

# Performance at a Glance

Licence Revenue  
(€)

€38.1m

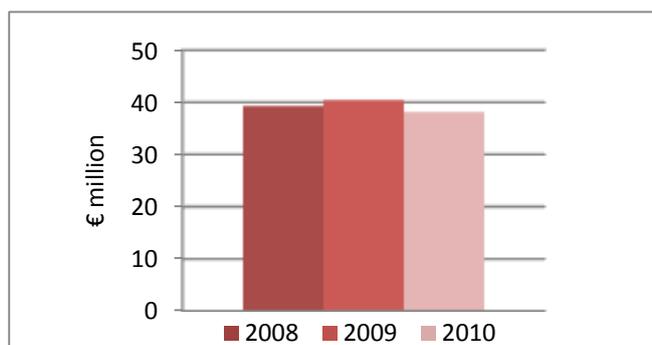
Decrease of 5.8%

Net Distributable Revenue  
(€)

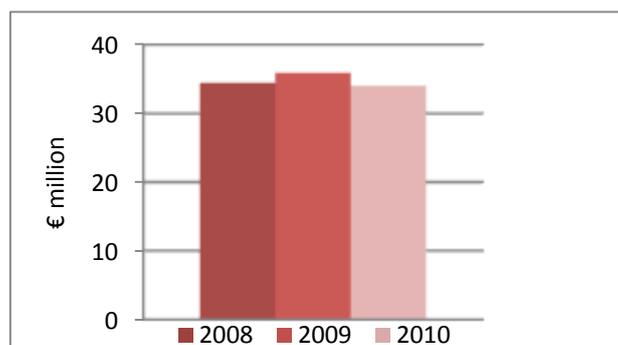
€34.0m

Decrease of 5%

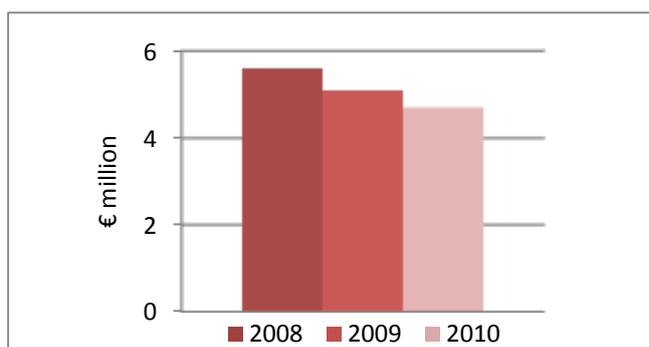
## Total Revenue



## Net Distributable Revenue



## Total Costs (Decrease of 9%)



## Financial Highlights

- Decrease in Licensing Revenue of 5.8% to €38.1m in 2010
- Decrease of 9% in Operating Expenses
- Decrease of 5% in Net Distributable Revenue to €34m in 2010
- Cost income ratio of 12.4% in 2010

## Operational Highlights

- Distributions (incl. cable) paid in 2010 amounted to €39.7m which represents an increase of 2%
- Investment in self service member area on IMRO website
- 542 new members were admitted

**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 2010**

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## DIRECTORS AND OTHER INFORMATION

### Board of Directors at 31 December 2010

Paul Brady  
Keith Donald  
Philip Flynn  
Eddie Joyce  
Johnny Lappin  
Steve Lindsey  
Donagh Long  
Eleanor McEvoy  
Charlie McGettigan  
Maire Breatnach  
Michael O'Riordan  
Niall Toner  
James Morris  
James Hickey  
Brian Crosby

### Secretary and Registered Office

Stephen Burton  
Copyright House  
Pembroke Row  
Lower Baggot Street  
Dublin 2

### Independent Auditors

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
One Spencer Dock  
North Wall Quay  
Dublin 1

### Solicitors

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

Matheson Ormsby Prentice  
70 Sir John Rogersons Quay  
Dublin 2

Arthur Cox & Co  
Earlsfort Centre  
Earlsfort Terrace  
Dublin 2

AB Wolfe & Co  
76 Lower Baggot Street  
Dublin 2

Ivor Fitzpatrick & Co.  
44-45 St. Stephen's Green  
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

AIB GTS  
4<sup>th</sup> Floor  
AIB International Centre  
PO Box 2750, IFSC  
Dublin 1

Ulster Bank  
81 - 82 Lower Dorset Street  
Dublin1

## **DIRECTORS' REPORT**

The directors present herewith their report and the audited financial statements for the year ended 31 December 2010.

