



2006



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Financial Review 2006

Alliance Chief Executive Steve Porter reports on the business year 2006

The MCPS-PRS Alliance reported record revenues for performing and mechanical royalties during 2006 exceeding £545m (US\$1.1bn; €0.8bn).

During the year we focused on offering our members:

- More money
- More often
- Less cost

More money

Revenue collected by the Performing Right Society (PRS) was up by 7% to more than £335m.

PRS broadcasting, public performance and international revenues were all strong in 2006 - for the first time all three revenue streams exceeded £100m and all were up by more than 5% on 2005. PRS costs were down 4% (before costs incurred on the copyright tribunal), meaning that over £290m was paid to

composers, songwriters and publisher members.

Mechanical royalties distributed by the Mechanical-Copyright Protection Society (MCPS) were £213m, unchanged from 2005 despite tough market conditions.

MCPS was significantly ahead of its budget targets in 2006, helped by new sources of revenue such as the AVP licensing scheme for non-music products (which brought in over £10m) and a new scheme for music-based quiz games.

More often

In 2006 we moved all major PRS revenue streams to quarterly payments and for MCPS, TV broadcast payments for C4, C5 and Flextech are now paid twice a year rather than annually.

Less cost

The underlying overall cost:revenue ratio of the Alliance fell in 2006 to just over 11%,

demonstrating once again the significant lead the Alliance has over other European societies in cost efficiency.

2007 so far

We are working hard to make your music attractive and easy to access in well-documented tough market conditions and we are constantly making improvements to the services we provide to you. Our new Limited Manufacture licence for small-scale use is the first that will be available to buy online. More of our licences will be available online in future. And we are continuing to improve the distribution of TV and radio royalties, moving from sampling towards census wherever possible. From July 2007, the list of channels that are now pay-per-play grows ever longer with the addition of VH1, BBC3, BBC4 and BBC digital radio. We now pay you for every play of your music on nearly 100 of the UK's TV and Radio stations.

boards

MCPS Board

Chairman

Tom Bradley Quiet Man Music Ltd

Deputy Chairman

Paul Curran BMG Music Publishing Ltd

William Booth EMI Music Publishing Ltd

Peter Callander Songwriter

Peter Cornish Fairwood Music Ltd

Jane Dyball Warner/Chappell Music Publishing Ltd

Jeremy Fabinyi Executive Director

David Ferguson Composer

Barrie Guard (until 21 June 06) Composer

Andy Heath Heathwave Music Ltd

Stuart Hornall Hornall Brothers Music Ltd

Sarah Levin Universal Music Publishing International Ltd

Steve Levine (from 21 June 06) Songwriter

Ben Newing Schott/Universal Edition

Ellis Rich The International Music Network Ltd

Sarah Rodgers Composer

Rakesh Sanghvi Sony Music Publishing Ltd

Jonathan Simon (until 21 June 06) Moncur Street Music Ltd

Adam Singer Executive Director

Ian Wright (from 21 June 06) Reverb Music Ltd

The MCPS-PRS Alliance Board

Nominated by MCPS

Tom Bradley (Joint Chairman)

Nominated by PRS

Ellis Rich (Joint Chairman)

Executive Directors

Crispin Evans

Steve Porter

Adam Singer (until 15 Nov 06)

PRS Board

Chairman

Ellis Rich The International Music Network Ltd

Deputy Chairmen

Nigel Beaham-Powell Composer

Nigel Elderton peermusic (UK) Ltd
(Deputy Chairman until 31 Dec 06)

Andrew King Mute Song
(Deputy Chairman from 1 Jan 07)

Catherine Bell Chrysalis Music Ltd

David Bedford Composer

William Booth EMI Music Publishing Ltd

Chris Butler Novello & Co Ltd

Peter Callander Songwriter

Paul Curran BMG Music Publishing Ltd

Lynsey de Paul (from 30 June 06) Songwriter

Jane Dyball Warner/Chappell Music Publishing Ltd

David Ferguson Composer

Guy Fletcher Songwriter

Wanda Goldwag External Director

Nicky Graham Songwriter

Edward Gregson Composer

Andy Heath Music Ltd Heathwave

Stuart Hornall Hornall Bros Music

Richard King Faber Music Ltd

Michael Leeson (until 30 June 06) Songwriter

Estelle Morris External Director

Mitch Murray Songwriter

Andrew Neve Composer

Francis Shaw Composer

Adam Singer (until 15 Nov 06) Executive Director

Pursuant to Article 38, Malcolm Coster was re-appointed by the Board to act in an advisory capacity as a Consultant Director for a further year with effect from 1 July 2006, but does not have voting powers.

