

VIDEO PERFORMANCE LIMITED
(A Company Limited by Guarantee)

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2004



VIDEO PERFORMANCE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2004

The Directors submit the Annual Report and Financial Statements to the Members for the year ended 31 December 2004.

PRINCIPAL ACTIVITY

The Company's principal activity is the collection of licence fees for the diffusion, broadcasting and public performance of music videograms on behalf of its Members.

The total amount available for distribution is distributed to its Members. Consequently the Company has no reserves at the balance sheet date.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

During the period the Company increased its licence fee income from most sources in accordance with management objectives. It is expected that this trend will continue.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial period which 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 those financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors 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 maintenance and integrity of the Video Performance Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

VIDEO PERFORMANCE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2004

DONATIONS

No donations were made during the period from 1 January 2004 to 31 December 2004.

DIRECTORS AND THEIR INTERESTS

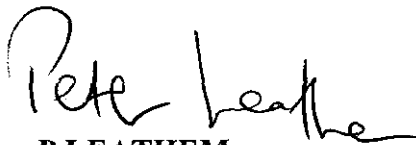
The Directors of the Company who served throughout the period from 1 January 2004 to 31 December 2004, unless otherwise noted, were as follows:

J Barbour	(resigned 20/01/04)
C Fisher	
J French	
A George	
M Haxby	
G Holmes	(appointed 18/05/04)
G Kempin	
M Mills	
F Nevrkla	
C Rich	
C Wale	(resigned 15/04/04)
J Watson	

None of the directors who held office at the end of the financial period had any disclosable interest in the Company.

In accordance with the Company's articles, Messrs C Fisher, J French and G Kempin will retire by rotation at the next Annual General Meeting. Messrs C Fisher, J French, G Kempin and G Holmes, being eligible, offer themselves for re-election.

By Order of the Board


P LEATHEM
SECRETARY

DATED:27/5/05.....

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF VIDEO PERFORMANCE LIMITED

We have audited the financial statements which comprise the income, expenditure and distribution account, the balance sheet, the cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2004 and of its result and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

17 May 2005

VIDEO PERFORMANCE LIMITED
INCOME, EXPENDITURE AND DISTRIBUTION ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

		Year Ended 31 December 2004	7 Months Ended 31 December 2003
	Note	£'000	£'000
Licence fee income	2	8,763	4,668
Cost of collection and distribution		<u>(1,243)</u>	<u>(700)</u>
Net income from operating activities before interest and taxation		7,520	3,968
Interest receivable		<u>146</u>	<u>53</u>
Net income from operating activities before taxation	3	7,666	4,021
Taxation	6	<u>(4)</u>	<u>(1)</u>
Amount available for distribution		7,662	4,020
Amount to be distributed to Members		<u>(7,662)</u>	<u>(4,020)</u>
Retained reserves		<u><u>Nil</u></u>	<u><u>Nil</u></u>
Cost to Income Ratio		14.2%	15.0%

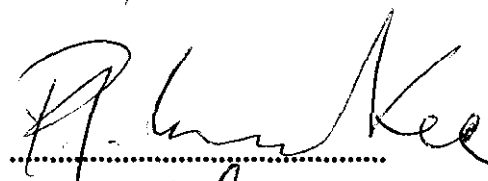
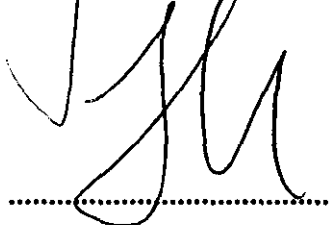
The results above relate entirely to continuing operations.

