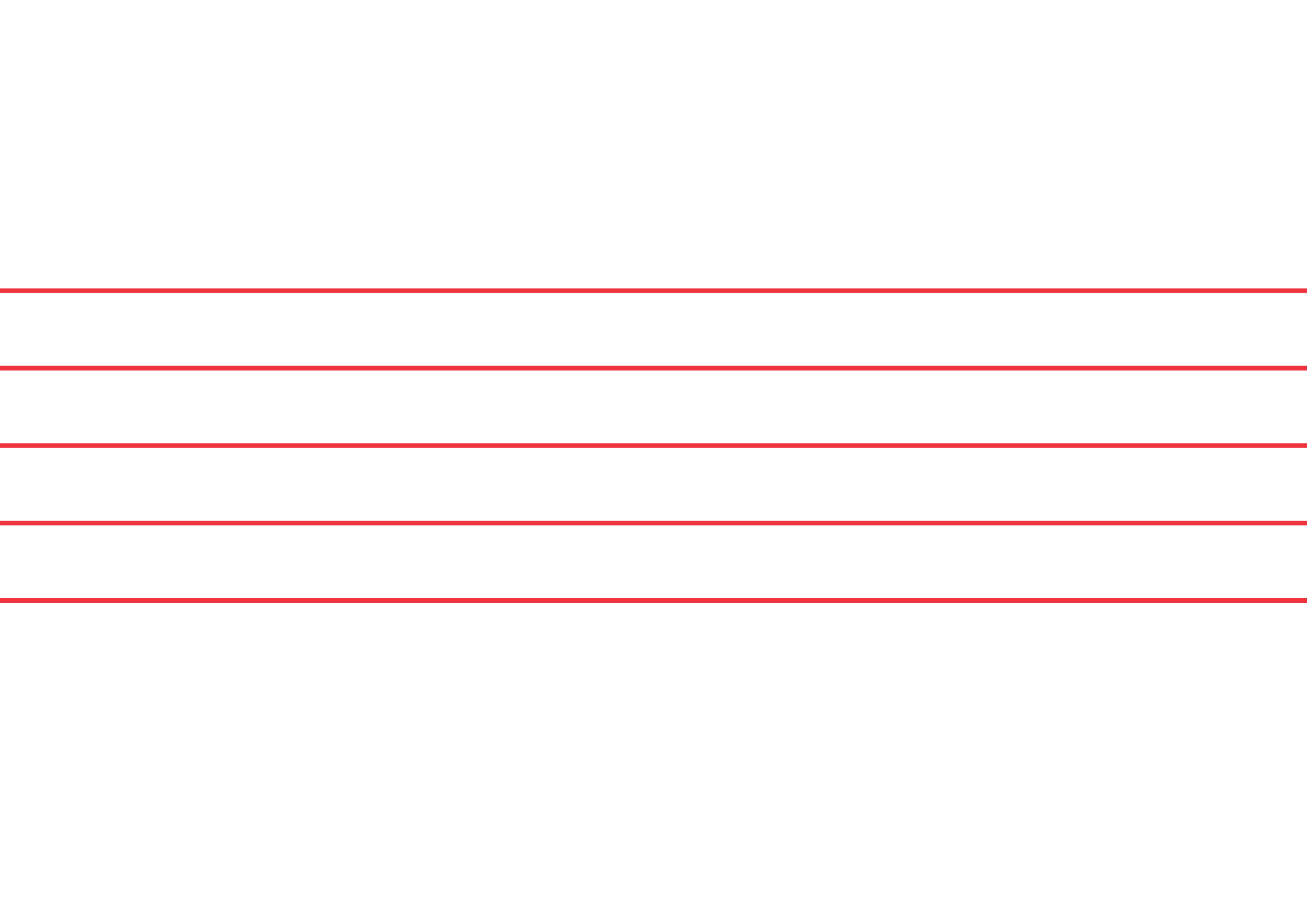




PERFORMING RIGHT
SOCIETY LIMITED
**2018 FINANCIAL
REVIEW**





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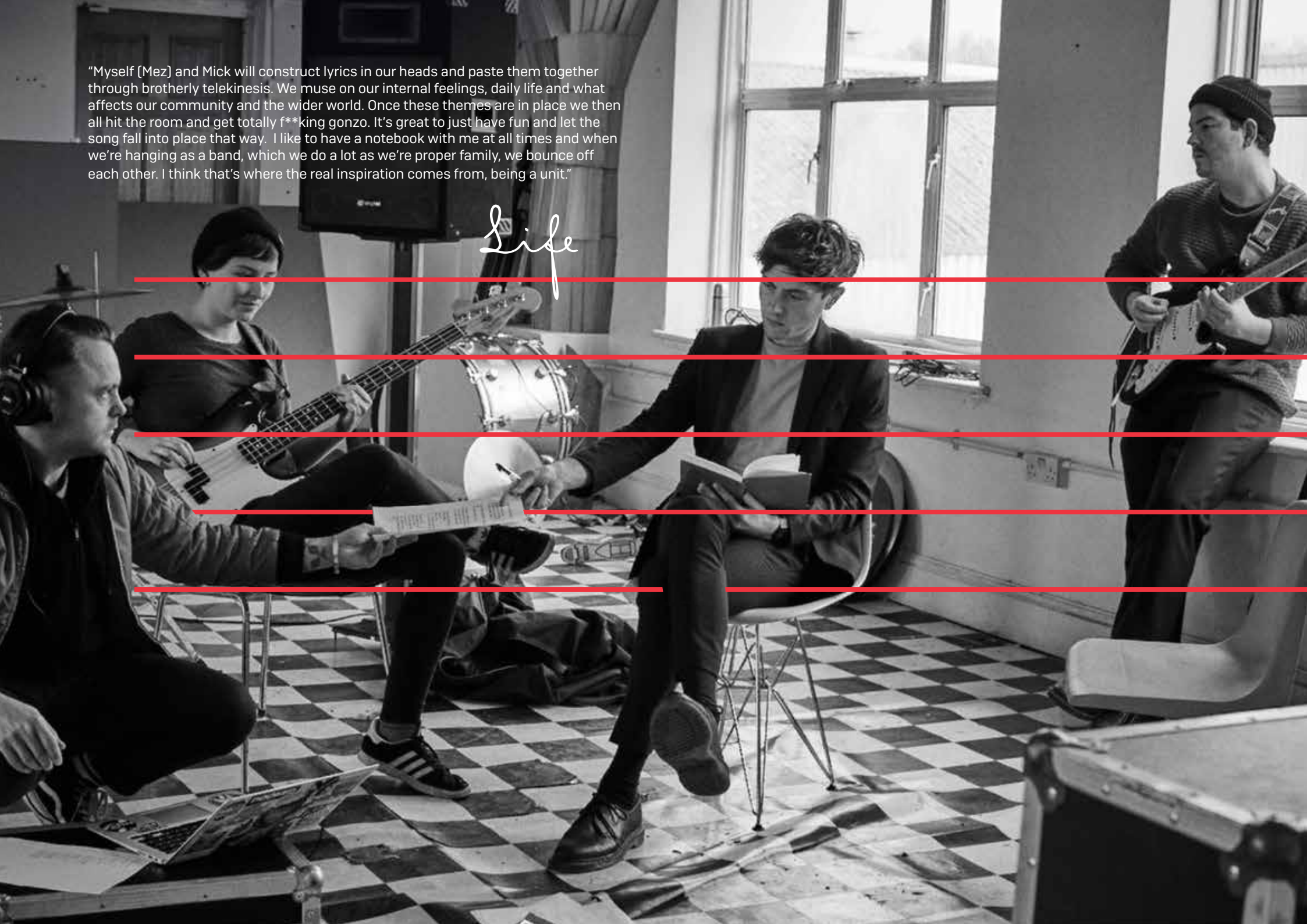
Basis of preparation

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.

Inside this Review, you'll hear from a range of our members who share insight into their creative process.

"Myself [Mez] and Mick will construct lyrics in our heads and paste them together through brotherly telekinesis. We muse on our internal feelings, daily life and what affects our community and the wider world. Once these themes are in place we then all hit the room and get totally f**king gonzo. It's great to just have fun and let the song fall into place that way. I like to have a notebook with me at all times and when we're hanging as a band, which we do a lot as we're proper family, we bounce off each other. I think that's where the real inspiration comes from, being a unit."

Life



Foreword

2018 was another record year for PRS. We achieved royalty income of £746.0m, which on a constant currency basis, represents 4.4% growth over 2017, an additional £31.6m.

After costs and other income our net distributable revenue was £648.4m, a 3.3% increase on the previous year. In 2018, a total of £603.6m was distributed to songwriter, composer and music publisher members, a decrease of 0.2% on 2017. This slight reduction was caused by processing delays at our joint venture partners, but still represents the second largest distribution in our history.

