# ANNUAL REPORT AND ACCOUNTS

# 2014

IRISH MUSIC RIGHTS ORGANISATION LIMITED

(A company limited by guarantee and not having a share capital)

imro

Cherishing Music In A Changing World

# CHAIRMAN'S STATEMENT

In 1st January 2015, IMRO began its twenty-first year as an independent society. I congratulate all of those who have helped to make it the robust, successful organisation that it is. IMRO members are served by dedicated staff, a great senior management team, an internationally respected CEO and an experienced, strong board of directors.

Now I want to introduce a new initiative that I hope will gain traction everywhere.

**Fair Trade Music is based on a couple of simple premises:**

1. People love music – it accompanies and marks their lives and often explains them.

2. This fact is our biggest political asset: if you have the people, the politicians and other decision-makers will follow. For instance, Fair Trade Coffee created a moral imperative so strong that international chains of coffee shops had to use fair trade coffee.

Historically, coffee growers did not benefit from a 'fair' price, principally because they were too numerous while buyers were relatively few, thus creating a significant imbalance in bargaining power between the companies and the growers. Thanks to the widespread implementation of ethical practices, the consumer pays roughly the same price as before, but the farmers are better compensated because intermediaries now abide by an accepted code of conduct. Adherence to this code by all in the value chain is made clear to consumers at their point of purchase.

At the CIAM conference in October 2014, Gadi Oron, Director-General of CISAC made this comparison: in the twentieth century, one million record plays meant that the writers received around $50,000; in the twenty-first century, one million streams delivers around $35 to the writers.

**In the executive summary of his Study Concerning Fair Compensation for Music Creators in the Digital Age, Pierre-E Lalonde makes the following points:**

1. Digital streaming services are built on an exploitative value chain that undervalues the musical works that drive their business.

2. Currently, such services are paying 60-70% of gross revenue to rights holders, with an average split of 94/6 in favour of record companies. Performers, songwriters and composers have been vocal all over the world in their criticism of the low payments they receive.

3. Without sufficiently supporting the very group of people who provide them with the creative content that drives their business, these streaming services may be undermining their future sustainability.

4. Digital streaming services are poised to become the predominant model for distribution of music in the future. We all have a vested interest in seeing these services succeed, but in a way that's fairer to creators.

Fair Trade Music is in its early developmental stages. Its ultimate aims are a World Certification body (equivalent to the certification process for fair trade coffee) and public acceptance of the true cost of music. Amongst its assets are a proven template (fair trade coffee), and the fact that it isn't asking anyone for anything other than a change in attitude and it isn't proposing to fight its corner in a court-room.

**Keith Donald**
May 2015

# CHIEF EXECUTIVE OFFICER'S REVIEW

## DEVELOPING IRELAND'S MUSIC INDUSTRY

**Music occupies a special place in Ireland. It runs to the core of society and is a crucial part of our national identity. So inherent is music to our lives, to Ireland's international image, that at times, the economic impact of the sector can be overlooked.**

Why is that? Is it because the value of creative industries can, at times, be difficult to quantify? Is it because we view music as something that is carried out as a hobby, rather than as a viable career? Is it because Ireland is so good at producing world-class music, that it's something we take for granted?

These are the questions that we need to consider and respond to, as a priority, if we are to continue to ensure that Ireland maintains a thriving music sector.

Ireland's music industry supports 11,500 jobs nationwide and is worth close to half a billion euro annually to the economy. Music is something Ireland does well, sitting at the nexus of both how we see ourselves, and how the world sees us. It draws tens of thousands of visitors to our shores each year, and along with our poets and storytellers, is a unique piece of Ireland's heritage that remains a vital part of modern Ireland.

Like many other industries, the music sector has been impacted in recent years – as a result not just of technological changes, and the impact of the economic downturn, but of a need for a clear and coherent strategy to support the sector. At IMRO, we believe that now is the time to develop a real plan for Irish music, involving all stakeholders – Government, industry representative bodies, musicians and songwriters themselves, among others. This is crucial if we are to optimise the economic and social return of the sector.

Late last year, we consulted with artists and labels, publishers and songwriters, retail, broadcast personnel and management companies, on their priorities for, and concerns in relation to, music in Ireland. The resulting report – *the Socio-Economic Impact of Ireland's Music Industry,* carried out by Deloitte, demonstrates the potential for Irish music and highlights a number of recommendations in relation to finance, market access, intellectual property, training, and collaboration.

The report recommends the establishment of a joint Government-Industry Music Industry Taskforce, with representatives from Government, business and the industry, which would reinvigorate the music sector and encourage collaboration to maximise its

contribution to the economy. We are suggesting appointing a focused group, for a short term, to provide direction, strategic thought and leadership. It will be a crucial initiative to guide the sector and help ensure the report's recommendations are implemented.

While the overall value of recorded music sales in Ireland has been impacted by the downturn, we are beginning to see signs of improvement. Overall sales stood at €72 million in 2008, falling to €33 million in 2012, but last year, overall figures stood at €42.5 million. While the economic impact was significant, there is gradual improvement, some of which can be attributed to rising digital sales. We can continue on this upward trajectory.