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
BALANCE SHEET AS AT 31 DECEMBER 2004

		31 December 2004		31 December 2003	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	7		33		84
Current assets					
Trade debtors		1,252		1,841	
Other debtors		-		106	
Prepayments and accrued income		2,648		2,660	
Short term fixed deposits		4,500		2,031	
Cash at bank and in hand		555		534	
		<u>8,955</u>		<u>7,172</u>	
Creditors: amounts falling due within one year	8	<u>(8,597)</u>		<u>(7,065)</u>	
Net current assets			<u>358</u>		<u>107</u>
Total assets less current liabilities			391		191
Provisions for liabilities and charges	9	<u>(391)</u>		<u>(191)</u>	
Net assets			<u><u>Nil</u></u>		<u><u>Nil</u></u>

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 17/05/05 and are signed on its behalf by:



 DIRECTORS

VIDEO PERFORMANCE LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2004

	Year Ended 31 December 2004	7 Months Ended 31 December 2003
	£'000	£'000
Net cash inflow from operating activities (Note 11)	8,973	2,910
Returns on investments and servicing of finance		
Interest received	138	53
Taxation	(2)	-
Capital expenditure		
Proceeds from sale of tangible fixed assets	12	4
Distributions		
Payments to Members	(6,631)	(2,999)
Net cash inflow / (outflow) before management of liquid resources	2,490	(32)
Management of liquid resources		
Increase in cash placed on fixed term deposits	(2,469)	(27)
Increase/(decrease) in cash (Note 12)	21	(59)

VIDEO PERFORMANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

a) Income and expenditure account

The format of the income and expenditure accounts has been adapted from that prescribed by Schedule 4 to the Companies Act 1985 in view of the nature of the business.

b) Basis of accounting

The financial statements have been prepared 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.

d) 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 pre-determined replacement date:

Fixtures and fittings	3 year on a straight line basis
Office equipment	3 year on a straight line basis
Motor vehicles	4 years on a straight line basis
Computer hardware	3 years on a straight line basis
Computer software	3 years on a straight line basis

e) 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. Payments made into the Scheme relating to VPL employees are charged to the profit and loss account. The Scheme is funded and contributions are paid to the Scheme in accordance with the recommendations of independent actuaries. The last formal valuation was undertaken on the position as at 30th June 2003.

f) Foreign currencies

Foreign currency assets and liabilities are translated at the rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are translated at the rate ruling on the date of the transaction. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

VIDEO PERFORMANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

g) Taxation

Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. The charge for taxation is based on the adjusted profit for the year and is charged on disallowable items.

h) Deferred taxation

Deferred taxation has been recognised as a liability or an asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

i) Provisions for liabilities and charges

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.

VIDEO PERFORMANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

2. LICENCE FEE INCOME

	Year Ended 31 December 2004 £'000	7 Months Ended 31 December 2003 £'000
Broadcasting and diffusion income	7,200	3,872
Public performance income	1,264	681
Music Mall income	299	115
	<u>8,763</u>	<u>4,668</u>
Analysis of turnover by territory of origin:		
United Kingdom	8,745	4,650
Rest of Europe	18	18
	<u>8,763</u>	<u>4,668</u>

3. NET INCOME FROM OPERATING ACTIVITIES BEFORE TAXATION

	Year Ended 31 December 2004 £'000	7 Months Ended 31 December 2003 £'000
Net income from operating activities before taxation is stated after charging/(crediting):		
Auditors' remuneration		
Audit services	10	7
Non-audit services	8	5
Depreciation	45	30
Profit on disposal of fixed assets	(2)	(2)

VIDEO PERFORMANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

4. EMPLOYEES AND DIRECTORS

	Year Ended 31 December 2004 £'000	7 Months Ended 31 December 2003 £'000
a) Gross staff costs during the period amounted to:		
Wages and salaries	172	362
Social security costs	16	35
Other pension costs	20	43
	<u>208</u>	<u>440</u>
b) Average number of employees during the period:		
Office and management	<u>5</u>	<u>9</u>
c) Directors' remuneration		

Video Performance Limited paid no Directors' remuneration during the year. Full salary and related costs in respect of Fran Nevrkla were incurred by Phonographic Performance Limited and recharged to Video Performance Limited based on an agreed estimate of time allocated.