These record results were achieved against another significant increase in music usage data: up from 6.6 trillion in 2017 to 11.2 trillion in 2018 and this trend is set to continue, underlining the value of our joint investment, in partnership with STIM and GEMA, in ICE – the International Copyright Enterprise, based in Berlin.

Royalty income from online increased by 17% (on a constant currency basis) to £145.7m, driven by the continued success of streaming services, while income from the use of our members' music overseas grew to £280.6m, an increase of £23.4m, or 9.1% on a constant currency basis.

Income from broadcasters totalled £127.7m, down 5.1% due to a reduction in linear TV viewing and the effect of a large one-off payment in 2017, while royalty income from general business usage was also slightly down at £192.0m as a result of a delay to the launch of our joint venture with PPL, PPL PRS Ltd, based in Leicester.

This launch, however, saw the introduction of TheMusicLicence, a single licence for businesses to use music, covering the rights of the members of both PRS and PPL. This is the biggest joint licensing operation in the world and will simplify the process of obtaining a licence, while delivering income growth for our combined memberships.

Our number one priority during the year was to ensure the accuracy of our distributions. To this end we implemented a number of new processes and ways of working, including enhanced governance and capacity management, new distribution assurance processes, and business intelligence tools.

Together they constitute a 'three lines of defence' model, in line with best-practice in the financial institutions of the City of London. Throughout 2018 and the early part of 2019 we fought, alongside others in the creative industries, for the most significant change to copyright law in nearly twenty years: the removal of 'Safe Harbour' protection from user-upload platforms that host large amounts of copyright-protected content.

The European Copyright Directive had started life as a proposal for exceptions to copyright and ended, in large measure thanks to PRS having articulated the damage caused by what became known as the 'Transfer of Value', with the platforms being made liable for it: a complete volte-face and a massive victory for copyright.

Robert Ashcroft,
Chief Executive Performing Right Society

Our members

Songwriters, composers and publishers are essential to the success of the music industry. We're proud that our membership consists of some of the best talent in the world.

140k

songwriters, composers and music publishers



17%

of our members identify as female

42%

of writer members under the age of 20 identify as female

1,000

women in the UK registered as working songwriters and composers last year

40%

of the top 10 highest earning female songwriters are under the age of 35

REPERTOIRE

The PRS repertoire contains over

25.7m

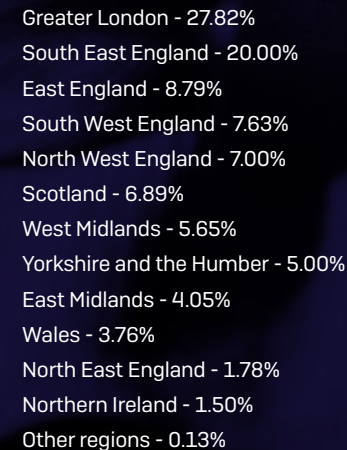
 musical works

In 2018 our members registered **half a million** works

If you put the entire repertoire onto CD albums side by side they would cover the distance from London to Liverpool

Our members in the UK

BY REGION



60k

of our **members** and

4.8m

musical works received a payment in 2018

About us

The Performing Right Society was founded in 1914 and is one of the largest, most efficient collecting societies in the world. We manage the performing right assigned to us by 140,000 songwriter, composer and publisher members.

Our vision is to be the leading music rights organisation in the world.

We are committed to providing our members with the very best service and we exist to help them earn from their music wherever and whenever it is used.

In the last year we collected international royalty revenues from 81 countries, through our well-established and long-standing relationships with societies worldwide.

We provide businesses with access to the music they need and ensure those who created it are paid fairly for their work.

We invest in collaborations and technologies that enable us to keep pace with an increasingly complex licensing world and deliver growth year-on-year in royalty income.

Through our charity, PRS Foundation, we are the largest investor in new music in the UK and we support songwriters and composers in times of need through the PRS Members' Fund.

We're proud of the work we do on behalf of our members and celebrate the music they create.

How we operate

We're governed by our members, for our members. Our board is made up of songwriter, composer and music publishers, rather than shareholders, and we operate on a not-for-profit basis.

Our governance structure ensures transparency and fairness and means we answer to the members we represent.

Each year we publish an Annual Transparency Report as well as our financial review and statutory accounts. It includes a comprehensive breakdown of income on a territory by territory basis and we fully support the requirement of collective management organisations across the European Union to produce them.

