

NCB 2016

Annual report

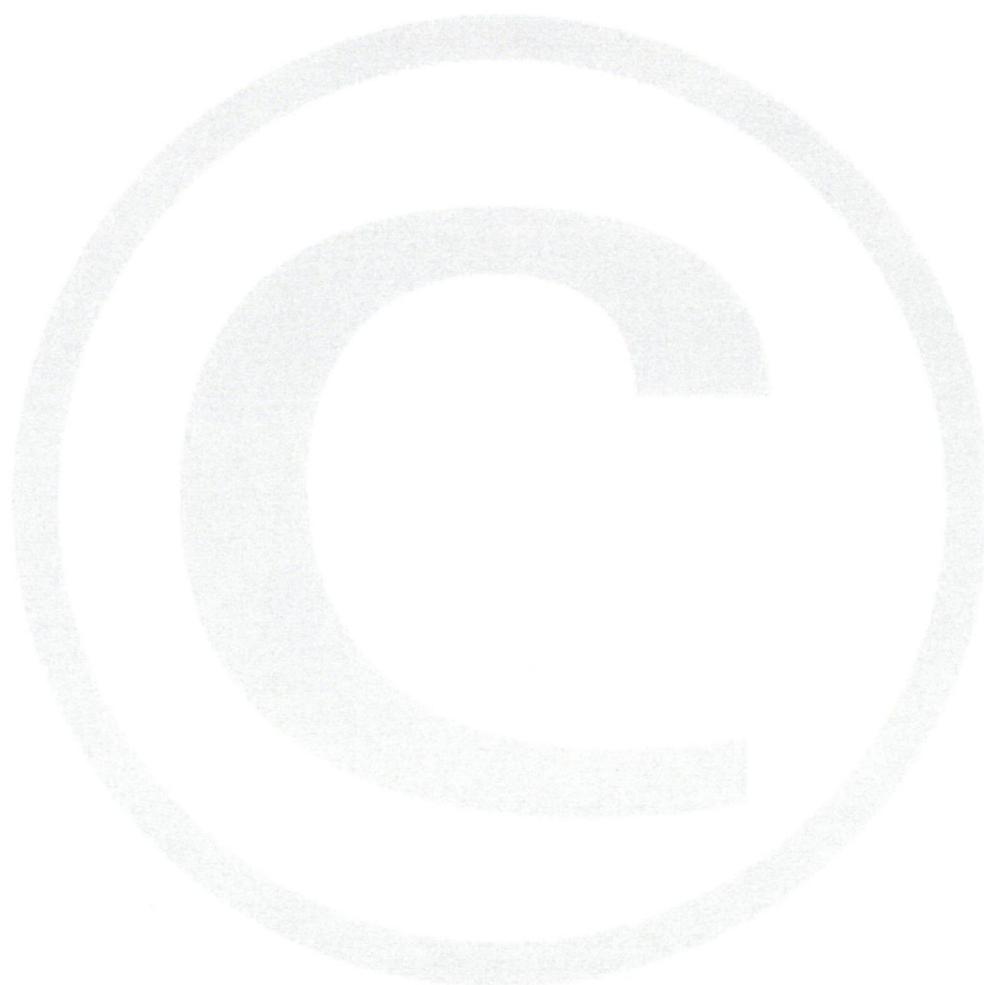


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About NCB

Name & registered office

Nordisk Copyright Bureau
Niels Juels Gade 9-11, 3.
DK-1059 Copenhagen K
Denmark

CVR number 22 13 33 14
(Central Business Registration number)

Contact information

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Annual General Meeting

The Annual General Meeting will be held on 18 May 2017.