Against a backdrop and given the increase in popularity of streaming and digital music services, it will be important to examine intellectual property legislation and ensure that the current regime is fit for purpose, in this quickly-changing sector. Therefore, we recommend the appointment of an 'IP Tsar', to consider the impact of Intellectual Property and copyright legislation, and enforcement in both the music and technology industries.

Like any other sector, music needs R&D. We need to make a career in music attractive as an actual job, rather than something people do in their spare time. We would like to see the development of more advanced training courses for music professionals to focus on 'business of music' education, particularly for early career musicians.

To co-ordinate all of this, the establishment of a music office – *Music Ireland* - would provide a focal point for the music industry, similar to the Irish Film Board. This office would provide assistance to individuals in the music sector and those looking to enter new overseas markets, encourage greater collaboration between the music, tourism, gaming and technology sectors, and ensure greater support for musicians, many of whom are self-employed, in accessing finance and ensuring that fiscal supports are effective and appropriately structured.

These kinds of supports and initiatives are already in place in countries like Canada, UK, New Zealand and Sweden, and the knock-on social and economic dividend has been significant. Given our musical heritage, ability, and our cultural and musical DNA, Ireland's opportunity is arguably greater than these nations.

By examining issues such as IP and finance and planning initiatives for training and cross-sectoral collaboration, we can help our artists and songwriters grow and develop and tap into new export markets, to maximise the real potential of the sector. In its recent publication "A Digital Single Market for Europe" the European Commission states that;

***An effective and balanced civil enforcement system against commercial scale infringements of copyright is central to investment in innovation and job creation. In addition the rules applicable to activities of online intermediaries in relation to copyright protected works require clarification, given in particular the growing involvement of these intermediaries in content distribution. Measures to safeguard fair remuneration of creators also need to be considered in order to encourage the future generation of content"***

We now have an opportunity to position Ireland as the world's leading location to create music.

By investing in our music, we're investing in our economic future.

**Victor Finn**
May 2015

# PERFORMANCE AT A GLANCE

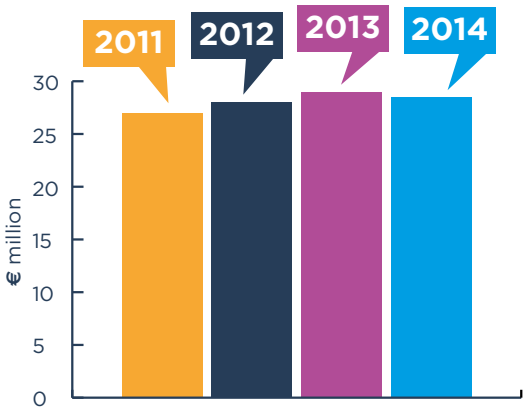
**LICENCE REVENUE (€)**

**€28.1m**

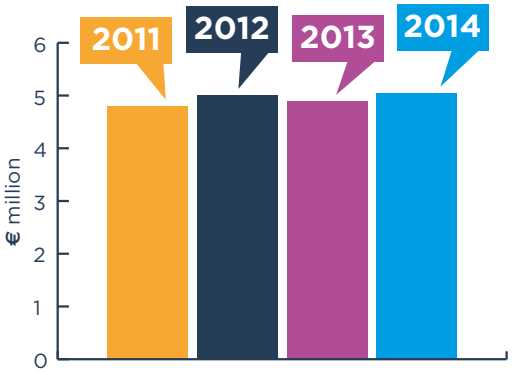
**NET DISTRIBUTABLE REVENUE (€)**

**€23.3m**

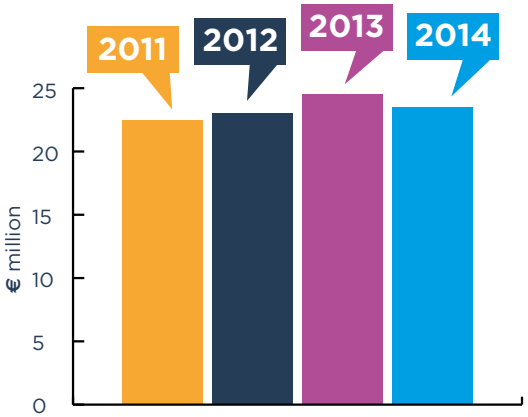
### Total Revenue




### Costs




### Net Distributable Revenue




| Financial Highlights | Operational Highlights |
|---|---|
| • Decrease in Licensing Revenue of 2% to €28m in 2014, specifically related to large concert revenue.<br>• Increase of 7% in Operating Expenses<br>• Decrease of 4% in Net Distributable Revenue to €23.3m in 2013<br>• Cost income ratio of 18.2% in 2014 | • Deployment of key IT systems into the cloud<br>• 610 new members were admitted |

# PERFORMANCE AT A GLANCE

## MONEY IN
€28.4

| | |
|---|---|
| BROADCASTING | €7.3 |
| CABLE | €1.1 |
| SATELLITE | €0.8 |
| PUBLIC PERFORMANCE GENERAL | €10.0 |
| CONCERTS | €2.7 |
| CINEMA | €0.8 |
| ONLINE | €0.8 |
| OVERSEAS | €4.7 |
| FINANCIAL INCOME | €0.2 |