Our Code of Conduct and the *PRS for Music* Member Policy cover all aspects of PRS membership and the sectors we license, from shops and offices to new digital platforms. It outlines the roles and responsibilities of PRS, sets best practice and determines the standards that govern how we operate. Importantly, it explains how we can help each other and what to do if things go wrong.

As an organisation we welcome change and innovation, and are committed to creating a secure future for our members and for music.

To learn more about our organisation, how we are governed, our values and also our track record visit: prsformusic.com/about-us

The big numbers

£746.0_M

Another record amount collected on behalf of our members.



4.4%

INCREASE ON 2017
on a constant currency basis

£648.4_M

After costs and other income, net distributable revenue to members.



3.3%

INCREASE ON 2017

£603.6_M

Paid out in royalties to songwriters, composers and music publishers during 2018.



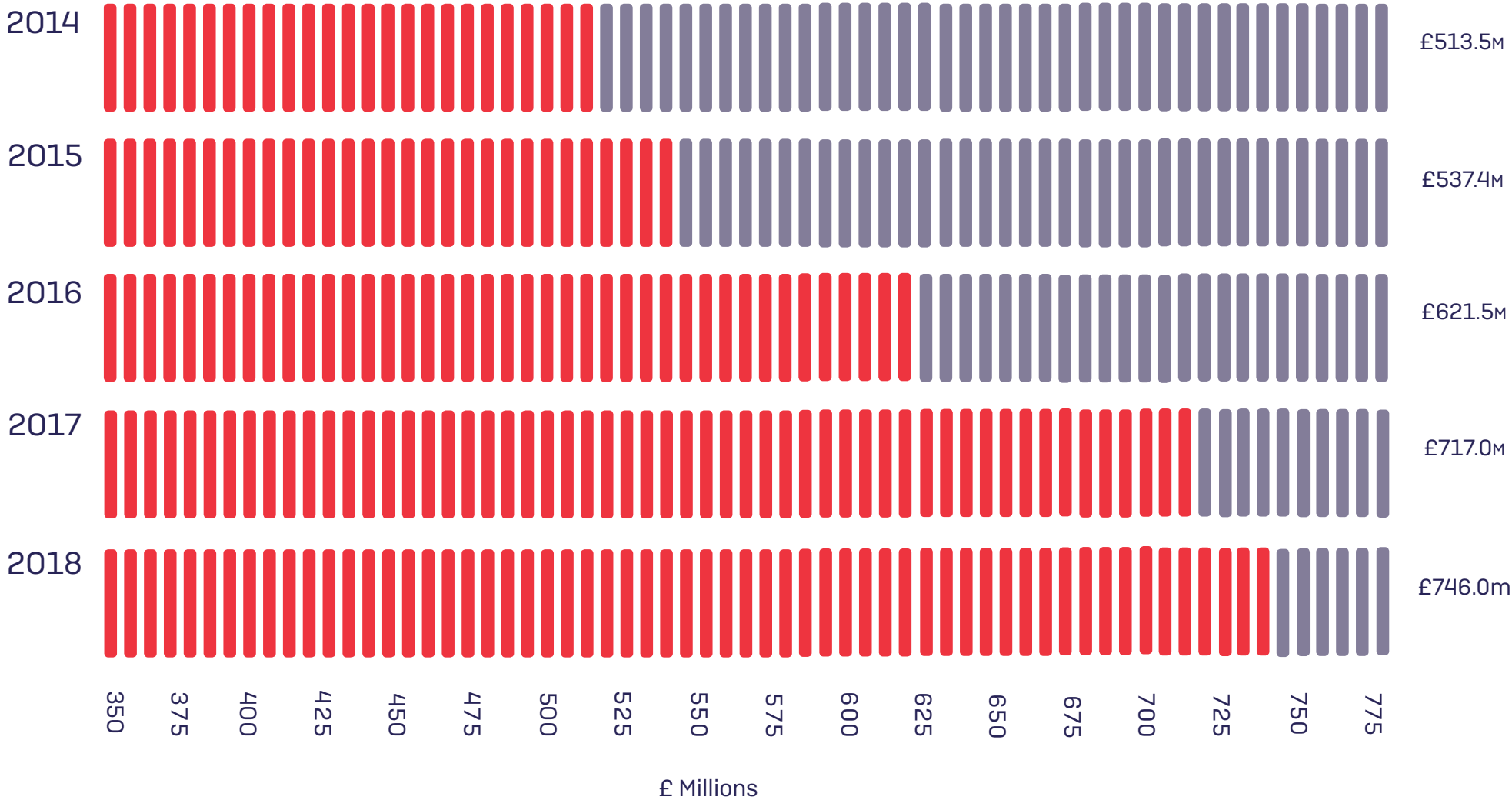
0.2%

DECREASE ON 2017*

* Slight reduction caused by processing delays at our joint venture partners, but still represents the second largest distribution in *PRS for Music's* history.