Executive bodies of NCB • 2016

Board of Directors, Observers, Audit Committee, Auditor and Management

Appointed by Koda

- Anders Lassen, Managing Director

Appointed by STEF

- Guðrun Björk Bjarnadóttir, General Manager

Appointed by Stim

- Karsten Dyhrberg Nielsen, CEO (chairman)

Appointed by Teosto

- Katri Sipilä, CEO (vice-chairman)

Appointed by TONO

- Cato Strøm, Managing Director

Audit Committee

- Jacob Morild, Lyricist
- Pekka Sipilä, Executive Director
- Kjetil Skarby, Music Publisher
- Asbjørn Schaathun, Composer

Auditor

- Deloitte Statsautoriseret Revisionspartnerselskab

Management

- Håkan Hildingsson, CEO

General information on NCB

NCB - Nordisk Copyright Bureau - is a Nordic society that in collaboration with affiliated societies all over the world manages the recording and copying rights in music on CD, DVD, film, video, the internet etc. for composers, lyricists and music publishers. NCB's head office is in Copenhagen and NCB's territory of administration covers all Nordic and Baltic countries.

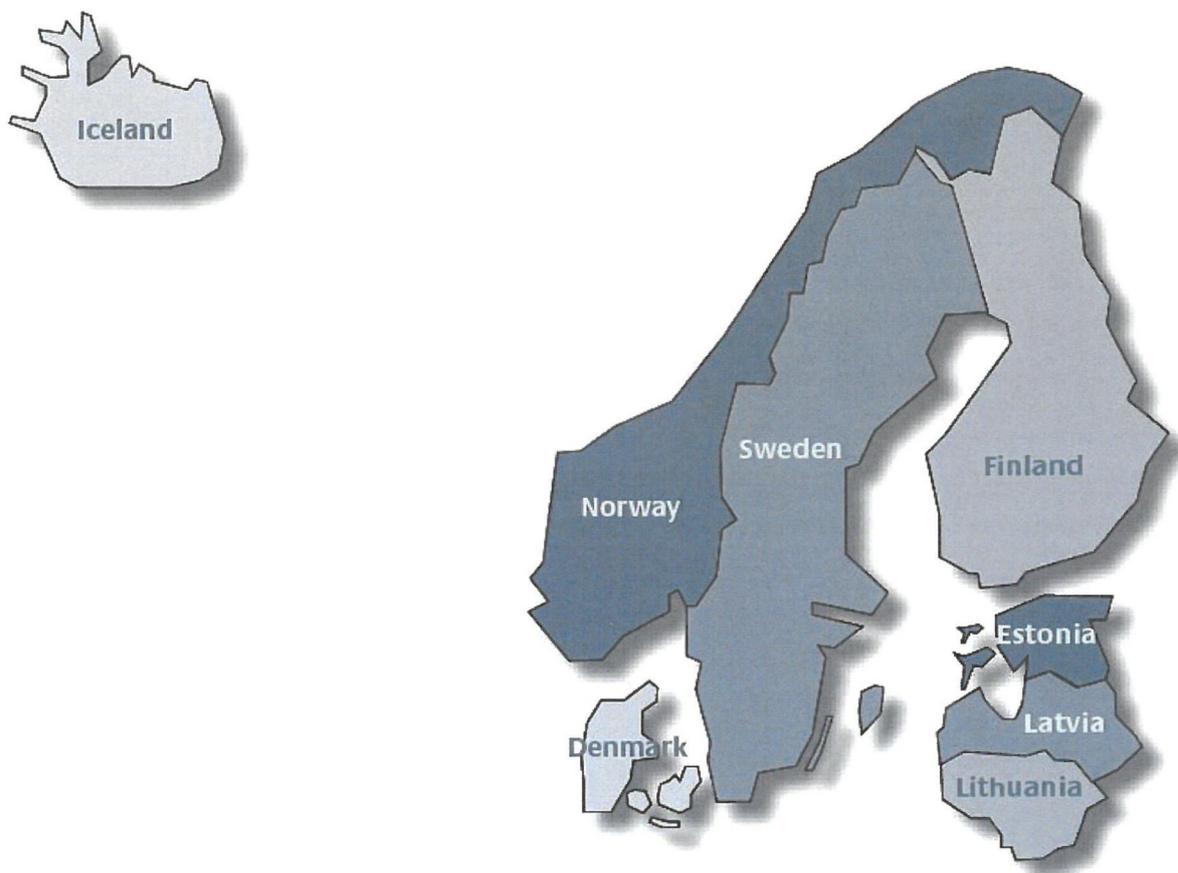
NCB's owner societies are Koda in Denmark, STEF in Iceland, Stim in Sweden, Teosto in Finland and TONO in Norway. NCB has cooperation agreements with EAÜ (Estonia), AKKA/LAA (Latvia) and LATGA-A (Lithuania).

