

Phonographic Performance Limited (PPL)

2019 Transparency Report

This transparency report relates to PPL's financial year ended 31 December 2019 and has been published in accordance with Regulation 21 of the Collective Management of Copyright (EU Directive) Regulations 2016 (the "Regulations").

PricewaterhouseCoopers LLP have performed work in accordance with the International Standard on Related Services (ISRS) 4400 'Engagements to perform agreed upon procedures regarding financial information' and 'The Agreed Upon Procedures for the Audit of an Annual Transparency Report' as published by the Intellectual Property Office. Those procedures assist the directors of PPL (the "company") in fulfilling the obligation to report under section 21(2)(b) of the Regulations. PricewaterhouseCoopers LLP's private factual findings report is included as an appendix to this report.

This transparency report also includes certain financial information which is contained in PPL's separately published financial statements for the year ended 31 December 2019 and such information has therefore been subject to audit by PricewaterhouseCoopers LLP, and their audit report is included with PPL's 2019 financial statements.

Activities during the year

The principal activity of PPL during 2019 was the collection and distribution of UK and international income for the broadcasting and public performance of sound recordings on behalf of its membership. PPL did not undertake any activities unrelated to collective rights management and in addition to the information set out below, further details of PPL's activities during 2019 can be found in PPL's 2019 Annual Review.

Financial Results

2019 saw continued growth for PPL with total licence fee income of £271.8m (2018: £246.8m) and net distributable revenue reaching £233.7m (2018: £210.1m). Growth in income was seen across all areas of UK licensing activity and also collections from abroad.

Distributions

PPL also succeeded in paying out more money to more members than ever before. Over 108,000 performers received at least one payment from PPL in 2019 (2018: 90,000) together with over 11,000 recording right holders (2018: 10,000). PPL continues to maintain a high pay-through rate in its distributions of revenue and achieved a 95.2% pay-through of 2018 collections by 30 June 2019.

Business Review

There were further improvements in public performance income generated by PPL PRS Limited, the joint venture company formed in 2018 with PRS for Music. By the end of 2019, this venture had completed almost two years of operations and the public performance results demonstrate the strong progress made in transitioning this significant part of PPL's operations to the new organisation.

PPL continued to invest sensibly in both its employees and its IT infrastructure throughout 2019, with the aim of delivering improved services to our members, supporting future revenue growth and achieving increased efficiency across the business. A key activity during 2019 has been the development of the Repertoire Data Exchange (RDx) a centralised industry data exchange service, following PPL's appointment to build and administer RDx by the two international record company trade bodies IFPI and WIN, with RDx being their joint initiative. RDx will enable record companies and collective management organisations (CMOs), which collectively manage recording rights, to submit and access authoritative recording data via a single point. The service will be available in 2020 and ultimately the aim is to support a smoother flow of repertoire data across the industry.

The 2019 financial position outlined in this report is not expected to be impacted by the COVID-19 crisis, which is ongoing at the time of preparing this report. An assessment was conducted as part of the preparation of the financial statements to establish this and operations have continued to run to plan during 2020 in order to distribute revenues to members as planned. There will however undoubtedly

be an impact on revenues in 2020 and potentially in future years, particularly in respect of public performance licensing.

Information on refusal to grant a licence

Regulation 21(4)(c) requires the Annual Transparency Report to include information on any refusals to grant a licence in accordance with paragraph (5)(b)(ii) of Regulation 15. During 2019, PPL offered a licence to all applicants who requested a licence within PPL's mandated scope of activity and who provided the information necessary in order to calculate the fees due.

Legal and Governance structure of PPL

PPL is a private company limited by guarantee, registered in England and Wales with company number 288046.

PPL meets the definition of a CMO under the Regulations. Within the meaning of the Regulations, PPL has responsibilities under the Regulations to members (i.e. record companies and other owners/UK exclusive licensees of sound recording copyrights who meet the membership criteria under PPL's articles of association) and right holders who are not members but who have a direct legal relationship with PPL by law or by way of assignment, licence or other contractual arrangement (i.e. performers).

PPL has a Board of Directors that oversees all aspects of the company's business, including its costs, revenues, licensing and operating policies. There are up to 17 directors on the PPL Board with representation from both major and independent record companies and the performer community (the latter being represented by six Performer Directors). The non-executive directors of the PPL Board also carry out the supervisory function required under Regulation 8. As explained further below, certain of the PPL Board's powers and responsibilities are delegated to board committees.

PPL meets the requirements under the Regulations regarding general assemblies. The PPL AGM is typically held in June each year, at which directors are elected and PPL's members vote on PPL matters including (as applicable) the general assembly matters designated in Regulation 8. PPL also holds an Annual Performer Meeting at which Performer Directors are elected.

Members of the Board of Directors during 2019

Roger Armstrong
Roxanne de Bastion
Robin Firman
Julian French
Robert Gruschke
Nick Hartley
Crispin Hunt
Mark Kelly
Peter Leathem
James Radice
Adrian Sear
Rt Hon Lord Smith of Finsbury
John Smith
Michael Smith
Peter Stack
David Stopps
Horace Trubridge

Board Remuneration

The remuneration paid in 2019 to the two executive board directors who were employed and paid by PPL, and who constitute the persons who manage PPL's business within the meaning of Regulation 9, was as follows: the remuneration paid to the Chief Executive Officer amounted to £834,390 and remuneration paid to the Chairman amounted to £75,000. The Chief Executive Officer is accruing post-employment benefits under the defined benefit scheme and is also a member of the defined contribution scheme.

