
VIDEO PERFORMANCE LIMITED

(A company limited by guarantee)

**STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

VIDEO PERFORMANCE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their strategic report on Video Performance Limited (VPL) for the year ended 31 December 2013.

BUSINESS REVIEW

During the year the company collected licence fee income of £9.1 million (2012: £9.8 million) and had net distributable revenue of £8.1 million (2012: £8.7 million).

The balance sheet reflects a nil net asset position. Despite this management considers the going concern basis of accounting to be appropriate as the timing of liabilities to Members is at the discretion of VPL. In addition, the sufficient cash reserves coupled with VPL's ability to generate cash provides adequate resources to continue in operational existence for the foreseeable future.

KEY PERFORMANCE INDICATORS

VPL considers its key performance indicators to be income growth, net distributable revenue growth and cost to income ratio. Total income decreased in the year to 31 December 2013 by £0.7 million (7%) to £9.1 million from £9.8 million in 2012. Total net distributable revenue decreased in the year by 7% from £8.7 million to £8.1 million. The cost to income ratio for 2013 was 11.8% and has reduced from 12.6% in 2012.

PRINCIPAL RISKS AND UNCERTAINTIES

In tough market conditions for VPL's Members the changes within the music business have been immense. With increasing access to music videos via online services, their 'use' in the broadcasting and public performance markets continues to decline. This is reflected by the 7% decline in VPL income in 2013.

By order of the Board



D HARMSWORTH
SECRETARY
25 March 2014

VIDEO PERFORMANCE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013

The directors submit their report of the directors and the financial statements of VPL to the Members for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The company's principal activity during the year was 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.

FINANCIAL RISK MANAGEMENT

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

VPL is exposed to foreign exchange risk in respect of the income collected from overseas. Receipts in foreign currencies are translated into GBP using spot-rates therefore exposure to foreign exchange risk is considered to be low.

EMPLOYMENT POLICY

The company's policy is to provide employees with regular information on matters of concern to them, so that their views can be taken into account when decisions are taken which could affect them.

It continues to be the company's policy to give full and fair consideration to disabled persons applying for employment, having full regard to their particular aptitudes and abilities. Full and fair consideration will be given to continuing employment and appropriate training of persons who become disabled. The company's policy is to provide equal opportunities to its entire staff on the basis of objective criteria and personal merit.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the strategic report, 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:

VIDEO PERFORMANCE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013

- 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.

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 charitable donations were made during the year ended 31 December 2013 (2012: £-).

POLITICAL DONATIONS

No political donations were made during the year ended 31 December 2013 (2012: £-).

VIDEO PERFORMANCE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013

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
G Kempin
P Leathem
J Mullan (Resigned 31 July 2013)
F Nevrkla
J Radice
A Sear
M Smith
S Wheeler

By order of the Board



D HARMSWORTH
SECRETARY
25 March 2014

VIDEO PERFORMANCE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VIDEO PERFORMANCE LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by VPL, comprise:

- Income, expenditure, and distribution account for the year ended 31 December 2013;
- Balance sheet as at 31 December 2013;
- Cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 strategic report and the report of the directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the strategic report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

VIDEO PERFORMANCE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VIDEO PERFORMANCE LIMITED

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

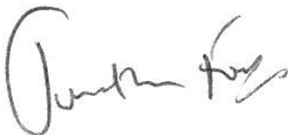
RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities set out on pages 2-3, 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 ISAs (UK & 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.



Jonathan Ford

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 March 2014

VIDEO PERFORMANCE LIMITED

INCOME, EXPENDITURE AND DISTRIBUTION ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

| | Note | 2013 £000 | 2012 £000 |
|--|------|--------------|--------------|
| LICENCE FEE INCOME | 2 | 9,086 | 9,842 |
| Cost of collection and distribution | | (1,075) | (1,244) |
| NET INCOME BEFORE INTEREST AND TAXATION | 3 | 8,011 | 8,598 |
| Interest receivable | | 52 | 96 |
| NET INCOME BEFORE TAXATION | | 8,063 | 8,694 |
| Taxation | 7 | - | - |
| AMOUNT AVAILABLE FOR DISTRIBUTION | | 8,063 | 8,694 |
| Amount to be distributed to Members | | (8,063) | (8,694) |
| RETAINED RESERVES | | - | - |
| Cost to income ratio | | 11.8% | 12.6% |

The results above for the current and prior year 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 in the current or prior year.

There is no material difference between the net income before taxation and the amount available for distribution stated above and their historical cost equivalents in the current and prior year.

