



PERFORMING RIGHT
SOCIETY LIMITED
**2017 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.

Foreword

In 2017 our revenue and distribution growth continued its strong upward trajectory. We achieved record revenues of £717.0m, which on a constant currency basis, represents 12.7% growth over 2016 (an additional £80.7m).

We distributed £605.1m, an increase of 14.7% on the previous year; and we did this against data volumes that increased by 53% in a year. This set of results was made possible by the rigorous application of our long-term strategy, refined over the last eight years to keep pace with industry change and enabled by investment in strategic partnerships, innovation, technology and data.

We delivered growth across all main revenue streams in 2017. Revenue from music played on online platforms saw an uplift of 52.7%, achieving £122.9m. International revenues from members' music played abroad saw significant growth to £261.4m, an increase of £12.9m or 5.2% on a constant currency basis. Public performance income grew by 8.1% to £198.1m, despite the relative maturity of this market. Finally, broadcast revenues were £134.6m, an increase of 8.5% or £10.5m.

Through the year our work continued in preparation for our joint venture with PPL, which launched in Leicester during February 2018. PPL PRS Ltd is the biggest operation of its kind in the world. It will make it easier for businesses to obtain licences and deliver greater value to our members.

We continued to invest in technologies directly and through our joint ventures, and we upgraded our architecture in 2017 to improve speed, efficiency, capacity and transparency.

ICE, our joint venture with Swedish society STIM and German society GEMA, has been a key factor in enabling us to pay out more money than ever before. In 2017, ICE reached agreement amongst multiple societies for a common data

policy for the first time in the industry. This has prepared the way for it to port its infrastructure to the Cloud and enables ICE to implement a new business model to achieve greater speed and state-of-the-art business intelligence capabilities. It will revolutionise the way that we operate, helping to identify new revenue opportunities in addition to driving future efficiencies and improved data quality.

We worked to improve industry metadata in collaboration with societies ASCAP and SACEM on a project that will standardise the links between sound recordings and musical works across the industry. It is an innovative approach to linking different data sets around the world and will facilitate our quest to help our members receive the royalties due to them, whenever and wherever they are played.

The proposed reform of European copyright law nears completion of its journey through the European Council and Parliament with the final text expected to be agreed later this year. The package includes provisions concerning the transfer of value between online platforms and the creative industries. PRS was instrumental in launching this initiative with the publication of the initial paper analysing the adverse economic impact of the then current legal framework, and it led the campaign to raise awareness of the issue and promote solutions to the problem. We continue to lobby in close collaboration with other industry partners to ensure that this goal is achieved.

Robert Ashcroft,
Chief Executive Performing Right Society

About us

The Performing Right Society was founded in 1914 and is one of the largest, most efficient collection societies in the world. We manage the performing right assigned to us by over 130,000 songwriter, composer and publisher members.

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

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 societies world-wide. We collect international revenues from 90 reciprocal agreements with collecting societies in other countries and license businesses in the UK to perform music in public, broadcasters, and digital service providers.

Our reach allows us to represent our members' repertoire across the globe, enabling us to facilitate them getting paid whenever their music is used. To this end, PRS operates the largest and most pro-active international department in the world, assisting local societies to better manage the administration of PRS members' rights and lobbying governments to help protect copyright internationally.

We currently license 362,100 business premises, as well as 2,918 radio stations, television channels and online digital service providers. Through our business relationships and promotional activities, we champion and promote the value of music and highlight its benefits in motivating staff and creating a welcoming environment for customers.

In February 2018 we launched a joint venture with PPL to create one single company to administer the licensing of music used in public, known as

"public performance" under TheMusicLicence. It generates revenue for our members by licensing live and recorded music to businesses and organisations - from bars, pubs and clubs to hairdressers, fitness centres and hotels. The organisation is the biggest of its type in the world.

We invest in collaborations and in technologies that enable us to keep pace with an increasingly complex licensing world and which help us maximise the income we distribute to our members. Our business is healthy and growing, our operating costs tightly controlled, and we ensure that our investments are geared towards growth in revenue and improved quality of service to our members.

After deducting the costs of running our organisation, the revenue we receive from licence fees and investments is distributed swiftly to our members and affiliated society rightsholders. We are proud to generate industry leading revenue growth for our members.

We tirelessly champion the value of our members' music and support cross-industry initiatives to improve the legislative environment for copyright and continually advocate for improved industry data to enable faster and more accurate payment to our members.

