

DISTRIBUTION CYCLES AND CONCEPTS

Standard distribution cycles and frequency

PRS distributions are normally made four times a year, in April, July, October and December. In most cases, the distribution occurs one quarter after the end of the quarterly performance period. The distribution cycles for most, but not all, major revenue sources are shown below:

For television (except music TV channels):											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
July Distribution			Oct Distribution			Dec Distribution		April Distribution			
For music TV channels, radio, all public performance (except concerts)											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
July Distribution			Oct Distribution			Dec Distribution		April Distribution			

Distribution information for other revenue sources is shown in the appendix, under the heading 'Standard distribution cycle'. The December and April TV distributions are referred to as quarterly distributions even though they span two and four months respectively.

Minimum total payment thresholds of £30 (for members in the UK), £60 (for members outside the UK) and £100 (for affiliated societies) apply at the main four distributions except the December distribution. Payments of less than these are held until either they reach that total. In the December distribution each year the threshold for members in the UK is reduced down to £1. Thresholds for so-called mini-distributions vary on an individual basis.

Distribution basis

PRS bases distributions on the following methods, in order of preference:

Census – This is the preferred basis for all distribution sections. A census distribution involves data collection, processing and payment for every single performance, often referred to as pay-per-play, within the licence period.

Unfortunately it is not always feasible for PRS to distribute on a census basis, due to the nature and volume of music usage by some licensees. Usually, this is where no cost effective solution for collecting and processing data is available, for example music played in the background by licensed pubs.

Sample – Where census distribution is not feasible, PRS seeks to collect a representative sample of actual performances as the basis to distribute total section revenue. This method is effective when (a) music usage is highly repetitive or there is a small breadth of total repertoire used and (b) PRS can collect statistically relevant sample information cost effectively.

Sampling is not an appropriate distribution basis if data collection is expensive and there is a very high volume of music usage. For example, it would not be cost effective to collect a sample of background music played in pubs that is statistically representative.

Analogy – An analogy based payment is used for any distribution section where census and sample methods are not feasible. This is usually because sufficient data is not readily available. The analogy method uses a similar, or analogous, data set as the basis for revenue distribution. Analogy is most frequently used for general public performance of non-featured recorded music, and is described in the 'Public performance' section under 'Distribution policy' headings later in this document. In some instances, combinations of these approaches may be used.

Note that if and where a licensee fails to supply usage data at the correct time to enable PRS to make a distribution from out of the royalties received from that licensee, PRS will hold the royalty revenue until such time as we have obtained the relevant data. If, after having taken reasonable steps to do so, PRS is still unable to obtain the data from the licensee, PRS reserves the right to distribute the revenue over analogous data.

Distribution sections

A distribution section is a pool of revenues that have been collected from one or more sources and distributed together because they are related in some way. For example, the live performance section may cover music performed live in different sorts of venues, such as hotels, pubs or concert halls. These venues may have different licensing tariffs but are pooled together for distribution purposes because they all cover live music use.

A distribution may contain hundreds of individual distribution sections which are identified separately on distribution statements.

Non-licence revenue

Non-licence revenue (NLR) is the interest earned on investments and royalties awaiting distribution. It is apportioned between rights-holders in direct proportion to their earnings and, when there is sufficient available, is distributed in July and December as a stand-alone distribution section. NLR is used to pay donations to the PRS for Music Foundation and Members Benevolent Fund, but is only taken from the portion due to PRS members, not from other rights-holders.

Administration recovery rates

PRS recovers its operating costs from the revenue it collects. The amounts deducted vary by source because some sources cost more to operate than others. This is reflected in the administration recovery rates, also known as admin rates.

The admin rates not only have to cover the cost of collecting and processing usage data but also the general costs necessary for the society to operate effectively. These general costs include such things as maintaining a database of copyright information about musical works, negotiating and issuing licences, etc.

Admin rates, which are reviewed regularly, are made at gross licence fee level to leave a net distributable revenue, which is then used in subsequent royalty calculations. A list of the current admin rates can be found in the Appendix.

Donation to the PRS for Music Foundation and Members Benevolent Fund

PRS makes an annual donation of £1.5m to the *PRS for Music* Foundation, the UK's leading funder of new music across all genres. PRS also makes an annual donation of £25,000 to the *PRS for Music* Members Benevolent Fund. Both of these sums are taken from the portion of NLR due to PRS members; none is taken from the portion of NLR due to other rights-holders.

Weightings

Generally, PRS follows a 'music is music' approach to distributions. No weighting is applied within a distribution section because of the music's source, its genre, its place of origin, its purpose, its instrumentation or the way in which it is used.