### **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 €38,083,429 shows a decrease of €2,359,891 (6%) over 2009. Public performance and broadcast related licence revenue contributed largely to this decrease. Operating costs at €4,723,195 showed a decrease of €467,072 (9%) in the year. Operating cost as a percentage of income was 12.4% (2009: 12.8%). Other operating income decreased by €461,530 (44%) on the prior year. This is mainly due to the inclusion of an exceptional curtailment gain on the pension scheme arising in respect of a notification to members of a cap on pensionable salaries at the 1 January 2009 level. In 2010 royalties have decreased by €1,821,810 (5%) over 2009 as a result of decreased activity.

A increase in the value of the assets of the defined benefit pension scheme has resulted in a net pension liability of €1,116,325 (2009: €1,642,250) at the balance sheet date. This is consistent with the performance of defined benefit pension schemes generally in 2010. Reserves at the year-end amount to €330,857 compared to reserves of €20,205 in the prior year.

### **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.

### **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 monitors 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.

## **DIRECTORS' REPORT - continued**

### **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 2009. 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.

### **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 during the financial year of 2010 were:

Paul Brady  
Brian Crosby  
Keith Donald  
Philip Flynn (External)  
James Hickey (External)  
Eddie Joyce  
Johnny Lappin  
Steve Lindsey  
Donagh Long  
Eleanor McEvoy  
Charlie McGettigan  
Christy Moore  
James Morris (External)  
Michael O'Riordan  
Niall Toner  
Maire Breatnach

Christy Moore resigned from the Board on 15 September 2010.

Maire Breatnach was appointed to the Board to fill the casual vacancy resulting from Mr. Moore's resignation, with effect from 15 September 2010.

## DIRECTORS' REPORT - continued

### Board Attendance

The total number of Board meetings in 2010 was 6 (2009: 7).

Attendances by each Board member were as follows:

|                    | Number of meetings |              |
|--------------------|--------------------|--------------|
|                    | Attended           | Held in year |
| Paul Brady         | 5                  | 6            |
| Brian Crosby       | 5                  | 6            |
| Keith Donald       | 5                  | 6            |
| Philip Flynn       | 6                  | 6            |
| James Hickey       | 6                  | 6            |
| Eddie Joyce        | 3                  | 6            |
| Johnny Lappin      | 6                  | 6            |
| Steve Lindsey      | 6                  | 6            |
| Donagh Long        | 6                  | 6            |
| Eleanor McEvoy     | 5                  | 6            |
| Charlie McGettigan | 6                  | 6            |
| Christy Moore      | 2                  | 4*           |
| James Morris       | 4                  | 6            |
| Michael O'Riordan  | 6                  | 6            |
| Niall Toner        | 6                  | 6            |
| Maire Breatnach    | 2                  | 2**          |

\*to date of resignation

\*\*from date of appointment

### 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 2010.

### Subsequent events

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

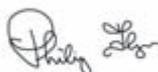
### Auditors

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:

Keith Donald  
Director

Philip Flynn  
Director



## **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 23. 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 4.

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 2009. 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; and
- whether the directors' report is consistent with the financial statements.

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.

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

**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 judgements 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, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs as at 31 December 2010 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 2009.