## MONEY OUT
€23.3

| | |
|---|---|
| BROADCASTING | €6.5 |
| CABLE | €1.0 |
| SATELLITE | €0.7 |
| PUBLIC PERFORMANCE GENERAL | €6.3 |
| CONCERTS | €2.6 |
| CINEMA | €0.6 |
| ONLINE | €0.7 |
| OVERSEAS | €4.7 |
| FINANCIAL INCOME | €0.2 |

1. All amounts are in million EUR.
2. "Money in" shows the income generated in 2014 by area.
3. "Money out" shows the amounts which – based on the 2014 financial results – are ready for distribution amongst rights holders.

# Irish Music Rights Organisation Limited

**(A company limited by guarantee and not having a share capital)**

Reports and Financial Statements
for the year ended
31 December 2014

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## DIRECTORS AND OTHER INFORMATION

### BOARD OF DIRECTORS AT 31 DECEMBER 2014

Máire Breatnach
Brian Crosby
Keith Donald
Philip Flynn (External)
Mick Hanly
James Hickey (External)
Johnny Lappin
Steve Lindsey
Donagh Long
Eleanor McEvoy
Charlie McGettigan
Michael O'Riordan
Niall Toner

### SOLICITORS

McCann Fitzgerald
Riverside One
2 Harbourmaster Place
Sir Rogerson's Quay
Dublin 2

Matheson
70 Sir John Rogerson's Quay
Dublin 2

Arthur Cox
Earlsfort Terrace
Dublin 2

### SECRETARY AND REGISTERED OFFICE

Bradwell Limited
Copyright House
Pembroke Row
Lower Baggot Street
Dublin 2

### INDEPENDENT AUDITORS

Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Earlsfort Terrace
Dublin 2

### BANKERS

Bank of Ireland
Lower Baggot Street
Dublin 2

AIB GTS
4th Floor
AIB International Centre
PO Box 2750, IFSC
Dublin 1

Ulster Bank
81 - 82 Lower Dorset Street
Dublin1

The directors present herewith their report and the audited financial statements for the year ended 31 December 2014.

## 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 €28,079,183 shows a decrease of €579,427 (2%) over 2013. Public performance, specifically large concert revenue, contributed largely to this decrease. Operating costs at €5,117,383 showed an increase of €364,180 (7.7%) in the year. Operating costs as a percentage of revenue was 18.2% (2013: 16.6%). Other operating income decreased by €28,850 (6.5%) on the prior year. In 2014 royalties have decreased by €1,165,064 (4.8%) over 2013 as a result of decreased activity.

The net pension liability at €1,952,212 shows an increase of €489,475 from the prior year and is largely attributable to an increase in discount rates used to value plan liabilities at the balance sheet date. Reserves at the year-end amounted to a surplus of €859,474.

## 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.

## FINANCIAL RISK MANAGEMENT

The company is exposed to a variety of financial risks that include price risk, credit risk, liquidity risk and cash flow risk. The directors have programmes and controls in place to manage the financial risk exposures of the company.

*Foreign exchange risk*
With the exception of overseas revenue the company does not have any material exposure to foreign exchange risk. The substantial part of its business is conducted in Euro.

*Credit risk*
The company has a significant level of debtors at any point in time. Procedures are in place which monitor the risk from existing debt.

*Liquidity risk*
The company has significant bank balances. It has no exposure to debt finance and has sufficient available funds to meet the day to day operations and strategy of the company.

*Price risk*
The company is not exposed to any specific price risks. The directors review the appropriateness of their pricing policy and pricing arrangements with external parties on an ongoing basis in order to manage any price risk exposure.

*Cash flow risk*
The company does not have any material exposure to cash flow risk. Cash flow from operations continues to remain strong.

## PROPER BOOKS

The measures taken by the directors to ensure compliance with the requirements of Section 202 of the Companies Act 1990, regarding 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 and balance sheet are set out on page 11 and 13 respectively.

## 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 2014 were:

Máire Breatnach
Brian Crosby
Keith Donald
Philip Flynn (External)
Mick Hanly
James Hickey (External)
Johnny Lappin
Steve Lindsey
Donagh Long
Eleanor McEvoy
Charlie McGettigan
Michael O'Riordan
Niall Toner

On 30 September 2014, James Morris retired as director of the company and on 31 October Edward Joyce retired as director of the company. On 29 August 2014 Stephen Burton retired as Company Secretary and was replaced by Bradwell Limited.

## BOARD ATTENDANCE

The total number of Board meetings in 2014 was 8 (2013: 6).