In 2017 we donated £3.0m to the PRS Foundation, a registered charity dedicated to music of all genres across the UK, which supports a wide range of creative projects.

If you would like more information about PRS and our members, please visit prsfoundation.com

The big numbers

£605.1_M

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



14.7%

INCREASE ON 2016

£717.0_M

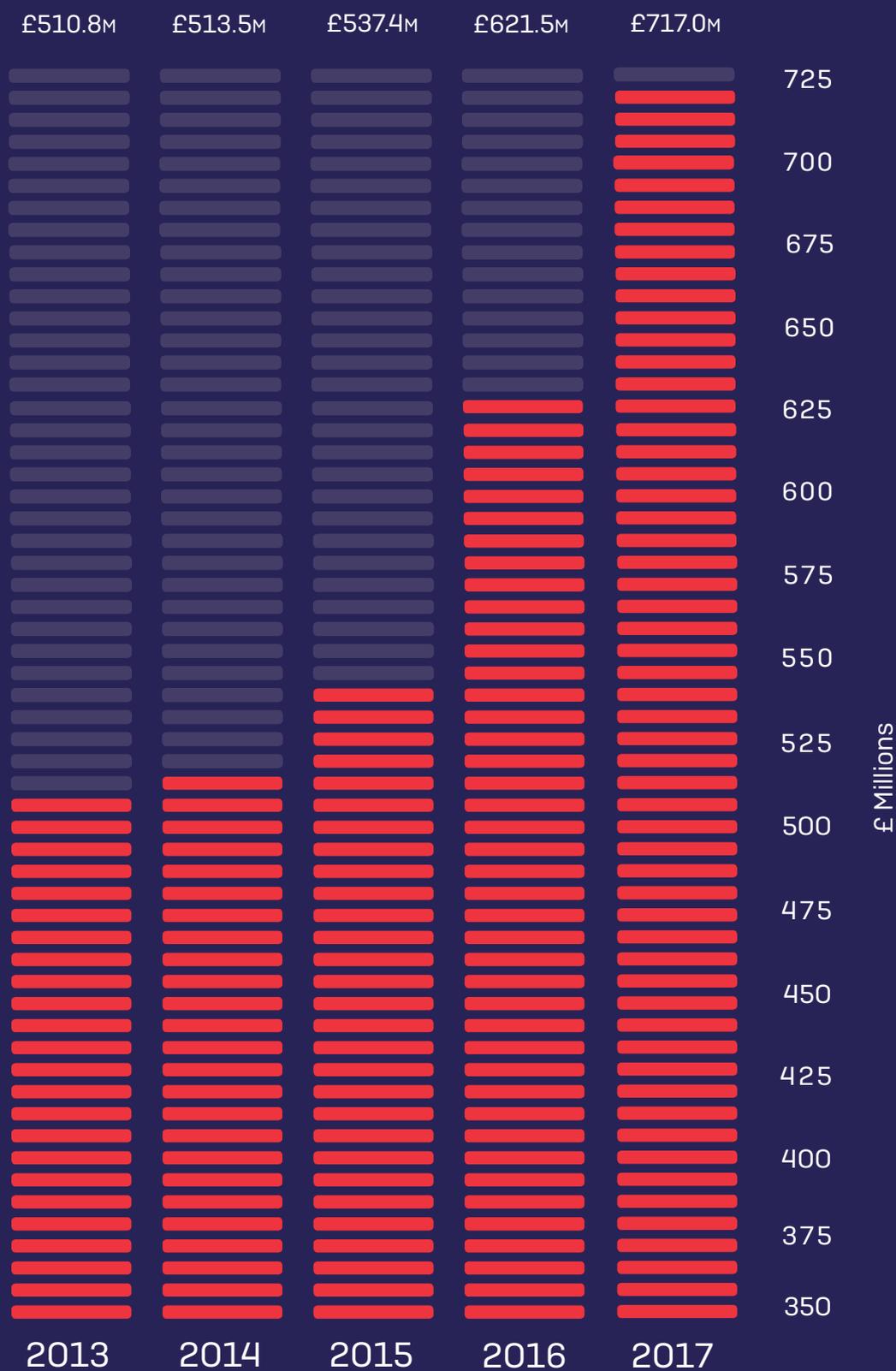
Year-on-year revenue growth represents another high-water mark.



