

## **Phonographic Performance (Ireland) Company Limited by Guarantee**

### **FINANCIAL INFORMATION**

In accordance with the European Union (Collective Rights Management) (Directive 2014/26/EU) Regulations 2016 – Annual Transparency Report (ATR) incorporating the Special Report for the financial year ended 31 December 2016.

## Phonographic Performance (Ireland) Company Limited by Guarantee

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## **FINANCIAL ACTIVITES**

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The directors present herewith their Annual Transparency Report in accordance with the European Union (Collective Rights Management) (Directive 2014/26/EU) Regulations 2016 for the financial year ended 31 December 2016.

### **PRINCIPAL ACTIVITIES**

The principal activity of the company is the collection and distribution of licence fees for the broadcasting, cable transmission, dubbing and public performance of sound recordings on behalf of its members.

### **BUSINESS REVIEW**

Phonographic Performance (Ireland) Company Limited (PPI) by Guarantee had a satisfactory year in 2016.

As a result of the initiatives taken in 2016 collections have marginally increased but the costs of collections and distributions have significantly increased. Much of this increase is due to set up and restructuring costs. The directors are confident the initiatives taken in 2016 will ultimately lead to reduced costs going forward and increased distributable income.

In 2016 the Irish Music Rights Organisation Company Limited by Guarantee commenced its administration of the public performance of sound recordings on behalf of the company.

The company adopted a new constitution and compliance statement to meet the requirements of the Companies Act 2014 and the EU (Collective Rights Management) (Directive 2014/26/EU) Regulations 2016, during the year.

To bring PPI into line with international best practice, PPI's distribution which was predominantly label based with limited ability to register individual tracks required upgrading to a track based system. This was also necessary to comply with the provisions of the CRM Regulations. In October 2016 the company engaged the back office services of Phonographic Performance Limited (PPL) to assist us with this transition. As the agreement with PPL puts PPI in a position to calculate allocations to both producers and performers PPI terminated its agency agreement with Recorded Artists Actors and Performers Company Limited By Guarantee (RAAP) in October 2016.

### **INFORMATION ON REFUSALS TO GRANT A LICENSE**

PPI operates under section 38 of the Copyright and Related Rights Act 2000 which is a licence of right, accordingly PPI is not in a position to refuse to grant a licence for Public Performance, Broadcast or Cable Transmission. During 2016 PPI offered a licence to all applicants who requested a licence in respect of all other uses within PPI's mandated scope of activity and who provided the information necessary in order to calculate the fees.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The company is currently in dispute with Recorded Artists Actors Performers Company Limited by Guarantee (RAAP). The dispute centres on interpretation of part of the Copyright and Related Rights Act of 2000. Both parties have alternative views of the definition of a qualifying performance/performer. This has the potential to alter the split of distributable revenue between the parties. The company has taken expert legal advice and are confident their position is correct. It is hoped this dispute will be resolved in the near future.

An additional set of legal proceedings has been taken by RAAP as a result of the termination of it's agency agreement by PPI.

## **FINANCIAL ACTIVITIES**

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### **ACCOUNTING RECORDS**

The measures taken by the directors to ensure compliance with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The company's accounting records are maintained at the company's registered office at 63 Patricks Street, Dun Laoghaire, Co. Dublin.

### **RESULTS**

The income and expenditure account and balance sheet are set out on page 11 and 12 respectively.

### **DIVIDENDS**

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

### **GOING CONCERN**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report. The directors' report describes the financial position of the company; its cash flows, liquidity position and borrowing facilities; the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash resources. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **SUBSEQUENT EVENTS**

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

## LEGAL AND GOVERNANCE STRUCTURE

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### DIRECTORS AND SECRETARY

The directors who served during the financial year were:

Dennis Woods  
Annette Donnelly  
William Kavanagh  
Patrick Creed  
Mark Crossingham  
Alan Hennessy

Patrick Creed will be retiring from the board by rotation but in accordance with the Articles of Association and, being eligible, offers himself for re-election.

**Secretary:**

Joe Fitzpatrick

### TRANSACTIONS INVOLVING DIRECTORS

Details of transactions involving directors are set out in note 20 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 2014, at any time during the financial year ended 31 December 2016.

### COMPLIANCE STATEMENT

For the purposes of section 225 of the companies Act 2014 (the "Act"), we, the directors:

1. Acknowledge that we are responsible for securing the Company's compliance with its relevant obligations as defined in section 225(1) of the Act (the "relevant obligations"); and
2. Confirm that each of the following has been done:
  - i. a compliance statement (as defined in section 225(3)(a) of the Act) setting out the Compliance policies (that in our opinion, are appropriate to the company) respecting compliance by the Company with its relevant obligations has been drawn up;
  - ii. appropriate arrangements or structures, that are, in our opinion, designed to secure material compliance with the Company's relevant obligations, have been put in place; and
  - iii. during the financial year to which this report relates, a review of the arrangements or structures referred to in paragraph ii above has been concluded.