Our track record

PRS ROYALTY REVENUE 2014 - 2018



Where the money comes from

INTERNATIONAL

£280.6m

International royalty income continues to be the largest revenue stream for our members, highlighting the success of their music all over the world.

↑ 9.1%*

ONLINE

£145.7m

With music fans continuing to make the switch to streaming services, we saw a rise in revenue for online. We also secured a host of new deals on better terms.

↑ 17.0%*

PUBLIC PERFORMANCE

£192.0m

A challenging situation on the UK high street and delays in establishing our joint venture, PPL PRS Ltd, with PPL contributed to the decrease in revenue.

↓ 3.1%

BROADCAST

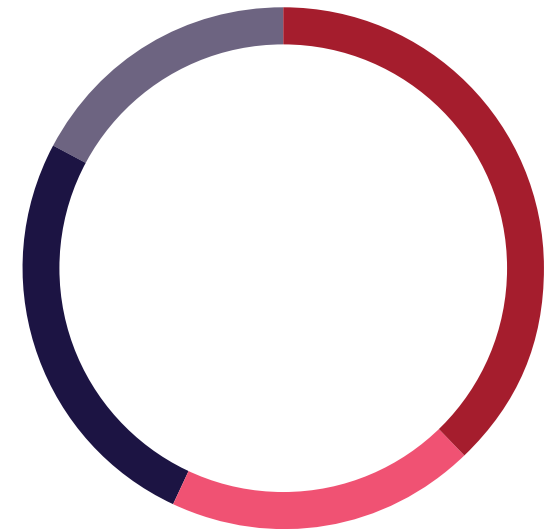
£127.7m

We've seen a decrease in the revenue received from broadcast due to a decline in linear TV viewing. The 2017 figure was also skewed by a large one-off payment from ITV.

↓ 5.1%

HOW THE NUMBERS BREAKDOWN

International	38%
Online	19%
Public Performance	26%
Broadcast	17%



*on a constant currency basis

Headline results

Royalty revenue collected, costs and distributions to members

£ million	2018	2017	%
Revenue - royalties	746.0	717.0	4.0
Interest and other income	-0.6	-0.2	-200.0
Total revenue	745.4	716.8	4.0
Costs	93.8	86.2	8.8
Charitable donations	3.2	3.2	0.0
Net Distributable Revenue	648.4	627.4	3.3
Cost to income ratio	13.0%	12.5%	
PRS distributions	603.6	605.1	-0.2

Royalty revenue collected by source

£ million	2018	2017	%
International	280.6	261.4	7.3
Public Performance	192.0	198.1	-3.1
Broadcast	127.7	134.6	-5.1
Online	145.7	122.9	18.6
Total	746.0	717.0	4.0
Revenue on constant currency basis	746.0	714.4	4.4

- Revenue growth of 4.4% (£31.6m) on a constant currency basis. Online and International revenue are both above 2017, with particularly strong growth from Online.
- PRS launched PPL PRS Ltd, the joint venture for Public Performance licensing with PPL, in February 2018. This is a significant change in Public Performance licensing, and the challenges of the first year of operation have resulted in Public Performance revenue being slightly below 2017. This is expected to move back to growth in 2019.
- Distributions are broadly in line with 2017, and while Online distributions have benefitted from revenue growth, processing backlogs at ICE have resulted in a number of delays into 2019. Additionally, Public Performance distributions in 2018 have been impacted by delays in invoicing and cash collections in the joint venture's first year of operation.
- Increased costs in 2018, mainly due to planned strategic spend relating to restructuring the organisation and additional commission linked to the uplift in Online revenue.
- Interest and Other Income includes a £2.2m transactional foreign exchange loss due to timing differences on the invoicing and payment receipt of foreign currency invoices, and the revaluation of foreign currency debtor balances.



"I spend a huge amount of time at home writing, and for me it is so important to be in a space where I can feel creative, have natural light, and have a place to lie down and think! It is so important to get into the right frame of mind every day, so you can notice things that would otherwise seem ordinary. This is at least what I aim to do in my work - to shine a light on everyday experiences and express them in a way that can move people.."

