
PHONOGRAPHIC PERFORMANCE LIMITED

(A company limited by guarantee)

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

PHONOGRAPHIC PERFORMANCE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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

BUSINESS REVIEW

During the year the company increased its licence fee income in accordance with management objectives with total licence fee income of £176.9 million (2012: £170.8m) and net distributable revenue of £148.4 million (2012: £143.3m). It is expected that this trend will continue.

The balance sheet reflects a net liability of £4.5 million which is due to the payment of liabilities to PPL's Members and the deficit in the defined benefit pension scheme. 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 PPL. In addition, the substantial cash reserves held coupled with PPL's ability to generate cash provides adequate resources to continue in operational existence for the foreseeable future.

KEY PERFORMANCE INDICATORS

The key performance indicators (KPIs) used by PPL to measure annual performance are summarised below:

	2013	2012
Public performance income	£69.5 m	£64.8 m
Broadcasting and online income	£73.0 m	£69.4 m
International income	£34.4 m	£36.6 m
Total licence fee income	£176.9 m	£170.8 m
Net distributable revenue	£148.4 m	£143.3 m
Cost to income ratio (excluding pension scheme costs)	14.1%	14.4%

PPL considers its key performance indicators to be income growth, net distributable revenue growth and cost to income ratio. Total licence fee income for 2013 reached £176.9 million; a growth of £6.1 million (4%) on the prior year. Public performance income grew by £4.7 million (7%), broadcasting and online income grew by £3.6 million (5%) and international income decreased by £2.2 million (6%). Total net distributable revenue in 2013 grew by £5.1 million (4%) from 2012. The cost to income ratio was 14.1%, which is under the 15% threshold set by PPL's management.

PHONOGRAPHIC PERFORMANCE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

PRINCIPAL RISKS AND UNCERTAINTIES

The directors and management of PPL are aware of their responsibility for managing risk and regularly evaluate the risks and uncertainties that could affect future performance.

The economy continues to play a part in the company's ability to collect licensing income and 2013 proved particularly difficult in some markets; such as the retail, pub and nightclub industries where business closures result in a potentially reduced market.

By order of the Board



D HARMSWORTH
SECRETARY
25 March 2014

PHONOGRAPHIC PERFORMANCE LIMITED

REPORT OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013

The directors submit their report of the directors and the financial statements of PPL 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 UK and international income for broadcasting and public performance of sound recordings on behalf of its Members and performer members

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

BUSINESS ENVIRONMENT

In tough market conditions for PPL's Members the changes within the music business in recent times have been immense. Sales of physical music carriers continue to decline generally around the world though the 'use' of music continues to grow as media expands and public performance increases. PPL also faces the challenge of growing its income through increased volumes of licensees and through review where appropriate of tariff rates (including fair, reasonable and proportionate consultation) in a tough economic environment in the UK.

FUTURE DEVELOPMENTS AND STRATEGY

It is critical that the company plans carefully for the future. Continued development of systems will continue to meet the demands of increasing membership, evolving media, new tariffs and the developments that the company continues to make in overseas collection for Members and performer members. In addition to investment in systems, the company will continue to place increasing emphasis on staff and employee training. The company needs to maintain the high quality of service for Members and performer members against a backdrop of increasing media platforms and expanding numbers of territories.

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.

PPL is exposed to foreign exchange risk in respect of the income collected from overseas societies. 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.

PHONOGRAPHIC PERFORMANCE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013

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:

- 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 re-appointment will be proposed at the Annual General Meeting.

PHONOGRAPHIC PERFORMANCE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013

CHARITABLE DONATIONS

The following charitable donations were made during the year ended 31 December 2013:

	2013	2012
Hospital Broadcasting Association	£31,500	£31,500
The Young Musicians Symphony Orchestra	£5,000	£5,000
Young Persons Concert Foundation	£11,000	£11,000
English Schools Orchestra and Choir	£2,000	-

POLITICAL DONATIONS

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

DIRECTORS

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

R Armstrong
A Clark (resigned 5 June 2013)
J Cross
C Hunt (appointed 27 November 2013)
M Kelly
B Lambert (resigned 5 June 2013)
P Leathem
M Mills
J Mullan (resigned 31 July 2013)
F Nevrkla
G Newson
C Payne
J Radice
A Sear
Rt Hon. Lord Smith of Finsbury
J Smith
M Smith
P Stack

By order of the Board



D HARMSWORTH
SECRETARY
25 March 2014

PHONOGRAPHIC PERFORMANCE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC 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 PPL, 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.