12.7%

INCREASE ON 2016

Our track record



PRS ROYALTY REVENUE 2013 - 2017

Headline results

Royalty revenue collected, costs and distributions to members

£ million	2017	2016	%
Revenue - royalties	717.0	621.5	15.4
Interest and other income/expenditure	-0.2	4.3	-104.7
Total revenue	716.8	625.8	14.5
Costs	-86.2	-77.4	-11.4
Charitable donations	-3.2	-2.7	-18.5
Net Distributable Revenue	627.4	545.7	15.0
Cost to income ratio	12.5%	12.8%	
PRS distributions	605.1	527.6	14.7

Royalty revenue collected by source

£ million	2017	2016	%
International	261.4	233.7	11.9
Public Performance	198.1	183.2	8.1
Broadcast	134.6	124.1	8.5
Online	122.9	80.5	52.7
Total	717.0	621.5	15.4
Revenue on constant currency basis	717.0	636.3	12.7

- Revenue growth of 12.7% (£80.7m) on a constant currency basis.
- All revenue streams are above 2016, with particularly strong growth from Online.
- An increase in member distributions of 14.7% (£77.5m). This was driven by revenue increases in Online, due to the success of our ICE joint venture, and a continuation of the growth trend in International.
- Increased costs predominantly due to continued investment in strategic programmes, including the creation of a joint venture for public performance licensing with PPL and additional commission linked to the significant 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. An equivalent foreign exchange gain of £2.3m was recognised in 2016.

Where the money comes from



INTERNATIONAL
£261.4M

↑ 5.2%*



PUBLIC PERFORMANCE
£198.1M

↑ 8.1%*



BROADCAST
£134.6M

↑ 8.5%*

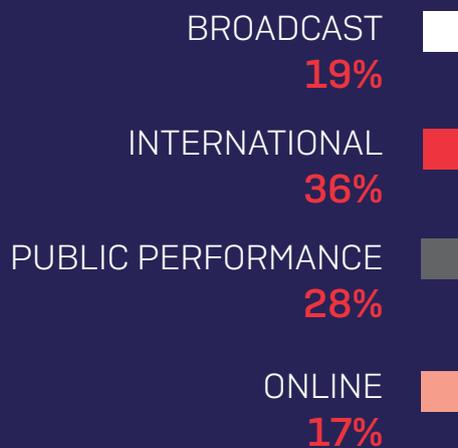
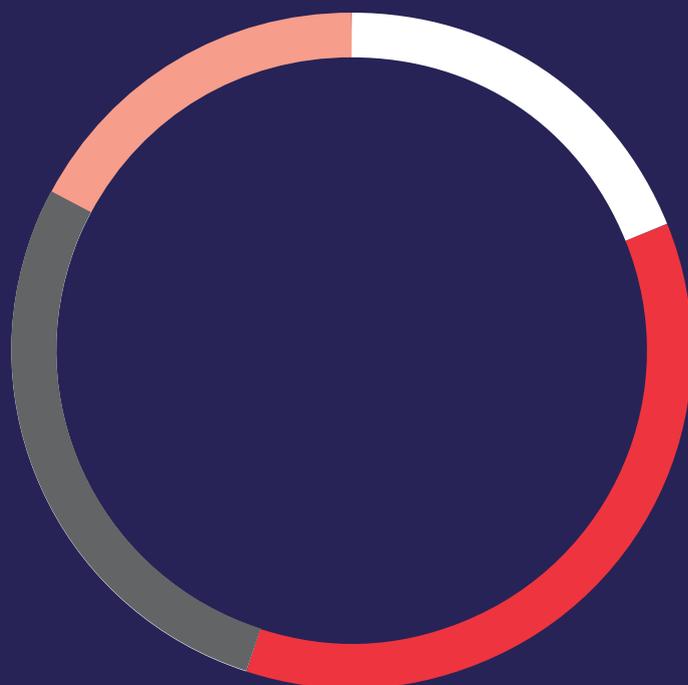


ONLINE
£122.9M

↑ 52.7%*

* Increase on 2016. All figures on a constant currency basis.