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**

**INCOME AND EXPENDITURE ACCOUNT**  
Year Ended 31 December 2010

|   | Notes | 2010<br>€           | 2009<br>€           |
|---|-------|---------------------|---------------------|
| <b>Licence revenue</b>                    | 1     | 38,083,429          | 40,443,320          |
| Operating expenses                        |       | (4,723,195)         | (5,190,267)         |
| Other operating income                    |       |                     |                     |
| - Non exceptional                         |       | 577,416             | 509,346             |
| - Exceptional                             | 2     | <u>-</u>            | <u>529,600</u>      |
| <b>Operating surplus before royalties</b> |       | 33,937,650          | 36,291,999          |
| Royalties                                 |       | <u>(34,018,946)</u> | <u>(35,840,756)</u> |
| <b>Operating (deficit)/ surplus</b>       |       | (81,296)            | 451,243             |
| Interest receivable                       |       | 292,134             | 393,596             |
| Other finance costs                       | 9     | <u>(64,500)</u>     | <u>(121,400)</u>    |
| <b>Surplus before taxation</b>            | 4     | 146,338             | 723,439             |
| Taxation credit                           | 5     | <u>40,327</u>       | <u>19,354</u>       |
| <b>Surplus for the year</b>               |       | <u>186,665</u>      | <u>742,793</u>      |

The results of the company all derive from continuing operations.

**Approved on behalf of the board by:**

Keith Donald  
Director



Philip Flynn  
Director



**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
Year Ended 31 December 2010

|   | Notes | 2010<br>€      | 2009<br>€          |
|---|-------|----------------|--------------------|
| Surplus for the year  |       | 186,665        | 742,793            |
| Actuarial gain in respect of pension scheme                   | 9     | 141,700        | 145,700            |
| Deferred tax on actuarial gain                                |       | (17,713)       | 18,213             |
| Unrealised deficit on revaluation of property                 | 6     | <u>-</u>       | <u>(1,400,000)</u> |
| <b>Total recognised gains and losses relating to the year</b> |       | <u>310,652</u> | <u>(493,294)</u>   |

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**  
Year Ended 31 December 2010

|  | 2010<br>€      | 2009<br>€      |
|--|----------------|----------------|
| <b>Reported surplus before taxation</b>  | 146,338        | 723,439        |
| Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount | <u>10,558</u>  | <u>42,425</u>  |
| <b>Historical cost surplus before taxation</b>   | <u>156,896</u> | <u>765,864</u> |
| <b>Historical cost surplus after taxation</b>  | <u>146,073</u> | <u>785,218</u> |

**BALANCE SHEET**  
**31 December 2010**

|  | Notes | 2010<br>€           | 2009<br>€           |
|--|-------|---------------------|---------------------|
| <b>Fixed assets</b>                                    |       |                     |                     |
| Tangible assets  | 6     | <u>4,399,562</u>    | <u>4,645,522</u>    |
| <b>Current assets</b>                                  |       |                     |                     |
| Debtors  | 7     | 10,810,142          | 11,631,677          |
| Cash at bank and on hand                               |       | <u>11,831,149</u>   | <u>12,113,644</u>   |
|  |       | 22,641,291          | 23,745,321          |
| <b>Creditors – amounts falling due within one year</b> | 8     | <u>(25,593,671)</u> | <u>(26,727,388)</u> |
| <b>Net current liabilities</b>                         |       | <u>(2,952,380)</u>  | <u>(2,982,067)</u>  |
| <b>Net assets excluding pension liability</b>          |       | 1,447,182           | 1,663,455           |
| Pension liability                                      | 9     | <u>(1,116,325)</u>  | <u>(1,643,250)</u>  |
| <b>Net assets including pension liability</b>          |       | <u>330,857</u>      | <u>20,205</u>       |
| <b>Capital and reserves</b>                            |       |                     |                     |
| Surplus/ (deficit) on reserves                         | 15    | 5,550               | (305,102)           |
| Revaluation reserve                                    | 15    | <u>325,307</u>      | <u>325,307</u>      |
|  |       | <u>330,857</u>      | <u>20,205</u>       |

**Approved on behalf of the board by:**

Keith Donald  
Director

Philip Flynn  
Director




**CASH FLOW STATEMENT**  
Year Ended 31 December 2010

|  | Notes | 2010<br>€        | 2009<br>€        |
|--|-------|------------------|------------------|
| <b>Net cash (outflow)/inflow from operating activities</b> | 10    | (337,500)        | 568,978          |
| <b>Returns on investments and servicing of finance</b>     | 11    | 333,780          | 352,512          |
| <b>Taxation paid</b>                                       |       | (55,812)         | (85,038)         |
| <b>Capital expenditure and financial investment</b>        | 12    | <u>(222,963)</u> | <u>(539,673)</u> |
| <b>(Decrease)/ Increase in cash in the year</b>            | 13    | <u>(282,495)</u> | <u>296,779</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 2009. 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.