Dani Howard

International

Royalties from overseas CMOs

£ million	2018	2017 [*]	%
Europe, Middle-East and Africa	175.3	160.6	9.2
North America	65.9	63.0	4.6
Asia Pacific	29.4	28.5	3.2
Latin America	10.0	9.3	7.5
Total	280.6	261.4	7.3
Revenue on constant currency basis	280.6	257.2	9.1

- International revenue for 2018 totalled £280.6m, an increase of 9.1% (£23.4m) on a constant currency basis.
- PRS members' repertoire remains successful globally, with another record year for foreign royalty revenue building upon the strong growth of recent years.
- Europe has seen an increase in revenue compared to 2017, driven largely by income relating to Major Live Concerts and several settlements received that related to prior periods.
- In North America, Digital revenues continued to grow, partly due to settlements from major DSPs. Commercial and Satellite radio have also increased versus 2017 due to the ongoing success of PRS writers in the US charts.
- Revenue from Latin America in 2018 has increased compared to 2017, largely due to Online and Live income received from Brazil due to deals signed with major DSPs and an increase in Major Live Concerts.

^{*}In 2018, the International territory groupings have been redefined to better reflect the markets PRS operate in. 2017 has been realigned to the new territory groupings, for comparative purposes.



"We do nearly all of our writing at our studio in the middle of a very quiet field in rural Hertfordshire. Our process varies hugely depending on who we are writing with and what for, but we often find that stripping everything back to just piano or guitar really inspiring, it also forces you to focus on the core song writing and structure rather than being able to cover up small imperfections with production. We like our writing sessions to feel like you popped round for tea with a good mate, had a laugh, and came out with a song at the end of it. We don't have any specific rituals just lots of tea and a fair bit of chatty procrastination!"

One Bit

Public performance


Royalties from public performance and live

£ million	2018	2017*	%
Shops and Other	52.9	58.3	-9.3
Pubs and clubs	42.3	46.9	-9.8
Live	38.9	34.5	12.8
Hotels and restaurants	26.0	26.0	0.0
Industrial premises	22.3	23.9	-6.7
Cinemas	9.6	8.5	12.9
Total	192.0	198.1	-3.1

- Public Performance revenues totalled £192.0m, which is 3.1% (£6.1m) below 2017.
- PRS launched PPL PRS Ltd, the joint venture for Public Performance licensing with PPL in February 2018. With 2018 being the first year of the joint venture being in operation, alongside the complexities of transition, revenue is slightly below 2017, although it is expected to move back to growth in 2019.
- It has been a successful year for the Live music sector with an increase of 12.8%, including the implementation of the new Live Tariff in June 2018. There have been high selling tours from the Rolling Stones, Ed Sheeran, Taylor Swift, Foo Fighters, Eminem, Jay-Z & Beyoncé and Paul McCartney, plus increases in major festivals.
- Cinemas saw a year on year growth of 12.9% due to an increase in admissions and box office takings, driven by key releases in 2017 such as *Star Wars*, *Beauty and the Beast*, *Dunkirk* and *Thor: Ragnarok*.**
- Although there has been growth in fitness classes that play music in gyms, the Pubs and Clubs sector has not seen growth overall versus 2017. This is due to a number of former public houses changing use to become other types of hospitality venues, or staying empty for a longer period before reopening.
- Shops and Other have seen a decline in smaller retailers on the high street, slightly offset by an increased performance in supermarkets and department stores.

*In 2018, PRS has redefined the Public Performance sector categories. 2017 has been realigned to the revised sector categories, for comparative purposes.

** Cinemas are invoiced 12 months in arrears.



I've now accepted that there's a safe in my head and i store all my melodies, flows, bars, etc there over time. On some days I could use so much from the safe, other days might not be as straight forward and I have to pick my brain a little harder. Whatever the outcome is the safe just keeps filling up."

Flohio

Broadcast

Royalties from broadcast

£ million	2018	2017	%
TV	76.9	84.8	-9.3
Radio	50.8	49.8	2.0
Total	127.7	134.6	-5.1

- Despite a continued decline in linear TV viewing of around 4%, underlying TV royalty revenue was broadly flat year-on-year, due primarily to the impact of newly negotiated licences. The overall reduction in royalties in 2018 is due to a large one-off payment received in 2017 relating to the ITV Copyright Tribunal.
- PRS Radio royalties increased by £1.0m driven by growth in Commercial Radio advertising revenues.