NCB's Board of Directors consists of five members. Koda, Stim, Teosto and TONO and STEF appoint one member each.

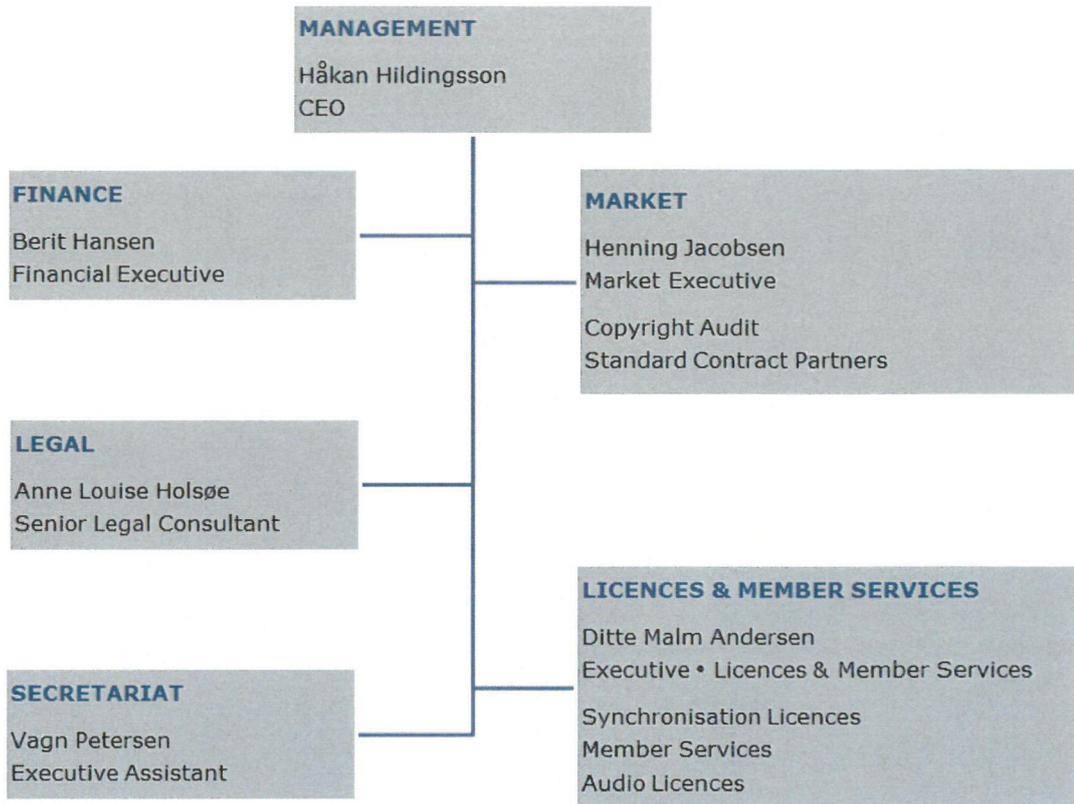
NCB's audit is undertaken by a state authorised public accountant. In addition, Koda, Stim, Teosto and TONO all appoint a rights holder representative to NCB's Audit Committee which convenes twice a year.