### 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 and public performance revenue is recorded on an invoice 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

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.

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, which 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.

## **ACCOUNTING POLICIES - continued**

### **Retirement benefits - continued**

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

### **Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised; without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

**NOTES TO THE FINANCIAL STATEMENTS**

|                          |      |      |
|--------------------------|------|------|
| <b>1 Licence revenue</b> | 2010 | 2009 |
|                          | €    | €    |

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

|                          |                   |                   |
|--------------------------|-------------------|-------------------|
| Ireland                  | 34,771,847        | 36,053,166        |
| United Kingdom           | 1,123,668         | 1,735,213         |
| Other EU countries       | 1,198,783         | 1,676,697         |
| United States of America | 448,747           | 322,457           |
| Rest of the world        | 540,384           | 655,787           |
|                          | <u>38,083,429</u> | <u>40,443,320</u> |

**2 Other operating income - exceptional**

The exceptional income for 2009 of €529,600 relates to a curtailment gain arising on the company's pension scheme as a result of the capping of pensionable salaries at 1 January 2009 level.

There has been no exceptional item in 2010.

**3 Employees and remuneration**

The average number of persons employed by the company during the year, excluding non-executive directors, was 48 (2009: 40) and all were categorised as administration. The increase in headcount and in wage and salary costs is attributed to a change in the structure of the field force from a non-tied agent basis to an employee basis. Counterbalancing this increase is a corresponding decrease in agents' commission.

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

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
|                                  | 2010             | 2009             |
|                                  | €                | €                |
| Wages and salaries               | 2,609,147        | 2,045,278        |
| Social welfare costs             | 286,164          | 215,328          |
| Pension and life assurance costs | 173,281          | 172,956          |
|                                  | <u>3,068,593</u> | <u>2,433,562</u> |

|                                  |      |      |
|----------------------------------|------|------|
| <b>4 Surplus before taxation</b> | 2010 | 2009 |
|                                  | €    | €    |

Surplus before taxation for the year is stated after charging/(crediting):

|   |         |         |
|---|---------|---------|
| (i) Directors' remuneration:                    |         |         |
| - for services as directors                     | 241,170 | 216,986 |
| (ii) Depreciation                               | 420,386 | 401,033 |
| (iii) Auditors' remuneration                    | 50,000  | 50,000  |
| (iv) Loss/ (profit) on disposal of fixed assets | 12,792  | (5,027) |
| (v) Interest income                             | 292,134 | 393,596 |

**NOTES TO THE FINANCIAL STATEMENTS - continued**

The increase in directors' remuneration can be attributed to the inclusion of a full year's cost of the external director appointed at the AGM in September 2009 and to an increased number of committee meetings in 2010.

| <b>5 Tax on surplus for the year</b>          | 2010<br>€       | 2009<br>€       |
|---|-----------------|-----------------|
| Current tax:                                  |                 |                 |
| Irish corporation tax on surplus for the year | 49,911          | 72,196          |
| Adjustments in respect of prior years         | <u>-</u>        | <u>-</u>        |
| Current tax charge for the year               | 49,911          | 72,196          |
| Deferred tax credit                           | <u>(90,238)</u> | <u>(91,550)</u> |
| Taxation credit                               | <u>(40,327)</u> | <u>(19,354)</u> |