Therefore, all individual music usages within a single distribution section for a given period have the same value. Usually this means that all music use from a particular source, for the same period, is paid at the same rate.

However, PRS has time of day weightings on TV broadcast distributions, where usage is either primetime or non-primetime to take the size of audience into account. These are split out into separate distribution sections as they each have their own usage values.

Points and point values

When *PRS for Music* agrees a blanket licence fee there is no pre-defined value per usage set in the licence, it is a lump sum. As such, there is no pre-set value to base the distribution of each performance on, and so this value per usage needs to be calculated.

PRS does this by allocating a number of points to each usage. A point represents a different value depending on the distribution section. For example, for radio and TV broadcasts the point is a minute of time, so a broadcast lasting three minutes 30 seconds becomes 3.5 points. For public performance the value might be, for example, the number of times a work is performed in a disco, so a work appearing 10 times in a disco would have 10 points.

Within each distribution section, the total points for each work are added up. Works that have more usages therefore accumulate more points. Each point within a distribution section will have the same value. Therefore works that have accumulated more points will receive more money.

Example:

Every minute of music broadcast on Radio Station X receives one point.

Work A has two broadcasts of three minutes so receives $2 \times 3 = 6$ points

Work B has one broadcast of three minutes so receives $1 \times 3 = 3$ points

Work C has 20 broadcasts of two minutes so receives $20 \times 2 = 40$ points

Each point on Radio Station X is worth £0.50 (the point value for this distribution section)

Work A receives $6 \times £0.50 = £3.00$
Work B receives $3 \times £0.50 = £1.50$
Work C receives $40 \times £0.50 = £20.00$

Point values are calculated per distribution section, based on the available revenue for inclusion divided by the total points of all the usages being distributed. For example, a section with £10,000 available for distribution and a total of 20,000 points would give a point value of £0.50. This point value is used to credit each work at the distribution, so a work with 3.5 points in this section would receive 3.5 times £0.50 = £1.75.

Music use often fluctuates throughout the year, causing the point value to fluctuate too. For example:

Period	Total £	Total Points	Point Value
Q1	£1,000	500	£2.00
Q2	£1,000	450	£2.22
Q3	£1,000	575	£1.74
Q4	£1,000	525	£1.90

Fixed point values are used to reduce such fluctuations.

A history of the recent point values and fixed point values used by PRS can be found on www.prsformusic.com.

Fixed point values

Many distribution sections are paid using fixed point values (FPVs). These represent the value of a single unit of music usage for that distribution section, and mean that music can be valued equally throughout the period. In its simplest form an FPV will be calculated as follows:

Broadcast: Total annual station distributable revenue ÷ total annual station music minutes

Public performance: Total annual section distributable revenue ÷ total performances in section

The reality is usually more complicated. When an FPV is set for the first distribution in a licence period, the final year's revenue and music use is not known. Predicting final revenue and usage incorrectly at the first distribution is an inherent risk. The wrong forecast could mean that more revenue is distributed than actually collected. To minimise the risk of over distribution, PRS cautiously under forecasts the annual net revenue when making this calculation. Any residual revenues left over after the last standard distribution for a licensed period are distributed via a reconciliation payment.

Reconciliation payments

PRS aims to distribute all revenues collected in a licence year, covering performances falling within the licence period¹, in the final quarterly distribution. Where this is not possible, the next available distribution is used.

If sufficient residual revenue remains after PRS has made all distributions for the licence period covered by a specific fee per section, it will be distributed as a reconciliation payment.

This payment pro-rates the residual revenue across all members featuring in the original distributions in proportion to the value generated by their performances.

Example:

The distribution section for Licensee A, a music TV broadcaster, has net distributable revenue of £1,000, covering all 2010 music usage.

Initial distributions for the performances logged in the 2010 period are made in July 2010 for quarter one performances, October 2010 for quarter two performances, December 2010 for quarter three performances and April 2011 for quarter four performances. These initial distributions total £900, leaving residual distributable revenue of £100.

Member A initially earned £100 of the original £900, or 11%. Then, upon reconciliation, Member A will receive an additional reconciliation payment of £11, which is 11% of the £100 residual revenue. Therefore, Member A will receive £111 in total.

Where the residual revenue is insufficient to warrant reconciliation across the original usage, it is carried forward to the next year's distribution pool for that section.

Music consumption

For distribution purposes, music consumption is a measure of audience hours containing music which is used predominantly in TV or radio broadcast revenue apportionment calculations. It is usually calculated at station level by multiplying total audience hours by music percentage, which is total music hours divided by total broadcast hours.