Attendances by each Board member were as follows:

| | Attended | Number of meetings eligible to attend in year |
|---|---|---|
| Máire Breatnach | 8 | 8 |
| Brian Crosby | 8 | 8 |
| Keith Donald | 8 | 8 |
| Philip Flynn | 8 | 8 |
| Mick Hanly | 8 | 8 |
| James Hickey | 7 | 8 |
| Eddie Joyce (retired on 31 October 2014) | 6 | 7 |
| Johnny Lappin | 8 | 8 |
| Steve Lindsey | 8 | 8 |
| Donagh Long | 8 | 8 |
| Eleanor McEvoy | 7 | 8 |
| Charlie Mc Gettigan | 8 | 8 |
| James Morris (retired on 30 September 2014) | 7 | 7 |
| Michael O'Riordan | 8 | 8 |
| Niall Toner | 8 | 8 |

## 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 2014.

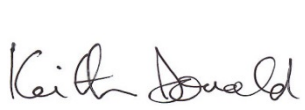
## SUBSEQUENT EVENTS

There have been no significant events affecting the company since the year end.

## AUDITOR

Deloitte & Touche, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 160(2) of the Companies Act, 1963.

Signed on behalf of the Board:



Director

Director

Date: 7th May 2015

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the company financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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 proper books of account 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 Irish statute comprising the Companies Acts, 1963 to 2013. 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**
**IRISH MUSIC RIGHTS ORGANISATION LIMITED**
**(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)**

We have audited the financial statements of Irish Music Rights Organisation Limited for the year ended 31 December 2014 which comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Reports and Financial Statements for the year ended 31 December 2014 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 financial statements**

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 affairs of the company as at 31 December 2014 and of the surplus for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2013.

**Matters on which we are required to report by the Companies Acts, 1963 to 2013**

- 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 is consistent with the financial statements.

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**
**IRISH MUSIC RIGHTS ORGANISATION LIMITED**
**(A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the provisions in the Companies Acts, 1963 to 2013 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Signed by Daniel Murray on behalf of Deloitte Chartered Accountants
and Statutory Audit Firm Dublin

Date: 7th May 2015

## STATEMENT OF 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 2013. 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 Financial Reporting Council.

### ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention, with the exception of property which is stated at revalued amount less accumulated depreciation. The currency used in these financial statements is the Euro denoted by the symbol €.

### LICENCE REVENUE

Licence revenue represents royalty income earned exclusive of value added tax and net of any bad debt provision.

Broadcasting and public performance revenue earned is recognised over the period of the license or if related to specific events, revenue is recognised once the event has taken place.

The company's share of amounts collected from cable television is included under license revenue with the allocations to the rightsholders included in the creditors on the balance sheet.

### TANGIBLE FIXED ASSETS

Property is stated at revalued amount less accumulated depreciation.

Other tangible fixed assets are stated at cost less accumulated depreciation.

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

## TANGIBLE FIXED ASSETS (CONTINUED)

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis over their useful economic lives stated below. The relevant depreciation charges are estimated to reduce the assets to residual values by the end of their expected useful economic lives.

| | Years |
|---|---|
| Property | 50 |
| Improvements to property | 36 |
| Computer equipment | 3 - 5 |
| Motor vehicles | 5 |
| Furniture and equipment | 7 |

## 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 projected unit 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 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.

The defined contribution pension charge to operating profit comprises the contribution payable to the scheme for the year.

## TAXATION

Current tax represents the amount expected to be paid or recovered in respect of taxable profit for the year and is calculated using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more taxation. Deferred taxation is measured on an undiscounted basis at the taxation rates that are anticipated to apply in the periods in which the timing differences reverse, based on taxation rates and legislation which are enacted or substantively enacted at the balance sheet date.

## CHANGES IN ACCOUNTING POLICY

The financial statements have been prepared using the same policies as set out in the financial statements for the year ended 31 December 2013 with the exception of the accounting policy on cable revenue. The change effected was to move from a gross to a net presentation as the directors are of the opinion that this treatment best reflects the current underlying agreements in place. The change in treatment with regard to cable revenue represents a change in accounting policy and the comparative figures have been restated accordingly.

The effect of the change in accounting policy was to decrease both cable revenue and royalties by €9,384,895 in the prior year. There was no change to the balance sheet as a consequence of this change to accounting policy

There was no change to reserves or to royalties payable to members and affiliates as a consequence of this change in accounting policy.

**IRISH MUSIC RIGHTS ORGANISATION LIMITED**
**(A company limited by guarantee and not having a share capital)**

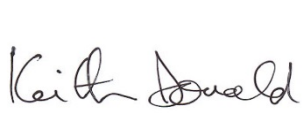
**INCOME AND EXPENDITURE ACCOUNT**
**FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Notes | **2014** | 2013 Restated |
|---|---|---|---|
| | | **€** | € |
| **Licence revenue** | *1* | **28,079,183** | 28,658,610 |
| Operating expenses | | **(5,117,383)** | (4,753,203) |
| Other operating income | | **412,625** | 441,475 |
| **Operating surplus before royalties** | | **23,374,425** | 24,346,882 |
| Royalties | | **(23,282,271)** | (24,447,335) |
| **Operating suplus/(deficit)** | | **92,154** | (100,453) |
| Interest receivable | | **90,997** | 169,117 |
| Other finance income/(costs) | *9* | **4,300** | (1,000) |
| **Surplus before taxation** | *3* | **187,451** | 67,664 |
| Taxation (charge)/credit | *4* | **(73,401)** | 71,588 |
| **Surplus for the year** | | **114,050** | 139,252 |

The results of the company all derive from continuing operations.

