



IRISH MUSIC RIGHTS ORGANISATION
Eagras Um Chearta Cheolta

*Directors' Report & Financial
Statements 2005*

Irish Music Rights Organisation Limited
(a Company limited by guarantee and not having a share capital)

Directors' Report and Financial Statements

Year Ended 31 December 2005

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DIRECTORS AND OTHER INFORMATION

Board of Directors at 31 December 2005

Mike Hanrahan (Cathaoirleach)
Barbara Galavan (Leaschathaoirleach)
Paul Brady
Noel Cullen
Keith Donald
Philip Flynn
Eddie Joyce
Johnny Lappin
Donagh Long
Patrick Lyons
Eleanor McEvoy
Christy Moore
Michael O'Riordan
Niall Toner

Secretary and Registered Office

Carmel Ryan
Copyright House
Pembroke Row
Lower Baggot Street
Dublin 2

Independent Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Wilton Place
Dublin 2

Solicitors

McCann FitzGerald
2 Harbourmaster Place
Custom House Dock
Dublin 1

Matheson Ormsby Prentice
30 Herbert Street
Dublin 2

Bankers

Bank of Ireland
Lower Baggot Street
Dublin 2

Bank of Scotland
Bank of Scotland House
124-127 St. Stephens Green
Dublin 2

Anglo Irish Bank Corporation plc
Stephen Court
18/21 St Stephen's Green
Dublin 2

DIRECTORS' REPORT

The directors present here with their report and the audited financial statements for the year ended 31 December 2005.

Principal activities

The company administers the performing rights in copyright music on behalf of its members and, as a non exclusive licensee, on behalf of the societies affiliated to it.

Fair review of development and performance of the business and of its position

Licence revenue at €31,603,225 shows an increase of €2,235,707 (7.6%) over 2004. Both broadcast related licence revenue and public performance licence revenue contributed largely to this increase, with revenue from overseas sister societies also showing considerable growth. Operating costs at €3,532,349 fell by €244,992 (6.5%), or by €656,995 (15.7%) when including exceptional costs, in the year. As a result royalties paid/payable to members and overseas sister societies at €27,585,085 increased by €2,669,302 (10.7%) since 2004.

Royalties as a percentage of licence revenue was 87.3% in 2005, compared to 84.8% in 2004.

The directors consider this to be a satisfactory result for the year.

Further growth in revenues is expected in 2006.

Description of the principal risks and uncertainties

The performance of the business is dependent on the use of copyright music generally in the Irish broadcast and public performance sectors and the use of IMRO members copyright music in overseas territories. The principal risks relate to increases or decreases in such use, the tariffs charged for such use and the continued willingness of sister collection societies around the world to maintain reciprocal arrangements with IMRO, whereby IMRO represents their repertoire in the Republic of Ireland, while they represent the IMRO repertoire in other countries.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standards Board and published by The Institute of Chartered Accountants in Ireland.

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing those financial statements, the directors are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for preparing books of accounts which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the Irish Companies Acts, 1963 to 2005. 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.

Proper books

The measures taken with regard to keeping proper books of account include the use of appropriate procedures and the employment of competent and reliable persons. The books of account are kept at the company's premises at Copyright House, Pembroke Row, Lower Baggot Street, Dublin 2.

Results

The income and expenditure account is set out on page 8.

DIRECTORS' REPORT - continued

Dividends

The company is limited by guarantee and it is not possible for such a company to pay a dividend.

Directors

The directors of the company at 31 December 2005, were:

Mike Hanrahan	(Cathaoirleach)
Barbara Galavan	(Leaschathaoirleach)
Paul Brady	
Noel Cullen	
Keith Donald	
Philip Flynn	
Eddie Joyce	
Johnny Lappin	
Donagh Long	
Patrick Lyons	
Eleanor McEvoy	
Christy Moore	
Michael O'Riordan	
Niall Toner	

In accordance with the company's Articles of Association, three writer directors, Paul Brady, Donagh Long and Eleanor McEvoy, and two publisher directors, Shay Hennessy and Johnny Lappin, retired by rotation. In addition, writer director, Steve Wall and publisher director, Noel Cullen, both of whom had been appointed to fill casual vacancies, also retired, in accordance with the Articles of Association. Following a postal ballot, the successful writer candidates, Paul Brady, Donagh Long, Eleanor McEvoy and Christy Moore were appointed to fill the 4 writer director positions at the annual general meeting on 14th September 2005. Only 3 nominations were received for the 3 available publisher director positions and accordingly there was no postal ballot for those positions. The three nominees, Noel Cullen, Eddie Joyce and Johnny Lappin were appointed publisher directors by the members at the annual general meeting on 14th September 2005.

