

Phonographic Performance Limited (PPL)

2017 Transparency Report

This transparency report relates to PPL's financial year ended 31 December 2017 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 2017 and such information has therefore been subject to audit by PricewaterhouseCoopers LLP, and their audit report is included with PPL's 2017 financial statements.

Activities during the year

The principal activity of PPL during 2017 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 2017 can be found in PPL's 2017 Annual Review.

Financial Results

2017 saw continued growth for PPL with total licence fee income of £218.8m (2016: £212.1m) and net distributable revenue reaching £180.5m (2016: £178.9m). Annual growth of 3% was achieved for both UK and International collections.

Distributions

PPL also succeeded in paying out more money to more members than ever before. Over 89,000 performers received at least one payment from PPL in 2017 (2016: 83,000) together with over 8,900 recording right holders (2016: 9,500). PPL continues to maintain a high pay-through rate in its distributions of revenue and achieved a 95.1% pay-through of 2016 collections by 30 June 2017. This was the highest ever first-time pay-through rate.

Business Review

Continued preparatory work for the joint venture in the area of public performance licensing between PPL and PRS for Music Limited (PRS) was a key focus area throughout 2017. Good progress was made across all aspects of this project, with the new joint licensing system close to completion at the end of 2017, ahead of the joint venture commencing public performance licensing operations on behalf of PPL in early 2018.

PPL continued to invest in both its employees and its IT infrastructure throughout 2017, with the aim of delivering improved services to our members, supporting future revenue growth and achieving increased efficiency across the business.

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 2017, 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 collective management organisation (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 2017

Roger Armstrong
Roxanne de Bastion
Julian French
Robert Gruschke (appointed 19 September 2017)
Nick Hartley
Crispin Hunt
Mark Kelly
Peter Leathem
Martin Mills (resigned 19 September 2017)
Christine Payne
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 2017 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 £783,061 and remuneration paid to the Chairman amounted to £61,200. 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 2017 to PPL's non-executive board directors (who exercise the supervisory function under Regulation 8), by way of meeting attendance fees, amounted to £78,429.

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 is also supported by four other committees, the members of which represent a cross-section of major record companies, independent record companies and performers. Three of the four committees also include 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 are:

- The Finance Committee is primarily tasked with reviewing and setting PPL's revenue and costs budget each year, prior to ratification by the PPL Board.
- The Distribution Committee's primary function is to review and approve proposed distributions of revenue to PPL members (and the rules and processes underpinning them).
- The Audit Committee is 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 is to review executive remuneration. This is the one committee which consists 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 2017 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 2017

	2017 £000
LICENCE FEE INCOME	218,777
Cost of collection and distribution	(36,027)
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NET INCOME BEFORE INTEREST AND TAXATION	182,750
Interest receivable	720
Interest payable	(176)
Other finance expense	(111)
	<hr/>
NET INCOME BEFORE TAXATION	183,183
Taxation	-
	<hr/>
AMOUNT AVAILABLE FOR DISTRIBUTION	183,183
Anti-piracy protection and industry contributions	(2,689)
Amount to be distributed to members	(180,494)
	<hr/>
RETAINED RESERVES	<hr/> <hr/>
	-
Other comprehensive income:	
Actuarial gain on pension scheme	1,411
	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<hr/> <hr/>
	1,411

Statement of Financial Position
As at 31 December 2017

	2017 £000
FIXED ASSETS	
Intangible assets	7,557
Tangible assets	873
Investments	50
	8,480
CURRENT ASSETS	
Licence fees receivable	15,422
Other debtors	13,859
Prepayments and accrued income	9,898
Short term fixed deposits	88,000
Cash at bank and in hand	27,966
	155,145
CREDITORS: amounts falling due within one year	(166,154)
NET CURRENT LIABILITIES	(11,009)
TOTAL ASSETS LESS CURRENT LIABILITIES	(2,529)
PROVISIONS FOR LIABILITIES	(1,609)
NET LIABILITIES BEFORE PENSION LIABILITIES	(4,138)
NET PENSION LIABILITY	(2,971)
NET LIABILITIES	(7,109)
RESERVES	
Accumulated Losses	(7,109)