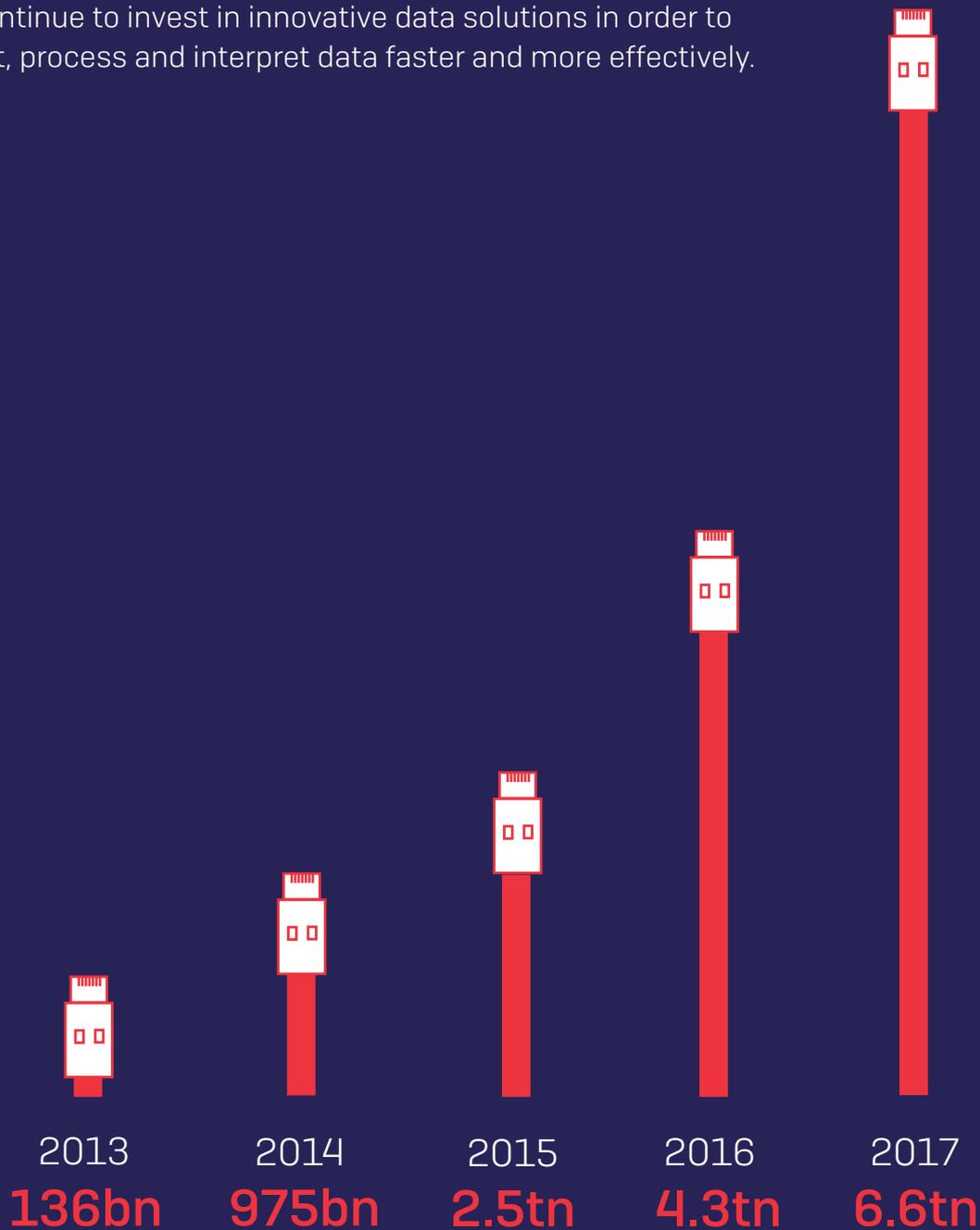
How the numbers break down



Big data

Data volumes have significantly increased over the last decade – from millions, to billions and now trillions. In 2017 we processed 6.6 trillion uses of music – an increase of over 50% on 2016.

We continue to invest in innovative data solutions in order to collect, process and interpret data faster and more effectively.



Uses of music reported to PRS

International

Royalties from overseas CMOs

£ million	2017	2016	%
Europe	155.4	137.4	13.1
North America	55.0	47.1	16.8
Asia Pacific	28.5	26.3	8.4
Latin America	9.3	10.5	-11.4
Cruise Lines & Agencies	9.7	9.2	5.4
Other	3.5	3.2	9.4
Total	261.4	233.7	11.9
Revenue on constant currency basis	261.4	248.5	5.2

- International revenues for 2017 totalled £261.4m, an increase of 5.2% (£12.9m) on a constant currency basis. This reflects the enduring popularity of PRS members' music internationally, and continues a strong upward trend in foreign royalty income to PRS members established over a number of years.
- Revenue growth in Europe was strong overall, driven by a solid performance in broadcast and live performance sources. Income was further boosted by a significant number of major live concerts by PRS members across the region, alongside increased work from PRS in recent years to secure further cable TV money for central distribution.
- Increases in North America were driven by the continuing US chart success of PRS writers, resulting in higher revenues from commercial and satellite radio and the continued uptake of online subscription services.
- Income from Latin America in 2017 was lower than the previous year, due to an exceptional number of major live concerts and additional distributions from Argentina in 2016.
- Licensing activities in PRS Agency territories and the licensing of various cruise lines delivered £9.7m in revenues.



