Company number 01818862

VIDEO PERFORMANCE LIMITED

(A company limited by guarantee)

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011

The directors submit the audited financial statements of Video Performance Limited (VPL) to the members for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The company's principal activity is the collection and distribution of licence fees for the broadcasting and public performance of music videos on behalf of its members.

The total amount available for distribution in the income, expenditure and distribution account is distributed to its members, with the intention that there are no retained reserves at any particular balance sheet date.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

VPL considers its key performance indicators to be income, income growth, net distributable revenue and cost to income ratio. Total income decreased in the year to 31 December 2011 to £10.6 million from £10.9 million in 2010. Total net distributable revenue decreased in the year by 4% to £9.3 million. Broadcasting income is the main source of income for VPL and it remained flat year-on-year despite the continued fall in the general use of music videos.

The cost to income ratio for 2011 was 13.6% and management expect that this will return to a level closer to 15% in future periods.

PRINCIPAL RISKS AND UNCERTAINTIES

In tough market conditions for VPL's members the changes within the music business have been immense. Sales of physical music carriers continue to decline generally around the world though the 'use' of music videos continues to grow as media expands. The broadcasting market will remain a tough environment as advertising income is challenged and business models evolve to embrace new media and technological changes.

Liquidity risk is mitigated by actively managing cash generation and funding requirements. Distribution payments are only made on license fees collected.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors
In the case of each of the persons who are directors at the time when the report is approved, the following applies:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

CHARITABLE DONATIONS

No donations were made during the year ended 31 December 2011 (2010: £nil).

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

J Cross (resigned 20 September 2011*, reappointed 24 January 2012)
R Evers (resigned 24 January 2012)
G Kempin
P Leathem (appointed 22 November 2011)
J Mullan
F Nevrkla
J Radice
A Sear
M Smith
S Wheeler

*(*as alternate for R Evers)*

By order of the Board

D HARMSWORTH
SECRETARY

10 July 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VIDEO PERFORMANCE LIMITED

We have audited the financial statements of Video Performance Limited for the year ended 31 December 2011 which comprise the Income, Expenditure and Distribution account, the Statement of Total Recognised Gains and Losses, the Balance sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its result and cash flows for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VIDEO PERFORMANCE LIMITED

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

• the financial statements are not in agreement with the accounting records and returns; or

• certain disclosures of directors' remuneration specified by law are not made; or

• we have not received all the information and explanations we require for our audit.

Brian Henderson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 July 2012

VIDEO PERFORMANCE LIMITED

INCOME, EXPENDITURE AND DISTRIBUTION ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £000	2010 £000
LICENCE FEE INCOME	2	10,647	10,951
Cost of collection and distribution		(1,450)	(1,393)
NET INCOME BEFORE INTEREST AND TAXATION	3	9,197	9,558
Interest receivable		80	72
NET INCOME BEFORE TAXATION		9,277	9,630
Taxation	6	-	-
AMOUNT AVAILABLE FOR DISTRIBUTION		9,277	9,630
Amount to be distributed to members and performers		(9,277)	(9,630)
RETAINED RESERVES		Nil	Nil
Cost to income ratio		13.6%	12.7%

The results above refer entirely to continuing operations.

The company had no gains or losses other than the results above and accordingly no separate statement of total recognised gains and losses has been presented.

VIDEO PERFORMANCE LIMITED

COMPANY NUMBER: 01818862

BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	2011 £000	2011 £000	2010 £000	2010 £000
FIXED ASSETS					
Tangible assets	7		7		15
CURRENT ASSETS					
Licence fees receivable		2,036		524	
Other debtors		27		13	
Prepayments and accrued income		293		2,101	
Short term fixed deposits		7,000		7,000	
Cash at bank and in hand		2,486		476	
		11,842		10,114	
CREDITORS: amounts falling due within one year	8	(11,795)		(9,604)	
NET CURRENT ASSETS			47		510
TOTAL ASSETS LESS CURRENT LIABILITIES			54		525
PROVISIONS FOR LIABILITIES	9		(54)		(525)
NET ASSETS			Nil		Nil