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 on ordinary activities. The differences are explained below:

|  | 2010<br>€      | 2009<br>€       |
|--|----------------|-----------------|
| Surplus on ordinary activities before tax  | <u>146,338</u> | <u>723,439</u>  |
| Surplus on ordinary activities multiplied by the average rate of Irish corporation tax for the year of 12.5% (2009: 12.5%) | 18,292         | 90,430          |
| Effects of:  |                |                 |
| Disallowable (income)/expenses and tax adjustments   | (24,721)       | (90,119)        |
| Depreciation in excess of capital allowances   | 19,823         | 21,712          |
| Higher tax rate for non-trading income (25%)   | <u>36,517</u>  | <u>50,173</u>   |
| Current tax charge for the year  | <u>49,911</u>  | <u>72,196</u>   |
| <b>Tax recognised in the statement of total recognised gains and losses</b>  |                |                 |
| Deferred tax charge/ (credit) attributable to actuarial loss/gain (FRS17)  | <u>17,713</u>  | <u>(18,213)</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued

| <b>6 Tangible fixed assets</b>  | Property<br>€    | Computer<br>equipment<br>€ | Motor<br>vehicles<br>€ | Furniture and<br>equipment<br>€ | Total<br>€       |
|---------------------------------|------------------|----------------------------|------------------------|---------------------------------|------------------|
| <b>Cost</b>                     |                  |                            |                        |                                 |                  |
| At 1 January 2010               | 4,093,759        | 2,133,439                  | 236,783                | 339,732                         | 6,803,713        |
| Additions                       | -                | 176,735                    | 30,000                 | -                               | 206,735          |
| Disposals                       | -                | -                          | (30,700)               | -                               | (30,700)         |
| Reduction in accrued cost       | <u>(19,565)</u>  | <u>-</u>                   | <u>-</u>               | <u>-</u>                        | <u>(19,565)</u>  |
| At 31 December 2010             | <u>4,074,194</u> | <u>2,310,174</u>           | <u>236,083</u>         | <u>339,732</u>                  | <u>6,960,183</u> |
| <b>Accumulated depreciation</b> |                  |                            |                        |                                 |                  |
| At 1 January 2010               | 611,457          | 1,465,775                  | 53,042                 | 27,917                          | 2,158,191        |
| Charge for year                 | 132,859          | 229,607                    | 46,907                 | 11,013                          | 420,386          |
| Disposals                       | <u>-</u>         | <u>-</u>                   | <u>(17,956)</u>        | <u>-</u>                        | <u>(17,956)</u>  |
| At 31 December 2010             | <u>744,316</u>   | <u>1,695,382</u>           | <u>81,993</u>          | <u>38,930</u>                   | <u>2,560,621</u> |
| <b>Net book value</b>           |                  |                            |                        |                                 |                  |
| At 31 December 2010             | <u>3,329,878</u> | <u>614,792</u>             | <u>154,090</u>         | <u>300,802</u>                  | <u>4,399,562</u> |
| At 31 December 2009             | <u>3,482,302</u> | <u>667,664</u>             | <u>183,741</u>         | <u>311,815</u>                  | <u>4,645,522</u> |

**NOTES TO THE FINANCIAL STATEMENTS - continued**

|                  |      |      |
|------------------|------|------|
| <b>7 Debtors</b> | 2010 | 2009 |
|                  | €    | €    |

Amounts falling due within one year:

|   |                   |                   |
|---|-------------------|-------------------|
| Broadcasting and public performance debtors, net of bad debts provision | 9,012,872         | 9,474,049         |
| Other debtors and prepayments   | 1,760,073         | 2,126,333         |
| Corporation tax recoverable   | 37,197            | 31,295            |
|   | <u>10,810,142</u> | <u>11,631,677</u> |

|                    |      |      |
|--------------------|------|------|
| <b>8 Creditors</b> | 2010 | 2009 |
|                    | €    | €    |

Amounts falling due within one year:

|   |                   |                   |
|---|-------------------|-------------------|
| Members and affiliates royalties payable  | 15,780,408        | 16,355,648        |
| Cable TV rights holders royalties payable | 2,551,247         | 2,473,188         |
| Public performance deferred revenue       | 5,227,833         | 5,523,612         |
| Sundry creditors and accruals             | 1,460,468         | 1,775,926         |
| VAT payable                               | 478,333           | 524,808           |
| PAYE/PRSI                                 | 95,382            | 74,206            |
|   | <u>25,593,671</u> | <u>26,727,388</u> |