The financial statements were approved by the Board of Directors on 7th May 2015 and signed on its behalf by:

On behalf of the Board:



Director

Director

**IRISH MUSIC RIGHTS ORGANISATION LIMITED**
**(A company limited by guarantee and not having a share capital)**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
**FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Notes | **2014** **€** | 2013 € |
|---|---|---|---|
| Surplus for the year | | **114,050** | 139,252 |
| Actuarial (losses)/gains in respect of pension scheme | *9* | **(974,200)** | 1,022,800 |
| Deferred tax on actuarial loss/(gain) | | **121,775** | (424,948) |
| Revaluation surplus | *5* | **2,927,096** | - |
| **Total recognised gains and losses relating to the year** | | **2,188,721** | 737,104 |

**IRISH MUSIC RIGHTS ORGANISATION LIMITED**
**(A company limited by guarantee and not having a share capital)**

**BALANCE SHEET**
**AS AT 31 DECEMBER 2014**

| | Notes | **2014** **€** | 2013 € |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Tangible assets | *5* | **5,791,440** | 2,879,701 |
| **CURRENT ASSETS** | | | |
| Debtors | *6* | **9,890,804** | 10,567,427 |
| Cash at bank and on hand | *7* | **12,215,322** | 12,633,602 |
| | | **22,106,126** | 23,201,029 |
| **CREDITORS:** (Amounts falling due within one year) | *8* | **(25,085,880)** | (25,947,240) |
| **NET CURRENT LIABILITIES** | | **(2,979,754)** | (2,746,211) |
| **NET ASSETS EXCLUDING PENSION LIABILITY** | | **2,811,686** | 133,490 |
| Pension liability | *9* | **(1,952,212)** | (1,462,737) |
| **NET ASSETS/(LIABILITIES)** | | **859,474** | (1,329,247) |
| **RESERVES** | | | |
| Deficit on reserves | *15* | **(2,067,622)** | (1,329,247) |
| Revaluation reserve | 15 | **2,927,096** | - |
| | | **859,474** | (1,329,247) |

The financial statements were approved by the Board of Directors on 7th May 2015 and signed on its behalf by:

On behalf of the Board:

Director

Director

**IRISH MUSIC RIGHTS ORGANISATION LIMITED**
**(A company limited by guarantee and not having a share capital)**

**CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2014**

| | Notes | **2014** **€** | 2013 € |
|---|---|---|---|
| Net cash (outflow)/inflow from operating activities | *10* | **(229,760)** | 1,848,074 |
| Returns on investments and servicing of finance | *11* | **90,997** | 169,117 |
| Taxation (paid)/refund | | **(2,667)** | 36,032 |
| Capital expenditure and financial investment | *12* | **(276,850)** | (125,843) |
| **(Decrease)/increase in cash in the year** | *18* | **(418,280)** | 1,927,380 |

## 1. LICENCE REVENUE

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

| | **2014** | 2013 Restated |
|---|---|---|
| | **€** | € |
| Ireland | **32,877,618** | 33,521,730 |
| United Kingdom | **1,739,699** | 1,640,029 |
| Other EU countries | **1,702,622** | 1,745,305 |
| United States of America | **495,625** | 496,326 |
| Rest of the world | **735,217** | 640,115 |
| **Gross revenue** | **37,550,781** | 38,043,505 |
| Royalty payable to broadcasters and other rights holders (a) | **(9,471,598)** | (9,384,895) |
| **Net revenue** | **28,079,183** | 28,658,610 |

(a) These gross revenues, disclosed in accordance with FRS 5 Application Note G, are collected on behalf of the broadcasters and other rights holders and are not attributable to the company's members or affiliates. The company earns a commission in providing these services.

## 2. EMPLOYEES AND REMUNERATION

The average number of persons employed by the company during the year, excluding non-executive directors, was 52 (2013: 50) and all were categorised as administration.

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

| | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| Wages and salaries | **2,789,865** | 2,650,755 |
| Social welfare costs | **292,214** | 295,484 |
| Pension and life assurance costs | **147,696** | 158,567 |
| | **3,229,775** | 3,104,806 |

## 3. SURPLUS BEFORE TAXATION

| | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| **Surplus before taxation for the year is stated after charging:** | | |
| Directors' remuneration: | | |
| - for services as directors | **219,098** | 203,146 |
| Depreciation (Note 5) | **291,456** | 303,433 |
| Loss on disposal of fixed assets | **751** | 1,372 |
| **Auditor's remuneration:** | | |
| - Audit | **35,000** | 35,000 |
| - Tax advisory | **-** | - |
| - Other assurance | **-** | - |
| - Other non-audit | **-** | - |
| | **35,000** | 35,000 |