The remuneration paid in 2019 to PPL's non-executive board directors (who exercise the supervisory function under Regulation 8), by way of meeting attendance fees, amounted to £83,056.

Board Committees

The Performer Board is a specialist committee of the PPL Board with responsibility for overseeing the performer-related aspects of PPL's operations. It includes the performer directors from the PPL Board and two other PPL Board directors.

The PPL Board was also supported by four other committees in 2019, the members of which represented a cross-section of major record companies, independent record companies and performers. Three of the four committees also included PPL management representatives. Committee remits, and all committee members, are determined by the PPL Board. This ensures that the directors (who have fiduciary duties to PPL and its members as a whole) can exercise appropriate governance. The four committees were:

- The Finance Committee which was primarily tasked with reviewing and setting PPL's revenue and costs budget, prior to ratification by the PPL Board.
- The Distribution Committee's primary function was to review and approve proposed distributions of revenue to PPL members (and the rules and processes underpinning them).
- The Audit Committee was a forum for PPL's auditors to talk directly to PPL's management and external stakeholders about their audit work with PPL.
- The Remuneration Committee's role was to review executive remuneration. This is the one committee which consisted entirely of PPL Board directors.

Entities owned or controlled by PPL in whole or in part

PPL controls in part the following companies:

- National Discography Limited, a company registered in England and Wales with company registration number 03302947 (currently dormant).
- PPL PRS Limited, a company registered in England and Wales with company registration number 10376001 (incorporated in 2016).

Financial Information

The 2019 audited financial statements of PPL (comprising of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Cash Flow Statement) are shown on the following pages.

Statement of Comprehensive Income For the Year Ended 31 December 2019

	2019 £000
LICENCE FEE INCOME	271,802
Cost of collection and distribution	(36,545)
Cost of servicing defined benefit pension scheme	-
Total cost of collection and distribution	<u>(36,545)</u>
NET INCOME BEFORE INTEREST AND TAXATION	235,257
Interest receivable and similar income	1,517
Interest payable and similar expense	(257)
Other finance expense	(50)
NET INCOME BEFORE TAXATION	<u>236,467</u>
Tax on profit	-
AMOUNT AVAILABLE FOR DISTRIBUTION	236,467
Anti-piracy protection and industry contributions	(2,723)
Amount to be distributed to members	<u>(233,744)</u>
RETAINED RESERVES	<u>-</u>
Other comprehensive expense	
Actuarial loss on pension scheme	<u>(31)</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<u><u>(31)</u></u>
Cost to income ratio (excluding pension scheme costs)	13.4%

Statement of Financial Position
As at 31 December 2019

	2019 £000
FIXED ASSETS	
Intangible assets	7,262
Tangible assets	274
Investments	50
	7,586
CURRENT ASSETS	
Licence fees receivable	9,790
Other debtors	14,078
Prepayments and accrued income	13,958
Short term fixed deposits (Original maturities 3 months or less)	10,000
Short term fixed deposits (Greater than 3 months)	92,000
Cash at bank and in hand	38,357
	178,183
CREDITORS: amounts falling due within one year	(186,781)
NET CURRENT LIABILITIES	(8,598)
TOTAL ASSETS LESS CURRENT LIABILITIES	(1,012)
PROVISIONS FOR LIABILITIES	(2,905)
NET LIABILITIES BEFORE PENSION LIABILITIES	(3,917)
NET PENSION LIABILITY	(1,918)
NET LIABILITIES	(5,835)
RESERVES	
Accumulated losses	(5,835)

**Statement of Changes in Equity
For the Year Ended 31 December 2019**

	Accumulated Losses £000
Balance as at 1 January 2018	(7,109)
Result for the financial year	-
Other comprehensive income for the year	1,305
Total comprehensive income for the year	1,305
Balance as at 31 December 2018	(5,804)
Result for the financial year	-
Other comprehensive expense for the year	(31)
Total comprehensive expense for the year	(31)
Balance as at 31 December 2019	(5,835)

Cash Flow Statement
For the Year Ended 31 December 2019

	2019 £000
NET CASH FLOW FROM OPERATING ACTIVITIES	268,503
Taxation paid	-
	268,503
Net cash generated from operating activities	268,503
 CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of intangible fixed assets	(2,520)
Purchase of tangible fixed assets	(45)
Interest paid	(260)
Interest received	1,380
Cash outflow for investment	(57,000)
	(58,445)
Net cash used in investing activities	(58,445)
 CASH FLOW FROM FINANCING ACTIVITIES	
Anti-piracy protection and industry contributions paid	(2,631)
Payments to members	(199,328)
	(201,959)
Net cash used in financing activities	(201,959)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	8,099
Cash and cash equivalents at the beginning of the year	40,258
	48,357
Cash and cash equivalents at the end of the year	48,357
 Cash and cash equivalents comprises of:	
Cash at bank and in hand	38,357
Short term fixed deposits (Original maturities 3 months or less)	10,000
	48,357
Total cash and cash equivalents	48,357