The terms of office of the two external directors, Philip Flynn and Patrick Lyons, ended on 31st December 2005.

Board Attendance

The total number of Board meetings in 2005 was 8 (2004: 9).

Attendances by each Board member were as follows:

	Number of meetings attended
Mike Hanrahan (Cathaoirleach)	8
Barbara Galavan (Leaschathaoirleach)	8
Paul Brady	7
Noel Cullen	7
Keith Donald	8
Philip Flynn	8
Shay Hennessy*	5
Eddie Joyce**	2
Johnny Lappin	8
Donagh Long	8
Patrick Lyons	8
Eleanor McEvoy	8
Christy Moore**	1
Michael O'Riordan	7
Naill Toner	8
Steve Wall*	4

* Shay Hennessy attended 5 of the 6 board meetings held up to the date of his resignation on 14th September 2005. Steve Wall attended 4 of the 6 board meetings held up to the date of his resignation on 14th September 2005.

** Eddie Joyce attended the 2 Board meetings held between the date of his appointment, 14th September 2005, and 31st December 2005. Christy Moore attended 1 of the 2 board meetings held between the date of his appointment, 14th September 2005, and 31st December 2005.

DIRECTORS' REPORT - continued

Transactions involving directors

Details of transactions involving directors are set out in note 16 to the financial statements. Apart from these, there are no contracts or arrangements of any significance in relation to the business of the company in which the directors had any interest, as defined in the Companies Act 1990, at any time during the year ended 31 December 2005.

Auditors

The auditors, PricewaterhouseCoopers, will be re-appointed in accordance with Section 160(2) of the Companies Act 1963.

Approved on behalf of the board by:



Mike Hanrahan
(Cathaoirleach)



Barbara Galavan
(Leaschathaoirleach)

10 May 2006

**Independent auditors' report to the members of the Irish Music Rights Organisation Limited
(a company limited by guarantee and not having a share capital)**

We have audited the financial statements on pages 8 to 25. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on pages 12 and 13.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by The Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 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, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2005. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

**Independent auditors' report to the members of the Irish Music Rights Organisation Limited
- continued
(a company limited by guarantee and not having a share capital)**

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, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs as at 31 December 2005 and of its surplus and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2005.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report on pages 3 to 5 is consistent with the financial statements.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin 2

10 May 2006

INCOME AND EXPENDITURE ACCOUNT
Year Ended 31 December 2005

	Notes	2005 €	2004 Restated €
Licence revenue	1	<u>31,603,225</u>	<u>29,367,518</u>
Net operating expenses, before exceptional items		(3,532,349)	(3,777,341)
Exceptional items	2	<u>-</u>	<u>(412,003)</u>
Total net operating expenses	2	<u>(3,532,349)</u>	<u>(4,189,344)</u>
Operating surplus		28,070,876	25,178,174
Interest receivable		79,264	100,136
Other finance income/(expense)	9	<u>17,100</u>	<u>(6,800)</u>
Surplus before taxation	4	28,167,240	25,271,510
Taxation	5	<u>(97,944)</u>	<u>(83,159)</u>
Surplus after taxation		28,069,296	25,188,351
Royalties		<u>(27,585,085)</u>	<u>(24,915,783)</u>
Surplus for the year		<u>484,211</u>	<u>272,568</u>

There is no difference between the surplus on ordinary activities before taxation and the surplus retained for the year stated above, and their historical cost equivalents.

The results of the company all derive from continuing operations.