**Phonographic Performance (Ireland) Company Limited by Guarantee**

**LEGAL AND GOVERNANCE STRUCTURE**

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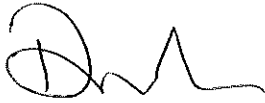
**Persons Controlled by the Company**

There are no persons directly or indirectly owned or controlled, wholly or in part by the company.

Approved by the Board and signed on its behalf by:



Director



Director

Date: 02/11/2017

**LEGAL AND GOVERNANCE STRUCTURE**

**DIRECTORS' RESPONSIBILITIES STATEMENT**

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The directors are responsible for preparing the Directors' Report and the financial statements in accordance with Irish law and regulations.

Irish company law requires the directors to prepare the financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with Irish Generally Accepted Accounting Practice in Ireland, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and promulgated by the Institute of Chartered Accountants in Ireland and Irish law.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date, of the profit or loss of the company for that financial year and otherwise comply with the Companies Act 2014.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting 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 are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited. 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 LIMITED ASSURANCE REPORT TO THE PHONOGRAPHIC PERFORMANCE (IRELAND) COMPANY LIMITED BY GUARANTEE ("PPI" or "THE COMPANY") IN RESPECT OF THE ANNUAL TRANSPARENCY REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

In accordance with our engagement letter dated 1 June 2017, we were engaged by IMRO to perform a limited assurance engagement in respect of the accounting information included in the Annual Transparency Report for the financial year ended 31 December 2016 ("Annual Transparency Report"), prepared pursuant to Regulation 20(4) of the European Union (Collective Rights Management) (Directive 2014/26/EU) Regulations 2016 ("the Directive"),

The accounting information included in the Annual Transparency Report is defined in Regulation 20(5) of the Directive, which comprises the financial statements specified in Part 1 of the Schedule (Information to be provided in Annual Transparency Report) to the Directive, on which we opined on 02 November 2017 with an unqualified opinion as reproduced on pages 11 and 12 of this Annual Transparency Report, and the financial information specified in Parts 2 and 3 of the Schedule to the Directive ("accounting information"),

### **Respective Responsibilities**

As a collective management organisation, you are responsible for preparing the Annual Transparency Report, including a special report as required by Regulation 20(1) of the Directive for each financial year no later than eight months following the end of that financial year. This Annual Transparency Report is required to contain at least the information set out in the Schedule to the Directive, and comply with the overall requirements in the Directive.

As directors of IMRO, you are responsible for ensuring that IMRO keeps, or causes to be kept, adequate accounting records allowing the preparation of the Annual Transparency Report for each financial year that fairly presents the activity of the Company.

Our responsibility is to review the accounting information included in the Annual Transparency Report and provide a limited level of assurance on whether anything has come to our attention, based on the procedures performed and evidence obtained, that would cause us to believe, in all material respects, that the accounting information included in the Annual Transparency Report is not fairly stated and complies with the requirements of the Directive.

### **Scope of Limited Assurance Engagement**

Our work was conducted having regard to the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000").

We were not required to carry out an audit conducted in accordance with International Standards on Auditing (UK and Ireland). Consequently our conclusion is not expressed as an audit opinion.

In accordance with ISAE 3000, we confirm that we apply International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We also comply with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

We planned and performed procedures to obtain limited assurance on whether anything has come to our attention, based on the procedures performed and evidence obtained, that would cause us to believe, in all material respects, that the accounting information included in the Annual Transparency Report is not fairly stated and complies with the requirements of the Directive.

The procedures we performed are included in Appendix I to this Report.



**INDEPENDENT LIMITED ASSURANCE REPORT TO THE PHONOGRAPHIC PERFORMANCE (IRELAND) COMPANY LIMITED BY GUARANTEE ("PPI" or "THE COMPANY") IN RESPECT OF THE ANNUAL TRANSPARENCY REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

**Conclusion**

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that, in all material respects, that the accounting information included in the Annual Transparency Report for the financial year ended 31 December 2016 is not fairly stated and complies with the requirements of the Directive.

