

# PRS for Music

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2014 Review



**PRS**  
for MUSIC



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## Basis of preparation

The figures presented in this financial review as *PRS for Music* are based on the audited financial statements of Performing Right Society Limited (PRS), and the Mechanical-Copyright Protection Society Limited (MCPS). PRS and MCPS are separate legal entities with separate Board and Management structures. PRS for Music Limited is a wholly-owned

subsidiary of PRS that provides operational services to PRS and MCPS through a services agreement.

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

# Foreword

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In 2014, the use of your repertoire around the world remained strong.



Our royalty revenues for the year were £664.3m, of which we distributed £565.6m to members. Accounting for exchange rate fluctuations, this represented growth of around 1% in our revenue year on year.

For a number of years, we have had one of the most cost-effective operations of any similar business in the world. That remained the case in 2014, where, in spite of increased investment over the year in IT and property, we managed to contain our costs to 11.4% of revenue.

International was again our biggest source of revenue, with £188.2m collected in 2014. On a constant currency basis, this represented a 0.4% increase on 2013. Europe remains our strongest International market, with British music also continuing to perform well in the US.

We saw above-inflation growth from the public performance of music in the UK in 2014 (up 3.7% to £168.3m) driven by the live sector and an increase in the use of music by hotels and restaurants.

Broadcast revenues were up 2.9% to £165m, with good growth coming from both TV and radio, the latter improving as a result of an upturn in advertising across commercial radio.

2014 was the year the online business model shifted markedly from download and ownership to streaming and access and our revenue figures reflect this - up 17.5% to £79.7m overall, of which £38.8m were from streaming. With this

shift to streaming came exponential growth in the amount of data to be processed, with some 250 billion individual uses, almost double the number in 2013.

In the context of this shift in consumption patterns, revenue from recorded media fell 21.8% to £63.1m.

The investments we made during the year are intended to keep pace with change and to ensure our members continue to receive great service. A major upgrade to legacy IT systems has enabled our teams to transform the way they work. While further investment in the International Copyright Enterprise (ICE), our joint initiative with STIM to add online processing capabilities to its copyright services, will ensure that the data capacity increases needed to support future growth in online will be provided on the most cost-efficient basis possible.

We completed the move to Kings Cross in November 2014, taking the opportunity to upgrade facilities for staff in Streatham at the same time. Overall, our property strategy has yielded annual savings of £1m a year for members.

We continue to fight for a copyright framework that is fit for purpose in the Internet era and participate actively in the various reviews of copyright that seem to be a semi-permanent feature of both the UK and European political landscape. Our focus, as always, is on ensuring that our members have both the right and the opportunity to receive fair remuneration for their creative work.

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

# About us

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We are a society of 111,000 songwriters, composers and music publishers spanning every genre.

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

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

Each year, we license more than 350,000 businesses, including 300 radio stations and 450 television channels.

Through our business relationships, we champion 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, all the income we receive from licence fees and investments is distributed back to our members.

We strive to keep our operating costs as low as possible, while ensuring we invest in infrastructure that will deliver the very best returns to our members.

We promote and protect the value of copyright by working with the UK and EU governments to ensure that legislation is fair to creators and publishers.

We have over 100 agreements with affiliated collecting societies in 150 countries; our international collaborations help to ensure that the UK music industry retains its position as one of the three largest exporters of music around the globe.

We donated £1.6m to charity in 2014. We are the largest funder of new music in the UK through our charity PRS for Music Foundation.