Rights Revenue Collected and Associated Costs

The rights revenue collected during 2019 and the associated costs are shown below. All costs are funded from licence fee income:

Category of Rights	Revenue Collected £000	Costs Allocated £000	Cost Allocation %
Public Performance	105,975	22,209	21%
Broadcast	80,152	8,312	10%
New Media	3,396	323	10%
Programme	1,995	186	9%
International	86,702	6,027	7%
Total	278,220	37,057	

- Public Performance revenue is generated by the licensing of businesses from sectors across the UK to play recorded music in public.
- Broadcast revenue is generated from the licensing of TV and radio broadcasters to include recorded music within their programming and the subsequent sale of programming after it has been broadcast on a UK channel.
- New Media revenue derives from licensing the inclusion of recorded music in certain types of webcast services and licensing broadcasters to make previously broadcast programming (containing recorded music) available on-demand - e.g. as listen-again or catch-up services.
- Programme revenue stems from licensing the supply of TV broadcast programmes and spoken-word radio programmes (containing recorded music) to the general public on DVD and/or CD.
- International revenue is collected on behalf of mandated members through PPL's network of agreements with CMOs in other countries.

Total revenue collected as shown above differs from licence fee income reported in the Statement of Comprehensive Income due to a difference in the basis of revenue recognition. Licence fee income in the Statement of Comprehensive Income was recognised evenly over the period of the licence term whereas for distribution purposes, certain revenue was recognised on a cash received basis.

All costs incurred during a financial year are deducted from the subsequent distribution of revenue for that year. PPL undertakes a full cost allocation exercise each year to determine the deduction of costs from each category of rights. This includes a detailed assessment of all costs incurred, including time spent by employees on certain activities. Direct costs of licensing and distribution are allocated directly to each category of rights revenue or category of membership depending upon the type of activity. Indirect costs that cannot be allocated directly are pro-rated across each category of rights in proportion to the revenue collected. The same methodology and cost rates are applied to both direct members and members of other CMOs.

During the year £1.5 million in interest income was generated from the investment of rights revenue. Interest income was pro-rated across the categories of UK rights revenue and offset against the costs attributed to that revenue type for the year.

PPL is entirely self-funded and does not use any external funding to cover costs.

Non-Management Cost Deductions

The 2019 costs included non-management cost deductions for anti-piracy protection and industry contributions and charitable donations as listed below:

Non-Management Costs	2019 £000
Anti-Piracy Protection and Industry Contributions	
BPI (British Recorded Music Industry) Limited	1,284
The International Federation of the Phonographic Industry	732
Impala	69
Association of Independent Music Limited	62
UK Music	576
Total Anti-Piracy Protection and Industry Contributions	2,723
Charitable Donations	
Hospital Broadcasting Association	33
British Association for Performing Arts Medicine	30
Music for Youth	30
Young Persons' Concert Foundation	11
The Young Musicians Symphony Orchestra	5
Midland Youth Jazz Orchestra Association	5
Total Charitable Donations	114
Total Non-Management Costs	2,837

Non-management costs are pro-rated across each category of rights in proportion to revenue, with the exception of any charitable donations that relate to a specific rights category. The full allocation of non-management costs by rights type for 2019 was as follows:

Category of Rights	Anti-Piracy Protection and Industry Contributions £000	Charitable Donations £000
Public Performance	1,512	45
Broadcast	1,141	67
New Media	44	1
Programme	25	1
Total Non-Management Costs	2,723	114

Allocations of Rights Revenue

Total allocations of rights revenue processed during 2019 (UK revenue relates to income collected in 2018, an adjustment of UK revenue covering periods between 2012 and 2017 along with in year UK distribution of 2019 revenue), including those made to direct members as well as members of other CMOs, were as follows:

Allocations by Rights Category	2019 £000
Public Performance	59,265
Broadcast	71,563
New Media	592
Programme	1,740
International	59,629
Total	192,789

Payments of Rights Revenue

Total payments of rights revenue made during 2019, including those made to direct members as well as members of other CMOs, were as follows:

Payments	2019 £000
UK Revenue ¹	141,964
International Revenue	59,176
Payment Adjustments ²	18,766
Total	219,906

¹ A further breakdown of payments by category of rights revenue is unavailable.

² Payment adjustments are predominately made up of the net total of UK VAT, UK withholding taxes and interest.

The main 2018 annual distribution of UK revenue took place in June 2019, while payments of International revenue and adjustments relating to previous distributions took place at intervals throughout the year as shown below:

Payment Date	Payment Type
31 January 2019	Distribution closure payment for 2011 undistributed revenue
29 March 2019	International revenue
28 June 2019	Main annual payment of UK revenue collected in 2018
28 June 2019	Adjustment of UK revenue collected during 2012-2017
28 June 2019	International revenue
30 September 2019	International revenue
17 December 2019	First payment of revenue collected in 2019*
17 December 2019	International revenue
17 December 2019	Adjustment of UK revenue collected during 2012-2018

*Ahead of the main distribution in June 2020 of UK revenues collected in 2019, PPL made an “in year” UK revenue distribution in December 2019, covering an initial tranche of the UK revenues collected in 2019 totalling £20.6m (2018: £18.7m).