**9 Retirement benefits**

**(a) Defined benefit scheme**

The most recent actuarial valuation prepared on 1 January 2011 showed that the market value of the scheme's assets was €5,379,500 and that the actuarial value of those assets represented 80.8% 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 14.5 year Minimum Funding Plan submitted to the Pension Board in 2009, the company also contributed an annual lump sum of €325,000 in the financial year ending 31 December 2010 with annual lump sum payments of €325,000 indexed in line with inflation payable over a 12.5 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 2022. The contribution by employees is 10% of pensionable salaries. The funding proposal is not yet approved pending further clarifications requested by the Pension Board and subject to potential changes to be introduced by Government in the pensions field.

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 amounts recognised in the balance sheet are as follows:

|                                     | 2010<br>€          | 2009<br>€          |
|-------------------------------------|--------------------|--------------------|
| Present value of scheme liabilities | (6,655,300)        | (6,343,400)        |
| Fair value of scheme assets         | <u>5,379,500</u>   | <u>4,613,200</u>   |
| Pension liability                   | (1,275,800)        | (1,730,200)        |
| Related deferred tax asset          | <u>159,475</u>     | <u>86,950</u>      |
| <b>Net pension liability</b>        | <u>(1,116,325)</u> | <u>(1,643,250)</u> |
|                                     | 2010<br>€          | 2009<br>€          |

The amounts recognised in the income and expenditure account are as follows:

|   |                  |                  |
|---|------------------|------------------|
| Interest cost   | 337,300          | 353,100          |
| Expected return on scheme assets                      | <u>(272,800)</u> | <u>(231,700)</u> |
| Other finance cost                                    | 64,500           | 121,400          |
| Current service cost – included in operating expenses | 6,200            | 78,500           |
| Curtailment gain                                      | <u>-</u>         | <u>(529,600)</u> |
|   | <u>70,700</u>    | <u>(329,700)</u> |
| <b>Actual return on plan assets</b>                   | <u>529,000</u>   | <u>726,100</u>   |

The amounts recognised in the statement of total recognised gains and losses are as follows:

|  |                 |                  |
|--|-----------------|------------------|
| Actual less expected return on scheme assets                                     | 256,200         | 494,400          |
| Experience (losses)/gains on liabilities   | (22,300)        | 147,400          |
| Change in assumptions underlying the present value of the scheme liabilities     | <u>(92,200)</u> | <u>(496,100)</u> |
| Actuarial gains recognised in the statement of total recognised gains and losses | <u>141,700</u>  | <u>145,700</u>   |

The cumulative actuarial loss recognised in the statement of total recognised gains and losses up to and including the financial year ended 31 December 2010 is €1,891,900 (2009: €2,033,600).

Expected contributions for the year ended 31 December 2011 are €415,100.

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Retirement benefits - continued

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

|  | Scheme<br>assets<br>€ | Scheme<br>liabilities<br>€ | Pension*<br>deficit<br>€ |
|--|-----------------------|----------------------------|--------------------------|
| <b>Movement in Scheme Assets and Liabilities</b> |                       |                            |                          |
| <b>At 1 January 2009</b>                         | 3,609,900             | (6,218,200)                | (2,608,300)              |
| Curtailement gain                                | -                     | 529,600                    | 529,600                  |
| Current service cost                             | -                     | (78,500)                   | (78,500)                 |
| Interest on scheme liabilities                   | -                     | (353,100)                  | (353,100)                |
| Expected return on scheme assets                 | 231,700               | -                          | 231,700                  |
| Actual less expected return on scheme assets     | 494,400               | -                          | 494,400                  |
| Change in assumptions                            | -                     | (496,100)                  | (496,100)                |
| Experience gains on liabilities                  | -                     | 147,400                    | 147,400                  |
| Contributions by scheme participants             | 29,700                | (29,700)                   | -                        |
| Benefits paid from plan assets                   | (155,200)             | 155,200                    | -                        |
| Employer contributions paid                      | 402,700               | -                          | 402,700                  |
| <b>At 31 December 2009</b>                       | 4,613,200             | (6,343,400)                | (1,730,200)              |
| Curtailement gain                                | -                     | -                          | -                        |
| Current service cost                             | -                     | (6,200)                    | (6,200)                  |
| Interest on scheme liabilities                   | -                     | (337,300)                  | (337,300)                |
| Expected return on scheme assets                 | 272,800               | -                          | 272,800                  |
| Actual less expected return on scheme assets     | 256,200               | -                          | 256,200                  |
| Change in assumptions                            | -                     | (92,200)                   | (92,200)                 |
| Experience gains on liabilities                  | -                     | (22,300)                   | (22,300)                 |
| Contributions by scheme participants             | 49,900                | (49,900)                   | -                        |
| Benefits paid from plan assets                   | (196,000)             | 196,000                    | -                        |
| Employer contributions paid                      | 383,400               | -                          | 383,400                  |
| <b>At 31 December 2010</b>                       | 5,379,500             | (6,655,300)                | (1,275,800)              |