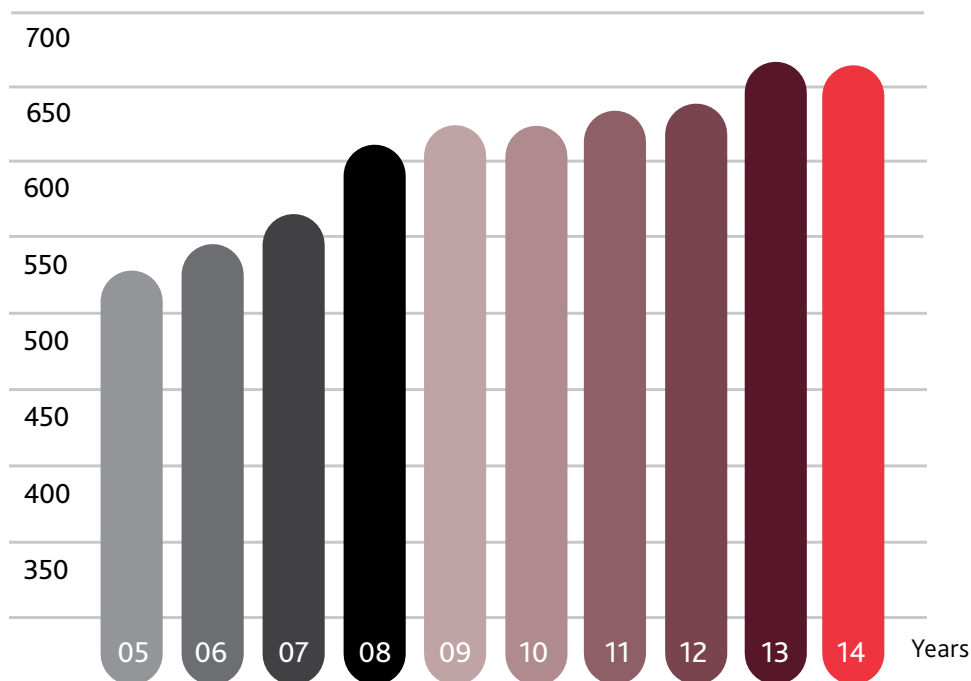
PRS for Music Foundation is the only charity dedicated to new music of all genres across the UK, and it supports a bewildering range of creative projects – from band showcases, UK tours and festivals to composer residencies, commissions and professional development.

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



# Our track record

*PRS for Music* royalty revenue (£ millions)



# Headline results

## Royalty revenue, costs and net distributable revenue

£ million	2014	2013	%
Revenue - royalties	664.3	672.3	-1.2
Interest and other income	3.0	5.0	-39.8
Costs	-72.6	-66.5	-9.2
Charitable donations*	-1.6	-1.5	-2.0
<b>Net distributable revenue</b>	<b>593.1</b>	<b>609.3</b>	<b>-2.6</b>

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

In 2014, our royalty revenue was £664.3m (an increase of nearly 1% on a constant currency basis).

A key highlight was the continued strength of our repertoire overseas and solid increases in revenue from UK public performance, broadcast and online.



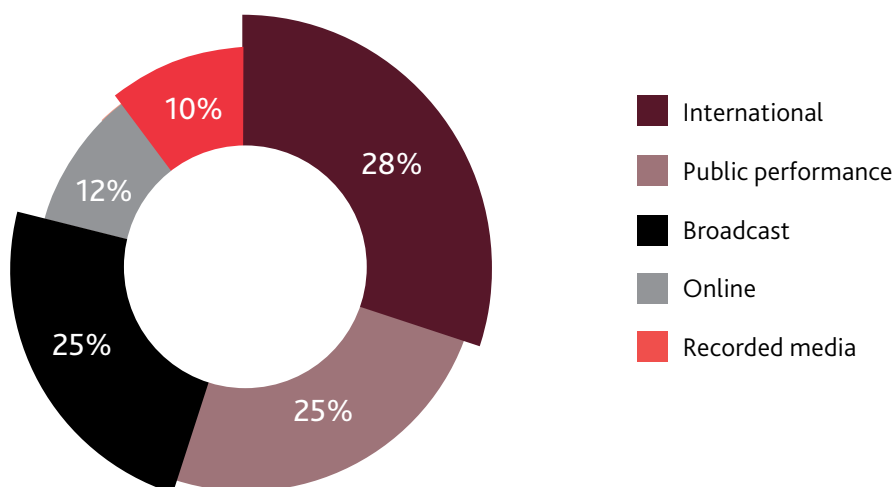
## Royalties by source

£ million

	2014	2013	%
International	188.2	201.1	-6.4
Public performance	168.3	162.3	3.7
Broadcast	165.0	160.4	2.9
Online*	79.7	67.8	17.5
Recorded media	63.1	80.7	-21.8
<b>Total</b>	<b>664.3</b>	<b>672.3</b>	<b>-1.2</b>
<b>Revenue on a constant currency basis</b>	<b>678.1</b>	<b>672.3</b>	<b>0.9</b>

\*2014 and 2013 figures include revenue from special purpose vehicles (SPVs).