Public performance

Royalties from public performance and live

£ million	2017	2016	%
Pubs and clubs	46.9	42.4	10.6
Live	34.5	30.9	11.7
Hotels and restaurants	26.0	24.5	6.1
Industrial premises	23.9	22.3	7.2
Shops	21.1	20.8	1.4
Cinemas	8.5	9.8	-13.3
Other	37.2	32.5	14.5
Total	198.1	183.2	8.1

- Public performance royalties grew by 8.1% (£14.9m) year on year to £198.1m, despite the relative maturity of this market.
- Pubs and clubs had a successful year of 10.6% (£4.5m) growth as the fitness sector saw gym memberships increasing by 5.1%, the rate of pub closures slowing compared to previous years, and the benefits of closer working relationships with larger customers in these sectors being realised.
- The Live sector experienced strong growth of 11.7% (£3.6m), driven by a year on year increase in events of 6.8% and a continuing trend of increasing ticket prices. Our live concert service contributed £10.7m in revenue (28% year on year increase), with an additional 570 events invoiced compared to 2016.
- Cinema revenue decreased due to a combination of a fall in admissions and lower box office performance than the previous year, largely driven by comparatively weaker film releases.
- Other revenues grew 14.5% (£4.7m) as recoveries were made from litigation and the number of high volume, low value licences sold increased across several tariffs.



Broadcast TV and radio

Royalties from broadcast

£ million	2017	2016	%
TV	84.8	75.3	12.6
Radio	49.8	48.8	2.0
Total	134.6	124.1	8.5

- Broadcast revenues totalled £134.6m, an increase of 8.5% (£10.5m).
- Additional royalties following the conclusion of the ITV Copyright Tribunal proceedings totalled £9.5m, of which £7.2m relates to 2014-2016.
- Despite continued decline in linear TV viewing, overall broadcast licence fees remain resilient, partly as a result of new negotiated licences.
- Commercial radio revenues grew by 2.0% (£1.0m), from a combination of growth in advertising revenues, new business, and audit settlements.



Online

Royalties from online services

£ million	2017	2016	%
Streaming	103.7	61.5	68.6
Video on-demand	13.8	9.4	46.8
Downloads	5.4	5.5	-1.8
Gaming	0.0	4.1	-100.0
Total	122.9	80.5	52.7

- Online revenues reached £122.9m in 2017, an increase of 52.7% (£42.4m).
- Multi-territory licensing via ICE became more established in 2017, with a number of key online services transitioning from PRS to ICE core licences during the year. This coupled with growth in revenues from our joint venture partners, and the finalisation of key UK GEOL contracts, led to the increase in online revenue.
- Streaming income increased by 68.6% (£42.2m) which compares favourably to market figures of circa 50%. PRS revenues were boosted by new deals on better terms, mandate transfers, new business, and revenue delayed from 2016.
- Video-on-demand grew by 46.8% (£4.4m), driven by underlying market growth, and prior period settlements.
- Downloads revenue in 2017 includes some prior period fees, resulting in a net decrease of only 1.8% (£0.1m) in 2017, despite a digital download market decline of 23%.
- Due to the ongoing development of a new strategy and approach to licensing gaming platforms, no royalties were invoiced in 2017, however it is anticipated that retrospective fees will be collected once new licences are agreed.



Costs

£ million	2017	2016	%
People	43.9	39.7	10.6
Outsourced services	26.8	22.4	19.6
Professional and legal	6.5	7.9	-17.7
Property	3.6	3.4	5.9
Publicity and marketing	2.1	2.0	5.0
Technology	2.8	2.6	7.7
Tax	0.2	0.2	0.0
Other	2.4	2.1	14.3
Total operating cost	88.3	80.3	10.0
Depreciation, disposals and impairments	9.9	9.3	6.5
Governance	1.0	0.9	11.1
Charitable donations	3.2	2.7	18.5
Pensions - defined benefit	0.9	0.8	12.5
PRS total cost	103.3	94.0	9.9
Service fee from MCPS	-13.9	-13.9	0.0
Net PRS cost	89.4	80.1	11.6

- PRS has continued to invest in strategic programmes in 2017, including the creation of a joint venture for public performance licensing with PPL and continued improvement of its digital services, as PRS commits to improve its offering to both members and customers.
- The commission cost, included within Outsourced services and directly linked to the increase in online revenue and distributions, accounts for £2.6m of the 2017 cost increase.
- The impact of the weakening of sterling against major currencies in 2017, led to improved International collections, but adversely impacted service and commission costs from our overseas joint ventures.
- PRS maintains its support for new music and talent through its donation to the PRS Foundation, which increased to £3.0m in 2017 (£2.5m in 2016).