## 4. TAXATION (CHARGE)/CREDIT

| | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| Current tax: | | |
| Current tax charge for the year | **21,551** | 18,762 |
| Overprovision in relation to prior years | **-** | (43,712) |
| Deferred tax charge/(credit) on pension adjustment | **51,850** | (46,638) |
| Taxation charge/(credit) | **73,401** | (71,588) |

The current tax charge for the year is higher than the current charge that would result from applying the standard rate of Irish corporation tax to surplus before taxation. The differences are explained below:

| | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| Surplus on ordinary activities before tax | **187,451** | 67,664 |
| Surplus on ordinary activities multiplied by the average rate of Irish corporation tax for the year of 12.5% (2013: 12.5%) | **23,431** | 8,458 |
| Effects of: | | |
| Disallowable (income)/expenses and tax adjustments | **(6,922)** | 2,487 |
| Depreciation in excess of capital allowances | **5,042** | 7,817 |
| Current tax charge for the year | **21,551** | 18,762 |

## 5. TANGIBLE FIXED ASSETS

| | Property | Computer equipment | Motor vehicles | Furniture and equipment | Total |
|---|---|---|---|---|---|
| | € | € | € | € | € |
| **Cost** | | | | | |
| At 1 January 2014 | 3,233,021 | 2,591,240 | 252,666 | 346,407 | 6,423,334 |
| Additions | - | 214,202 | 80,693 | - | 294,895 |
| Disposals | - | - | (58,295) | - | (58,295) |
| Revaluation | 1,716,979 | - | - | - | 1,716,979 |
| **At 31 December 2014** | **4,950,000** | **2,805,442** | **275,064** | **346,407** | **8,376,913** |
| **Accumulated depreciation** | | | | | |
| At 1 January 2014 | 1,099,267 | 2,222,225 | 150,882 | 71,259 | 3,543,633 |
| Charge for year | 110,850 | 146,214 | 33,236 | 1,156 | 291,456 |
| Disposals | - | - | (39,499) | - | (39,499) |
| Revaluation | (1,210,117) | - | - | - | (1,210,117) |
| **At 31 December 2014** | **-** | **2,368,439** | **144,619** | **72,415** | **2,585,473** |
| **Net book value** | | | | | |
| **At 31 December 2014** | **4,950,000** | **457,003** | **130,445** | **273,992** | **5,791,440** |
| At 31 December 2013 | 2,133,754 | 369,015 | 101,784 | 275,148 | 2,879,701 |

Copyright House was revalued to €4,950,000 on the basis of open market value for existing use on 31st December 2014. The valuation was undertaken by Quinn Agnew FSCS FRICS FIAVI. The carrying amount that would have been included in the financial statements had the cost less depreciation method been used was €2,022,904. The gain arising on the valuation of €2,927,096 was credited to a revaluation reserve (note 15). The valuer in question was external to the company and the value reflected market conditions and sentiment at 31st December 2014. The valuation report highlighted the impact of the current economic environment and the recent improvements in commercial property valuations.

The building will be depreciated on a straight line basis as detailed in the accounting policy section on page 10. The estimated remaining useful life is 30 years. The property was purchased in 1994 and therefore there are 30 years left of useful life. The depreciation charge for 2014 is unchanged as the revaluation took place as at 31st December 2014.

## 6. DEBTORS: (Amounts falling due within one year)

| | 2014 | 2013 |
|---|---|---|
| | € | € |
| Broadcasting and public performance debtors, net of bad debts provision | **9,860,342** | 10,467,981 |
| Other debtors and prepayments | **30,462** | 83,350 |
| Corporation tax recoverable | **-** | 16,096 |
| | **9,890,804** | 10,567,427 |

## 7. CASH AT BANK AND ON HAND

| | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| Cash balances available on demand | **7,704,541** | 7,712,810 |
| Cash held on deposit | **4,510,781** | 4,920,792 |
| | **12,215,322** | 12,633,602 |

## 8. CREDITORS: (Amounts falling due within one year)

| | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| Members and affiliates royalties payable | **12,702,142** | 13,223,738 |
| Cable TV rights holders royalties payable | **4,761,172** | 5,632,747 |
| Public performance deferred revenue | **4,970,338** | 4,949,234 |
| Other creditors and accruals | **1,170,216** | 1,069,837 |
| VAT payable | **1,374,136** | 976,559 |
| PAYE/PRSI | **105,088** | 95,125 |
| Corporation tax payable | **2,788** | - |
| | **25,085,880** | 25,947,240 |

## 9. RETIREMENT BENEFITS

### (a) Defined contribution scheme

The organisation operates a defined contribution scheme. Pension benefits are funded over the employee's period of service by way of contributions to an insured fund. The organisation's contributions are charged to the profit and loss account in the period to which they relate and amounted to €63,021 (2013: €70,820). An amount of €7,996 (2013: €6,924) was payable at year end.