Distributions made outside the Regulation 12(2) deadline

Regulation 12(2) specifies that distributions of a CMO’s rights revenue should be made within 9 months from the end of the financial year in which the rights revenue was collected, unless prevented by objective reasons.

Of the net UK revenue collected in 2018, £4.9 million (3.7% of the 2018 net distributable revenue) was first distributed to members in December 2019, three months outside the timescale set in Regulation 12(2). A total of £1.0 million (0.7%) remained undistributed to members at 31 December 2019.

PPL was prevented from distributing these monies within the given timeframe due to objective reasons that are acknowledged under the Regulations. In particular, these include issues relating to reporting from the music users, and the matching of information on recordings used with recording data provided by right holders. For the majority of these monies PPL does not receive any usage reporting and has to take the additional step of identifying the music used via audio recognition technology or other data analysis.

Held Revenue

Rights revenue that was unallocated to members as at 31 December 2019 (broken down by rights category and year of collection) is shown below:

Category of Rights	2013	2014	2015	2016	2017	2018	Total
	£000	£000	£000	£000	£000	£000	£000
Public Performance	932	933	1,142	1,541	2,073	2,513	9,134
Broadcast	1,057	1,051	1,159	1,316	1,647	2,248	8,478
New Media	5	6	6	10	11	12	50
Programme	47	47	135	59	61	98	447
International Income	177	647	315	505	450	1,182	3,276
Total	2,218	2,684	2,757	3,431	4,242	6,053	21,385
<i>% of Net Distributable Revenue</i>	<i>1%</i>	<i>2%</i>	<i>2%</i>	<i>2%</i>	<i>2%</i>	<i>3%</i>	<i>2%</i>

Of the net UK revenue collected in 2019 and available to be distributed to members in December 2019 (£20.6m), a total of £0.9 million remained undistributed to members at 31 December 2019.

PPL has continued to maintain a clear focus on reducing amounts collected but not yet allocated to rights holders, with the result that only a very small percentage remains unallocated at the time of publishing the report. There have been two main approaches to this. Firstly, continued improvements to systems, processes and policies has enabled the first-time pay-through rate to remain above 95%. Secondly, PPL has continued to focus on reducing unallocated amounts from older collection periods. This stream of work has focused on improvements to repertoire and member data quality as well as the development of distribution policy.

There was also an additional £1.1 million in international income, collected between 2004 and 2012, that remained unallocated at year-end.

Rights revenue that was allocated but unpaid at 31 December 2019, due to member accounts being on hold for such reasons as PPL awaiting the completion of performer registrations or awaiting valid bank details, was £9.5 million.

Non-Distributable Revenue

PPL operates a distribution closure process (in accordance with its general policy on non-distributable amounts, as adopted by PPL's AGM) whereby any undistributed revenue after a period of 6 years from the point of first distribution is re-allocated to members. This measure is in line with the applicable 6-year statutory limitation period and means that PPL no longer accepts claims from members in relation to music which was used in a year once it is closed. As at 31 December 2019, there was £1.9 million of rights revenue collected in 2012 that remained undistributed. The 2012 year was closed in accordance with the approved process and these funds were paid to members in March 2020, with £600,000 donated to a range of industry causes, including £500,000 under a partnership with the PRS for Music Foundation as funding for new music and talent development..

Collective Management Organisations (CMOs)

As at 31 December 2019, PPL had 99 international representation agreements with other CMOs, including new agreements signed with ULCRR (Ukraine, unilateral recording right holders agreement), STAP (Netherlands, unilateral recording right holders agreement), Amanat (Kazakhstan, bilateral performer agreement), IPF (Slovenia, bilateral recording right holders agreement), ULCRR (Ukraine, bilateral performer agreement) and Soproq (unilateral recording right holders agreement). In 2019, a first-time payment was received under the agreement from Akdie (Albania performer CMO), GCA (Georgia performer CMO), AIE Paraguay (Paraguay performer CMO), Panaie (Panama performer CMO) and Amanat (Kazakhstan performer CMO).

International revenue received from other CMOs and paid to PPL members, as well as revenue collected by PPL and passed onto CMOs for their members during 2019 is split by CMO and territory below. In relation to the table below:

- "CMO revenue received" figures are shown net of any costs deducted by other CMOs before the funds were passed onto PPL.
- "CMO revenue paid to members" includes revenue received in 2019 and previous years from other CMOs that was paid to PPL's direct members in 2019. It is shown net of costs deducted by PPL (details of which are provided above).
- "PPL revenue paid to CMOs" includes all PPL revenue that was paid to members of other CMOs and is shown net of costs deducted by PPL (details provided above).
- For all revenue reported below, PPL is unable to provide a further split by category of rights.