PRS for Music member Harleghblu performing at PRS Presents

How we operate

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

Our governance structure ensures transparency and fairness. We believe that this makes us trusted among our writers, composers, and publishers, licensees, lawmakers and fellow collecting societies.

We are 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 even-lower cost and with better returns on investment.

This year we made available, alongside our annual report and accounts, our second Annual Transparency Report (ATR) which includes a comprehensive breakdown of income on a territory-by-territory basis. We have positively embraced the requirement to produce an ATR as it ensures minimum standards of transparency and reporting across European collective management organisations.

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 Collective 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

These are the figures for 2017:

Licensing

- 3,571,992 contacts made
- 97 complaints recorded
- Zero complaints referred to Ombudsman [a 2017 PPS complaint was referred in 2018]
- 12 complaints outstanding at the end of the year, of which, four were received on or after 20 December

Membership

- 47,645 contacts made
- 12 complaints recorded
- Two complaints referred to the Ombudsman
- One complaint led to £50 service compensation payment and one led to a membership application refund of £30 from 2013
- Zero outstanding at the end of the year

Our customers

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

362,100

business premises of all types

Including



37,353

Salons



89,550

Shops



783

Amusement
arcades



38,092

Pubs



22,207

Restaurants



14,501

Doctors and
dentists



128

Airports



490

Museums



29,980

Offices



712

Veterinary
surgeons

as well as



1,600

Online
services



528

Television
channels



790

Radio
stations

The future

We have introduced significant change in our business as we innovate to lead the wider industry but there is more to do. We will continue our process of transformation over the coming year to ensure that our members' rights are protected into the future and the value of music is assured.

In 2017 we delivered an exceptionally strong financial performance which has positioned PRS as a global leader in collective rights management. Our business strategy has driven revenue growth and secured long-term stability for our members' livelihoods in a complex and challenging environment.

We will continue our strategic investments in projects that improve our services to members and accelerate our collaboration with industry partners so that we deliver the very best value. This will help us deliver further revenue growth from the exploitation of our members' works around the globe.

The quest to secure fair value for the exploitation of our members works in the online sphere continues to have critical importance. The industry has moved from piracy to ad-funded and subscription streaming models – a development of which we are extremely supportive, as more money is paid to rightsholders. We are hopeful that the EU will deliver copyright reform to assist the development of a functioning online market, but much more is required if songwriters, composers and publishers are to be paid fairly.

Further innovation in streaming business models is needed if sustainable revenue is to be secured for songwriters, composers and publishers. We persist in our efforts to produce change and persuade internet service providers of the benefits in developing businesses that support a healthy and equitable market.

The creation of PPL PRS Ltd is pioneering and signals the biggest change in the history of public performance licensing as we bring together the licensing of 400k premises, a combined repertoire of 33m works and a new workforce of over 230 people. The launch of TheMusicLicence will benefit all businesses that play music, making it easier for them to be properly licensed and encouraging them to play more music so that our respective memberships benefit.

We will continue to manage our costs via a comprehensive review of our organisation and our property requirements throughout 2018 with the aim of optimising our efficiency and effectiveness.

Our commitment to achieving the very best service and value for our members remains unwavering.

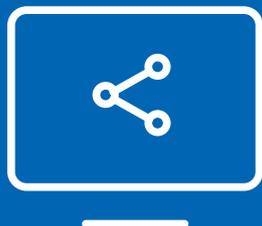


Investing in the future

2017 was another record breaking year, seeing our total revenue surpass the £700m mark. This growth is in part due to our long-term strategy of investing in partnerships, technology and data solutions in order to deliver the best service to our members.



CHAMPIONING OUR
MEMBERS' RIGHTS



INNOVATIVE
DATA SOLUTIONS



PROGRESSIVE
PARTNERSHIPS

= MORE ROYALTIES FOR OUR MEMBERS

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