### (b) Defined benefit scheme

The most recent actuarial valuation prepared on 1 January 2014 showed that the market value of the scheme's assets was €7,229,000 and that the actuarial value of those assets represented 77% of the benefits that had accrued to members after allowing for expected future increases in earnings. The variable rate of contribution by the company was set at 10% of earnings with effect from 1 January 2010 in accordance with the recommendation of the actuary. However, in addition and as part of a 10 year Minimum Funding Plan submitted to the Pension Board in 2013, the company also contributed an annual lump sum of €352,000 in the financial year ended 31 December 2013 with annual lump sum payments of €352,000 indexed in line with inflation payable over a 9 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 December 2023. The contribution by employees is 10% of pensionable salaries. The funding proposal was approved by the Pensions Board in January 2014.

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.

## 9. RETIREMENT BENEFITS (CONTINUED)

### (c) Financial Reporting Standard 17 'Retirement Benefits' disclosures

| The amounts recognised in the balance sheet are as follows: | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| Present value of scheme liabilities | **(10,265,500)** | (8,902,400) |
| Fair value of scheme assets | **8,034,400** | 7,230,700 |
| Pension liability | **(2,231,100)** | (1,671,700) |
| Related deferred tax asset | **278,888** | 208,963 |
| **Net pension liability** | **(1,952,212)** | (1,462,737) |

| The amounts recognised in the income and expenditure account are as follows: | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| Interest cost | **295,600** | 304,900 |
| Expected return on scheme assets | **(299,900)** | (303,900) |
| Other finance (income)/cost | **(4,300)** | 1,000 |
| Current service cost – included in operating expenses | **29,100** | 28,100 |
| Past service cost – included in operating expenses | **(37,400)** | (16,400) |
| | **(12,600)** | 12,700 |
| **Actual return on plan assets** | **1,072,300** | 801,300 |

| The amounts recognised in the statement of total recognised gains and losses are as follows: | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| Actual less expected return on scheme assets | **772,600** | 497,400 |
| Experience gain on liabilities | **6,200** | 122,100 |
| Change in assumptions underlying the present value of the scheme liabilities | **(1,753,000)** | 403,300 |
| Actuarial (losses)/gains recognised in the statement of total recognised gains and losses | **(974,200)** | 1,022,800 |

The cumulative actuarial loss recognised in the statement of total recognised gains and losses up to and including the financial year ended 31 December 2014 is €3,860,500 (2013: €2,886,300).

## 9. RETIREMENT BENEFITS (CONTINUED)

### (c) Financial Reporting Standard 17 'Retirement Benefits' disclosures (Continued)

Expected contributions for the year ended 31 December 2015 are €436,900.

| | Scheme assets € | Scheme liabilities € | Pension deficit € |
|---|---|---|---|
| **Movement in scheme assets and liabilities** | | | |
| At 1 January 2014 | 7,230,700 | (8,902,400) | (1,671,700) |
| Past service cost | - | 37,400 | 37,400 |
| Current service cost | - | (29,100) | (29,100) |
| Interest on scheme liabilities | - | (295,600) | (295,600) |
| Expected return on scheme assets | 299,900 | - | 299,900 |
| Actual less expected return on scheme assets | 772,600 | - | 772,600 |
| Change in assumptions | - | (1,753,000) | (1,753,000) |
| Experience gains on liabilities | - | 6,200 | 6,200 |
| Contributions by scheme participants | 36,600 | (36,600) | - |
| Benefits paid from plan assets | (707,600) | 707,600 | - |
| Employer contributions paid | 402,200 | - | 402,200 |
| **At 31 December 2014** | **8,034,400** | **(10,265,500)** | **(2,231,100)** |
| At 1 January 2013 | 6,325,400 | (9,409,400) | (3,084,000) |
| Past service cost | - | 16,400 | 16,400 |
| Current service cost | - | (28,100) | (28,100) |
| Interest on scheme liabilities | - | (304,900) | (304,900) |
| Expected return on scheme assets | 303,900 | - | 303,900 |
| Actual less expected return on scheme assets | 497,400 | - | 497,400 |
| Change in assumptions | - | 403,300 | 403,300 |
| Experience gains on liabilities | - | 122,100 | 122,100 |
| Contributions by scheme participants | 40,700 | (40,700) | - |
| Benefits paid from plan assets | (338,900) | 338,900 | - |
| Employer contributions paid | 402,200 | - | 402,200 |
| At 31 December 2013 | 7,230,700 | (8,902,400) | (1,671,700) |

All of the scheme liabilities above arise from schemes that are wholly funded.

## 9. RETIREMENT BENEFITS (CONTINUED)

### (c) Financial Reporting Standard 17 'Retirement Benefits' disclosures (Continued)

**Risks and rewards arising from the assets**
At 31 December 2014 the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities and properties. The fair value of the scheme assets as a percent of total scheme assets and target allocations are set out below:

| (as a percentage of total scheme assets) | **2014 %** | 2013 % |
|---|---|---|
| Equities | **65.41** | 65.77 |
| Bonds – Fixed interest fund | **31.23** | 20.33 |
| Real estate/property | **-** | 3.33 |
| Other | **3.36** | 10.58 |

Scheme assets do not include any of Irish Music Rights Organisation Limited's own financial instruments, or any property occupied by Irish Music Rights Organisation Limited.