The financial statements which comprise the income, expenditure and distribution account, the balance sheet, the cash flow statement and the related notes were approved by the Board of directors on 10 July 2012 and are signed on its behalf by:

F Nevrkla
Director

A Sear
Director

VIDEO PERFORMANCE LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 £000	2010 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	11	9,324	9,013
RETURN ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		66	84
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		-	25
TAXATION			
Corporation tax paid		-	-
DISTRIBUTIONS			
Payments to members and performers		(7,379)	(9,228)
NET CASH INFLOW/(OUTFLOW) BEFORE USE OF LIQUID RESOURCES		2,011	(106)
MANAGEMENT OF LIQUID RESOURCES			
Increase in cash placed on short term fixed deposits		-	400
Increase in net cash	12	2,011	294

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006. A summary of the more important accounting policies, which have been applied consistently, is set out below.

a) Format of income, expenditure and distribution account and the balance sheet
The formats of the income, expenditure and distribution account and the balance sheet have been adapted from that prescribed by Companies Act 2006 in order to better reflect the nature of the business.

b) Basis of accounting
The financial statements have been prepared on the going concern basis under the historical cost convention.

c) Licence fee income
Licence fee income, which excludes value added tax, represents the invoiced value of licences issued, and is recognised evenly over the period of the licence term. In the absence of an invoice, broadcasting income is accrued based on the amount agreed in the contract.

d) Contribution to pensions
During the year the company participated in a contributory defined benefit pension scheme operated by Phonographic Performance Limited and covering its permanent employees. FRS17 “Retirement benefits” requires the pension scheme assets be recognised to the extent that they are considered recoverable, and liabilities should be recognised in full and presented on the face of the balance sheet net of the related deferred tax. In accordance with the standard, however, no net pension liability has been recorded in the balance sheet of Video Performance Limited on the grounds that it was not possible to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. In addition, since Phonographic Performance Limited makes the majority of contributions to the pension scheme and is also making additional contributions in order to fund the deficit, then it is Phonographic Performance Limited who bears the risks and rewards of the deficit or surplus in the scheme. Accordingly the full net pension liability has been recorded in the balance sheet of Phonographic Performance Limited.

In the financial statements of Video Performance Limited, the scheme has been accounted for as a defined contribution scheme and accordingly payments made into the scheme relating to Video Performance Limited employees are charged to the income, expenditure and distribution account. The scheme is funded and contributions are paid to the scheme in accordance with the recommendations of independent actuaries. The last full actuarial valuation was undertaken on the position as at 30 June 2009.

The required FRS17 "Retirement benefits" disclosures on the status of the scheme have been provided in note 10 of the financial statements.

The company also operates a defined contribution scheme. The amount charged to the income, expenditure and distribution account represents the contributions payable to the schemes in respect of the accounting period.

1. ACCOUNTING POLICIES (continued)

e) Foreign currencies
Monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are translated into sterling at the rate ruling on the date of the transaction. All foreign exchange differences are taken to the income, expenditure and distribution account in the year in which they arise.

f) Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

g) Provisions for liabilities

Dilapidations
Provision is made for dilapidations where the lease requires the reinstatement of the premises to its original state. The level of provision is based upon a damages report and is reviewed annually.

Legal costs
A provision is made for the estimated legal costs where litigation is pending and an obligating event has occurred prior to the balance sheet date.

Provisions for liabilities and charges are not discounted and any movements in the provisions are recorded in the income, expenditure and distribution account.

h) Tangible fixed assets
The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided at rates calculated to write off the cost of each asset over the expected useful life or predetermined replacement date:

Fixtures, fittings and office equipment	3 years on a straight line basis
Computer hardware and software	3 years on a straight line basis
Computer software (systems)	5 years on a straight line basis

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

2. LICENCE FEE INCOME

	2011 £000	2010 £000
Analysis of turnover by licence type:		
Broadcasting and video store income	8,672	8,688
Public performance and dubbing income	1,975	2,263
	10,647	10,951
Analysis of turnover by territory of origin:		
United Kingdom	10,615	10,892
Rest of Europe	32	59
	10,647	10,951

3. NET INCOME BEFORE INTEREST AND TAXATION

	2011 £000	2010 £000
Net income before taxation is stated after charging:		
Services provided by the company's auditor:		
Fees payable for one audit	12	12
Fees payable for other services:		
Tax compliance	-	4
Other	3	3

4. STAFF COSTS

	2011 £000	2010 £000
Gross staff costs:		
Wages and salaries	794	810
Social security costs	2	5
Other pension costs	4	4
	800	819

Other pension costs represents contributions payable and other associated costs in respect of the defined contribution scheme.