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

**Risks and rewards arising from the assets**

At 31 December 2010 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:

|  | 2010  | 2009 |
|--|-------|------|
| (as a percentage of total scheme assets) | %     | %    |
| Equities                                 | 66.69 | 65.6 |
| Bonds – Fixed interest fund              | 18.75 | 20.2 |
| Other                                    | 14.56 | 14.2 |

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Retirement benefits - continued

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

**Basis of expected rate of return on scheme assets**

The fixed interest fund run by investment managers contains a mix of corporate bonds with different earnings potential. Thus a range of different assumptions have been used to estimate the expected return.

For equities the long term rate of return is expected to exceed that of bonds by a margin, the "risk premium". In assessing the equity risk premium, past returns have been analysed giving a risk premium of 3.25% above the long term gilt yields, giving an assumed return of 7.0%.

For property assets, the assumed rate of return is 6.5% reflecting an expectation that property returns will not match equity returns in the future. Thus, the overall expected return on scheme assets at 31 December 2010 is 6.01% (2009: 5.97%).

The principal actuarial assumptions at the balance sheet date:

|   | <b>2010</b> | <b>2009</b> |
|---|-------------|-------------|
|   | %           | %           |
| Discount rate at 31 December                    | 5.30        | 5.40        |
| Future salary increases for in-payment benefits | 0.00        | 0.00        |
| Future pension increases                        | 2.00        | 2.00        |
| Expected long-term return on scheme assets      | 6.00        | 5.97        |

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 the assumptions.

|   | <b>2010</b> | <b>2009</b> |
|---|-------------|-------------|
| Longevity at 65 for current pensioners:       |             |             |
| Male  | 21.5        | 21.3        |
| Female  | 23.3        | 23.1        |
| Longevity at 65 for members retiring in 2035: |             |             |
| Male  | 24.9        | 24.7        |
| Female  | 26.1        | 25.9        |

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Retirement benefits - continued

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

Basis of expected rate of return on scheme assets - continued

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

|  | 2010               | 2009               | 2008               | 2007             | 2006             |
|--|--------------------|--------------------|--------------------|------------------|------------------|
| Present value of the scheme liabilities  | (6,655,300)        | (6,343,400)        | (6,218,200)        | (6,042,000)      | (6,536,000)      |
| Fair value of scheme assets  | <u>5,379,500</u>   | <u>4,613,200</u>   | <u>3,609,900</u>   | <u>5,431,000</u> | <u>5,682,000</u> |
| Pension deficit  | <u>(1,275,800)</u> | <u>(1,730,200)</u> | <u>(2,608,300)</u> | <u>(611,000)</u> | <u>(854,000)</u> |
| Experience adjustments on scheme liabilities as a percentage of scheme liabilities at the balance sheet date | <u>0.335%</u>      | <u>(2.32%)</u>     | <u>4.78%</u>       | <u>1.8%</u>      | <u>0.47%</u>     |
| Experience adjustments on scheme assets as a percentage of scheme assets at the balance sheet date           | <u>(4.763)%</u>    | <u>(10.72%)</u>    | <u>63.43%</u>      | <u>14.84%</u>    | <u>3.56%</u>     |