**Restriction on use of our Report**

Our Report has been prepared solely for your exclusive use however, we understand that a copy of our Report will be included on the Company's website for a period of 5 years. Our report must not be recited or referred to in whole or in part in any other document. Our report must not be made available, copied or recited to any other party without our express written permission. Notwithstanding any written permission given, BDO neither owes nor accepts any duty to any party, other than the Company, in connection with our report or this engagement and shall not be liable for any loss, damage, or expense of whatsoever nature which is caused by reliance on our report.

  
Stewart Dunne

for and on behalf of

**BDO**

Statutory Audit Firm

AI223876

Date 02/11/2017

### Appendix I - Summary of Procedures

- Discussed the requirements of European Union (Collective Rights Management) (Directive 2014/26/EU) Regulations 2016 with company management.
- Inquired with company management and understood the process completed by the company to prepare the Annual Transparency Report.
- Obtained a copy of the audited financial statements for the financial year ended 31 December 2016 and agreed the numbers to the underlying trial balance.
- Agreed the financial information in the audited trial balance to the financial information included in each category of the Annual Transparency Report. For clarity, the categories consist of:
  - TOTAL REVENUE
  - SUMMARY BY TYPES OF USE
  - OTHER INCOME
  - AMOUNTS COLLECTED BUT NOT ATTRIBUTED
  - AMOUNTS ATTRIBUTED NOT YET DISTRIBUTED
  - DELAYED DISTRIBUTIONS
  - NON-DISTRIBUTABLE AMOUNTS
  - CMO REPORT - APPENDIX TO THE FINANCIAL REPORT
- Where amounts did not agree directly between the Annual Transparency Report and the audited trial balance, inquired with company management how the figures have been calculated/extracted and agreed to supporting documentation if required.
- Reviewed the cost allocations between the categories of Broadcast, Public Performance, International and Online percentages to management budgets and supporting information where required.
- Read the narrative information included by company management as part of the Annual Transparency Report and discussed with management how they believed the narrative satisfied the requirements of the European Union (Collective Rights Management) (Directive 2014/26/EU) Regulations 2016 with company management.
- Compared narrative information included by company management as part of the Annual Transparency Report and the narrative information included in the audited financial statements. Inquired with management should any narrative information be inconsistent or misleading.
- Obtained written representations from the directors of the company to confirm their responsibilities for the financial and narrative information included in Annual Transparency Report.
- Reported to company management where our procedures above have identified areas where the accounting information included in the Annual Transparency Report was not in compliance with the requirements of Schedule 1 to the European Union (Collective Rights Management) (Directive 2014/26/EU) Regulations 2016.



## **Independent Auditors' Report to the Members of Phonographic Performance (Ireland) Company Limited by Guarantee (REPRODUCED)**

We have audited the financial statements of Phonographic Performance (Ireland) Company Limited by Guarantee for the financial year ended 31 December 2016, set out on pages 6 to 21. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. 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 Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. 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 Financial Reporting Council'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 Directors' Report 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 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, of the assets, liabilities and financial position of the company as at 31 December 2016 and of its profit for the financial year ended;
- have been properly prepared in accordance with relevant financial reporting framework and in particular with the requirements of the Companies Act 2014.



Independent Auditors' Report to the Members of Phonographic Performance (Ireland) Company Limited  
by Guarantee (REPRODUCED)

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY THE COMPANIES ACT 2014**

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of our obligations under the Companies Act 2014 to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of the Act are not made.

Stewart Dunne  
for and on behalf of  
**BDO**  
Statutory Audit Firm  
AI223876

Date: 02 November 2017

Phonographic Performance (Ireland) Company Limited by Guarantee

Statement of Income and Retained Earnings  
For the Financial year Ended 31 December 2016

	Note	2016 €	2015 €
Licence fee income	4	11,140,443	11,076,611
<b>GROSS PROFIT</b>		<b>11,140,443</b>	<b>11,076,611</b>
Cost of collection and distribution		(3,234,394)	(2,725,091)
Distributable to Performers	21	(2,171,538)	(3,004,430)
IRMA Service Charge		(417,458)	(510,025)
Distribution reserve	14	(231,838)	-
<b>OPERATING PROFIT</b>	5	<b>5,085,215</b>	<b>4,837,065</b>
Interest receivable and similar income	7	7,056	37,957
<b>PROFIT BEFORE TAX</b>		<b>5,092,271</b>	<b>4,875,022</b>
Tax on profit	8	(10,704)	(10,673)
<b>PROFIT AFTER TAX</b>		<b><u>5,081,567</u></b>	<b><u>4,864,349</u></b>
Retained earnings at the beginning of the financial year		2,626,071	2,980,905
		<b>2,626,071</b>	<b>2,980,905</b>
Profit for the financial year		5,081,567	4,864,349
Payments to member companies during year		(4,133,440)	(5,219,183)
<b>RETAINED EARNINGS AT THE END OF THE FINANCIAL YEAR</b>		<b><u>3,574,198</u></b>	<b><u>2,626,071</u></b>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of income and retained earnings.