	Number	Number
Average number of employees:		
Office and management	1	2

Wages and salaries include recharged costs from Phonographic Performance Limited. Social security and other pension costs only include costs incurred directly by Video Performance Limited in respect of its employees.

Directors' emoluments:

Video Performance Limited paid no directors' remuneration during the year (2010: £nil). Full salary and related costs in respect of Fran Nevrkla were incurred by Phonographic Performance Limited and recharged to Video Performance Limited as an element of the overall company cost recharge.

No directors (2010: none) are accruing any benefits under the defined benefit scheme, for which Video Performance Limited bears the cost. Pension benefits for Fran Nevrkla are disclosed in the financial statements of Phonographic Performance Limited.

5. TRANSACTIONS WITH DIRECTORS

There were no other transactions with directors during the year (2010: £nil).

6. TAXATION

The charge for taxation for the year is calculated on disallowable items after the deduction of capital allowances.

	2011 £000	2010 £000
Current tax:		
UK corporation tax	-	-
Total current tax	-	-
Factors affecting tax charge for the year		
Net income before taxation	9,277	9,631
Net income at the UK tax rate 20% (2010 - 21%)	1,855	2,023
Effects of:		
Permanent difference	(1,855)	(2,023)
Total current tax	-	-
The company has an unrecognised deferred tax asset as follows:		
Other timing differences	8	9
Net deferred tax asset - unrecognised	8	9

No provision has been made for this deferred tax asset on the basis that the majority of the company's net income is not taxable and therefore the availability of suitable future taxable profits against which it could be realised is not certain.

7. TANGIBLE FIXED ASSETS

	Computer equipment £000
Cost	
At 1 January 2011	25
Additions	-
Disposals	-
At 31 December 2011	25
Accumulated depreciation	
At 1 January 2011	10
Charge for the year	8
Disposals	-
At 31 December 2011	18
Net book value	
At 31 December 2011	7
At 31 December 2010	15

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £000	2010 £000
Trade creditors	-	18
Other creditors	387	804
Accruals and deferred income	1,255	526
Amounts owed to members and performers	10,153	8,256
	11,795	9,604

Other creditors includes a balance payable to Phonographic Performance Limited of £124,515 (2010: £159,920) in relation to the recharge of operating expenses to Video Performance Limited.

9. PROVISION FOR LIABILITIES

	2011 £000	2010 £000
Provision for dilapidations		
At beginning of the year	54	79
Released in the year	-	(25)
At the end of the year	54	54
Provision for legal costs		
At beginning of the year	471	87
Utilised in the year	(471)	(87)
Charge for the year	-	471
At the end of the year	-	471
Total provisions	54	525

Dilapidations

The dilapidations provision represents the amount required to reinstate the premises to a state as required under the lease, which expires in 2020. The provision is expected to be fully utilised in 2020.

Legal costs

Legal costs are provided as required for cases where litigation is pending. There is no litigation pending in 2011 so no legal costs have been provided.

10. PENSION COSTS

The company operates a defined benefit scheme in the UK with assets held in a separately administered fund. The basis on which the net pension liability is recognised in the financial statements is set out in note 1. The scheme was closed to new entrants from 1 July 2003.

A full actuarial valuation using the projected unit method was carried out at 30 June 2009 and updated to 31 December 2011 by a qualified independent actuary.

The company is currently contributing to the scheme at a rate of 15.4% of pensionable salaries.

The major assumptions used by the actuary were (in nominal terms):

	2011	**2010**
Rate of increase in salaries	4.30%	4.95%
Rate of increase of pensions in payment	2.80%	3.45%
Rate of increase of pensions in deferment	2.00%	3.45%
Discount rate	4.80%	5.45%
Inflation assumption (RPI)	2.80%	3.45%
Inflation assumption (CPI)	2.00%	-
Expected return on Plan assets	6.40%	6.30%

The expected return on scheme assets is based on the asset allocation and on market expectations at the beginning of the financial period for returns over the life of the related obligation. The expected return on equities has been determined by including a premium over fixed interest securities to reflect the out performance of equities relative to fixed interest securities.