This provides a consistent and meaningful basis to compare different online services, TV and radio stations for a single licensee, and the relative importance and value of music within that licensee's usage.

Distribution section values

¹ There are two exceptions to this:

a. Commercial radio: The commercial radio licence year runs from October to September, so the final performance period in any given licence year is July to September, paid in the December distribution. Due to the time constraints associated with the December distribution, it is not possible to include the reconciliation within the final payment. This reconciliation therefore takes place in April, the next available distribution.

b. Reserved revenue in respect of missing data: The only other scenario in which revenues are not reconciled at this distribution is where substantial gaps in performance data have been identified. In this case, revenue is only reconciled when outstanding data is received.

The exact values of some distribution sections can vary significantly from year to year. In some instances the licence details, including the licence fee, are contractually confidential between *PRS for Music* and the licensee. Because of this no revenue total values are given in this document.

Unnotified works

In most instances PRS matches usage to works and distributes royalties in accordance with works registration details which have been notified by members and/or affiliated societies. However, in some instances the work details matched to have not been formally registered by anyone. For example, they may have been compiled from various performance usage returns. Such works are referred to as 'Unnotified works'.

Since April 2013 where PRS has identified that any particular British publisher might have an interest in an unnotified work it has paid 50% to the writers but has withheld the other 50% potential publisher share from distribution. The held share will be released once the work has been formally registered.

For non-UK works PRS will only withhold the publisher share where it has identified a particular potential sub-publisher.

In practice this means that if PRS is only able to identify one interested party and that interested party is a member of an affiliated society then PRS will pay the money to that society. This is in line with CISAC's binding professional rule CTR13-0250R1 (pertaining to Insufficient Documentation). Note that such payments are not specifically marked with the Warsaw Rule indicator on distribution statements although they are marked as unregistered works.

At present royalties are held and therefore claimable for 3 years from the date of intended distribution. In November 2014 the distribution committee decided that money remaining after 3 years should be paid to the identified writers or their foreign affiliated society.

For online usage, no royalties are held and PRS pays the publishers it has identified as well as the writers.

This policy was agreed by the distribution committee in November 2012, reconfirmed by it in March 2013, and later approved by members at the 2015 AGM. This brought us into line with CRM Regulations.

How PRS generally treats usage which is unmatchable is described in section 3.6 of this document. Any exceptions to this are mentioned in appropriate sections elsewhere in this document.

PRS undertakes several stages of matching. This includes using unique identifiers, titles, interested parties and production details to automate usage matching. There is also a dedicated team who, subject to thresholds mentioned individually elsewhere in this document, manually match reporting which has not automatched to ensure the greatest proportion of matched usage is achieved.

Exclusions

The following is a non-exhaustive list of exclusions to our normal distribution process. PRS does not distribute fees in certain circumstances including, but not limited to, the following:

Rights reserved to members generally:

- live performances and broadcasts of complete *Dramatico-Musical Works*;
- live performances and broadcasts of excerpts of *Dramatico-Musical Works* performed dramatically. Non-dramatically performed excerpts from dramatico-musical works are licensed by PRS provided that the duration of the excerpts does not exceed certain thresholds;
- live performances and broadcasts in whole or in part of any music composed or used for a *Ballet*, if accompanied by a visual representation of that *Ballet*;
- performances of music specially written for a dramatic work, such as incidental music to a play, when performed in, or in conjunction with that dramatic work; and
- performances of music written specially for *Son et Lumiere* productions when performed as part of those productions.

For all of the points above, there are certain circumstances where PRS does control and distribute royalties from television broadcasts and public performances of them by means of televisions and radios.

Rights excluded at the request of individual members:

PRS does not distribute to the individual member for any use of their work in circumstances where in respect of that work:

- PRS has declined to license the rights in the member's work under its Article 7(f) procedure, which might include:
 - pre-existing works used in compilation shows or theatrical productions such as plays;
 - dramatic performances of *Music Theatre* or *Cantata Musicals*;
 - specially written music accompanying silent films;
- PRS has assigned to the member the right to perform the work live and in public under its Article 7(g) procedure;
- The member has requested and PRS has authorised grant of a non-exclusive licence for non-commercial uses of the work; and
- The member has excluded one or more categories of their rights under Article 7(cA), in respect of that category.