## Revenue split %



# International

## Royalties from music usage overseas

£ million	2014	2013	%
Europe	114.6	126.1	-9.1
North America	34.9	38.3	-9.0
Asia Pacific	20.3	22.1	-8.1
Developing/Emerging	10.3	8.0	28.9
Cruise Lines	3.7	4.0	-6.7
Agencies	4.1	2.1	90.2
Others (incl. direct licensing)	0.3	0.5	-31.8
<b>Total</b>	<b>188.2</b>	<b>201.1</b>	<b>-6.4</b>

International royalties remain our largest revenue stream and in 2014 delivered £188.2m. There was a drop of 6% on 2013, primarily due to the strength of Sterling against major currencies, including the Euro, US Dollar and the Japanese Yen. On a constant currency basis, revenues increased by nearly £1m on the previous year.

Revenue from emerging markets grew in significance with increases coming from Latin America and the Middle East. On a constant currency basis, revenue from Asia Pacific also grew.

# Public performance

## Royalties from public performance

£ million	2014	2013	%
Pubs and clubs	37.4	38.5	-2.9
Live	27.1	25.7	5.5
Hotels and restaurants	21.3	20.6	3.6
Shops	19.6	19.1	2.6
Industrial premises	18.8	17.7	6.4
Cinemas	9.1	8.2	11.5
Other	35.0	32.5	7.7
<b>Total</b>	<b>168.3</b>	<b>162.3</b>	<b>3.7</b>

Revenue from the public performance of music climbed by £6m to a record £168.3m in 2014.

The biggest user of music, pubs and clubs, continues to be a sector under pressure. Once again, a change in consumer patterns has resulted in further impacts on profitability and closures. We continue to support the sector with a number of initiatives aimed at encouraging the use of music – notably live.

In comparison, revenue from hotels and restaurants was up year on year, another consequence of changing consumption habits.

There was a strong roster of live concerts in 2014 and a re-appraisal of revenue generated from box office sales saw additional revenues from the cinema sector.

# Broadcast

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## Royalties from broadcast

<b>£ million</b>	<b>2014</b>	<b>2013</b>	<b>%</b>
TV	116.0	113.0	2.7
Radio	49.0	47.4	3.3
<b>Total</b>	<b>165.0</b>	<b>160.4</b>	<b>2.9</b>

In 2014 revenue generated by the use of music in TV and radio was £165m which was an increase of 2.9% on 2013.

Commercial radio - driven by recovery of the advertising market - helped radio revenues grow, while new licences with 25 television channels including Bollywood broadcaster B4U and 13 local TV channels contributed to the growth.

# Online

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## Royalties from online services

£ million	2014	2013	%
Online*	79.7	67.8	17.5
<b>Total</b>	<b>79.7</b>	<b>67.8</b>	<b>17.5</b>

\*Includes subscription streaming, advertiser-funded streaming, downloads, mobile services and ringtones.

Revenue from online services was £79.7m - an increase of 17.5% on 2013.

Revenues from the licensing of on-demand TV and film services have grown strongly with new deals established with Netflix, Microsoft Xbox and Sony PlayStation.

Consumer preference shifted away from downloads (£26.7m) to streaming (£38.8m) markedly in 2014 with increasing royalties from major streaming services including Spotify, Rdio, Deezer and Google Play. The corresponding data volumes that accompanied that shift to streaming saw *PRS for Music* process 250 billion lines of individual music uses – a near doubling of the 2013 figure of 136 billion.

# Recorded media

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## Royalties from recorded media

£ million	2014	2013	%
Audio products	46.0	60.8	-24.3
General entertainment/DVDs	8.5	8.5	0.0
Other	8.6	11.4	-24.5
<b>Total</b>	<b>63.1</b>	<b>80.7</b>	<b>-21.8</b>

The recorded media market delivered £63.1m, which was 21.8% down from 2013 due to the well understood and continuing migration from physical product to online.