NCB holds 50% of the shares in NMP – Network of Music Partners A/S – that is a joint venture company owned by NCB and PRS for Music in the U.K. NMP provide back office services to the music copyright administration industry.

NCB's territory of administration



Organisation 2016



Key figures

DKK '000	2012	2013	2014	2015	2016
Royalties collected excl. perf.	370,3	329,8	241,9	193,1	190,3
Royalties collected incl. perf.	445,4	431,8	337,3	280,7	260,7
Distribution excl. perf.	297,4	345,3	213,4	168,5	189,6
Change - undistributed royalties	46,3	-72	-10,5	-11,7	-31,4
Commission	32,8	43,9	39	36,4	34,1
Interest	12,5	10,4	9,8	8,5	5,0
Other income	15,7	-0,1	2,3	-1	0,4
Total income	61,0	54,2	51,1	43,8	39,5
Total expenses	61,8	62,6	55,7	47,8	45,4
Expenses in %	13,0%	14,2%	15,9%	16,6%	17,1%
Profit/loss before tax	-0,8	-8,4	-4,6	-4,0	-5,9
Capital and reserves	59,2	50,8	46,2	42,2	36,3
Indexed development:					
Royalties collected	100	97	76	63	59
Distribution	100	116	72	57	64
Commission	100	134	119	111	104
Interest	100	83	78	68	40
Total income	100	89	84	72	65
Total expenses	100	101	90	77	73

The Management's review

The 2016 annual NCB accounts will indeed be a pleasant reading for all stakeholders. The successful implementation of many cost reducing and income optimizing initiatives during 2015 and 2016 have secured a bottom line result that is well in line with the ambition of being a non-for profit as well as a no-deficit organization.

During a 2 year-transformation process management has in close dialogue with its owners reduced complexities and streamlined processes in order to achieve cost efficiencies in the NCB administration. NCB is in 2016 as a consequence a financially balanced copyright organization based around its core functions and this fact has enabled the owners to consider the future of NCB and how the mechanical rights attached to physical music media should be administered going forward.

2016 has to a great extent been characterized by the NCB "wind-down project" – a project initiated by the 2016 General Assembly and targeted to define a future model for NCB. Under the scope of the wind-down project NCB key resources have documented activities and processes and secured owner alignment to the NCB administrative and licensing portfolio.

On an extra-ordinary General Assembly on 7 December 2016 the right holder representatives were introduced to the details of the wind-down project and the proposal according to which NCBs administrative activities relating to licensing, collection and distribution will continue uninterrupted but in a new organizational setting. According to the proposal all administrative activities and key resources should be out-sourced to Koda in order to maintain the core operation and commercial know-how of NCB. A formal decision relating to the NCB wind-down decision is expected on an extra-ordinary General Assembly on 22 March 2017.

All extra-ordinary and non-budgeted cost relating to the NCB wind-down project (DKK 12.9) has been included in the 2016 annual accounts with the effect that the budgeted annual result before tax (DKK 5.1 million¹) was not met. The loss before tax amounted to DKK 5.9 million.

I am very proud of the second to none service that NCB has continued to supply to its constituents in parallel to completely transforming the organization and adapting the cost base to fit a new market reality of how music rights are licensed and music is sold and consumed.

And as evidenced by these annual accounts NCB is well prepared for the challenges that lie ahead.

¹ The budgeted loss for the year was set to DKK - 5.1 million to fully reflect the depreciation of the original investment in NMP and since the depreciation should be financed by NCB equity and not the running business.

Financial review

Collections

In 2016 NCB collected DKK 260.7 million including online performing rights. This was a decrease of DKK 20 million or 7.1% compared to 2015. Collections excluding performing rights amounted to DKK 190.3 million or 1.5% below the 2015 collection level.

Online royalties have been collected in NCBs books on behalf of NMP in the first 8 months of 2016. The mechanical part of these royalties amounts to TDKK 37.134.