**Basis of expected rate of return on scheme assets**
To develop the expected long-term rate of return on asset assumptions, the company considered the current level of expected return on risk free investments (primarily government bonds), the historic level of the risk premium associated with other asset classes. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on asset assumption for the portfolio. Thus, the overall expected return on scheme assets at 31 December 2014 is 4.40% (2013: 4.90%).

The principal actuarial assumptions at the balance sheet date:

| | **2014 %** | 2013 % |
|---|---|---|
| Discount rate at 31 December | **2.10** | 3.50 |
| Future salary increases | **0.00** | 0.00 |
| Future pension increases for in-payment benefits | **1.60** | 2.00 |
| Expected long-term return on scheme assets | **4.40** | 4.90 |

Since 2009, increases in member basic salary would not be pensionable.

Assumptions regarding future mortality are set based on advice from published statistics and experience.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements in the assumptions.

## 9. RETIREMENT BENEFITS (CONTINUED)

### (c) Financial Reporting Standard 17 'Retirement Benefits' disclosures (Continued)

**Basis of expected rate of return on scheme assets (Continued)**

| Longevity at 65 for current pensioners: | **2014** | 2013 |
|---|---|---|
| Male | **20.8** | 20.7 |
| Female | **23.4** | 23.2 |
| Longevity at 65 for members retiring in 2037: | | |
| Male | **23.9** | 23.9 |
| Female | **26.0** | 25.9 |

Amounts for the current and previous four years are as follows:

| | **2014** | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| | **€** | € | € | € | € |
| Present value of the scheme liabilities | **(10,265,500)** | (8,902,400) | (9,409,400) | (6,766,000) | (6,655,300) |
| Fair value of scheme assets | **8,034,400** | 7,230,700 | 6,325,400 | 5,449,400 | 5,379,500 |
| Pension deficit | **(2,231,100)** | (1,671,700) | (3,084,000) | (1,316,600) | (1,275,800) |
| Experience adjustments on scheme liabilities as a percentage of scheme liabilities at the balance sheet date | **(0.060%)** | (1.372%) | (0.443%) | 2.619% | 0.335% |
| Experience adjustments on scheme assets as a percentage of scheme assets at the balance sheet date | **(9.616%)** | (6.879%) | (7.340%) | 7.988% | (4.763%) |

## 10. RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

| | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| Operating surplus/(deficit) | **92,154** | (100,453) |
| Depreciation | **291,456** | 303,433 |
| Loss on disposal | **751** | 1,372 |
| Pension contributions | **(439,600)** | (418,600) |
| Retirement benefits service charge | **29,100** | 28,100 |
| Decrease in debtors | **660,527** | 1,764,428 |
| (Decrease)/increase in creditors | **(864,148)** | 269,794 |
| Net cash (outflow)/inflow from operating activities | **(229,760)** | 1,848,074 |

## 11. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

| | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| Interest received | **90,997** | 169,117 |

## 12. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

| | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| Purchase of tangible fixed assets | **294,895** | 139,704 |
| Proceeds from the disposal of fixed assets | **(18,045)** | (13,861) |
| | **276,850** | 125,843 |

## 13. ANALYSIS OF CHANGES IN NET CASH

| | At 1 January 2014 € | Cashflow € | **At 31 December 2014 €** |
|---|---|---|---|
| **Net cash** | | | |
| Cash at bank and on hand | 12,633,602 | (418,280) | **12,215,322** |

## 14. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

| | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| Movement in net cash in the year | **(418,280)** | 1,927,380 |
| Net cash at 1 January | **12,633,602** | 10,706,222 |
| Net cash at 31 December | **12,215,322** | 12,633,602 |

## 15. RESERVES

| | **Profit and loss Account - deficit €** | **Revaluation reserve €** | **Total €** |
|---|---|---|---|
| At 1 January 2014 | (1,329,247) | - | (1,329,247) |
| Surplus for the year | 114,050 | - | 114,050 |
| Actuarial gain in respect of pension scheme | (974,200) | - | (974,200) |
| Deferred tax on actuarial gain | 121,775 | - | 121,775 |
| Revaluation surplus | - | 2,927,096 | 2,927,096 |
| **At 31 December 2014** | **(2,067,622)** | **2,927,096** | **859,474** |

## 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 2014 total royalties paid by the organisation to the directors of the company and to parties related to the directors of the company amounted to €227,887 (2013: €277,151). 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.

In addition, travel and membership development grants in the amount of €4,500 were paid to 3 member directors (2013: €4,500 - (3 member directors)).

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

## 17. LEGAL STATUS OF THE COMPANY

The company is limited by guarantee and has no share capital. As at 31 December 2014, the company had 9,026 members (2013: 8,678) whose guarantee is limited to €1.27 each. The guarantee continues for one year after individual membership ceases.

## 18. SUBSEQUENT EVENTS

There have been no significant events affecting the company since the year end.

## 19. COMPARATIVES

Comparatives have been regrouped, where necessary, on the same basis as those for current year.

Cherishing Music In A Changing World

IRISH MUSIC RIGHTS ORGANISATION
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