5. TRANSACTIONS WITH DIRECTORS

There were no transactions with directors during the year.

VIDEO PERFORMANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

6. TAXATION

a) Analysis of charge in the year/period

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

	Year Ended 31 December 2004 £'000	7 Months Ended 31 December 2003 £'000
Current Tax:		
UK corporation tax	4	1
Total current tax for the year/period	<u>4</u>	<u>1</u>

b) Factors affecting tax charge for the year/period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Year Ended 31 December 2004 £'000	7 Months Ended 31 December 2003 £'000
Net income from ordinary activities before tax	<u>7,666</u>	<u>4,021</u>
Net income from ordinary activities at the UK tax rate of 19%	1,457	764
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(1,457)	(765)
Accelerated capital allowances / other timing difference	<u>4</u>	<u>2</u>
Current tax charge for the year/period	<u>4</u>	<u>1</u>

The numbers in the tax reconciliation for 2003 have been restated to correct the tax rate to 19%, the rate of tax applicable to Video Performance Limited.

VIDEO PERFORMANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

6. TAXATION (continued)

The company has an unprovided deferred tax asset at 31 December 2004 as follows:

	Year Ended 31 December 2004 £'000	7 Months Ended 31 December 2003 £'000
Accelerated capital allowances	6	3
Total deferred tax asset - unprovided	<u>6</u>	<u>3</u>

No provision has been made for this deferred tax asset on the basis that given that the majority of the Company's net income is not taxable, the availability of suitable future taxable profits is not certain.

7. TANGIBLE ASSETS

	Fixtures, Fittings and Office Equipment £'000	Motor Vehicles £'000	Computer Equipment and Software Developments £'000	Total £'000
Cost				
Balance at start of year	12	27	149	188
Additions	-	-	-	-
Disposals	-	(27)	-	(27)
Balance at end of year	<u>12</u>	<u>-</u>	<u>149</u>	<u>161</u>
Accumulated Depreciation				
Balance at start of year	11	20	73	104
Charge for the year	1	1	43	45
Disposals	-	(21)	-	(21)
Balance at end of year	<u>12</u>	<u>-</u>	<u>116</u>	<u>128</u>
Net Book Value at end of year	<u>-</u>	<u>-</u>	<u>33</u>	<u>33</u>
Net Book Value at start of year	<u>1</u>	<u>7</u>	<u>76</u>	<u>84</u>

VIDEO PERFORMANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2004	31 December 2003
	£'000	£'000
Trade creditors	102	80
Other creditors	452	192
Corporation tax	4	1
Accruals and deferred income	845	627
Amount due to Members	7,194	6,165
	<u>8,597</u>	<u>7,065</u>

9. PROVISION FOR LIABILITIES AND CHARGES

	At 31 December 2003	Charge for the period	At 31 December 2004
	£'000	£'000	£'000
Provision for dilapidations	91	15	106
Provision for legal costs	100	185	285
	<u>191</u>	<u>200</u>	<u>391</u>

Dilapidations

The dilapidations provision represents the amount required to reinstate the premises to a state as required under the lease, which expires in 2012. The provision will be fully utilised in 2012.

Legal costs

Legal costs are provided as required for cases where litigation is pending. This provision is expected to be utilised in 2005.

VIDEO PERFORMANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

10. PENSION COSTS

The Company participates in the Phonographic Performance Limited defined benefit scheme in the UK. The pension costs for the scheme are assessed in accordance with the advice of a qualified actuary using the projected unit method. It has not been possible to separately identify the assets and liabilities of the scheme relating to Video Performance Limited. The disclosures below are therefore in respect of the whole scheme.

A full actuarial valuation was carried out at 30 June 2003 and updated to 31 December 2004 by a qualified independent actuary. The Company is currently contributing to the Scheme at a rate of 15.3%.