Approved on behalf of the board by:



Mike Hanrahan
(Cathaoirleach)



Barbara Galavan
(Leaschathaoirleach)

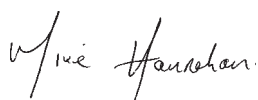
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2005

	Notes	2005 €	2004 Restated €
Surplus for the year		484,211	272,568
Actuarial loss in respect of pension scheme	9	(215,800)	(184,300)
Deferred tax on actuarial loss		<u>26,975</u>	<u>23,038</u>
Total recognised gains and losses relating to the year		295,386	111,306
Prior year adjustment	15	<u>(1,109,150)</u>	
Total recognised gains and losses since last financial statements		<u>(813,764)</u>	

BALANCE SHEET
31 December 2005

	Notes	2005 €	2004 Restated €
Fixed assets			
Tangible assets	6	<u>1,413,316</u>	<u>5,898,773</u>
Current assets			
Debtors	7	13,626,321	7,692,839
Cash at bank and on hand		<u>4,740,513</u>	<u>3,051,276</u>
		18,366,834	10,744,115
Current liabilities			
Amounts falling due within one year	8	<u>(18,829,781)</u>	<u>(16,230,280)</u>
Net current liabilities		<u>(462,947)</u>	<u>(5,486,165)</u>
Net assets excluding pension liability		950,369	412,608
Pension liability	9	<u>(1,351,525)</u>	<u>(1,109,150)</u>
Net liabilities including pension liability		<u>(401,156)</u>	<u>(696,542)</u>
Deficit on reserves	15	<u>(401,156)</u>	<u>(696,542)</u>

Approved on behalf of the board by:



Mike Hanrahan
(Cathaoirleach)



Barbara Galavan
(Leaschathaoirleach)

CASH FLOW STATEMENT
Year Ended 31 December 2005

	Notes	2005 €	2004 €
Net cash inflow (outflow) from operating activities	10	1,948,043	(2,757,624)
Returns on investments and servicing of finance	11	79,264	100,136
Taxation paid		(121,673)	(67,844)
Capital expenditure and financial investment	12	<u>(216,397)</u>	<u>(80,140)</u>
Increase/(decrease) in cash in the year	14	<u>1,689,237</u>	<u>(2,805,472)</u>

ACCOUNTING POLICIES

The significant accounting policies adopted by the company are as follows.

Basis of preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2005, except that the directors have amended certain headings in the Income and Expenditure account, and the order in which items are included, so as to better reflect the special circumstances of the Company as permitted under Section 4 of the Companies (Amendment) Act, 1986.

Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

Going concern basis

The directors have prepared the financial statements on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future.

As at the year end, the company had net liabilities of €401,156.

We have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The year end position arises due to the liability relating to the company's defined benefit pension scheme. A liability of €1.3 million is recognised in the balance sheet of Irish Music Rights Organisation Limited as at 31 December 2005. This liability arises due to the adoption of FRS 17 "Retirement Benefits". The directors have satisfied themselves, having taken the appropriate professional advice, that a viable and prudent plan is in place, so as to eliminate the deficit over a reasonable period.

The directors believe that it is appropriate for the accounts to be prepared on the going concern basis.

Accounting convention

The financial statements have been prepared under the historical cost convention. The currency used in these financial statements is the Euro denoted by the symbol €.

Licence revenue

Licence revenue represents royalty income exclusive of value added tax. Broadcasting revenue is recorded on an invoice basis and public performance revenue is recorded mainly on a receipts basis, with an accrual at the year end for that portion of April to December 2005 invoices that are unpaid and which relate to 2005 income. Overseas income is recorded on a receipts basis.

Cable television

The total amount collected from this source is included under licence revenue with the allocations to the rightsholders included in royalties.

Fixed assets

Fixed assets are stated at cost less depreciation.

The cost of fixed assets is their purchased cost together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis at the rates stated below, which are estimated to reduce the assets to residual values by the end of their expected useful economic lives.

	Rate %
Property	2
Improvements to property	14.3
Computer equipment	20 & 33.3
Motor vehicles	20
Furniture and equipment	14.3

ACCOUNTING POLICIES - continued

Foreign currencies

Foreign currency transactions are translated into Euro at the rate of exchange ruling at the date of the transactions. Assets and liabilities denominated in foreign currencies are translated to Euro at the rate ruling at the balance sheet date. Any differences arising on translation are included in the results for the period.