**Statement of Changes in Equity
For the Year Ended 31 December 2017**

	Accumulated Losses £000
Balance as at 1 January 2016	(4,249)
Result for the financial year	-
Other comprehensive expense for the year	(4,271)
Total comprehensive expense for the year	(4,271)
Balance as at 31 December 2016	(8,520)
Result for the financial year	-
Other comprehensive income for the year	1,411
Total comprehensive income for the year	1,411
Balance as at 31 December 2017	(7,109)

Cash Flow Statement
For the Year Ended 31 December 2017

	2017 £000
NET CASH FLOW FROM OPERATING ACTIVITIES	187,044
Taxation paid	-
	187,044
Net cash generated from operating activities	187,044
 CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of intangible fixed assets	(4,269)
Purchase of tangible fixed assets	(175)
Interest paid	(297)
Interest received	839
Cash outflow for investment	(500)
	(4,402)
Net cash used in investing activities	(4,402)
 CASH FLOW FROM FINANCING ACTIVITIES	
Anti-piracy protection and industry contributions paid	(3,025)
Payments to members	(184,699)
	(187,724)
Net cash used in financing activities	(187,724)
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,082)
Cash and cash equivalents at the beginning of the year	33,048
	27,966
Cash and cash equivalents at the end of the year	27,966
 Cash and cash equivalents comprises of:	
Cash at bank and in hand	27,966
	27,966
Total cash and cash equivalents	27,966

Rights Revenue Collected and Associated Costs

The rights revenue collected during 2017 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	90,404	25,469	28%
Broadcast	76,844	9,073	12%
New Media	2,285	238	10%
Programme	739	76	10%
International	49,579	3,443	7%
Total	219,851	38,299	

- Public Performance revenue is generated by PPL's licensing of businesses from sectors across the UK to play recorded music in public.
- Broadcast revenue is generated from PPL's 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 collective management organisations.

During the year £0.7 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 2017 costs included non-management cost deductions for anti-piracy protection and industry contributions and charitable donations as listed below:

Non-Management Costs	2017 £000
Anti-Piracy Protection and Industry Contributions	
BPI (British Recorded Music Industry) Limited	1,568
The International Federation of the Phonographic Industry	624
Impala	67
UK Music	430
Total Anti-Piracy Protection and Industry Contributions	2,689
Charitable Donations	
Hospital Broadcasting Association	33
The Young Musicians Symphony Orchestra	5
Young Persons Concert Foundation	11
English Schools' Orchestra and Choir	2
Total Charitable Donations	51
Total Non-Management Costs	2,740

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 2017 was as follows:

Category of Rights	Anti-Piracy Protection and Industry Contributions £000	Charitable Donations £000
Public Performance	1,431	10
Broadcast	1,213	41
New Media	34	0
Programme	11	0
Total Non-Management Costs	2,689	51

Allocations and Payments of Rights Revenue

Total allocations and payments of rights revenue made during 2017 (primarily relating to revenue collected in 2016), including those made to direct members as well as members of other CMOs, were as follows:

Allocations by Rights Category	2017 £000
Public Performance	65,843
Broadcast	65,984
New Media	1,142
Programme	1,874
International	46,002
Total	180,845

Payments	2017 £000
UK Revenue ¹	138,718
International Revenue	46,627
Payment Adjustments ²	17,935
Total	203,280

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 annual distribution of UK revenue took place in June 2017, 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 2017	Distribution closure payment for 2009 undistributed revenue
31 March 2017	International revenue
30 June 2017	Main annual payment of UK revenue collected in 2016
30 June 2017	Adjustment of UK revenue collected during 2010-2015
30 June 2017	International revenue
29 September 2017	International revenue
18 December 2017	Adjustment of UK revenue collected during 2010-2016
18 December 2017	International revenue

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 2016, £2.8 million (1.5% of the 2016 net distributable revenue) was first distributed to members in December 2017, three months outside the timescale set in Regulation 12(2). £0.1 million remained undistributed to members at 31 December 2017.

PPL was prevented from distributing these monies within the given timeframe due to objective reasons that are acknowledged under the regulations, these include issues relating to reporting from the music users, the identification of the correct right holders and matching of information on recordings used with 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. For other parts of these monies, the nature of the use (digital non-linear audio streaming), means that the usage information received is much larger than for other uses and a longer time is needed to match the usage with right holders.