"Inspiration and ideas can't be owned, we can't take any credit for the existence of an idea. The collective subconsciousness passes through you when you are doing the right thing at the right time. That is when you can create. You had just better be prepared for it! Collaboration is key to the creative process, finding a shared place between human ideas can be an exciting but challenging journey. The pace of life is fast in London, you have to be 'on' all the time. You are constantly absorbing the mass of information, ideas and energy within this strange eco-system. Having a location, your location to create is important. a place where you can allow the madness to seep in and pass through and turn into something... anything."

Speakman Sound

Online

Royalties from online services

£ million	2018	2017	%
Streaming	126.9	103.7	22.4
Video-On-Demand	12.0	13.8	-13.0
Downloads	2.9	5.4	-46.3
Gaming	3.9	0.0	n/a
Total	145.7	122.9	18.6
Revenue on constant currency basis	145.7	124.5	17.0

- Online revenue for 2018 totalled £145.7m, an increase of 17.0% (£21.2m) on a constant currency basis
- PRS Streaming royalties increased by 22.4% (£23.2m) due to a combination of the underlying 33% growth in the UK Streaming market, new deals on better terms, and new business. This was partly offset by the transfers out of a small number of mandates, and a high level of prior period royalty catch-ups in 2017.
- Video-On-Demand revenue saw continued underlying market growth of around 20%. The reduced revenue compared to 2017 is due to the high level of prior period settlements in 2017.
- PRS Download royalties reflect an underlying decline in the digital download market of circa 25%. In addition, 2017 included revenue delayed from 2016.
- Gaming royalties collected in 2018 included a retrospective element related to prior years.



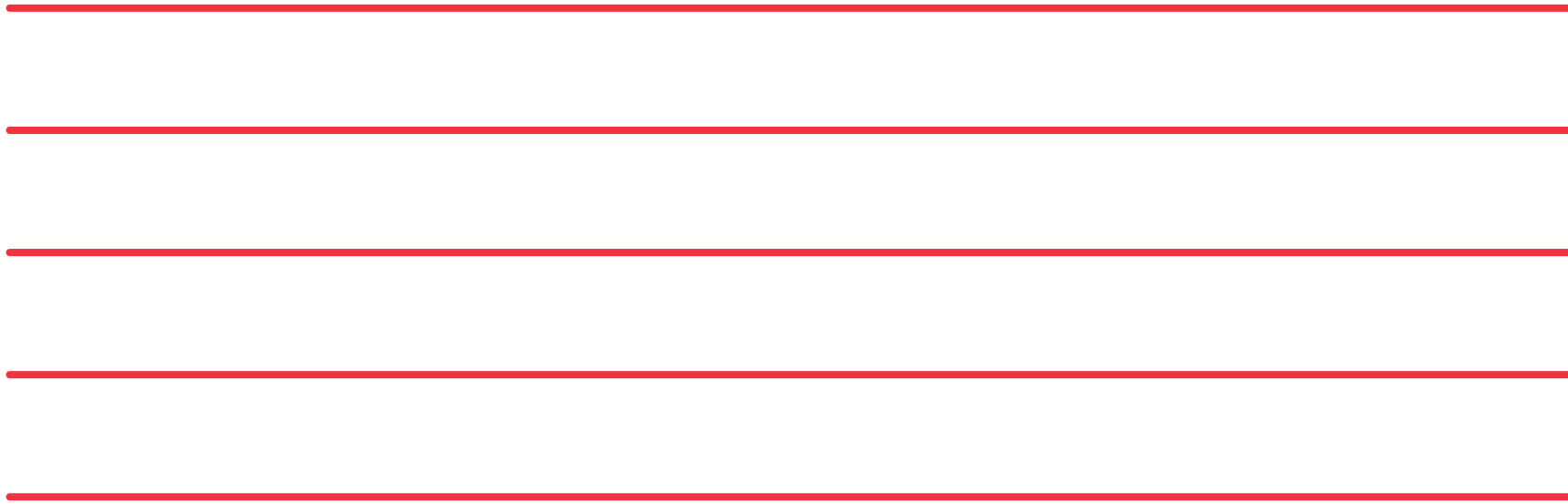
I spend a huge part of my life in my studio. It's a comfortable safe space that's my haven and if I'm feeling safe, then that's the place where I can write, totally uninhibited, without constraints. For me, writing for film means being true to the story and totally inhabiting the characters, which entails being quite vulnerable, opening myself up emotionally in order to tap into the world of the film. I'm very visually inspired - the tone and pace, the acting, the colours, the atmosphere of the film, really influence the musical storytelling. I do love bringing in musicians to perform and collaborate on recording sessions. They breathe life into my music, making the ideas I've had floating around in my computer for weeks or months come alive.