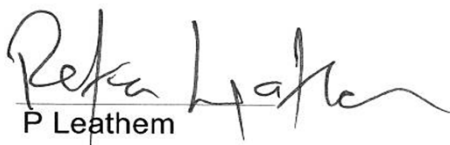
VIDEO PERFORMANCE LIMITED

COMPANY NUMBER: 01818862

BALANCE SHEET AS AT 31 DECEMBER 2013

| | Note | 2013 | | 2012 | |
|---|------|---------|-------------|---------|-------------|
| | | £000 | £000 | £000 | £000 |
| FIXED ASSETS | | | | | |
| Tangible assets | 8 | | - | | - |
| CURRENT ASSETS | | | | | |
| Licence fees receivable | | 3,227 | | 556 | |
| Other debtors | | 42 | | 35 | |
| Prepayments and accrued income | | 894 | | 889 | |
| Short term fixed deposits | | 4,500 | | 7,000 | |
| Cash at bank and in hand | | 541 | | 487 | |
| | | <hr/> | | <hr/> | |
| | | 9,204 | | 8,967 | |
| CREDITORS: amounts falling due within one year | | | | | |
| | 9 | (9,150) | | (8,913) | |
| | | <hr/> | | <hr/> | |
| NET CURRENT ASSETS | | | 54 | | 54 |
| | | | <hr/> | | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 54 | | 54 |
| | | | <hr/> | | <hr/> |
| PROVISIONS FOR LIABILITIES | 10 | | (54) | | (54) |
| | | | <hr/> | | <hr/> |
| NET ASSETS | | | - | | - |
| | | | <hr/> <hr/> | | <hr/> <hr/> |

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 25 March 2014 and are signed on its behalf by:


P Leathem
Director


G Kempin
Director

VIDEO PERFORMANCE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

| | Note | 2013 £000 | 2012 £000 |
|--|------|--------------|--------------|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 12 | 6,697 | 8,567 |
| RETURN ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received | | 74 | 89 |
| CAPITAL EXPENDITURE | | | |
| Purchase of tangible fixed assets | | - | - |
| TAXATION | | | |
| Corporation tax paid | | - | - |
| DISTRIBUTIONS | | | |
| Payments to Members | | (9,217) | (10,656) |
| NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES | | (2,446) | (2,000) |
| MANAGEMENT OF LIQUID RESOURCES | | | |
| Change in cash placed on short term fixed deposits | | 2,500 | - |
| Increase/(decrease) in net cash | 13 | 54 | (2,000) |

VIDEO PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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. Financial Reporting Standard 17 "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 2012.

The required FRS17 "Retirement benefits" disclosures on the status of the scheme have been provided in note 11 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.

VIDEO PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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:

| | |
|--------------------------------|----------------------------------|
| Computer hardware and software | 3 years on a straight line basis |
|--------------------------------|----------------------------------|

VIDEO PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

2. LICENCE FEE INCOME

| | 2013 £000 | 2012 £000 |
|---|--------------|--------------|
| Analysis of turnover by licence type: | | |
| Broadcasting and video store income | 7,455 | 7,733 |
| Public performance and dubbing income | 1,631 | 2,109 |
| | <u>9,086</u> | <u>9,842</u> |
| Analysis of turnover by territory of origin: | | |
| United Kingdom | 9,048 | 9,816 |
| Rest of Europe | 37 | 26 |
| Rest of World | 1 | - |
| | <u>9,086</u> | <u>9,842</u> |

3. NET INCOME BEFORE INTEREST AND TAXATION

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Net income before interest and taxation is stated after charging: | | |
| Services provided by the company's auditor: | | |
| Fees payable for the audit | 13 | 13 |
| Fees payable for other services: | | |
| Audit-related assurance services | 6 | 6 |

VIDEO PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

4. STAFF COSTS

| | 2013 | 2012 |
|---------------------------|------------|------------|
| | £000 | £000 |
| Gross staff costs: | | |
| Wages and salaries | 624 | 644 |
| Social security costs | 1 | 2 |
| Other pension costs | 5 | 5 |
| | <u>630</u> | <u>651</u> |

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

| | Number | Number |
|---|----------|----------|
| Monthly average number of employees: | | |
| Office and management | <u>1</u> | <u>1</u> |

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 (2012: £-). Full salary and related costs in respect of Peter Leathem and Fran Nevrla were incurred by Phonographic Performance Limited and recharged to Video Performance Limited as an element of the overall company cost recharge.