Phonographic Performance (Ireland) Company Limited by Guarantee

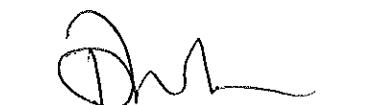
Balance Sheet  
As at 31 December 2016

	Note	2016 €	2015 €
<b>FIXED ASSETS</b>			
Tangible assets	9	25,844	92,594
		<u>25,844</u>	<u>92,594</u>
<b>CURRENT ASSETS</b>			
Debtors	10	4,626,228	1,402,305
Cash at bank and in hand	11	6,562,240	6,930,636
		<u>11,188,468</u>	<u>8,332,941</u>
Creditors: amounts falling due within one year	12	(7,639,640)	(5,798,990)
<b>NET CURRENT ASSETS</b>		<b>3,548,828</b>	<b>2,533,951</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,574,672</b>	<b>2,626,545</b>
<b>NET ASSETS</b>		<b><u>3,574,672</u></b>	<b><u>2,626,545</u></b>
<b>CAPITAL AND RESERVES</b>			
Other reserves	14	474	474
Profit and loss account	14	3,574,198	2,626,071
<b>SHAREHOLDERS' FUNDS</b>		<b><u>3,574,672</u></b>	<b><u>2,626,545</u></b>



Director

Date: 02/11/2017



Director

**Phonographic Performance (Ireland) Company Limited by Guarantee**  
**Statement of Cash Flows**  
**For the Financial year Ended 31 December 2016**

	2016 €	2015 €
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the financial year	5,081,567	4,864,349
<b>ADJUSTMENTS FOR:</b>		
Depreciation of tangible assets	37,649	56,037
Loss on disposal of tangible assets	(719)	(12,755)
Interest received	(7,056)	(37,957)
Taxation charge	10,704	10,673
(Increase) in debtors	(3,058,492)	(105,423)
Increase in creditors	1,666,891	1,323,636
Corporation tax (paid)/received	(2,826)	10,698
Distributable to Performers	2,403,376	3,004,430
IRMA Service charge	395,133	510,025
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<u>6,526,227</u>	<u>9,623,713</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets	(5,480)	(83,649)
Sale of tangible fixed assets	35,750	30,139
Interest received	7,056	37,957
Payments to member companies during year	(4,133,440)	(5,219,183)
Distributable to Performers	(2,403,376)	(3,004,430)
Payments on behalf of the recording industry	(395,133)	(510,025)
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<u>(6,894,623)</u>	<u>(8,749,191)</u>
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(368,396)</u>	<u>874,522</u>
Cash and cash equivalents at beginning of financial year	6,930,636	6,056,114
<b>CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR</b>	<u><u>6,562,240</u></u>	<u><u>6,930,636</u></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR COMPRISE:</b>		
Cash at bank and in hand	6,562,240	6,930,636
	<u><u>6,562,240</u></u>	<u><u>6,930,636</u></u>

## Licence Fee Income and Associated Costs

The licence fee income collected for 2016 and the associated costs are shown below. All costs are funded from licence fee income.

Category of Rights	Revenue Collected Euro €	Cost Allocation Euro €	% B/A	Gross Distributable Income Euro €	Service Level Agreement Euro €	Distributable Amounts Euro €	Distribution Frequency Rightsholder Performers
Broadcasting fees	4,125,013	(607,205)	14.7%	3,517,808	(154,574)	3,363,235	Quarterly
Broadcasting fees dubbing	722,515	(84,993)	11.8%	637,523	(27,074)	610,448	Quarterly
Public Performance fees	5,494,650	(2,433,755)	44.3%	3,060,895	(205,897)	2,854,998	Quarterly
Dubbing Fees	644,907	(92,464)	14.3%	552,443	(24,166)	528,276	Quarterly
Cable Fees	153,358	(19,625)	12.8%	133,733	(5,747)	127,986	Quarterly
	<u>11,140,443</u>	<u>(3,238,041)</u>	29.1%	<u>7,902,401</u>	<u>(417,458)</u>	<u>7,484,944</u>	
International	53,510	0		53,510	0	53,510	Bi-Annually
<b>Total</b>	<u><u>11,193,952</u></u>	<u><u>(3,238,041)</u></u>		<u><u>7,955,911</u></u>	<u><u>(417,458)</u></u>	<u><u>7,538,453</u></u>	

Direct costs of licencing activities were allocated directly to each category of rights. Indirect costs were pro-rated across each category of rights. The same methodology and cost rates were applied to allocations made to direct members and members of other collective management organisations. During the year €7,056 in interest income was generated from the investment of rights revenue. Interest income was pro-rated across the categories of rights revenue and offset against the costs attributed to that revenue type for the year.