The mortality assumptions used for the 30 June 2009 funding valuation were as follows:

Pre retirement mortality (non pensioners):	PCA00 YOB medium cohort (1% floor)
Post retirement mortality (non pensioners):	PCA00 YOB medium cohort (1% floor)
Pre retirement mortality (pensioners):	PCA00 YOB medium cohort (1% floor)

10. PENSION COSTS (continued)

The assets in the scheme, the expected rates of return on assets ('EROA') and the amounts recognised in the balance sheets are as follows:

	£000	2011 EROA (%)	Amount (%)	£'000	2010 EROA (%)	Amount (%)
UK equities	2,695	6.00%	17%	11,413	7.00%	78%
Global equities	3,558	6.25%	23%	-	0.00%	0%
Diversified growth assets	1,543	6.00%	10%	-	0.00%	0%
Gilts	5,319	2.50%	34%	575	4.00%	4%
Corporate bonds	2,614	4.60%	17%	-	0.00%	0%
Other (cash)	47	3.50%	0%	2,553	3.95%	18%
Total market value of assets	15,776			14,541		
Actuarial value of liability	(16,898)			(15,748)		
Deficit in the scheme	(1,122)			(1,207)		
Related deferred tax asset	-			-		
Net pension liability	(1,122)			(1,207)		

The amount recognised in the income, expenditure and distribution account of PPL:

	2011 £000	2010 £000
Current service cost	(321)	(383)
Interest costs	(866)	(820)
Expected return on pension scheme assets	927	847
Total	(260)	(356)
Actual return on assets	1,084	1,635

10. PENSION COSTS (continued)

Changes in the present value of the defined benefit obligation are as follows:

	2011 £000	2010 £000
Opening defined benefit obligation	15,748	14,208
Current service costs	321	383
Employee contributions	63	72
Interest costs	866	820
Actuarial gain	7	364
Benefits paid	(107)	(99)
Closing defined benefit obligation	16,898	15,748

Changes in the fair value of plan assets are as follows:

	2011 £000	2010 £000
Opening fair value of scheme assets	14,541	10,373
Expected return on assets	927	847
Actuarial loss	157	788
Employer contributions	195	2,560
Employee contributions	63	72
Benefits paid	(107)	(99)
Closing fair value of scheme assets	15,776	14,541

Other amounts for the current period are as follows:

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Defined benefit obligation	(16,898)	(15,748)	(14,208)	(9,264)	(12,380)
Scheme assets	15,776	14,541	10,373	8,016	10,236
Deficit	(1,122)	(1,207)	(3,835)	(1,248)	(2,144)
History of experience gains and losses:					
Adjustment due to change in assumptions	(7)	(364)	(4,217)	4,205	(95)
Experience adjustments on scheme assets	157	788	1,487	(3,425)	(266)
Total amount recognised in statement of total recognised gains and losses	150	424	(2,730)	780	(361)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

11. NET CASH FLOW FROM OPERATING ACTIVITIES

	2011 £000	2010 £000
Net income before interest and taxation	9,197	9,558
Depreciation of tangible fixed assets	8	10
Decrease in debtors	299	462
Increase/(decrease) in creditors	291	(1,375)
(Decrease)/increase in provisions	(471)	359
Net cash inflow from operating activities	9,324	9,013

12. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2011 £000	2010 £000
Increase in cash in the year	2,011	294
Decrease in cash placed on short term fixed deposits	-	(400)
Changes in net funds resulting from cash flows	2,011	(106)
Net funds at 1 January	7,476	7,582
Net funds at 31 December	9,487	7,476

13. ANALYSIS OF CHANGES IN NET FUNDS

	2010 £000	Cash flow £000	2011 £000
Cash at bank and in hand	476	2,011	2,487
Short term fixed deposits	7,000	-	7,000
Net funds	7,476	2,011	9,487