Rights for which PRS chooses not to make a charge for the use in question, including:

- performances during Divine Worship in churches or other places of worship ([click here for more info](#)); and
- performances to patients in hospitals ([click here for more info](#)), nursing homes ([click here for more info](#)) and other similar establishments;
- For more information on Discretionary Charging Policies (DCPs), [click here](#)

Rights not controlled by PRS (e.g. because at the time of the performance ownership or control thereof has not been vested in PRS by the Member or affiliate.

Exclusions by law:

- performances deemed not to have taken place in public under the Copyright, Designs and Patents Act 1988, such as performances given for the purpose of instruction at schools; and
- performances of works that are in the public domain.

For further detail about the above exclusions, please contact writerquery@prsformusic.com or publisherquery@prsformusic.com

Adjustments

Rule 2(i) (i) says that distributions "...shall be final and binding, save in respect of any valid claims made by the persons interested within a period of three years from the date of the distribution concerned."

The practical policy application of this rule is that if a Member or other affiliated society claims to be entitled under the PRS distribution policy a distribution in respect of a performance and/or claims not to have received a distribution to which believed to have been entitled under such policy within 3 years of the date of the distribution, PRS will pay the claimant the sum concerned, usually by mean of supplementary payment at the next main quarterly distribution.

Note that this does not mean that PRS will only make adjustments for up to three years. In some instances it may take considerable time before an adjustment can be agreed and authorised but as long as the initial claim for the adjustment was made within three years of the date of distribution, PRS will then make the adjustment.

PRS will also make adjustments in respect of incorrect payments for so-called unnotified works if requested and the claim for adjustment is made within 3 years of the date of the distribution and the work had been (or could have been) notified prior to the distribution with different details.

PRS will only honour valid claims where the claimant would have been entitled to receive the payment claimed at the time of the original distribution. For example, PRS will not make adjustments because of back-dated contracts, for example if a work (notified or unnotified) is distributed as unpublished and subsequently a publisher acquires the work under a contract that grants control from earlier than the distribution PRS will not make an adjustment because at the time it actually made the distribution the terms of the contract were not operative.

Shares

After it has deducted its administration expenses from royalties collected, PRS begins the process of allocating the net fees amongst the persons interested in the works exploited under its licences (Rule 2(c)).

The Allocation of Shares is how PRS divides royalties due to a work between the parties interested in that work, i.e. amongst the member and/or affiliated society and/or other right holder entitled to participate in the relevant share of the net fee attributed to the use of the work. If and where the Board is unable reasonably to determine the identity of the person interested because the share in question is disputed by two or more persons claiming to be interested or otherwise entitled to the royalties, the fees will be dealt with under PRS rules governing Disputes and Duplicate Claims and related policies (as described further below).

As and when required by PRS each member must notify PRS of the allocation of shares (or, 'division of fees') and the full names of all interested parties, in sufficient detail, of each musical work in which they have an interest.

PRS will accept such notifications in respect of active works from affiliated societies when received from societies in the customary manner, e.g. fiche international etc.

PRS will usually divide the royalties between the parties involved in the work in the proportions agreed between them subject to the following:

The PRS 'writer's share' is the share of monies allocated by PRS to the writer(s) of a work (or where the writer(s) is/are a member of an affiliated society, to that society). A member's right to an allocation of the writer's share under the Rules arises by virtue of his or her authorship of the work to which the distribution relates and regardless of whether or not the writer is entitled to retain that sum under the terms of his/or her contract (if any) with the publisher(s) and/or rightsholder(s) of the work).

Where a work has been written by a member of PRS or one of its affiliates, PRS will not allocate more than 50% of the fee to be distributed in respect of a work to the publisher(s) of the work. However, in accordance with Rule 2 (gc) (i), if and where there is no writer member interest in the work, then PRS will pay the notional 'writer share' to the publisher-member).

There is no inherent publisher share; a publisher share will only be allocated to a person claiming to be a publisher provided that it is the 'publisher' of the work concerned according to PRS Rule 1(o). Unless it has evidence or claims to the contrary, PRS will assume that publishers do meet the Society's official definition of being a publisher as defined in the Society's formal rules.

In certain circumstances the share allocated to a publisher will be limited to 16.67% (see Rule 2(f)(ii) in the Rules). Unless it has evidence or claims to the contrary, PRS will assume that publishers do meet the requirements of Rule 2(f)(ii) and so will not automatically limit the publisher share to 16.67%.

In the absence of any registered details to the contrary, PRS will allocate 50% of the total to the composers of the music and 50% to the authors of the original lyrics of unpublished works. Where an unregistered work is identified as having a publisher PRS will assume, in the absence of registered contract information, the split is 50% to the writer and 50% to the publisher.