10 Reconciliation of operating deficit to net cash inflow from operating activities

|   | 2010<br>€          | 2009<br>€        |
|---|--------------------|------------------|
| Operating (deficit)/ surplus                        | (81,296)           | 451,243          |
| Depreciation  | 420,386            | 401,033          |
| (Profit)/loss on sale of fixed assets               | 12,792             | (5,027)          |
| Curtailement gain                                   | -                  | (529,600)        |
| Pension contributions                               | (383,400)          | (402,700)        |
| Retirement benefits service charge                  | 6,200              | 78,500           |
| Decrease/(Increase) in debtors                      | 821,535            | (774,820)        |
| (Decrease)/Increase in creditors                    | <u>(1,133,717)</u> | <u>1,350,349</u> |
| Net cash (outflow)/inflow from operating activities | <u>(337,500)</u>   | <u>568,978</u>   |

11 Returns on investments and servicing of finance

|                   | 2010<br>€      | 2009<br>€      |
|-------------------|----------------|----------------|
| Interest received | <u>337,780</u> | <u>352,512</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued

|  |                |                |
|--|----------------|----------------|
| <b>12 Capital expenditure and financial investment</b> | 2010           | 2009           |
|  | €              | €              |
| Purchase of tangible fixed assets                      | 210,171        | 544,700        |
| Proceeds from disposal of tangible fixed assets        | <u>12,792</u>  | <u>(5,027)</u> |
|  | <u>222,963</u> | <u>539,673</u> |

|   |                   |                  |                   |
|---|-------------------|------------------|-------------------|
| <b>13 Analysis of changes in net cash</b> | At                | Cashflow         | At                |
|   | 31 December       |                  | 31 December       |
|   | 2009              |                  | 2010              |
|   | €                 | €                | €                 |
| <b>Net cash</b>                           |                   |                  |                   |
| Cash at bank and on hand                  | <u>12,113,644</u> | <u>(282,495)</u> | <u>11,831,149</u> |

|   |                   |                   |
|---|-------------------|-------------------|
| <b>14 Reconciliation of net cash flow to movement in net cash</b> | 2010              | 2009              |
|   | €                 | €                 |
| Movement in net cash in the year                                  | (282,495)         | 296,779           |
| Net cash at 1 January   | <u>12,113,644</u> | <u>11,816,865</u> |
| Net cash at 31 December   | <u>11,831,149</u> | <u>12,113,644</u> |

|   |                |                 |                 |
|---|----------------|-----------------|-----------------|
| <b>15 Reserves</b>                          | Revaluation    | Profit and loss | Total           |
|   | reserve        | account         |                 |
|   | €              | €               | €               |
| At 1 January 2010                           | 325,307        | (305,102)       | 20,205          |
| Surplus for the year                        | -              | 186,665         | 186,665         |
| Actuarial gain in respect of pension scheme | -              | 141,700         | 141,700         |
| Deferred tax on actuarial gain              | <u>-</u>       | <u>(17,713)</u> | <u>(17,713)</u> |
| At 31 December 2010                         | <u>325,307</u> | <u>5,550</u>    | <u>330,857</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.

Legal fees (€164,284) [2009: €283,287] in respect of services received were paid to a firm of which a director of the company is a partner.

## **16 Related party transactions - continued**

During 2010 total royalties paid by the organisation to the directors of the company and to parties related to the directors of the company amounted to €177,336 (2009: €191,300). 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.

Colette Rooney, wife of J. Lappin, was paid €10,361 in 2010 (2009: €11,852) for debt collection services. Mr N Toner was paid €380 in 2010 in respect of song writing workshops (2009: €830).

In addition, travel and membership development grants in the amount of €3,810 were paid to 3 member directors (2009: €3,810 - (3 member directors)).

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

## **17 Approval of financial statements**

The financial statements were approved by the directors on 3<sup>rd</sup> May 2011.