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

	31 December 2004	31 December 2003	31 May 2003
Rate of increase in salaries	4.30%	4.30%	4.00%
Rate of increase of pensions in payment	2.80%	2.80%	2.50%
Rate of increase of pensions in deferment	2.80%	2.80%	2.50%
Discount rate	5.30%	5.40%	5.10%
Inflation assumption	2.80%	2.80%	2.50%

The assets in the scheme and the expected rate of return were:

	31 December 2004		31 December 2003		31 May 2003	
	£'000		£'000		£'000	
Equities	6.80%	5,274	7.00%	4,639	6.55%	3,845
Bonds	3.80%	507	4.00%	544	3.55%	427
Other (Cash)	4.20%	461	-	-	-	-
Total market value of assets		6,242		5,183		4,272
Actuarial value of liability		(7,879)		(6,939)		(6,984)
Deficit in the scheme		(1,637)		(1,756)		(2,712)
Related deferred tax asset		491		527		814
Net pension liability		(1,146)		(1,229)		(1,898)

Analysis of amount charged to operating profit

	Year Ended	7 Months Ended
	31 December 2004	31 December 2003
	£'000	£'000
Service cost	313	222

VIDEO PERFORMANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

10. PENSION COSTS (continued)

Analysis of amount charged to financing of provisions

	Year Ended 31 December 2004 £'000	7 Months Ended 31 December 2003 £'000
Expected return on pension scheme assets	366	170
Interest on pension liabilities	<u>(384)</u>	<u>(220)</u>
Other finance costs	<u>(18)</u>	<u>(50)</u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	Year Ended 31 December 2004 £'000	7 Months Ended 31 December 2003 £'000
Actual return less expected return on assets	89	295
Experience gains and losses on liabilities	2	382
Change in assumptions	<u>(241)</u>	<u>157</u>
Actuarial (loss)/gain recognised in STRGL	<u>(150)</u>	<u>834</u>

Movement in deficit during the year

	Year Ended 31 December 2004 £'000	7 Months Ended 31 December 2003 £'000
Deficit in scheme at beginning of year	(1,756)	(2,712)
Movement in year:		
Current service cost	(313)	(222)
Contributions	600	394
Net interest cost	(18)	(50)
Actuarial (loss)/gain	<u>(150)</u>	<u>834</u>
Deficit in scheme at end of year	<u>(1,637)</u>	<u>(1,756)</u>

VIDEO PERFORMANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

10. PENSION COSTS (continued)

History of experience gains and losses

	Year Ended 31 December 2004	7 Months Ended 31 December 2003
Difference between expected and actual return on scheme assets:		
Amount (£'000)	89	295
Percentage of scheme assets	1%	6%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	2	382
Percentage of scheme liabilities	0%	6%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£'000)	(151)	157
Percentage of scheme liabilities	2%	2%

11. RECONCILIATION OF NET INCOME FROM OPERATING ACTIVITIES BEFORE INTEREST AND TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year Ended 31 December 2004 £'000	7 Months Ended 31 December 2003 £'000
Net income from operating activities before interest and taxation	7,520	3,968
Depreciation	45	30
Profit on disposal of fixed assets	(2)	(2)
Decrease / (Increase) in debtors	707	(1,421)
Increase in creditors	503	256
Increase in provisions	200	79
Net cash inflow from operating activities	<u>8,973</u>	<u>2,910</u>

VIDEO PERFORMANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

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

	Year Ended 31 December 2004 £'000	7 Months Ended 31 December 2003 £'000
Increase / (decrease) in cash in the year/period	21	(59)
Increase in cash placed on fixed term deposits	2,469	27
Changes in net funds resulting from cashflows	2,490	(32)
Net funds at 31 December 2003	2,565	2,597
Net funds at 31 December 2004	5,055	2,565

13. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2004 £'000	Cashflow £'000	At 31 December 2004 £'000
Cash at bank and in hand	534	21	555
Short-term investments	2,031	2,469	4,500
	2,565	2,490	5,055