Held Revenue

Rights revenue that was unallocated to members as at 31 December 2017 (broken down by rights category and year of collection) is shown below:

Category of Rights	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	Total £000
Public Performance	1,084	1,273	1,385	1,395	1,930	2,995	10,062
Broadcast	1,196	1,327	1,548	1,555	1,953	2,466	10,045
New Media	90	48	53	51	74	42	358
Programme	28	24	33	41	158	48	332
International Income	566	484	773	1,126	611	1,444	5,004
Total	2,964	3,156	3,792	4,168	4,726	6,995	25,801
<i>% of Net Distributable Revenue</i>	<i>2%</i>	<i>2%</i>	<i>3%</i>	<i>3%</i>	<i>3%</i>	<i>4%</i>	<i>3%</i>

PPL has continued to maintain a clear focus on reducing amounts collected but not yet allocated to right 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, investment in continued improvements to systems, processes and policies has enabled the first-time pay-through rate to increase year-on-year: in 2017, in respect of 2016 collections, PPL paid through over 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 £2.3 million in international income, collected between 2004 and 2010, that remained unallocated at year-end.

Rights revenue that was allocated but unpaid at 31 December 2017, due to member accounts being on hold for such reasons as PPL awaiting the completion of performer registrations or awaiting valid bank details, was £7.6 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 2017, there was £2.2 million of rights revenue collected in 2010 that remained undistributed. The 2010 year was closed in accordance with the approved process and these funds were paid to members in February 2018, with £300,000 donated 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 2017, PPL had 86 international representation agreements with other CMOs, including new agreements signed with JAMMS (Jamaica, unilateral performer agreement), IPF (Slovenia, bilateral performer agreement), Slovgram (Slovakia, recording right holders bilateral agreement), SFH (Iceland, bilateral performer agreement) and SAMPRA (South Africa, bilateral performer agreement). In 2017, a first-time payment was received under the agreement from Credidam (Romanian 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 2017 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 2017 and previous years from other CMOs that was paid to PPL's direct members in 2017. 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
			2017 £000	2017 £000	2017 £000
CAPIF	Argentina	Recording Rightsholder	-	-	2
PPCA	Australia	Recording Rightsholder	322	233	12
PPCA	Australia	Performer	9	-	-
LSG	Austria	Performer	992	1,089	79
LSG	Austria	Recording Rightsholder	210	154	2
PLAYRIGHT	Belgium	Performer	2,325	2,032	74
SIMIM	Belgium	Recording Rightsholder	445	414	6
ABRAMUS	Brazil	Performer	929	481	17
ABRAMUS	Brazil	Recording Rightsholder	112	82	2
SOCINPRO	Brazil	Performer	-	-	1
UBC	Brazil	Performer	-	-	12
PROPHON	Bulgaria	Performer	146	221	-
PROPHON	Bulgaria	Recording Rightsholder	13	7	1
ACTRA	Canada	Performer	595	642	442
ARTISTI	Canada	Performer	-	-	52
Connect Music Licensing	Canada	Recording Rightsholder	203	187	27
MROC	Canada	Performer	-	-	66
HUZIP	Croatia	Performer	135	119	1
ZAPRAF	Croatia	Recording Rightsholder	13	7	2
INTERGRAM	Czech Republic	Performer	-	7	53
INTERGRAM	Czech Republic	Recording Rightsholder	46	36	4
GRAMEX	Denmark	Performer	1,919	1,784	162
GRAMEX	Denmark	Recording Rightsholder	131	151	47
SODINPRO	Dominican Republic	Recording Rightsholder	-	-	0
SOPROFON	Ecuador	Recording Rightsholder	-	-	0
EEL	Estonia	Performer	24	26	1
EFU	Estonia	Recording Rightsholder	61	57	1
GRAMEX	Finland	Performer	559	635	30
GRAMEX	Finland	Recording Rightsholder	75	184	5
ADAMI	France	Performer	2,072	2,141	168
SCPP	France	Recording Rightsholder	175	209	64
SPEDIDAM	France	Performer	-	6,506	26
SPPF	France	Recording Rightsholder	82	45	120
GVL	Germany	Performer	8,812	3,863	362
GVL	Germany	Recording Rightsholder	660	1,373	39
APOLLON	Greece	Performer	-	1	0
ERATO	Greece	Performer	37	16	1
GRAMMO	Greece	Recording Rightsholder	26	18	4
EJI	Hungary	Performer	320	635	17
MAHASZ	Hungary	Recording Rightsholder	95	41	2
SFH	Iceland	Performer	57	184	-
PPI	Ireland	Recording Rightsholder	154	172	37
RAAP	Ireland	Performer	273	359	372
IFPI	Israel	Recording Rightsholder	-	-	2
IMAIE	Italy	Performer	215	50	-
ITSRIGHT	Italy	Performer	-	-	67
ITSRIGHT	Italy	Recording Rightsholder	-	-	1
NUOVO IMAIE	Italy	Performer	1,714	1,448	22
SCF	Italy	Recording Rightsholder	158	74	29
JAMMS	Jamaica	Performer	-	-	1
JAMMS	Jamaica	Recording Rightsholder	2	3	15
CPRA	Japan	Performer	1,478	1,713	45
RIAJ	Japan	Recording Rightsholder	163	114	13
FKMP	Korea	Performer	280	65	0
LAIPA	Latvia	Performer	118	105	1
LAIPA	Latvia	Recording Rightsholder	47	39	3
AGATA	Lithuania	Performer	94	1	1
PPM	Malaysia	Recording Rightsholder	50	126	1
RPM	Malaysia	Performer	13	-	1
SOMEXFON	Mexico	Recording Rightsholder	-	-	3
NORMA	Netherlands	Performer	485	578	-
SENA	Netherlands	Performer	4,921	2,906	428
SENA	Netherlands	Recording Rightsholder	357	288	212
Recorded Music NZ	New Zealand	Recording Rightsholder	133	127	11
GRAMO	Norway	Performer	877	774	56
GRAMO	Norway	Recording Rightsholder	46	12	-
NORWACO	Norway	Performer	157	78	-