There were no costs incurred in respect of Social, Cultural and Educational activities during the Financial year Ended 31st December, 2016

	AMOUNTS COLLECTED BUT NOT ATTRIBUTED - WORK IN PROGRESS				
	FY16	FY15	FY14	FY13	FY12
Broadcasting Fees	260,989	115,036	141,704	100,622	104,507
Broadcasting Fees Dubbing	28,574	19,986	24,696	16,625	18,123
Public Performance Fees	347,645	165,270	184,344	132,308	134,665
Dubbing Fees	25,504	15,118	23,790	17,807	22,468
Cable Fees	9,703	6,513	9,696	7,116	7,596
	672,415	321,923	384,230	274,479	287,360
					Note 22

	AMOUNTS COLLECTED BUT NOT YET DISTRIBUTED - WORK IN PROGRESS				
	FY16	FY15	FY14	FY13	FY12
Broadcasting Fees	1,605,485	462	1,650	0	0
Broadcasting Fees Dubbing	120,667			0	0
Public Performance Fees	2,138,557	664	2,147	0	0
Dubbing Fees	107,706			0	0
Cable Fees	59,688	26	113	0	0
	4,032,104	1,153	3,910	0	0
					Note 23

	DELAYED DISTRIBUTIONS				
	FY16	FY15	FY14	FY13	FY12
Broadcasting Fees	0	402,851	459,993	307,568	0
Broadcasting Fees Dubbing	0				0
Public Performance Fees	0	578,772	598,410	404,419	0
Dubbing Fees	0				0
Cable Fees	0	22,807	31,476	21,752	0
	0	1,004,430	1,089,879	733,739	0
					Note 24

## **Phonographic Performance (Ireland) Company Limited by Guarantee**

### **Notes to the Annual Transparency Report For the Financial year Ended 31 December 2016**

#### **1. GENERAL INFORMATION**

Phonographic Performance (Ireland) Company Limited by Guarantee is a private company limited by guarantee, incorporated in the Republic of Ireland. The Registered Office is 63 Patrick Street, Dun Laoghaire, Co. Dublin, which is also the principal place of business of the company. The nature of the company's operations and its principal activities are set out in the financial activities report on page 3.

#### **2. ACCOUNTING POLICIES**

##### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and Irish statute comprising of the Companies Act 2014.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### **2.2 Revenue**

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

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

Public performance fees, broadcasting fees and other income are accounted for on combination of an accruals and cash basis. Interest and investment income received are accounted for under the accruals basis.

##### **2.3 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Notes to the Annual Transparency Report (Continued)  
For the Financial year Ended 31 December 2016

**2. ACCOUNTING POLICIES (CONTINUED)**

**2.3 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Long-term leasehold property	- 8	years
Motor vehicles	- 4	years
Fixtures and fittings	- 8	years
Computer equipment	- 3	years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Income and Retained Earnings.

**2.4 Operating leases: the company as lessee**

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

**2.5 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.6 Deferred contract costs**

Contact costs are recognized using the cost model. After recognition, deferred contract costs are released to the statement of Income and Retained Earnings over the period in which it is anticipated these costs are recovered.

**2.7 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.8 Financial instruments**

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration

## **2. ACCOUNTING POLICIES (CONTINUED)**

### **2.8 Financial instruments (continued)**

financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Income and Retained Earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### **2.9 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### **2.10 Pensions**

#### **Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

### **2.11 Interest income**

Interest income is recognised in the Statement of Income and Retained Earnings using the effective interest method.

Notes to the Annual Transparency Report (Continued)

For the Financial year Ended 31 December 2016

**3. ACCOUNTING POLICIES (CONTINUED)**

**2.12 Taxation**

Tax is recognised in the Statement of Income and Retained Earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of financial statements in conformity with Irish GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

**Phonographic Performance (Ireland) Company Limited by Guarantee**

**Notes to the Annual Transparency Report (Continued)  
For the Financial year Ended 31 December 2016**

**4. TURNOVER**

An analysis of turnover by class of business is as follows:

	2016 €	2015 €
Broadcasting fees	4,125,013	3,958,103
Broadcasting fees dubbing	722,515	687,673
Public performance fees	5,494,650	5,686,569
Dubbing fees	644,907	520,183
Cable fees	153,358	224,083
	<u>11,140,443</u>	<u>11,076,611</u>

	2016 €	2015 €
Republic of Ireland	11,140,443	11,076,611
	<u>11,140,443</u>	<u>11,076,611</u>

All turnover arose in Ireland.