Arrangements

For performances of an arrangement of a copyright musical work, PRS will not usually allocate a share to the arranger unless otherwise agreed by all the interested parties. In the absence of any such agreement performances of such an arrangement will be credited to the persons interested in the original copyright work. When it does allocate a share to an arranger of a copyright work that share will not be more than 16.667% (2/12th) unless the arranger is a member of one of the American societies, BMI or ASCAP, in which case the arranger share will be 12.5% (1/8th).

For performances of a copyright arrangement of an otherwise non-copyright work PRS will credit the arranger as if he/she was the composer of an original composition.

Samples

'Samples' are distributed as registered but are subject to the rules about writer/publisher share splits outlined above.

Translations of Lyrics and Addition of Amended or Substituted Lyrics

Where an authorised translation of copyright lyrics is made, or lyrics are changed or substituted with the authority of the copyright owner, the share allocated to the Translator/Sub-Lyricist is 16.67% (or 12.5% if the Translator/Sub-Lyricist is American). This share is deducted from the shares of the composers and original lyricists in proportion. e.g.:

	Original Work	Translated Work	Translated Work (American)
Composer	25%	16.67%	18.75%
Author	25%	16.67%	18.75%
Translator	-	16.67%	12.5%
Original Publisher	-	-	-
Sub Publisher	50%	50%	50%

Where the original lyrics are non-copyright, translated or Substituted lyrics are treated as if they were original copyright lyrics, e.g.:

	Original Work	Translated Work
Composer	50%	25%
Author	-	-
Translator	-	25%
Publisher	50%	50%

In all other cases no share is provided for the translated, substituted, parodied or otherwise changed lyrics and the original work is credited.

In line with the CISAC's recommendation known as the 'Amalfi Resolution', PRS will only credit sub-lyric versions where either:

- it is known that the sub-lyric version has been performed or
- there is genuine doubt about which version or
- there is an instrumental performance under the title of the sub-lyric version.

Vocal or instrumental

All performances, whether instrumental or vocal, of works originally written as vocal works are deemed to be performances of both the words and the music. However where words have been written for a pre-existing instrumental work, the words are not deemed to have been performed for instrumental performances

Non-member shares

Where a non-member interest is controlled directly by a PRS publisher member the share due to that non-member is paid to that publisher. "Directly" means the agreement has no intermediaries between the non-member and the PRS publisher member. Where the PRS publisher member is the original publisher, we will distribute the non-member share to the PRS publisher member

Shares are allocated to non-member interests of works originating in certain overseas territories where the share allocated for the non-member is paid to the territory's society. This is only done in respect of those societies that in theory also operate in this way reciprocally with PRS.

In all other cases no share is payable in respect of non-member interests. This is achieved in one of two ways:

- For concerts, and other 'straight-lined' distribution sections no share is attributable in respect the non-member interest, e.g.

Composer 1 (member) 50%
Publisher (of Composer 1) 50%
Composer 2 (non-member) Nil

- For all other distribution sections a share is nominally attributable in respect the non-member interest but this is credited to a special account (known as the 97 account) that redistributes the share to all participants in the distribution section:

Composer 1 (member) 25%
Publisher (of Composer 1) 25%
Composer 2 (non-member) 50% (paid to the 97 account)

Recognition and application of publishing contracts

When making most distributions PRS applies officially documented contracts applicable at the mid point of the previous quarter to generate the payable owner e.g.:

Publisher gains control of works	First Distribution affected	Performance period covered by dist
July 2013	Dec 2013	Dependent on licence
Sept 2013	April 2014	Dependent on licence

Online - transactional (i.e. IMPEL) and some others do not follow this pattern. The payable owner is generated at point of invoicing, normally close after the sale period and then paid at a subsequent distribution (once the money has been received).

Infringements, disputes and counter claims

Although these are not strictly distribution policy matters it is worth noting that PRS has formal procedures for dealing with infringements, disputes and counter claims. These policies cover where PRS is entitled to hold on to distributable funds until such time as the matters are resolved.

Disputes and Duplicate Claims

Details of the PRS disputes and counter claims policy can be found here:

http://www.prsformusic.com/creators/memberresources/how_it_works/disputesandduplicateclaims/Pages/disputesandduplicateclaims.aspx

Samples

Details of the PRS sampling disputes policy can be found here:

<https://www.prsformusic.com/SiteCollectionDocuments/Copyright/Rules%20governing%20samples%20June%202012.pdf>

Infringements

Details of the PRS infringements policy can be found here:

http://www.prsformusic.com/creators/memberresources/how_it_works/infringementsanddisputes/Pages/infringements.aspx