No directors (2012: none) are accruing any benefits under the defined benefit scheme, for which Video Performance Limited bears the cost. Pension benefits for Peter Leathem are disclosed in the financial statements of Phonographic Performance Limited.

5. TRANSACTIONS WITH DIRECTORS

There were no other transactions with directors during the year (2012: £-).

6. RELATED PARTY TRANSACTION

Income collected by VPL is distributed to its Members and allocations remaining for more than seven years are reallocated and redistributed in accordance with VPL's distribution rules.

VIDEO PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

7. TAXATION

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

| | 2013 £000 | 2012 £000 |
|---------------------|--------------|--------------|
| Current tax: | | |
| UK corporation tax | - | - |
| Total current tax | <u>-</u> | <u>-</u> |

The tax assessed for the year is lower (2012: lower) than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%).

Factors affecting tax charge for the year

| | | |
|--|----------|----------|
| Net income before taxation | 8,063 | 8,694 |
| Net income at the UK tax rate 23.25% (2012: 24.5%) | 1,875 | 2,130 |
| Effects of: | | |
| Permanent difference | (1,875) | (2,130) |
| Total current tax | <u>-</u> | <u>-</u> |

The company has an unrecognised deferred tax asset as follows:

| | | |
|---------------------------------------|----------|----------|
| Other timing differences | 8 | 8 |
| Net deferred tax asset - unrecognised | <u>8</u> | <u>8</u> |

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.

VIDEO PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

8. TANGIBLE FIXED ASSETS

| | Computer hardware software £000 |
|---------------------------------|--|
| Cost | |
| At 1 January 2013 | 25 |
| Additions | - |
| Disposals | - |
| | 25 |
| At 31 December 2013 | 25 |
| Accumulated depreciation | |
| At 1 January 2013 | 25 |
| Charge for the year | - |
| Disposals | - |
| | - |
| At 31 December 2013 | 25 |
| Net book amount | |
| At 31 December 2013 | - |
| At 31 December 2012 | - |

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2013 £000 | 2012 £000 |
|------------------------------|----------------------|----------------------|
| Trade creditors | - | - |
| Amounts owed to Members | 7,038 | 8,192 |
| Other creditors | 830 | 233 |
| Accruals and deferred income | 1,282 | 488 |
| | 9,150 | 8,913 |

Other creditors includes a balance payable to Phonographic Performance Limited of £79,128 (2012: £111,257) in relation to the recharge of operating expenses to Video Performance Limited.

VIDEO PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

10. PROVISION FOR LIABILITIES

| | 2013 £000 | 2012 £000 |
|------------------------------------|------------------|------------------|
| Provision for dilapidations | | |
| At beginning of the year | 54 | 54 |
| Released in the year | - | - |
| At the end of the year | <u>54</u> | <u>54</u> |
| Provision for legal costs | | |
| At beginning of the year | - | - |
| Utilised in the year | - | - |
| At the end of the year | <u>-</u> | <u>-</u> |
| Total provisions | <u><u>54</u></u> | <u><u>54</u></u> |

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 2013 so no legal costs have been provided.

VIDEO PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

11. 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 2012 and updated to 31 December 2013 by a qualified independent actuary.

The company is currently contributing to the scheme at a rate of 27.2% of pensionable salaries.

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

| | 2013 | 2012 |
|---|-------|-------|
| Rate of increase in salaries | 5.20% | 4.50% |
| Rate of increase of pensions in payment | 3.00% | 3.00% |
| Rate of increase of pensions in deferment | 2.90% | 2.20% |
| Discount rate | 4.50% | 4.50% |
| Inflation assumption (RPI) | 3.70% | 3.00% |
| Inflation assumption (CPI) | 2.90% | 2.20% |
| Expected return on Plan assets | 5.34% | 4.70% |

The expected return on scheme assets is based on the asset allocation and on market expectations at the beginning of the financial year 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 31 December 2013 actuarial 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) |

These remain consistent with the 31 December 2012 actuarial FRS17 valuation.