**5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

The operating profit is stated after charging:

	2016 €	2015 €
Depreciation of tangible fixed assets	37,199	56,037
Defined contribution pension cost	<u>74,537</u>	<u>99,106</u>

**Phonographic Performance (Ireland) Company Limited by Guarantee**

**Notes to the Annual Transparency Report (Continued)  
For the Financial year Ended 31 December 2016**

**6. EMPLOYEES**

Staff costs were as follows:

	2016 €	2015 €
Wages and salaries	539,730	1,042,435
Social insurance costs	61,055	115,378
Cost of defined contribution scheme	74,537	99,106
Other compensation costs	320,471	273,163
Staff private health insurance	32,090	49,177
	<u>1,027,883</u>	<u>1,579,259</u>

The average monthly number of employees, including the directors, during the financial year was as follows:

	2016 No.	2015 No.
Clerical and administrative	<u>9</u>	<u>19</u>

**7. INTEREST RECEIVABLE**

	2016 €	2015 €
Other interest receivable	<u>7,056</u>	<u>37,957</u>

Phonographic Performance (Ireland) Company Limited by Guarantee

Notes to the Annual Transparency Report (Continued)  
For the Financial year Ended 31 December 2016

8. TAXATION

	2016 €	2015 €
<b>CORPORATION TAX</b>		
Current tax on profits for the year	8,319	10,673
Adjustments in respect of previous periods	2,385	-
<b>TOTAL CURRENT TAX</b>	<b>10,704</b>	<b>10,673</b>

**FACTORS AFFECTING TAX CHARGE FOR THE FINANCIAL YEAR**

The tax assessed for the financial year is the same as (2015 -*higher than*) the standard rate of corporation tax in Ireland of 25% (2015 -25%). The differences are explained below:

	2016 €	2015 €
Profit on ordinary activities before tax	46,605	37,957
Profit on ordinary activities multiplied by standard rate of corporation tax in Ireland of 25% (2015 -25%)	8,319	9,489

**EFFECTS OF:**

Utilisation of tax losses	-	1,184
Prior year over accrual	2,385	-
<b>TOTAL TAX CHARGE FOR THE FINANCIAL YEAR</b>	<b>10,704</b>	<b>10,673</b>

**FACTORS THAT MAY AFFECT FUTURE TAX CHARGES**

There were no factors that may affect future tax charges.

Phonographic Performance (Ireland) Company Limited by Guarantee

Notes to the Annual Transparency Report (Continued)  
For the Financial year Ended 31 December 2016

9. TANGIBLE FIXED ASSETS

	Long-term leasehold property €	Motor vehicles €	Fixtures and fittings €	Computer equipment €	Total €
<b>Cost or valuation</b>					
At 1 January 2016	20,315	98,292	85,688	446,324	650,619
Additions	-	-	-	5,480	5,480
Disposals	-	(57,000)	-	-	(57,000)
At 31 December 2016	20,315	41,292	85,688	451,804	599,099
<b>Depreciation</b>					
At 1 January 2016	19,552	49,991	69,596	418,886	558,025
Charge for the financial year on owned assets	220	13,270	4,308	19,401	37,199
Disposals	-	(21,969)	-	-	(21,969)
At 31 December 2016	19,772	41,292	73,904	438,287	573,255
<b>Net book value</b>					
At 31 December 2016	<u>543</u>	<u>-</u>	<u>11,784</u>	<u>13,517</u>	<u>25,844</u>
At 31 December 2015	<u>763</u>	<u>48,301</u>	<u>16,092</u>	<u>27,438</u>	<u>92,594</u>

Phonographic Performance (Ireland) Company Limited by Guarantee

Notes to the Annual Transparency Report (Continued)  
For the Financial year Ended 31 December 2016