Retirement benefits

Defined benefit pension scheme assets are measured at fair value. Defined benefit pension scheme liabilities are measured on an actuarial basis using the market valuation method. The excess of scheme liabilities over scheme assets is presented on the balance sheet as a liability net of related deferred tax. The defined benefit pension charge charged to operating profit comprises the current service cost and past service costs. The excess of the expected return on scheme assets over the interest cost on the scheme liabilities is presented in the profit and loss account as other finance income. Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the statement of total recognised gains and losses for the year in which they occur.

In previous years, the defined benefit pension charge to the profit and loss account comprised the regular cost calculated by the actuary, as adjusted by the effect of allocating any variations from that regular cost over the expected remaining service lives of employees in the scheme. Such variations from regular cost arose from changes in actuarial assumptions and from experience surpluses and deficits.

Changes in accounting policies

The financial statements have been prepared using the same accounting policies as set out in the financial statements for the year ended 31 December 2004 with the exception of the accounting policy on retirement benefits following the adoption of FRS 17 "Retirement Benefits". The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The effect of the change in accounting policy on retirement benefits was to decrease profit by €53,550 (2004: decrease profit by €106,925), comprising an increase in staff costs of €78,300 (2004: €115,400), an increase in other finance income of €17,100 (2004: fall in other finance income of €6,800) and an increase in deferred tax of €7,650 (2004: €15,275) and to recognise an actuarial loss (net of deferred tax) in the statement of total recognised gains and losses of €188,825 (2004: €161,263). The effect of this change in accounting policy on the balance sheet at 31 December 2005 was to increase the pension liability (net of deferred tax) by €242,375 (2004: €1,109,150) with a corresponding reduction in reserves.

The effects of this change in accounting policy on reserves at 1 January 2005 are set out at note 15.

NOTES TO THE FINANCIAL STATEMENTS

1 Licence revenue	2005	2004
	€	€

The analysis of licence revenue by geographical market is as follows:

Ireland	28,153,600	26,541,825
United Kingdom	1,611,970	1,305,500
Other EU countries	1,041,741	928,200
United States of America	344,334	199,195
Rest of the world	451,580	392,798
	<u>31,603,225</u>	<u>29,367,518</u>

2 Net operating expenses	2005	2004
	€	Restated €

Net operating expenses are made up as follows:

Administration costs	4,456,740	4,855,730
Less		
Other operating income	<u>(924,391)</u>	<u>(666,386)</u>
	<u>3,532,349</u>	<u>4,189,344</u>

Exceptional items

Included in administration costs are the following exceptional items:

	2005	2004
	€	€
Staff redundancy costs	-	153,816
Bad debt provision	-	78,667
Licensing tariff review costs	<u>-</u>	<u>179,520</u>
	<u>-</u>	<u>412,003</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Employees and remuneration

The average number of persons employed by the company during the year, excluding non-executive directors, was 32 (2004: 36) and all were categorised as administration.

The company's employment costs for all employees excluding non-executive directors comprise:

	2005	2004 Restated
	€	€
Wages and salaries	1,434,451	1,685,718
Social welfare costs	156,988	166,419
Pension and life assurance costs	262,364	271,152
	<u>1,853,803</u>	<u>2,123,289</u>

4 Surplus before taxation

	2005	2004 Restated
	€	€

Surplus before taxation for the year is stated after charging:

(i) Directors' remuneration:	189,427	156,727
(ii) Depreciation	219,660	211,529
(iii) Auditors' remuneration	39,000	39,000
(iv) Loss on disposal of fixed assets	9,394	11,800
(v) Provision for diminution in value of property held for resale	-	30,100
(vi) Staff redundancy costs	-	153,816
(vii) Bad debt provision	-	78,667
And crediting		
(viii) Interest income	79,264	100,136

5 Tax on surplus for the year

	2005	2004 Restated
	€	€
Current tax:		
Irish corporation tax on profit for the year	105,594	96,927
Adjustments in respect of prior years	-	(146)
Current tax charge for the year	105,594	96,781
Deferred tax credit:	(7,650)	(13,622)
	<u>97,944</u>	<u>83,159</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Tax on surplus for the year – continued

The current tax charge for the year is lower than the current charge that would result from applying the standard rate of Irish corporation tax to surplus on ordinary activities. The differences are explained below:

	2005 €	2004 Restated €
Surplus on ordinary activities before tax	<u>28,167,240</u>	<u>25,271,510</u>
Surplus on ordinary activities multiplied by the average rate of Irish corporation tax for the year of 12.5% (2004: 12.5%)	3,520,905	3,158,939
Effects of:		
Allowable expenses - royalties	(3,448,136)	(3,114,473)
Disallowable expenses	2,319	20,507
Depreciation in excess of capital allowances	11,827	11,357
Higher tax rate for non-trading income (25%)	18,679	20,597
Adjustment to tax charge in respect of previous years	<u>-</u>	<u>(146)</u>
Current tax charge for the year	<u>105,594</u>	<u>96,781</u>

Irish Music Rights Organisation Limited
(a Company limited by guarantee and not having a share capital)

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Tangible fixed assets

Cost

At 1 January 2005

Additions

Disposals

At 31 December 2005

Accumulated depreciation

At 1 January 2005

Charge for year

Disposals

At 31 December 2005

Net book value

At 31 December 2005

At 31 December 2004

	Property held for resale	Other property	Improvements to other property	Computer equipment	Motor vehicles	Furniture and equipment	Total
	€	€	€	€	€	€	€
At 1 January 2005	4,732,318	1,379,279	68,229	986,468	154,356	215,388	7,536,038
Additions	-	-	2,321	115,882	-	2,897	121,100
Disposals	(4,732,318)	-	-	-	-	(12,050)	(4,744,368)
At 31 December 2005	-	1,379,279	70,550	1,102,350	154,356	206,235	2,912,770
At 1 January 2005	347,717	255,167	51,566	761,305	73,651	147,859	1,637,265
Charge for year	-	27,586	5,708	134,700	30,871	20,795	219,660
Disposals	(347,717)	-	-	-	-	(9,754)	(357,471)
At 31 December 2005	-	282,753	57,274	896,005	104,522	158,900	1,499,454
At 31 December 2005	-	1,096,526	13,276	206,345	49,834	47,335	1,413,316
At 31 December 2004	4,384,601	1,124,112	16,663	225,163	80,705	67,529	5,898,773

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Debtors	2005 €	2004 €
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Amounts falling due within one year:

Broadcasting and public performance debtors, net of bad debts provision	7,904,600	7,377,012
Other debtors and prepayments	5,721,721	315,827
	<u>13,626,321</u>	<u>7,692,839</u>

8 Creditors	2005 €	2004 €
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Amounts falling due within one year:

Members and affiliates royalties payable	12,821,138	11,593,977
Cable TV rights holders royalties payable	3,375,022	3,099,680
Sundry creditors and accruals	900,458	822,555
VAT payable	1,647,600	596,571
PAYE/PRSI	60,471	76,326
Corporation tax	25,092	41,171
	<u>18,829,781</u>	<u>16,230,280</u>

9 Retirement benefits

(a) Defined benefit scheme

The company operates a defined benefit pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the Market Valuation Method. The most recent valuation was at 1 January 2005. The assumptions which have the most significant effects on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return on new investments pre retirement would exceed actual pensionable salary increases by 2.35%, that the investment return on new investments post retirement would exceed actual pensionable salary increases by 1%, and that present and future pensions would increase at the rate of 2.25% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was €4,162,855 and that the actuarial value of those assets represented 87.3% of the benefits that had accrued to members after allowing for expected future increases in earnings. The variable rate contributions of the company have been decreased from 15.8% to 11.8% of earnings with effect from 1 January 2005 in accordance with the recommendation of the actuary. However, in addition and as part of a 10 year Minimum Funding Plan agreed with the Pensions Board, the company also contributes an annual lump sum payment of €72,000, indexed in line with inflation, payable over a 10 year period. This lump sum payment is subject to review by the actuary each year to ensure that the Scheme remains on track to meet the Minimum Funding Standard by the end of the funding proposal i.e. 31 March 2014. The contributions by employees is 6% of pensionable salaries.

The actuarial report is not available for public inspection but is available to the members and other persons as provided for in the Occupational Pension Schemes (Disclosure of Information) Regulations, 1998.