MCPS

Table 1: Total revenue and costs

		2006	2005
	Table	£m	£m
Gross royalties distributed		212.5	212.9
Contingency deduction		(2.9)	(0.5)
Net royalties distributed	2	209.6	212.4
Income			
Commission levied on distributions	2	16.0	16.3
Interest receivable on short-term deposits		2.8	2.7
Fees receivable		0.1	0.0
Minor sums		0.5	0.6
		19.4	19.6
Administrative expenses		(19.2)	(19.0)
Retained result for the year		0.2	0.6

Table 2: Royalties distributed and commission levied

	2006		2005	
	Distributions £m	Commission £m	Distributions £m	Commission £m
Universal UK	29.8	1.3	32.1	1.4
AP1	24.3	1.7	21.9	1.6
EMI UK	21.8	1.1	26.0	1.3
Sony BMG	19.6	0.9	23.2	1.1
Warner UK	13.4	0.6	12.7	0.5
DVD1	8.7	0.5	8.6	0.6
Universal Continental	3.2	0.1	3.0	0.0
AP2 scheme	2.7	0.3	4.3	0.5
Audit	1.8	0.2	1.6	0.2
AP2A scheme	1.1	0.1	1.8	0.1
Other	2.3	0.2	1.3	0.1
Total Audio Products	128.7	7.0	136.5	7.4
Television	29.3	3.7	28.8	3.6
Online	4.0	0.4	2.3	0.2
Ringtones	3.7	0.4	5.3	0.7
Radio	2.0	0.2	2.4	0.3
Total Broadcasting	39.0	4.7	38.8	4.8
Video	10.1	0.6	4.6	0.3
AP7	6.2	0.8	12.7	1.6
International	6.1	1.0	5.3	0.7
Library	3.7	0.3	3.8	0.5
Other	7.4	1.0	4.5	0.5
Total Other Licensing	33.5	3.7	30.9	3.6
Republic of Ireland	8.4	0.6	6.2	0.5
Total Royalties Distributed	209.6	16.0	212.4	16.3

PRS

Table 1: Total revenue and costs		2006	2005
	Table	£m	£m
Public Performance	2	121.8	114.3
Broadcasting	3	104.3	99.1
International	4	109.9	101.7
Total royalties		336.0	315.1
Interest income		5.1	5.8
Total revenue		341.1	320.9
Less: Licensing and administration costs		(48.5)	(48.1)
Result for the year		292.6	272.8
Less: Donations and appropriations		(1.3)	(1.5)
Net distributable income		291.3	271.3

Table 2: Public Performance		2006		2005	
	£m	%	£m	%	
Public houses	25.9	21.2	24.0	21.0	
Popular concerts	14.6	12.0	12.9	11.3	
Shops and stores	13.9	11.4	12.2	10.6	
Hotels, restaurants and cafes	13.8	11.3	12.1	10.5	
Clubs	12.9	10.6	12.3	10.8	
Industrial premises	7.5	6.2	6.5	5.7	
General purpose	7.3	6.0	8.1	7.1	
Cinemas	5.0	4.1	6.7	5.9	
Commercial dance halls and discotheques	3.9	3.2	4.3	3.8	
Educational establishments	3.5	2.9	2.6	2.2	
Transport	3.0	2.5	3.1	2.7	
Hairdressers and waiting rooms	2.2	1.8	1.5	1.3	
Classical concerts	1.6	1.3	1.8	1.6	
Holiday centres	1.2	1.0	1.1	1.0	
Other	5.5	4.5	5.1	4.5	
Total Public Performance royalties	121.8	100.0	114.3	100.0	
Less: Licensing and administration expenses (23.7%) (2005:23.6%)	(28.9)		(27.0)		
Net distributable revenue	92.9		87.3		