Collective Management Organisation (CMO)	Territory	Member Type	CMO Revenue Received	CMO Revenue Paid to Members	PPL Revenue Paid to CMOs
			2019 £000	2019 £000	2019 £000
AKDIE	Albania	Performer	8	7	-
CAPIF	Argentina	Recording Rightsholder	-	-	2
PPCA	Australia	Recording Rightsholder	814	688	9
PPCA	Australia	Performer	130	7	-
LSG	Austria	Performer	1,750	1,497	55
LSG	Austria	Recording Rightsholder	238	338	2
PLAYRIGHT	Belgium	Performer	3,526	2,427	50
SIMIM	Belgium	Recording Rightsholder	581	509	7
ABRAMUS	Brazil	Performer	996	870	13
ABRAMUS	Brazil	Recording Rightsholder	87	59	1
SOCINPRO	Brazil	Performer	-	-	1
UBC	Brazil	Performer	-	-	8
PROPHON	Bulgaria	Performer	68	68	-
PROPHON	Bulgaria	Recording Rightsholder	12	10	1
ACTRA	Canada	Performer	969	1,053	352
ARTISTI	Canada	Performer	-	-	33
Connect Music Licensing	Canada	Recording Rightsholder	215	167	34
MROC	Canada	Performer	-	-	90
HUZIP	Croatia	Performer	193	179	2
ZAPRAF	Croatia	Recording Rightsholder	17	14	31
INTERGRAM	Czech Republic	Performer	477	201	81
INTERGRAM	Czech Republic	Recording Rightsholder	44	1	3
GRAMEX	Denmark	Performer	2,485	2,119	144
GRAMEX	Denmark	Recording Rightsholder	107	135	12
SODINPRO	Dominican Republic	Recording Rightsholder	-	-	0
SOPROFON	Ecuador	Recording Rightsholder	-	-	0
EEL	Estonia	Performer	101	50	0
EFU	Estonia	Recording Rightsholder	55	48	1
GRAMEX	Finland	Performer	1,231	583	30
GRAMEX	Finland	Recording Rightsholder	213	123	4
ADAMI	France	Performer	3,239	2,517	217
SCPP	France	Recording Rightsholder	361	258	23
SPEDIDAM	France	Performer	8,638	2,731	13
SPPF	France	Recording Rightsholder	16	43	47
GCA	Georgia	Performer	14	12	-
GVL	Germany	Performer	19,737	2,823	400
GVL	Germany	Recording Rightsholder	1,665	1,530	51
APOLLON	Greece	Performer	-	12	0
ERATO	Greece	Performer	15	18	2
GRAMMO	Greece	Recording Rightsholder	31	35	5
EJI	Hungary	Performer	586	608	6
MAHASZ	Hungary	Recording Rightsholder	256	232	1
SFH	Iceland	Performer	39	46	18
PPI	Ireland	Recording Rightsholder	368	328	59
RAAP	Ireland	Performer	635	266	312
IFPI	Israel	Recording Rightsholder	-	-	1
IMAIE	Italy	Performer	-	18	-
ITSRIGHT	Italy	Performer	-	-	45
ITSRIGHT	Italy	Recording Rightsholder	-	-	8
NUOVO IMAIE	Italy	Performer	1,298	1,161	36
SCF	Italy	Recording Rightsholder	60	181	33
JAMMS	Jamaica	Performer	-	-	22
JAMMS	Jamaica	Recording Rightsholder	3	3	12
CPRA	Japan	Performer	1,207	1,251	46
RIAJ	Japan	Recording Rightsholder	-	159	28
AMANAT	Kazakhstan	Performer	4	-	-
FKMP	Korea	Performer	347	315	6
RIAK	Korea	Recording Rightsholder	2	2	-
LAIPA	Latvia	Performer	145	126	4
LAIPA	Latvia	Recording Rightsholder	22	41	1
AGATA	Lithuania	Performer	811	502	0
AGATA	Lithuania	Recording Rightsholder	32	31	-
PPM	Malaysia	Recording Rightsholder	85	74	1
RPM	Malaysia	Performer	-	-	1
SOMEXFON	Mexico	Recording Rightsholder	-	-	2
NORMA	Netherlands	Performer	486	465	-
SENA	Netherlands	Performer	4,846	5,098	465
SENA	Netherlands	Recording Rightsholder	426	477	196
Recorded Music NZ	New Zealand	Recording Rightsholder	174	132	16