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Retirement benefits - continued

(b) Financial Reporting Standard 17 'Retirement Benefits' disclosures

The company operates a defined benefit scheme. A full actuarial valuation was carried out at 1 January 2005 and updated to 31 December 2005 for Financial Reporting Standard 17 disclosure purposes by a qualified independent actuary. The main financial assumptions used in the valuation were:

	At 31 December			
	2005	2004	2003	2002
Rate of increase in salaries	4.25%	4.25%	4.25%	4.25%
Rate of increase in pensions in payment	2.25%	2.25%	2.25%	2.25%
Discount rate	4.25%	4.90%	5.50%	5.50%
Inflation assumption	2.25%	2.25%	2.25%	2.25%

Irish Music Rights Organisation Limited
(a Company limited by guarantee and not having a share capital)

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Retirement benefits - continued

(b) Financial Reporting Standard 17 'Retirement Benefits' disclosures - continued

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

	Long-term rate of return expected at 31 December 2005	Market value at 31 December 2005 €'000	Long-term rate of return expected at 31 December 2004	Market value at 31 December 2004 €'000	Long-term rate of return expected at 31 December 2003	Market value at 31 December 2003 €'000	Long-term rate of return expected at 31 December 2002	Market value at 31 December 2002 €'000
Equities	7.5%	3,945	7.50%	3,087	7.50%	2,610	8.25%	1,885
Bonds	3.5%	672	3.90%	632	4.00%	647	4.20%	732
Other assets	5.2%	396	4.70%	444	5.00%	446	5.95%	408
		<u>5,013</u>		<u>4,163</u>		<u>3,703</u>		<u>3,025</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Retirement benefits - continued

(b) Financial Reporting Standard 17 'Retirement Benefits' disclosures - continued

The following amounts at 31 December 2005, 31 December 2004, 31 December 2003 and 31 December 2002 were measured in accordance with the requirements of Financial Reporting Standard 17:

	2005 €'000	2004 €'000	2003 €'000	2002 €'000
Total market value of scheme assets	5,013	4,163	3,703	3,025
Present value of scheme liabilities	(6,558)	(5,431)	(4,664)	(4,477)
Deficit in the scheme	(1,545)	(1,268)	(961)	(1,452)
Related deferred tax asset	193	159	120	182
Net pension liability	(1,352)	(1,109)	(841)	(1,270)

The following amounts have been recognised in respect of the defined benefit pension scheme:

	2005 €'000	2004 €'000	2003 €'000
Charged to operating profit			
Current service cost	(257)	(268)	(291)
Past service costs	-	-	(84)
	(257)	(268)	(375)
Credited to other finance income			
Interest on pension scheme liabilities	(263)	(254)	(247)
Expected return on assets in the pension scheme	280	247	219
Net credit/(charge) to other finance income	17	(7)	(28)

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Retirement benefits - continued

(b) Financial Reporting Standard 17 'Retirement Benefits' disclosures – continued	2005 €'000	2004 €'000	2003 €'000
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Analysis of amounts recognised in statement of recognised gains and losses

Actual return less expected return on pension scheme assets	477	115	154
Experience gains arising on the scheme liabilities	9	270	417
Loss on changes in assumptions underlying the present value of the scheme liabilities	(702)	(569)	-
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	(216)	(184)	571

Movement in deficit during the year

Deficit in scheme at 31 December	(1,268)	(961)	(1,452)
Movement in year:			
Current service cost	(257)	(268)	(291)
Past service cost	-	-	(84)
Contributions paid	179	152	323
Other finance income/(expense)	17	(7)	(28)
Actuarial (loss)/gain	(216)	(184)	571
Deficit in scheme at 31 December	(1,545)	(1,268)	(961)
	2005 €'000	2004 €'000	2003 €'000

History of experience gains and losses for the year ended 31 December

Difference between the expected and actual return on scheme assets	477	115	154
Percentage of scheme assets	9.51%	2.77%	4.17%
Experience gains on scheme liabilities	9	270	417
Percentage of present value of scheme liabilities	0.14%	4.97%	8.93%
Total gains/(losses) recognised in statement of total recognised gains and losses	(216)	(184)	571
Percentage of the present value of the scheme liabilities	3.29%	3.39%	12.24%

The actuarial methods and assumptions required by FRS 17 are different from those used in the most recent statutory actuarial valuation. Notwithstanding that the valuation of the scheme in accordance with the requirements of FRS 17 shows the deficit outlined above, the actuary was not of a view that the scheme satisfied the statutory Minimum Funding Standard as at 31 December 2004 and has recommended a change to the funding programme set out at the actuarial review of the Scheme on 1 January 2005.