	Long-term leasehold property €	Motor vehicles €	Fixtures and fittings €	Computer equipment €	Total €
<b>Cost or valuation</b>					
At 1 January 2015	20,315	98,637	78,823	426,540	624,315
Additions	-	57,000	6,865	19,784	83,649
Disposals	-	(57,345)	-	-	(57,345)
<b>At 31 December 2015</b>	<b>20,315</b>	<b>98,292</b>	<b>85,688</b>	<b>446,324</b>	<b>650,619</b>
<b>Depreciation</b>					
At 1 January 2015	19,296	66,768	64,930	390,955	541,949
Charge owned for the period	256	23,184	4,666	27,931	56,037
Disposals	-	(39,961)	-	-	(39,961)
<b>At 31 December 2015</b>	<b>19,552</b>	<b>49,991</b>	<b>69,596</b>	<b>418,886</b>	<b>558,025</b>
<b>Net book value</b>					
At 31 December 2015	<u>763</u>	<u>48,301</u>	<u>16,092</u>	<u>27,438</u>	<u>92,594</u>
At 31 December 2014	<u>1,019</u>	<u>31,869</u>	<u>13,893</u>	<u>35,585</u>	<u>82,366</u>

Phonographic Performance (Ireland) Company Limited by Guarantee

Notes to the Annual Transparency Report (Continued)  
For the Financial year Ended 31 December 2016

10. DEBTORS

	2016 €	2015 €
<b>DUE AFTER MORE THAN ONE YEAR</b>		
Deferred contract costs	135,389	184,905
	<u>135,389</u>	<u>184,905</u>
<b>DUE WITHIN ONE YEAR</b>		
Trade debtors	995,957	494,509
Amounts owed by related parties	151,820	156,755
Corporation tax repayable	-	5,657
Prepayments and accrued income	3,293,546	510,963
Deferred contract costs	49,516	49,516
	<u>4,626,228</u>	<u>1,402,305</u>

11. CASH AND CASH EQUIVALENTS

	2016 €	2015 €
Cash at bank and in hand	<u>6,562,240</u>	<u>6,930,636</u>

**Phonographic Performance (Ireland) Company Limited by Guarantee**

**Notes to the Annual Transparency Report (Continued)**  
**For the Financial year Ended 31 December 2016**

**12. CREDITORS: Amounts falling due within one year**

	Note	2016 €	2015 €
Trade creditors		66,325	151,078
Distribution reserve	14	231,838	-
Corporation tax		2,221	-
Taxation and social insurance		303,400	238,135
Other creditors		145,947	29,813
Accruals		1,051,996	551,918
Amounts due to performers	21	4,999,584	4,828,046
Deferred income		838,329	-
		<u>7,639,640</u>	<u>5,798,990</u>

		2016 €	2015 €
<b>OTHER TAXATION AND SOCIAL INSURANCE</b>			
PAYE/PRSI control		13,079	35,316
VAT control		290,321	202,819
		<u>303,400</u>	<u>238,135</u>

**13. FINANCIAL INSTRUMENTS**

	2016 €	2015 €
<b>FINANCIAL ASSETS</b>		
Financial assets measured at fair value through statement of income & retained earnings	6,562,240	6,930,636
Financial assets that are debt instruments measured at amortised cost	1,147,777	651,264
	<u>7,710,017</u>	<u>7,581,900</u>

**FINANCIAL LIABILITIES**

Financial liabilities measured at amortised cost	(5,443,694)	(5,008,937)
	<u>(5,443,694)</u>	<u>(5,008,937)</u>

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and amounts owed by related parties.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors and amount due to performers.

**14. RESERVES****Other reserves**

Distribution Reserve represents funds allocated to Performers on tracks which as of yet are unmatched to a recording rights holder. There is no comparative figure for 2015 as 2015 was calculated on a different basis.

**Member companies' account**

The directors of the company and parties related to them, which include the recording companies whose interests the directors represent, are entitled, as are all member companies, to payments representing the fees received from the performance of copyright works.

The payments to the member companies represented by the directors are calculated and paid on an identical basis as the payments for all the member companies.

During the year ended 31 December 2016 €4,133,440 (2015 - €5,219,183) was paid to member companies whose interests were represented by the directors of the company.

**15. LIABILITY OF MEMBERS**

The liability of the members is limited. Every member of the company undertakes to contribute to the assets of the company, in the event of the same being wound up while he/she is a member or within one year after he/she ceases being a member, for payment of the debts and liabilities of the company contracted before he/she ceases to be a member and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, such amount as may be required not exceeding IR£1.

**16. CONTINGENT LIABILITIES**

The company is currently in dispute with Recorded Artists Actors Performers Company Limited by Guarantee. The dispute centres on interpretation of part of the Copyright and Related Rights Act of 2000. Both parties have alternative views of the definition of a qualifying performance/performer. This has the potential to alter the split of distributable revenue between the parties. The company has taken expert legal advice and are confident their position is correct. It is hoped this dispute will be resolved in the near future.

**17. CAPITAL COMMITMENTS**

There were no capital commitments at year end.