The main explanation behind the fact that the collections were more or less on the same level as in 2015 is that the delay in CLA collection from 2015 has been collected in 2016 and we therefore see a significant increase in this area in 2016. Basically all other areas show decreases in the 2016 collection.

Collections from Norwegian producers and distributors decreased by 25% (DKK 11.6 million) while increases were seen in both Finland (24%) and Sweden (14%), and Denmark were more or less on the same level as in 2015.

Distributions

NCB distributed royalties to a total value of DKK 189.6 million which constituted an increase of DKK 21.1 million compared to 2015. This increase basically effected rights holders based outside the Nordic region, while decreases were seen in Norway (2%) and Denmark (14%) while increases were seen in Finland (6%) and Iceland (42%). Distribution to rights holders based in Sweden was basically on the same level as in 2015.

Income

When the books for 2016 were closed, NCB had a total of DKK 39.5 million in income which was a decrease of 10% compared to 2015.

The increase in distribution caused the commission to increase with 25% compared to budget, but there is a decrease compared to last year due the fact that commission from online royalties collected from 2016 and onwards no longer appears in the NCB books.

Financial income decreased by DKK 3.5 million from DKK 8.5 million in 2014 to DKK 5.0 million in 2016 due to low/negative interest levels in the Nordic countries. Included in this amount is approximately DKK 1.4 million interest invoiced to producers and distributors for late reporting and audit findings.

Value adjustments on securities and currencies show a positive amount of DKK 0.1 million, showing that especially the NOK has reached a stable level.

Financial expenses consist of primarily interest to banks due to the negative interest level in the Nordics.

Ordinary Expenses

Ordinary expenses decreased by 5% to DKK 47.4 million in 2016 compared to DKK 47.9 million in 2015. However, the 2016 figures includes all costs connected to the wind-down project (DKK 12.9 million). Excluding the wind-down costs the decrease is DKK 13.4 million. The primary driver for this is a decrease the costs connected to the removal of responsibility for the

online administration from NCB and also staff cost following the organizational changes that took place in the beginning of 2016.

Cost savings are shown in all cost areas that are solely controlled by NCB.

Amortisation/depreciation

Depreciations for 2016 amounted to DKK 0.3 million which was at the same level as in 2015, but below budget as most assets were scrapped during the move to Niels Juels Gade at the end of 2015.

Assets

"Investments in Associates" amounted to DKK 25.6 million and relate to the investment in NMP. There has not been any change to the investment in 2016.

Debtors increased from DKK 8.043 million in 2015 to DKK 15.186 million in 2016. This is primarily due to the fact that there were no prepayments to publishers in December 2015 and also that on account invoicing to online producers have increased and still appeared in NCBs books in 2016.

"Securities" amounted to DKK 295 million and were placed in Nordic government and private bonds.

Liabilities

By 31 December 2016, undistributed royalties amounted to DKK 165.5 million, a decrease of DKK 35.2 million excl. value adjustments compared to 31 December 2015. Balances with owner societies decreased from DKK 130 million to DKK 123 million; a decrease of DKK 7 million.

Cash Flow

Cash and securities as per 31 December 2016 amounted to DKK 406 million, or DKK 30 million (6.8%) less than 31 December 2015. The primary contributor was the changes in undistributed royalties. The change in debtors contributed with DKK -7 million, while the short time debt decreased by DKK 10 million. The result contributed with -5,9 million and investment in assets (office and website) contributed with -0.7 million.

Extraordinary circumstances after 31 December 2016

On an extraordinary General Assembly held on March 22, 2017 the final decision on the new set-up for NCB was taken.

Therefore effective on 1 April 2017, 12 NCB employees are transferred to KODA, and the NCB administrative activities are outsourced to KODA.

This new setup is expected to have a return of investment of approximately 3 years, and total cost savings in a 5 year period is expected to be approximately 11 million after the return of investment is obtained.