PRS

Table 3: Broadcasting

	2006		2005	
	£m	%	£m	%
British Broadcasting Corporation	41.2	39.5	38.1	38.5
Independent Radio	23.1	22.1	24.9	25.1
Independent Television	22.3	21.4	20.2	20.4
Satellite and Cable	12.5	12.0	11.8	11.9
New Technology	5.2	5.0	4.1	4.1
Total Broadcasting royalties	104.3	100.0	99.1	100.0
Less: Licensing and administration expenses (14.8%) [2005:14.8%]	(15.4)		(14.7)	
Net distributable revenue	88.9		84.4	

Table 4: International

	2006		2005	
	Receivable £m	Payable £m	Receivable £m	Payable £m
Europe				
Germany	13.9	2.2	12.6	2.0
France	9.3	2.4	8.5	2.3
Netherlands	7.6	0.7	7.2	0.5
Republic of Ireland	6.4	1.2	5.7	1.2
Italy	5.8	0.8	5.2	0.8
Belgium	3.5	0.2	3.0	0.2
Spain	3.3	0.3	2.2	0.3
Denmark	3.2	0.3	2.9	0.3
Sweden and Iceland	2.4	1.3	2.4	1.1
Poland	2.1	0.0	2.1	0.1
Austria	2.0	0.2	1.6	0.2
Switzerland	1.9	0.2	1.7	0.2
Finland	1.8	0.2	1.7	0.2
Other	5.8	0.9	5.6	0.7
	62.8%	69.0	61.4%	62.4
The Americas				
USA, ASCAP	12.2	23.4	12.9	22.7
USA, BMI	8.9	23.1	7.9	21.6
Canada	3.4	1.6	3.7	1.8
Other	4.0	1.2	3.0	1.1
	25.9%	28.5	27.0%	27.5
Asia and Australasia				
Japan	6.6	0.2	6.1	0.1
Australia and New Zealand	3.9	1.3	3.8	1.3
Other	0.9	0.8	0.9	0.6
	10.4%	11.4	10.6%	10.8
Africa and Middle East				
Other	0.9%	1.0	1.0%	1.0
		0.1		0.1
Total		109.9		101.7
		62.6		59.4
Less: PRS administration expenses* (3.7%) [2005:4.5%]		(4.1)		(4.6)
Net distributable revenue		105.8		97.1

PRS

Table 5: Administration deduction rates
Income (note 1)

	2007 %	2006 %	2005 %
Public Performance			
Popular concerts	24.0	24.0	24.0
- up to a maximum deduction per event of:	£1,250	£1,250	£1,250
- concerts administered under the Live Concert Service at a per act per event fee of:	£125	£125	£125
Classical concerts	24.0	24.0	24.0
Individually licensed recorded use	10.0 to 24.0	10.0 to 24.0	10.0 to 24.0
Cinema	19.5	19.5	19.5
General live (non-concert)	24.5	24.5	24.5
Commercial discos and clubs	24.5	24.5	24.5
Other recorded	24.5	24.5	24.5
Public reception	26.0	26.0	26.0
Weighted average rate for Public Performance (table 2)		23.7	23.6
Broadcasting			
BBC	12.5	12.5	12.5
ITV	14.0	14.0	14.0
GMTV	20.0	20.0	20.0
Channel 4 and S4C	17.0	17.0	17.0
Channel 5	20.0	20.0	20.0
BSkyB	18.5	18.5	18.5
Classic FM	23.0	23.0	23.0
Virgin 1215	18.0	18.0	18.0
Other Commercial Radio	16.0	16.0	16.0
Other UK Satellite, Cable & Internet operators	10 to 20.0	10 to 20.0	12 to 20.0
Weighted average rate for Broadcasting (table 3)		14.8	14.8
International			
Affiliated societies (on income net of affiliated society's costs)			
USA - ASCAP, BMI and SESAC	2.0	2.0	2.0
- other	15.0	15.0	15.0
European Cable Retransmission - re BBC	10.0	10.0	10.0
MTV Europe, etc. distributed for affiliated societies (gross)	10.0	10.0	10.0
EU societies	3.0 to 10.0	3.0 to 10.0	3.0 to 10.0
Other societies	3.0 to 10.0	3.0 to 10.0	3.0 to 10.0
Agency territories (on income net of agency's costs)			
Other agency territories	5.0	5.0	5.0
Weighted average rate for overseas affiliated societies and agency territories (table 4)		4.1	4.5

Notes:

1. Rates apply to income (not distributions) for the calendar year.
2. 2007 administration deduction rates cover the period January - July

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