Collective Management Organisation (CMO)	Territory	Member Type	CMO Revenue Received	CMO Revenue Paid to Members	PPL Revenue Paid to CMOs
			2017 £000	2017 £000	2017 £000
PRODUCE	Panama	Recording Rightsholder	-	-	0
UNIMPRO	Peru	Recording Rightsholder	-	-	1
SAWP	Poland	Performer	44	53	2
STOART	Poland	Performer	879	798	14
ZPAV	Poland	Recording Rightsholder	202	96	9
GDA	Portugal	Performer	85	77	6
CREDIDAM	Romania	Performer	119	107	5
VOIS	Russia	Performer	-	0	-
VOIS	Russia	Recording Rightsholder	-	0	-
PI	Serbia	Performer	104	95	1
RIPS	Singapore	Recording Rightsholder	-	-	2
SLOVGRAM	Slovakia	Performer	162	74	3
Zavod IPF	Slovenia	Recording Rightsholder	-	-	1
AGEDI	Spain	Recording Rightsholder	84	30	32
AIE	Spain	Performer	1,472	1,433	114
IFPI	Sweden	Recording Rightsholder	177	102	15
SAMI	Sweden	Performer	1,435	789	755
IFPI	Switzerland	Recording Rightsholder	21	91	4
SWISSPERFORM	Switzerland	Performer	1,085	1,029	24
SWISSPERFORM	Switzerland	Recording Rightsholder	-	20	-
ARCO	Taiwan	Recording Rightsholder	-	-	1
MPC Music Company Limited	Thailand	Recording Rightsholder	-	-	4
UMA	Ukraine	Performer	25	0	-
UMA	Ukraine	Recording Rightsholder	2	1	-
AARC	United States	Performer	0	1	-
AARC	United States	Recording Rightsholder	0	1	-
AFM-AFTRA	United States	Performer	2,044	2,031	325
SoundExchange	United States	Performer	6,894	6,083	786
SoundExchange	United States	Recording Rightsholder	1,409	1,114	30
Camara Uruguaya del Disco	Uruguay	Recording Rightsholder	-	-	0
Total			49,579	46,638	5,360



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

18 April 2018

Dear Sirs

Report of factual findings in connection with 2017 Annual Transparency Report

This report is produced in accordance with the terms of our agreement dated 19 February 2018.