PHONOGRAPHIC PERFORMANCE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHONOGRAPHIC 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.

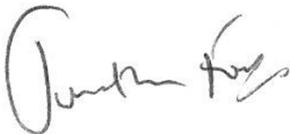
RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities set out on page 4, 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

PHONOGRAPHIC PERFORMANCE LIMITED

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

	Note	2013 £000	2012 £000
LICENCE FEE INCOME	2	176,893	170,759
Cost of collection and distribution		(24,992)	(24,601)
Cost of servicing defined benefit pension scheme		(322)	(327)
		(25,314)	(24,928)
NET INCOME BEFORE INTEREST AND TAXATION	3	151,579	145,831
Interest receivable	5	1,389	1,544
Interest payable	6	(771)	(724)
Other finance expense		(3)	(78)
		152,194	146,573
NET INCOME BEFORE TAXATION		152,194	146,573
Taxation	10	(7)	-
		152,187	146,573
AMOUNT AVAILABLE FOR DISTRIBUTION		152,187	146,573
Anti-piracy/copyright protection	4	(3,774)	(3,296)
		(148,413)	(143,277)
RETAINED RESERVES	16	-	-
Cost to income ratio (excluding pension scheme costs)		14.1%	14.4%

The results above for the current and prior year refer entirely to continuing operations.

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

PHONOGRAPHIC PERFORMANCE LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £000	2012 £000
Retained reserves		-	-
Actuarial (loss)/gain on pension scheme	16	(1,430)	1,087
Movement in deferred tax on pension deficit	16	-	-
TOTAL RECOGNISED (LOSSES) / GAINS RELATING TO THE YEAR		(1,430)	1,087

PHONOGRAPHIC PERFORMANCE LIMITED

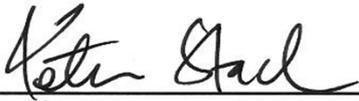
COMPANY NUMBER: 00288046

BALANCE SHEET AS AT 31 DECEMBER 2013

	Note	2013 £000	2012 £000	2012 £000	2012 £000
FIXED ASSETS					
Tangible assets	11		5,181		6,257
CURRENT ASSETS					
Licence fees receivable		21,073		27,456	
Other debtors		445		1,345	
Prepayments and accrued income		13,616		9,282	
Short term fixed deposits		108,000		93,000	
Cash at bank and in hand		28,202		22,491	
		<u>171,336</u>		<u>153,574</u>	
CREDITORS: amounts falling due within one year	12	<u>(179,611)</u>		<u>(161,068)</u>	
NET CURRENT LIABILITIES			<u>(8,275)</u>		<u>(7,494)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(3,094)</u>		<u>(1,237)</u>
PROVISIONS FOR LIABILITIES	13		(1,310)		(1,547)
NET LIABILITIES BEFORE PENSION LIABILITIES			<u>(4,404)</u>		<u>(2,784)</u>
NET PENSION LIABILITY	15		(89)		(279)
NET LIABILITIES			<u>(4,493)</u>		<u>(3,063)</u>
RESERVES					
Income, expenditure and distribution account	16		<u>(4,493)</u>		<u>(3,063)</u>

The financial statements 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 were approved by the Board of directors on 25 March 2014 and are signed on its behalf by:


P Leathem
Director


P Stack
Director

PHONOGRAPHIC PERFORMANCE LIMITED

CASH FLOW STATEMENT AS AT 31 DECEMBER 2013

	Note	2013 £000	2012 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	156,016	140,436
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		2,258	644
Interest paid		(291)	(1,082)
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		(1,139)	(966)
TAXATION			
Corporation tax paid		(7)	-
DISTRIBUTIONS			
Payments to Members and performers		(132,163)	(127,998)
Anti-piracy/copyright protection contribution paid		(3,963)	(2,972)
NET CASH INFLOW BEFORE USE OF LIQUID RESOURCES		20,711	8,062
MANAGEMENT OF LIQUID RESOURCES			
Cash outflow to increase investment		(15,000)	(12,861)
Increase/(decrease) in net cash	18	5,711	(4,799)

PHONOGRAPHIC 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 the 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. Management considers the going concern basis to be appropriate despite the net liability and net current liability position, as the timing of current liabilities payable to Members is at the discretion of PPL.

c) Contributions to pensions

During the year the company operated a contributory defined benefit pension scheme covering its permanent employees and those of Video Performance Limited (VPL). Financial Reporting Standard 17 "Retirement Benefits" requires pension scheme assets to 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. 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 and no liability has been recorded in Video Performance Limited.

The regular service costs of providing pension benefits to employees during the year, together with the costs of any benefits relating to past service, are charged to costs of servicing defined benefit pension scheme in the income, expenditure and distribution account in the year.

Interest on the pension scheme liabilities is charged to other finance expense in the income, expenditure and distribution account.

The expected return on the assets of the pension scheme during the year is based on the market value of the assets at the start of the financial year and is offset within other finance expense in the income, expenditure and distribution account. The difference between the actual and expected return on the assets of the scheme is shown in the statement of total recognised gains and losses for the year, along with any related movement in deferred tax. The difference between the market value of the assets and the present value of the scheme liabilities is shown net of deferred tax in the balance sheet.

The last full actuarial valuation was undertaken on the position as at 30 June 2012.

PHONOGRAPHIC PERFORMANCE LIMITED

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

1. ACCOUNTING POLICIES (continued)

c) Contributions to pensions (continued)

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.

d) Licence fee income

Licence fee income, which excludes value added tax, represents the invoiced value, and is recognised evenly over the period of the licence term.

In the absence of an invoice, broadcasting and online income is accrued based on the amount agreed in the contract.

In the event of over-payments, licence fee income is recognised if the payments could not be refunded, despite efforts to contact the relevant party over a reasonable period of time.

Licence fee income from overseas societies is recognised when an agreement is in place with the overseas society and on a cash received basis.

e) 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
Fixtures and fittings (refurbishment)	5 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

f) Unclaimed Members' and performers' distributions

Allocations to Members and performers remaining unclaimed for more than seven years are reallocated and redistributed in accordance with the distribution policy.

g) Interest payable to Members and performers

Interest is accrued on balances payable to Members and performers who do not receive advances at a rate based on the average deposit rate earned by the company for the relevant periods.

PHONOGRAPHIC PERFORMANCE LIMITED

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

1. ACCOUNTING POLICIES (continued)

h) 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.

i) Operating leases

Costs in respect of operating leases are charged to the income, expenditure and distribution account on a straight line basis over the lease term.

j) 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.

k) 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

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

Refunds

Provision is made for all significant refunds made in the post balance sheet period which relate to licence fees received in the year.

PHONOGRAPHIC 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:		
Public performance income	69,482	64,792
Broadcasting and online income	72,998	69,405
International income	34,413	36,562
	<u>176,893</u>	<u>170,759</u>
Analysis of turnover by territory of origin:		
United Kingdom	142,321	133,899
Rest of Europe	21,577	27,813
Rest of World	12,995	9,047
	<u>176,893</u>	<u>170,759</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	63	63
Fees payable for other services:		
Audit-related assurance services	15	14
Taxation compliance services	3	-
Depreciation of tangible fixed assets	2,215	2,259
Operating lease rentals:		
Land and buildings	629	629
Motor vehicles	20	30

Net income includes a recharge of £925,296 (2012: £1,036,552) of operating expenses to VPL.
PPL's debtors include a balance of £79,128 (2012: £111,257) owed by VPL.