# Costs

## Cost summary

£ million	2014	2013	%
People	35.7	32.2	-11.2
ICE and NMP	8.3	9.0	8.2
Legal and professional	7.7	5.8	-32.7
Property	7.3	5.6	-29.3
Technology	5.1	4.3	-17.6
Depreciation, disposals and impairments	6.3	5.5	-14.8
Other operating costs	5.8	6.0	3.4
<b>Operating costs</b>	<b>76.2</b>	<b>68.4</b>	<b>-11.4</b>
Charitable donations	1.6	1.5	-2.0
Other non-operating costs	1.0	1.0	5.4
<b>Non-operating costs</b>	<b>2.6</b>	<b>2.5</b>	<b>-2.5</b>
Pension and exceptional items*	-4.6	-2.9	58.2
<b>Total</b>	<b>74.2</b>	<b>68.0</b>	<b>-9.1</b>

\*Exceptional items include profit on property disposal and pension accrual adjustments.

Despite investment in 2014 across IT and property, our cost to revenue ratio of 11.4% remains one of the lowest rates in the world.





# How we operate

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We take our role and responsibility to members very seriously. It is our ambition to set best practice in collecting society management. We work hard to ensure that royalties flow back to creators and publishers as swiftly as possible and we work hard to negotiate fair rates for the use of the musical works in our peerless repertoire. We open our members' repertoire to many new audiences by working with international partners and we collaborate with the wider industry to simplify and speed up the licensing process to ensure musical works realise maximum royalties. We also strive to operate as efficiently and transparently as possible.

Serving our members well is the guiding principle of everything we do. To that end, we consulted our members, customers, trade associations and other interested parties before developing a Code of Conduct that encompasses the whole of our business, launching it at the end of 2012. It covers all aspects of *PRS for Music* membership (i.e. membership of PRS or MCPS) and areas we license from shops to new online streaming services. It complies with British Copyright Council's Principles of Good Practice for Collection Management Organisations Policy Framework and outlines the roles and responsibilities of *PRS for Music*, 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](http://prsformusic.com/codeofconduct)

These are the figures for 2014:

## Licensing

- 1,632,192 contacts made
- 100 complaints recorded and none were referred to the Ombudsman
- 4 cases remained open at the end of 2014 – all of which came in on 17 December or later

## Membership

- 40,716 service requests handled by the member services team
- 15 complaints recorded and none were referred to the Ombudsman
- 1 case remained open at the end of 2014

# The future

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The way that music is consumed is changing and with that also the way that creators are paid. We have reported elsewhere in this review that revenues from the streaming market overtook those from the download market for the first time in 2014. With this came a near doubling of the number of usages of music that we processed to 250 billion. This rapid expansion of the use of music has also brought change to the way royalties are earned - over a longer period of time rather than from a short-term exposure.

Last year, we focused heavily on investing for the future of *PRS for Music*. We completed a move to Kings Cross and refurbished our premises in Streatham. We invested in our IT infrastructure, replacing desk-top and telephony systems with state of the art technology enabling our teams to transform the way they work. Additionally, we continue to develop our processing capabilities alongside our partners, STIM of Sweden and GEMA of Germany with the intention of launching our proposed joint venture hub. This hub, if granted competition clearance, will assist in simplifying the complex and fragmented multi-territory licensing market in Europe.

At home, we are continuing our live music consultation which is the most comprehensive of its kind ever undertaken, with 32,000 stakeholder views sought and being considered. Internationally, we continue to work with our overseas sister societies, providing them with a range of support services to continue the growth we have seen over the last few years.

For online, we are working hard to ensure that creator voices are heard whenever online regulatory environments are discussed in the UK and in Europe. Online services are too often able to legally shelter from the requirements of music licensing, and this must now be addressed. As well as the unlicensed use of music online, we believe that the sector is also under-licensed and we will continue to address this. In short, there is a new environment for music and we are actively engaged in shaping it to deliver the best value for our members' music.



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