**18. PENSION COMMITMENTS**

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to €74,537 (2015 €99,106). Contributions totalling €2,726 (2015 -€11,555) were payable to the fund at the balance sheet date.

**19. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 €	2015 €
<b>Amounts due under non-cancellable lease</b>		
Not later than 1 year	31,250	125,000
	<u>31,250</u>	<u>125,000</u>

## **Phonographic Performance (Ireland) Company Limited by Guarantee**

### **Notes to the Annual Transparency Report (Continued) For the Financial year Ended 31 December 2016**

#### **20. RELATED PARTY TRANSACTIONS**

During the year the company incurred costs for services under an SLA with Irish Recorded Music Association Company Limited By Guarantee of €417,458 (2015 - €510,825), a company which is also related by having common directors. At year end the balance due from Irish Recorded Music Association Company Limited By Guarantee was €151,820 (2015 - €156,755).

Joe Fitzpatrick, who was appointed as secretary on 15 April 2014 is key management personnel. He is a former director of FC On Call Limited, a company incorporated in Ireland providing management services to Phonographic Performance (Ireland) Company Limited by Guarantee. During the year services to the value of €110,825 (2015 -€111,475) were provided and included in trade creditors is an amount of €9,194 (2015 -€10,793) owed by Phonographic Performance (Ireland) Company Limited by Guarantee to FC On Call as at 31 December 2016.

During 2016 total distributions paid by the company to the directors of the company and to parties related to the directors of the company amounted to €€9,108. These distributions were calculated on the same basis as distributions to all members.

The total remuneration for key management personnel for the financial year totalled €420,274.

#### **21. DISTRIBUTABLE TO PERFORMERS**

The amount distributable to Performers has fallen significantly in 2016. The performer's distribution in 2015 was calculated using an estimated non-qualifying percentage rate of 22.4%. Following the engagement of PPL it has been possible to calculate the actual non-qualifying rate for 2016 of 31.22% . The comparative figure for 2015 also includes an Agency Fee of €197,799. There is no Agency Fee in the 2016 figure as this is the subject of legal proceedings.

In previous years where the performer's distribution has had to be calculated using an estimated non-qualifying percentage rate of 22.4% the company has retained amounts pending the resolution of the legal dispute.

#### **22. AMOUNTS COLLECTED BUT NOT YET ATTRIBUTED**

These funds relate to allocations on tracks which are unmatched to rights holders or performers. If at the time of distribution, there is inadequate information to match a track to the rights holder or the performers on that track, amounts are reserved against that track. At such time as additional information is received which enables a match to be made, the reserves are distributed in the following distribution run.

#### **23. AMOUNTS ATTRIBUTED BUT NOT YET DISTRIBUTED**

These funds relate to both matched rights holder and performers distributions which were undistributed at the 31<sup>st</sup> December, 2016.

#### **24. DELAYED DISTRIBUTIONS**

Delayed distributions relate to disputed performer's funds which have been held pending the outcome of a legal action with the Recorded Artists Actors Performers Limited, as referenced in the Financial Activities Report.

#### **24. POST BALANCE SHEET EVENTS**

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

## Phonographic Performance (Ireland) Company Limited by Guarantee

### Collective Management Organisations (CMOs)

As at 31st December, 2016, PPI had 6 international representation agreements with other CMOs.

PPI in 2016 also paid Recorded Artists Actors Performers Limited the CMO for Performers in Ireland.

International revenue received from other CMOs and paid to PPI members, as well as revenue collected by PPI and passed onto CMOs for their members during 2016 is split by CMO and territory below. In relation to the table below:

"CMO revenue received" figures are shown net of any costs deducted by other CMOs before funds were passed onto PPI.

"CMO revenue paid to members" includes revenue received in 2016 and previous years from other CMOs that was paid to PPI's direct members in 2016.

"PPI revenue paid to CMOs" includes all PPI revenue that was paid to members of other CMOs and is shown net of costs deducted by PPI (details provided previously)

Collective Management Organisation (CMO)	Territory	Member Type	CMO Revenue Received	CMO Revenue Paid to Members	PPI Revenue Paid to CMOs
IFPI	Sweden	Recording Rightsholder	0	0	0
PPL	United Kingdom	Recording Rightsholder	53,404	8,459	177,838
RAAP	Ireland	Performer	0	0	2,000,000
RE:SOUND	Canada	Recording Rightsholder	0	0	1,410
SENA	Netherlands	Recording Rightsholder	1,118	0	15,803
SOUNDEXCHANGE	United States	Recording Rightsholder	105	607	13,054
VPL	United Kingdom	Recording Rightsholder	234	0	0