Collective Management Organisation (CMO)	Territory	Member Type	CMO Revenue Received	CMO Revenue Paid to Members	PPL Revenue Paid to CMOs
			2019 £000	2019 £000	2019 £000
COSON	Nigeria	Recording Rightsholder	5	4	-
GRAMO	Norway	Performer	1,000	963	82
GRAMO	Norway	Recording Rightsholder	151	176	-
NORWACO	Norway	Performer	194	152	-
PANAIE	Panama	Performer	3	3	-
PRODUCE	Panama	Recording Rightsholder	-	-	0
AIE PARAGUAY	Paraguay	Performer	-	10	-
UNIMPRO	Peru	Recording Rightsholder	-	-	1
SAWP	Poland	Performer	86	3	1
STOART	Poland	Performer	1,080	1,122	5
ZPAV	Poland	Recording Rightsholder	102	87	7
GDA	Portugal	Performer	556	488	5
AUDIOGEST	Portugal	Recording Rightsholder	89	238	0
CREDIDAM	Romania	Performer	159	151	3
UPFR	Romania	Recording Rightsholder	54	27	0
RUR	Russia	Performer	3	0	-
VOIS	Russia	Performer	29	15	1
VOIS	Russia	Recording Rightsholder	10	1	-
PI	Serbia	Performer	159	102	4
OFPS	Serbia	Recording Rightsholder	2	0	-
RIPS	Singapore	Recording Rightsholder	-	-	1
SLOVGRAM	Slovakia	Performer	68	80	5
SLOVGRAM	Slovakia	Recording Rightsholder	13	4	0
Zavod IPF	Slovenia	Recording Rightsholder	-	-	1
IPF	Slovenia	Performer	95	88	0
SAMPRA	South Africa	Performer	830	704	2
AGEDI	Spain	Recording Rightsholder	209	177	33
AIE	Spain	Performer	1,607	2,315	180
IFPI	Sweden	Recording Rightsholder	-	196	26
SAMI	Sweden	Performer	1,759	2,097	604
IFPI	Switzerland	Recording Rightsholder	191	-	-
SWISSPERFORM	Switzerland	Performer	1,075	1,060	24
SWISSPERFORM	Switzerland	Recording Rightsholder	47	-	4
ARCO	Taiwan	Recording Rightsholder	-	-	1
PHONORIGHTS (Thailand) Ltd	Thailand	Recording Rightsholder	-	-	3
UMA	Ukraine	Performer	-	0	15
UMA	Ukraine	Recording Rightsholder	-	0	-
AARC	United States	Performer	-	1	-
AARC	United States	Recording Rightsholder	-	0	-
SoundExchange	United States	Performer	13,640	12,642	865
SoundExchange	United States	Recording Rightsholder	1,460	1,717	179
AFM & SAG-AFTRA IPR Distribution Fund	United States	Performer	2,161	1,906	1,016
Camara Uruguaya del Disco	Uruguay	Recording Rightsholder	-	-	-
Total			86,702	59,178	6,109



The Directors
Phonographic Performance Limited
1 Upper James Street
London
W1F 9DE

14 July 2020

Dear Ladies and Gentlemen

Report of factual findings in connection with 2019 Transparency Report

This report is produced in accordance with the terms of our agreement dated 13 July 2020.

The directors of Phonographic Performance Limited (the “company”) have prepared the 2019 Transparency Report and remain solely responsible for it and for the creation and maintenance of all accounting and other records supporting its contents. The company’s directors are also responsible for identifying and ensuring that the company complies with the terms of Regulation 21 of the Collective Management of Copyright (EU Directive) Regulations 2016 (the “Regulations”).

We have performed the procedures agreed with you and listed below on the 2019 Transparency Report. Our work was performed in accordance with the International Standard on Related Services (ISRS) 4400 ‘Engagements to perform agreed-upon procedures regarding financial information.’ The procedures were performed solely to assist the company’s directors in fulfilling their reporting obligations under Regulation 21 of the Collective Management of Copyright (EU Directive) Regulations 2016 (the “Regulations”). We performed the following procedures:

Required Procedures	Work performed
1. We will perform the procedures set out in paragraphs 2-20 and report to Phonographic Performance Limited (“PPL”) the results of our work.	See below for procedures performed.
2. We will agree the balances in the financial statements required by section 21(4)(a) of the Collective Management of Copyright (EU Directive) Regulations 2016 (the “Regulations”) to Phonographic Performance Limited’s (“PPL”) statutory financial statements for the year ended 31 December 2019.	We performed the procedures as set out with no matters to report.



3. We will obtain a detailed analysis of the amounts deducted for the purposes of social, cultural and educational services disclosed in accordance with section 21(5) of the Regulations and:

- agree the aggregate amounts deducted to PPL's statutory financial statements/underlying financial systems;
- agree the totals in the analysis to the disclosure in PPL's Transparency Report; and
- select a sample of items and:
 - agree the items directly to invoices or other third party documentation;
 - check that the disclosed purpose of the cost was consistent with the narrative information on the invoice or other third party documentation;
 - check that the cost was consistent with PPL's explanation of the use of the amounts;
 - when the cost was attributable to a category of rights managed, check that the category to which it was allocated was consistent; and
 - when the cost was not attributable to a category of rights managed, but was allocated across a number of categories:
 - check that the method of allocation was consistent with PPL's disclosure in accordance with the Regulations; and
 - recalculate the allocation of the cost across the categories.

We performed the procedures as set out with no matters to report.

4. We will obtain a detailed analysis of the rights revenue, including the income arising from the investment of rights revenue disclosed in accordance with section 21(4)(h)(i) of the Regulations and:

- agree the aggregate income to PPL's statutory financial statements/underlying financial systems;
- agree the totals in the analysis to the disclosure in PPL's Transparency Report; and
- select a sample of items and:
 - agree the items to bank receipts;
 - agree the items to third party documentation; and
 - check that the category of rights managed and type of use to which PPL had allocated the income was consistent with the third party evidence.

We performed the procedures as set out with no matters to report.



5. We will obtain a detailed analysis of the use of the rights revenue, including the income arising from the investment of rights revenue disclosed in accordance with section 21(4)(h)(ii) of the Regulations and:

- agree the totals in the analysis to the disclosure in PPL's Transparency Report; and
- for the items in the sample selected for (4):
 - agree the items to the detailed analysis of the use of the income arising from the investment of rights revenue;
 - agree the items to supporting evidence whether it had been paid to right holders, other CMOs or otherwise used; and
 - agree that it had been correctly included in the analysis of use.