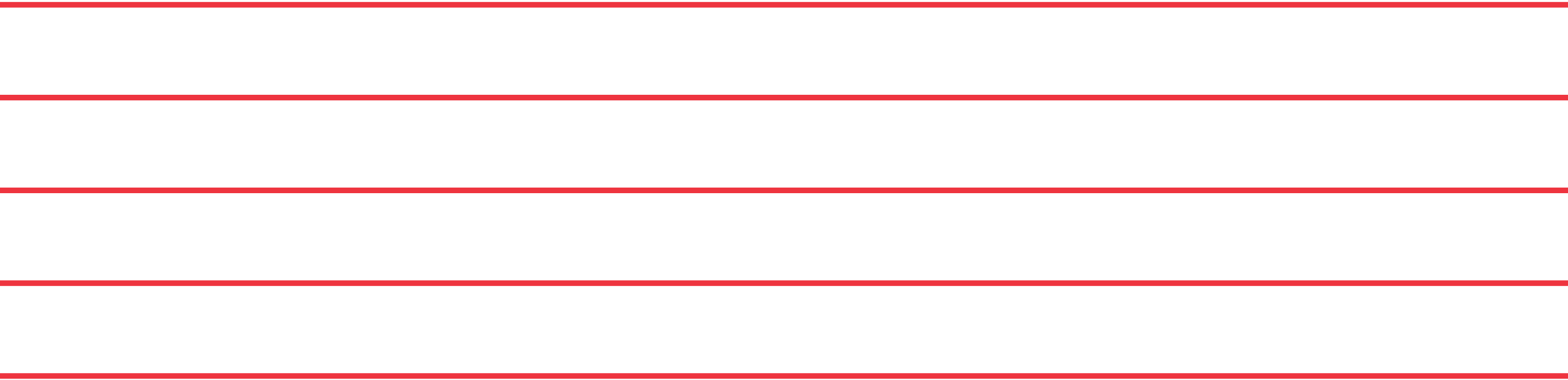
Nainita Desai

Costs

£ million	2018	2017	%
People	38.3	43.9	-12.8
Outsourced Services	39.3	26.8	46.6
Professional and Legal	6.9	6.5	6.2
Property	3.6	3.6	0.0
Publicity and Marketing	1.5	2.1	-28.6
Technology	2.7	2.8	-3.6
Tax	0.2	0.2	0.0
Other	2.0	2.4	-16.7
Total operating cost	94.5	88.3	7.0
Depreciation, disposals and impairments	9.7	9.9	-2.0
Governance	1.2	1.0	20.0
Charitable Donations	3.2	3.2	0.0
Pensions - defined benefit	1.1	0.9	22.2
PRS total cost	109.7	103.3	6.2
Service fee from MCPS	-12.7	-13.9	-8.6
Net PRS cost	97.0	89.4	8.5

- 2018 includes planned strategic spend relating to restructuring the organisation and developing PRS' digital capability.
- Investment and transition costs related to the launch of PPL PRS Ltd have been incurred during 2018. Service charge costs from the joint venture are now being incurred by PRS as Outsourced Services, offset by a reduction in other cost categories that were previously incurred by PRS directly.
- Higher online revenue and distributions in 2018 have led to a £3.1m increase in commission costs within Outsourced Services.
- PRS' commitment to driving operational efficiencies has continued, with the assignment of the lease on one floor of the King's Cross office effective from January 2019. Disposal costs related to fixtures and fittings for this floor are included in 2018 costs.
- The service fee from MCPS reflects a full year of fees under the new five-year contract with MCPS, which commenced in July 2017.
- PRS maintains its support for new music and talent through its donation to the PRS Foundation, which was £3.0m in 2018 (£3.0m in 2017).





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"Improvisation is at the heart of my creative process. It allows your soul to do the talking and frees you from the confines of what you think you're capable of. It takes you out of your body and guides you to the lyrics and the melody without need for intervention. It's like tuning into a different radiowave for a second, tapping into something outside yourself and bringing back what you find to the real world and articulating it through music."

Stella Taylor