Statements & approval

Statement by the Management on the Annual Report

We have today considered and approved the annual report of Nordisk Copyright Bureau for the financial year 1 January to 31 December 2016. The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Society's financial position at 31 December 2016 and of its financial performance as well as the cash flow for the financial year 1 January to 31 December 2016. We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 4 April 2017

Management



Hakan Hildingsson

Board of Directors

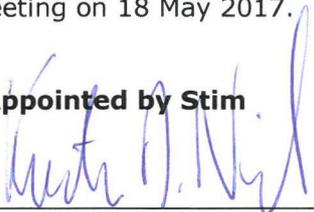
Adopted at the Annual General Meeting on 18 May 2017.

Appointed by Koda



Anders Lassen

Appointed by Stim



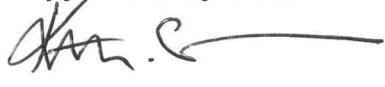
Karsten Dyhrberg
Nielsen (Chairman)

Appointed by STEF



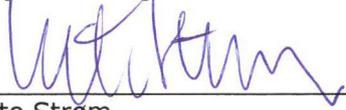
Guðrún Björk
Bjarnadóttir

Appointed by Teosto



Katri Sipilä
(Vice-chairman)

Appointed by TONO



Cato Strøm

Independent auditor's report

To the Annual General Meeting of Nordisk Copyright Bureau Opinion

We have audited the financial statements of Nordisk Copyright Bureau for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Society's financial position at 31.12.2016 and of the results of its operations for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this auditor's report. We are independent of the Society in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Society's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 04.04.2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56


Bjørn Winkler Jakobsen
State-Authorised
Public Accountant


Henrik Hartmann Olesen
State-Authorised
Public Accountant

Profit and loss account

DKK '000	Note	2016	2015
Royalties collected	2-3	190.315	193.144
Royalties distributed	4	189.556	168.461
Commission	5	34.069	36.355
Financial income, interest	6	5.002	8.459
Financial expenses	7	-737	-968
Value adjustments on securities and currencies		103	-4.623
Other	8	1.022	4.549
Total income		39.459	43.771
Staff	9	-13.686	-15.225
Other external expenses	10	-19.412	-9.399
Expenses NMP	11	-14.284	-23.320
Ordinary expenses		-47.382	-47.944
Profit before amortisation/depreciation		-7.923	-4.172
Amortisation/depreciation	12	-292	-302
Profit from investments in associates	13	2.267	486
Net profit/loss for the year		-5.948	-3.988
Extraordinary income		62	0
Tax on profit for the year	14	2	0
At disposal		-5.888	-3.988
Proposal for appropriation of profit			
The year's result		-5.888	-3.988
Transferred to reserve for net revaluation according to the equity method		0	0
Retained earnings		42.162	46.150
At disposal		36.274	42.162
Carried forward to next year		36.274	42.162
At 31 December		36.274	42.162

Balance sheet

DKK '000	Note	2016	2015
Assets			
Fixed assets			
Intangible fixed assets			
Development projects completed	15	0	0
Total intangible fixed assets		0	0
Tangible fixed assets			
Equipment	16	856	469
Total tangible fixed assets		856	469
Fixed assets investments			
Investments in Associates	17	25.575	26.308
Rent deposits		251	247
Total fixed assets investments		25.827	26.555
Total fixed assets		26.683	27.024
Current assets			
Debtors			
Prepayment to publishers		2.459	0
Producers		9.844	4.714
Receivables from Associates		0	382
Other debtors		1.527	1.319
Accrued interest		1.071	1.396
Other deferred assets		284	232
Total debtors		15.186	8.043
Securities			
Bonds		294.073	299.675
Shares		606	562
Total securities	18	294.679	300.237
Cash at bank and in hand		111.500	136.156
Total current assets		421.365	444.436
Total assets		448.048	471.460