We performed the procedures as set out with no matters to report.

6. We will obtain a detailed analysis of all operating and financial costs disclosed in accordance with section 21(4)(i)(i) of the Regulations and:

- agree the aggregate cost to PPL's statutory financial statements/underlying financial systems;
- agree the totals in the analysis to the disclosure in the PPL's transparency report;
- select a sample of items and:
 - agree the items directly to invoices or other third party documentation;
 - check that the narrative information on the invoice or other third party documentation is consistent with their categorization; and
 - check that the category of rights managed and type of use to which the PPL has allocated the income is consistent with the third party evidence; and
- check that the method of allocation of the indirect costs is consistent with the PPL disclosure in accordance with the Regulations.

We performed the procedures as set out with no matters to report.

7. We will obtain a detailed analysis of the operating and financial costs only with regard to the management of rights, including management fees deducted from or offset against rights revenue or income arising from the investment of rights revenue disclosed in accordance with section 21(4)(i)(ii) of the Regulations and:

- agree the aggregate cost to PPL's statutory financial statements/underlying financial systems;
- agree the totals in the analysis to the disclosure in PPL's Transparency Report;
- select a sample of items and:
 - agree the items directly to invoices or other third party documentation; and
 - check that the narrative information on the invoice or other third party documentation was consistent with their categorisation; and

As disclosed in the Annual Transparency Report, all costs associated with PPL relate to the management of rights and therefore this procedure has been tested as part of procedure 6 above



- check that the method of allocation of the indirect costs was consistent with PPL's disclosure in accordance with the Regulations

8. We will obtain a detailed analysis of the operating and financial costs with regard to services other than the management of rights but including social, cultural and educational services disclosed in accordance with section 21(4)(i)(iii) of the Regulations and:

- agree the aggregate cost to PPL's statutory financial statements/underlying financial systems;
- agree the totals in the analysis to the disclosure in PPL's Transparency Report; and
- select a sample of items and:
 - agreed the items directly to invoices or other third party documentation; and
 - checked that the narrative on the invoice or other third party documentation was consistent with their categorisation.

As disclosed in the Annual Transparency Report, all costs associated with PPL relate to the management of rights and therefore this procedure has been tested as part of procedure 6 above. Costs not associated with the management of rights have been tested as part of procedure 3.

9. We will obtain a detailed analysis of the resources used to cover the costs disclosed in accordance with section 21(4)(i)(iv) of the Regulations and:

- agree the aggregate cost to PPL's statutory financial statements/underlying financial systems;
- agree the totals in the analysis to the disclosure in PPL's Transparency Report; and
- select a sample of items and agreed the items to supporting evidence.

In relation to the procedure, no testing has been performed as PPL does not require external funding in order to cover costs. A disclosure to this effect has been included on page 8 of the Annual Transparency Report.

10. We will obtain a detailed analysis of the deductions made from rights revenue disclosed in accordance with section 21(4)(i)(v) of the Regulations and:

- agree the aggregate deduction to PPL's statutory financial statements/underlying financial systems;
- agree the totals in the analysis to the disclosure in PPL's Transparency Report; and
- select a sample of items and:
 - agree the items directly to third party documentation; and
 - check that the third party documentation is consistent with their categorisation.

As disclosed in the Annual Transparency Report, all costs associated with PPL relate to the management of rights and therefore this procedure has been tested as part of procedure 6 above.

11. We will recalculate the percentages that the cost of the rights management and other services provided to right holders represents compared to the rights revenue disclosed in accordance with section 21(4)(i)(vi) of the Regulations.

We performed the procedures as set out with no matters to report.

12. We will obtain a detailed analysis of the indirect costs included in the analysis of the cost of the rights management and other services provided to right holders for the purposes of section 21(4)(i)(vi) of the Regulations and:

- select a sample of items and agreed the items directly to third party invoices or other third party documentation; and
- check that the method of allocation of the indirect costs was consistent with PPL's disclosure in accordance with the Regulations.

We performed the procedures as set out with no matters to report.



13. We will obtain a detailed analysis of the total amount attributed to right holders, the total amount paid to rights holders, the total amount collected but not attributed to right holders and the total amount attributed to, but not yet paid to, right holders disclosed in accordance with sections 21(4)(j)(i), 21(4)(j)(ii), 21(4)(j)(iv) and 21(4)(j)(v) of the Regulations and:

- agree the aggregate amounts to PPL's statutory financial statements/underlying financial systems;
- agree the totals in the analysis to the disclosure in PPL's Transparency Report; and
- select a sample of items and traced the items to third party documentation to check that the amount allocated and the category of rights managed and type of use to which it was allocated was consistent with the documentation.

We have performed all procedures listed except for testing for the appropriate split of rights types for 'Amounts paid to rights holders' and 'Amount attributed to, but not yet paid to rights holders' as the data relating to these items is not disaggregated in this manner in PPL's systems and the information (i.e. the split by rights type for these items) is not available to be disclosed.