The directors of Phonographic Performance Limited (the “company”) have prepared the 2017 Annual Transparency Report and remain solely responsible for it and for the creation and maintenance of all accounting and other records supporting its contents.

We have performed the following procedures agreed with you and listed below on the 2017 Annual 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 section 21(2)(b) of the Collective Management of Copyright (EU Directive) Regulations 2016. 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 2017.	We performed the procedures as set out with no matters to report.

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Required Procedures	Work performed
<p>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:</p> <ul style="list-style-type: none">• 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:<ul style="list-style-type: none">○ 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:<ul style="list-style-type: none">- 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.	<p>We performed the procedures as set out with no matters to report.</p>
<p>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:</p> <ul style="list-style-type: none">• 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:<ul style="list-style-type: none">○ 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.	<p>We performed the procedures as set out with no matters to report.</p>



Required Procedures	Work performed
<p>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:</p> <ul style="list-style-type: none">• agree the totals in the analysis to the disclosure in PPL's Transparency Report; and• for the items in the sample selected for (4):<ul style="list-style-type: none">○ 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.	<p>We performed the procedures as set out with no matters to report.</p>
<p>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:</p> <ul style="list-style-type: none">• 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:<ul style="list-style-type: none">○ agree the items directly to invoices or other third party documentation;○ check that the narrative information on the invoice or other third party documentation was consistent with their categorisation; 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; and○ check that the method of allocation of the indirect costs was consistent with PPL's disclosure in accordance with the Regulations.	<p>We performed the procedures as set out with no matters to report.</p>

Required Procedures	Work performed
<p>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:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ○ 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 • check that the method of allocation of the indirect costs was consistent with PPL's disclosure in accordance with the Regulations 	<p>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.</p>
<p>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:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ○ 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. 	<p>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.</p>
<p>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:</p> <ul style="list-style-type: none"> • 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. 	<p>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.</p>



Required Procedures	Work performed
<p>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:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ○ agree the items directly to third party documentation; and ○ check that the third party documentation is consistent with their categorisation. 	<p>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.</p>
<p>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.</p>	<p>We performed the procedures as set out with no matters to report.</p>
<p>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:</p> <ul style="list-style-type: none"> • 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. 	<p>We performed the procedures as set out with no matters to report.</p>
<p>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:</p> <ul style="list-style-type: none"> • 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 was it was allocated was consistent with the documentation. 	<p>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.</p>



Required Procedures	Work performed
<p>14. We will obtain a detailed analysis of the payments made to rights holders and:</p> <ul style="list-style-type: none"> • 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, <ul style="list-style-type: none"> ○ 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. 	<p>We performed the procedures as set out with no matters to report.</p>
<p>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.</p>	<p>PwC has 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.</p>
<p>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:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> ○ bank receipts or payments; and ○ supporting documentation evidencing that the receipt or payment was from/due to another CMO. 	<p>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.</p>



Required Procedures

Work performed

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 2017 Annual Transparency Report. We do not express such assurance. Had we performed additional procedures or had we performed an audit or review of the 2017 Annual 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 2017 Annual 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.

Our report is prepared solely for the use of Phonographic Performance Limited and solely for the purpose of its compliance with Regulation 21(2)(b) of the Collective Management of Copyright (EU Directive) Regulations 2016. It may not be relied upon by Phonographic Performance Limited for any other purpose whatsoever. Our report was not prepared for the benefit of any party other than Phonographic Performance Limited. PricewaterhouseCoopers LLP neither owes nor accepts any duty to any other party (including any copyright owner, heirs to copyright owners, agents, distributors or licensees) and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by their reliance on our report. No part of this report is to be copied or distributed to any other party except as permitted under the terms of our agreement.

Yours faithfully,

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers LLP'.

PricewaterhouseCoopers LLP
Chartered Accountants
London
18 April 2018



Appendix 1: Thresholds and Sampling

Thresholds

Basis	Thresholds
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
Cost 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.