PHONOGRAPHIC PERFORMANCE LIMITED

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

4. ANTI-PIRACY / COPYRIGHT PROTECTION

Amounts contributed to:

	2013	2012
	£000	£000
The British Phonographic Industry Limited:		
Contributions	2,526	2,316
Legal anti-piracy recoveries	(31)	(200)
	<hr/> 2,495	<hr/> 2,116
The International Federation of the Phonographic Industry	652	683
Impala	65	65
UK Music	562	432
	<hr/> 3,774	<hr/> 3,296
	<hr/> <hr/>	<hr/> <hr/>

5. INTEREST RECEIVABLE

	2013	2012
	£000	£000
Interest receivable on cash at bank and short term deposits	1,389	1,544
	<hr/> <hr/>	<hr/> <hr/>

6. INTEREST PAYABLE

	2013	2012
	£000	£000
Interest payable on Member and performer balances	771	724
	<hr/> <hr/>	<hr/> <hr/>

PHONOGRAPHIC PERFORMANCE LIMITED

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

7. STAFF COSTS

	2013 £000	2012 £000
Gross staff costs:		
Wages and salaries	12,219	11,651
Social security costs	1,169	1,119
Other pension costs	444	692
	13,832	13,462
	13,832	13,462

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	283	264
	283	264

	£000	£000
Directors' emoluments:		
Aggregate emoluments	1,081	1,568
	1,081	1,568
Compensation received by a former director for loss of office	-	82
	-	82

Emoluments in respect of the highest paid director amounted to:

Aggregate emoluments	508	477
	508	477
Defined benefit pension scheme - accrued pension at end of year	11	8
	11	8

	Number	Number
Number of directors who are accruing benefits with the defined benefit pension scheme	4	5
	4	5

8. TRANSACTIONS WITH DIRECTORS

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

PHONOGRAPHIC PERFORMANCE LIMITED

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

9. RELATED PARTY TRANSACTIONS

Income collected by PPL is distributed to its Members and performer members and allocations remaining unclaimed for more than seven years are reallocated and redistributed in accordance with PPL's Distribution rules.

Operating expenses incurred in relation to Video Performance Limited are recharged during the year.

10. 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	7	-
Total current tax	<u>7</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	152,194	146,573
Net income at the UK tax rate 23.25% (2012: 24.5%)	35,385	35,910
Effects of:		
Permanent difference	(35,354)	(35,886)
Accelerated capital allowances and other timing differences	(31)	(24)
Prior year tax adjustment	7	-
Total current tax charge	<u>7</u>	<u>-</u>

The company has an unrecognised deferred tax asset as follows:

Capital allowances less than depreciation	618	442
Other timing differences	(57)	188
Deferred tax on pension scheme	21	56
Net deferred tax asset - unrecognised	<u>582</u>	<u>686</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 can be realised is not certain.

PHONOGRAPHIC PERFORMANCE LIMITED

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

11. TANGIBLE FIXED ASSETS

	Fixtures, fittings and office equipment £000	Computer equipment and software developments £000	Total £000
Cost			
At 1 January 2013	1,568	16,900	18,468
Additions	4	1,135	1,139
Disposals	(5)	(96)	(101)
At 31 December 2013	<u>1,567</u>	<u>17,939</u>	<u>19,506</u>
Accumulated depreciation			
At 1 January 2013	879	11,332	12,211
Charge for the year	179	2,036	2,215
Disposals	(5)	(96)	(101)
At 31 December 2013	<u>1,053</u>	<u>13,272</u>	<u>14,325</u>
Net book amount			
At 31 December 2013	<u>514</u>	<u>4,667</u>	<u>5,181</u>
At 31 December 2012	<u>689</u>	<u>5,568</u>	<u>6,257</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £000	2012 £000
Trade creditors	229	79
Amounts owed to Members and performers	127,061	110,812
Other creditors (including taxation and social security)	4,475	3,786
Accruals and deferred income	47,846	46,391
	<u>179,611</u>	<u>161,068</u>

The distributions to Members and performers cannot be separately identified until the usage returns in respect of that period have been received and matched against the repertoire database. This reflects the Distribution rules driven by the Council Directive No 92/100/EEC of 19 November 1992 ("The Rental Directive") introduced in the UK with effect from 1 December 1996.