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Reconciliation of operating surplus to net cash outflow from operating activities	2005	2004	
	€	Restated €	
Operating surplus	28,070,876	25,178,174	
Depreciation	219,660	211,529	
Provision for diminution in value of property held for resale	-	30,100	
Loss on sale of fixed assets	9,394	11,800	
Payments to cable rights holders	(7,789,720)	(7,277,090)	
Payments to members and affiliates	(18,292,862)	(19,548,693)	
Reversal of pension contributions	(178,600)	(152,700)	
Retirement benefits service charge	256,900	268,100	
Increase in debtors	(1,460,682)	(598,407)	
Increase/(decrease) in creditors	<u>1,113,077</u>	<u>(880,437)</u>	
Net cash inflow/(outflow) from operating activities	<u>1,948,043</u>	<u>(2,757,624)</u>	
11 Returns on investments and servicing of finance	2005	2004	
	€	€	
Interest received	<u>79,264</u>	<u>100,136</u>	
12 Capital expenditure and financial investment	2005	2004	
	€	€	
Purchase of tangible fixed assets	(121,100)	(126,931)	
Sale of tangible fixed assets (disposal proceeds less disposal costs)	-	46,791	
Costs of sale incurred on sale of property	<u>(95,297)</u>	<u>-</u>	
	<u>(216,397)</u>	<u>(80,140)</u>	
13 Analysis of changes in net cash	At	Cashflow	At
	31 December		31 December
	2004		2005
	€	€	€
Net cash			
Cash at bank and on hand	3,051,276	1,689,237	4,740,513

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Reconciliation of net cash flow to movement in net cash	2005	2004
	€	€
Movement in net cash in the year	1,689,237	(2,805,472)
Net cash at 1 January	<u>3,051,276</u>	<u>5,856,748</u>
Net cash at 31 December	<u>4,740,513</u>	<u>3,051,276</u>

15 Reserves	€
1 January 2005 as previously stated	412,608
Prior year adjustment FRS 17 - Retirement Benefits	<u>(1,109,150)</u>
At 1 January 2005 as restated	(696,542)
Total recognised gains and losses relating to the year	<u>295,386</u>
At 31 December 2005	<u>(401,156)</u>

16 Related party transactions

Financial Reporting Standard 8 (FRS 8) requires the disclosure of all material transactions undertaken by the company with related parties. Under the terms of FRS 8, all directors are related parties.

There are three groups of directors of the company, Publisher directors, Writer directors and External directors. External directors are not members of the company and so do not receive royalties from the company. Like all members of the company, Publisher and Writer directors, and parties related to them, are entitled to royalties from the company in respect of the performance of any copyright works owned by them. Parties related to Publisher and Writer directors include family members and companies controlled by these directors. Parties related to Publisher directors also include the publishing companies and their subsidiaries.

During 2005 total royalties paid by the organisation to the directors of the company and to parties related to the directors of the company amounted to €392,965 (2004: €430,328). Amounts paid to parties related to the publisher directors were not necessarily for the benefit of the directors themselves or their families. These royalties were calculated on the same basis as royalties paid to all members, that is full, provisional, and associate members, and are paid in accordance with the company's normal procedures.

Mr and Mrs J. Lappin were paid €13,849 in 2005 (2004: €18,852) for copyright infringement work and debt collection services. Mr N Toner was paid €20,175 in 2005 (2004: €21,887) for copyright infringement and repertoire research services.

In addition, travel and membership development grants in the amount of €5,646 were paid to five member directors (2004: €5,580 - (four member directors)).

The Irish Music Rights Organisation regards its membership as the ultimate controlling party.

NOTES TO THE FINANCIAL STATEMENTS - continued

17 Commitments

There were no capital or other expenditure commitments at the year end (2004: nil).

18 Approval of financial statements

The financial statements were approved by the directors on 10 May 2006.