VIDEO PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

11. 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:

| | 2013 | | | 2012 | | |
|------------------------------|-------------|--------|-------|-------------|--------|-----|
| | EROA | Amount | | EROA | Amount | |
| £000 | (%) | (%) | £'000 | (%) | (%) | |
| UK equities | 3,487 | 6.95% | 17% | 3,197 | 5.80% | 19% |
| Global equities | 4,036 | 7.20% | 19% | 3,738 | 6.05% | 22% |
| Diversified growth assets | 1,878 | 6.95% | 9% | 1,687 | 5.80% | 10% |
| Gilts | 5,874 | 3.45% | 28% | 5,102 | 2.30% | 30% |
| Corporate bonds | 3,489 | 4.50% | 17% | 3,436 | 4.50% | 20% |
| Other (cash) | 1,935 | 4.20% | 9% | 25 | 3.50% | 0% |
| | <hr/> | | | <hr/> | | |
| Total market value of assets | 20,699 | | | 17,185 | | |
| Actuarial value of liability | (20,788) | | | (17,464) | | |
| | <hr/> | | | <hr/> | | |
| Deficit in the scheme | (89) | | | (279) | | |
| Related deferred tax asset | - | | | - | | |
| | <hr/> | | | <hr/> | | |
| Net pension liability | (89) | | | (279) | | |
| | <hr/> <hr/> | | | <hr/> <hr/> | | |

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

| | 2013 | 2012 |
|--|-------------|-------|
| | £000 | £000 |
| Current service cost | (322) | (327) |
| Interest costs | (790) | (816) |
| Expected return on pension scheme assets | 787 | 738 |
| | <hr/> | |
| Total | (325) | (405) |
| | <hr/> <hr/> | |
| Actual return on assets | 1,699 | 1,365 |

VIDEO PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

11. PENSION COSTS (continued)

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

| | 2013 | 2012 |
|------------------------------------|-------------|-------------|
| | £000 | £000 |
| Opening defined benefit obligation | 17,464 | 16,898 |
| Current service costs | 322 | 327 |
| Employee contributions | 47 | 52 |
| Interest costs | 790 | 816 |
| Actuarial loss/(gain) | 2,342 | (460) |
| Benefits paid | (177) | (169) |
| | 20,788 | 17,464 |

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

| | 2013 | 2012 |
|-------------------------------------|-------------|-------------|
| | £000 | £000 |
| Opening fair value of scheme assets | 17,185 | 15,776 |
| Expected return on assets | 787 | 738 |
| Actuarial gain | 912 | 627 |
| Employer contributions | 1,945 | 161 |
| Employee contributions | 47 | 52 |
| Benefits paid | (177) | (169) |
| | 20,699 | 17,185 |

Other amounts for the current year (and preceding 4 years) are as follows:

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|-------------|-------------|-------------|-------------|-------------|
| | £000 | £000 | £000 | £000 | £000 |
| Defined benefit obligation | (20,788) | (17,464) | (16,898) | (15,748) | (14,208) |
| Scheme assets | 20,699 | 17,185 | 15,776 | 14,541 | 10,373 |
| Deficit | (89) | (279) | (1,122) | (1,207) | (3,835) |
| History of experience gains and losses: | | | | | |
| Adjustment due to change in assumptions | (2,342) | 460 | (7) | (364) | (4,217) |
| Experience adjustments on scheme assets | 912 | 627 | 157 | 788 | 1,487 |
| Total amount recognised in statement of total recognised gains and losses | (1,430) | 1,087 | 150 | 424 | (2,730) |

VIDEO PERFORMANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

12. NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2013 | 2012 |
|---|--------------|--------------|
| | £000 | £000 |
| Net income before interest and taxation | 8,011 | 8,598 |
| Depreciation of tangible fixed assets | - | 7 |
| (Increase)/decrease in debtors | (2,705) | 883 |
| Increase/(decrease) in creditors | 1,391 | (921) |
| Change in provisions | - | - |
| | 6,697 | 8,567 |
| | 6,697 | 8,567 |

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

| | 2013 | 2012 |
|--|----------------|----------------|
| | £000 | £000 |
| Increase/(decrease) in cash in the year | 54 | (2,000) |
| Change in cash placed on short term fixed deposits | (2,500) | - |
| | (2,446) | (2,000) |
| Changes in net funds resulting from cash flows | (2,446) | (2,000) |
| Net funds at 1 January | 7,487 | 9,487 |
| | 5,041 | 7,487 |
| | 5,041 | 7,487 |

14. ANALYSIS OF CHANGES IN NET FUNDS

| | 2012 | Cash flow | 2013 |
|---------------------------|--------------|------------------|--------------|
| | £000 | £000 | £000 |
| Cash at bank and in hand | 487 | 54 | 541 |
| Short term fixed deposits | 7,000 | (2,500) | 4,500 |
| | 7,487 | (2,446) | 5,041 |
| | 7,487 | (2,446) | 5,041 |