14. We will obtain a detailed analysis of the payments made to rights holders and:

- agree the frequency disclosed in PPL's Transparency Report for each category of rights managed and type of use to the analysis;
- select a sample of items and agreed the items to bank payments to check that the payments were made in accordance with the analysis; and
- from a total population of all incoming receipts received by PPL for distribution within the period provided for in paragraph (2) in regulation (12), select a sample of receipts, and,
 - When the distribution process has identified the intended recipients check that bank payments were made to those recipients within the specified timescales. If any distributions had not met the specified timescales, understand the reasons why and checked that they agreed to those disclosed by PPL in accordance with the Regulations; and
 - When the distribution process has not yet identified the intended recipients, understood the reasons why and check that they agreed to those disclosed by PPL in accordance with the Regulations.

We performed the procedures as set out with no matters to report.

15. We will review a sample of 10 transfers from non-distributable income to distributable, understand the basis of the transfer, and ensure it has been transferred in accordance with the specified timescales. For the non-distributable income transferred out, we will select a sample of 10 payments and ensure the explanation of the use to which the amounts were put agrees to source documentation.

We have selected a sample of 10 payments to rights holders to ensure that payments were made in line with the 9 months deadline set out in the Regulations. No matters to report.



16. We will obtain a detailed analysis of the amounts received from and paid to other CMOs disclosed in accordance with section 21(4)(k)(i) of the Regulations and:

- agree the aggregate amounts received from and paid to other CMOs to PPL's statutory financial statements/underlying financial systems;
- agree the totals for each category of rights managed and type of use to the amounts disclosed in PPL's Transparency Report; and
- select a sample of items and agree them to:
 - bank receipts or payments; and
 - supporting documentation evidencing that the receipt or payment was from/due to another CMO.

PwC has performed all of these procedures with no matters to report except that we have been unable to agree the totals for each category of rights managed as this information is not always made available to PPL by other CMOs and has not been disclosed in the report.

17. We will obtain a detailed analysis of the management fees and other deductions from the rights revenue due to other CMOs and the management fees and other deductions from the amounts paid by other CMOs disclosed in accordance with sections 21(4)(k)(ii) and 21(4)(k)(iii) of the Regulations and:

- agree the aggregate deduction for each category of rights and type of use to the amounts disclosed in PPL's Transparency Report; and
- select a sample of 10 invoices and agree them to invoices or other supporting documentation evidencing that the classification was consistent.

We understand that PPL have allocated costs associated with CMO revenue using the same method as for other revenue streams as set out on page 8 of the Annual Transparency Report. The disclosure has therefore been tested as part of our testing for procedures 6 and 11.

18. We will obtain a detailed analysis of the amounts distributed directly to right holders from other CMOs disclosed in accordance with section 21(4)(k)(iv) of the Regulations and:

- agree the totals for each category of rights managed to the amounts disclosed in PPL's Transparency Report; and
- select a sample of items and agree them to:
 - bank receipts from PPL and payments to the right holders; and
 - supporting documentation evidencing that the receipt from PPL was due to the right holders.

We performed the procedures as set out with no matters to report.

19. We will read the other financial and non-financial information presented within and with PPL's Transparency Report and consider whether there is a material inconsistency between the other financial and non-financial information presented and the financial information that we have performed work on in tests 2-18 or our knowledge obtained during the course of our work.

We performed the procedures as set out with no matters to report.

20. For the purposes of tests 2-19, we selected a sample of items in accordance with Appendix 1.

No matters to report.



Our procedures, as stated in our agreement, did not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the 2019 Transparency Report. We do not express such assurance. Had we performed additional procedures or had we performed an audit or review of the 2019 Transparency Report in accordance with generally accepted auditing standards, other matters might have come to our attention that we would have reported to you. This report relates only to the 2019 Transparency Report and does not extend to any financial statements of the company taken as a whole.

Our obligations in respect of this report are entirely separate from, and our responsibility and liability is in no way changed by, any other role we may have (or may have had) as auditors of the company or otherwise. Nothing in this report, nor anything said or done in the course of or in connection with the services, will extend any duty of care we may have in our capacity as auditors of any financial statements of the company.

This report is solely for your use in connection with the purpose specified above and as set out in our agreement. No part of this report is to be copied or distributed to any other party except as permitted under the terms of our agreement. We do not accept any liability or responsibility to any third party.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers LLP', with a horizontal line underneath.

PricewaterhouseCoopers LLP
Chartered Accountants
London
14 July 2020



Appendix 1: Thresholds and Sampling

Thresholds

Basis	Threshold
Income	5%
Allocated to right holders	5%
Cost of rights management	5%
Due to right holders	5%

Sampling

Area	Total sample size	Max	Min	Part of section 21 covered
Income	5% of transactions	10	1	4h
Allocated to right holders	5% of transactions	10	1	4j(i), 4k
Costs of rights management	5% of transactions	10	1	4g, 4i, 4k
Due to right holders	5% of transactions	10	1	4j (ii to vii), 4k

Notes:

- a. All items over thresholds are to be tested, limited to the total sample size.
- b. Any remaining items in the sample are to be selected at random.
- c. Random selections should be weighted by “category of rights managed” and sampled from the category analysis included in the CMOs transparency report.