PHONOGRAPHIC PERFORMANCE LIMITED

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

13. PROVISION FOR LIABILITIES

	2013 £000	2012 £000
Provision for dilapidations		
At beginning of the year	490	490
Released in the year	-	-
At the end of the year	<u>490</u>	<u>490</u>
Provision for legal costs		
At beginning of the year	300	100
Utilised in the year	(300)	(100)
Charge for the year	170	300
At the end of the year	<u>170</u>	<u>300</u>
Provision for refunds		
At beginning of the year	757	664
Utilised in the year	(107)	-
Charge for the year	-	93
At the end of the year	<u>650</u>	<u>757</u>
Total provision	<u>1,310</u>	<u>1,547</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. This provision is expected to be utilised in 2014.

Refunds

Provision is made for all significant refunds made or expected to be made in the post balance sheet period which relate to licence fees received in the year.

PHONOGRAPHIC PERFORMANCE LIMITED

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

14. OPERATING LEASE COMMITMENTS

The company was committed to making the following payments during the next year in respect of operating leases:

	2013	2012
	£000	£000
Plant and Machinery:		
Leases which expire within 1 year	-	8
Leases which expire within 2-5 years	17	-
	<u>17</u>	<u>-</u>
Other:		
Leases which expire after 5 years	725	725
	<u>725</u>	<u>725</u>

15. 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.

PHONOGRAPHIC PERFORMANCE LIMITED

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

15. PENSION COSTS (continued)

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.

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		
	£000	EROA (%)	Amount (%)	£'000	EROA (%)	Amount (%)
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 unrecognised deferred tax asset	-			-		
	<hr/>			<hr/>		
Net pension liability	(89)			(279)		
	<hr/> <hr/>			<hr/> <hr/>		

PHONOGRAPHIC PERFORMANCE LIMITED

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

15. PENSION COSTS (continued)

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

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

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
	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
	20,699	17,185

PHONOGRAPHIC PERFORMANCE LIMITED

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

15. PENSION COSTS (continued)

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

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £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)

16. RETAINED RESERVES - INCOME, EXPENDITURE AND DISTRIBUTION ACCOUNT

	2013 £000	2012 £000
At start of the year	(3,063)	(4,150)
Actuarial (loss)/gain on the pension scheme	(1,430)	1,087
Movement in deferred tax on the pension scheme	-	-
At end of the year	(4,493)	(3,063)

17. NET CASH FLOW FROM OPERATING ACTIVITIES

	2013 £000	2012 £000
Net income before interest and taxation	151,579	145,831
Depreciation of tangible fixed assets	2,215	2,259
Difference between pension charge and cash contribution	(1,623)	166
Decrease/(increase) in debtors	2,077	(8,203)
Increase in creditors	2,005	90
(Decrease)/increase in provisions	(237)	293
Net cash inflow from operating activities	156,016	140,436

PHONOGRAPHIC PERFORMANCE LIMITED

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

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

	2013 £000	2012 £000
Increase/(decrease) in cash in the year	5,711	(4,799)
Increase in cash placed on fixed term deposits	15,000	12,861
	<hr/>	<hr/>
Changes in net funds resulting from cash flows	20,711	8,062
Net funds at 1 January	115,491	107,429
	<hr/>	<hr/>
Net funds at 31 December	<u>136,202</u>	<u>115,491</u>

19. ANALYSIS OF CHANGES IN NET FUNDS

	2012 £000	Cash flow £000	2013 £000
Cash at bank and in hand	22,491	5,711	28,202
Short term cash invested	93,000	15,000	108,000
	<hr/>	<hr/>	<hr/>
Net funds	<u>115,491</u>	<u>20,711</u>	<u>136,202</u>