Balance sheet

DKK '000	Note	2016	2015
Liabilities			
Capital and reserves			
Carried forward to next year		36.274	42.162
Capital and reserves		36.274	42.162
Short-term debt			
Debt - prepayments			
International sister societies		7.815	9.935
Advance payments from producers		76.560	71.487
Total debt - prepayments		84.376	81.422
Other short-term debt			
Members		19.917	16.339
Balances with owner societies incl. performing		123.292	130.493
Balances with associates		2.279	0
Other creditors		1.897	534
Undistributed mechanical royalties	19	165.522	196.948
Other debt	20	14.492	3.562
Total other short-term debt		327.399	347.876
Total prepayments and other short-term debt		411.775	429.298
Total liabilities		448.048	471.460

Statement of changes in capital and reserves

DKK '000	2016	2015
Capital and reserves as at 1 January	42.162	46.150
Transferred to reserve for net revaluation according to the equity method	0	0
Result of year	-5.888	-3.988
Capital and reserves as at 31 December	36.274	42.162

Cash flow statement

DKK '000	2016	2015
The year's result	-5.888	-3.988
Adjustment to opening balance	1	0
Amortisation/depreciation reversed (note 12)	292	302
Profit from sale of intangibles (note 12)	0	0
Profit/loss from investments in associates (note 13)	-2.267	-486
Dividend from associates	3.000	1.500
	-4.862	-2.672
Changes in deposit	-5	1.276
Changes in debtors	-7.142	3.423
Changes in prepayment	2.954	-5.800
Changes in short-term debt	10.949	12.827
Changes in undistributed royalties	-31.426	-13.228
Cash flow from operating activities	-29.532	-4.174
Investing Activity		
Development projects in progress	0	0
Establishment of Associates	0	0
Investments in equipment etc.	-680	-430
Sale of fixed assets	0	53
Cash flows from investing activities	-680	-377
Net cash flow for the year	-30.212	-4.551
Cash and securities as at 1 January	436.393	440.944
Cash and securities as at 31 December	406.181	436.393

Notes

1. Accounting policies
2. Royalties collected by product category
3. Royalties collected by country
4. Royalties distributed by country
5. Commission income
6. Financial interest
7. Financial expenses
8. Other income
9. Staff costs
10. Other external expenses
11. Expenses NMP
12. Amortisation/depreciation
13. Loss from investments in associated companies
14. Tax
15. Intangible fixed assets
16. Tangible fixed assets
17. Fixed asset investments
18. Securities
19. Undistributed royalties
20. Other debt
21. Contingencies and securities

1 • Accounting policies

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

Changes in accounting policies

The accounting policies applied for these financial statements are consistent with those applied last year.

Presentation of income statement and balance sheet as well as description of items and notes has been restated to reflect NCB's special activity as a Society administering copyrights.

Recognition and measurement

Assets are recognised in the balance sheet when it is probably a result of a prior event that future economic benefits will flow to the Society, and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the Society has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Society, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date.

Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Income statement

Commission income

Commission income is calculated on the basis of royalties received and is booked as income in connection with distribution to rights holders.

Other operating income and expenses

Other operating income and expenses comprise income and expenses of a secondary nature as viewed in relation to the Society's primary activities.

Other external expenses

Other external expenses comprise expenses for distribution, sale, marketing, administration, premises, bad debts, etc.

Staff costs

Staff costs comprise salaries and wages as well as social security costs, pension contributions, etc for the Society's staff.

Financial income and expenses

These items comprise interest income and expenses, realised and unrealised capital gains and losses on securities, payables and transactions in foreign currencies.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity. The portion of the tax taken to the income statement, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Balance sheet

Other intangible assets

Other intangible assets comprise uncompleted and completed development projects with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is usually five years, but in certain cases it may be up to 20 years if the longer amortisation period is considered to better reflect the Society's benefit from the developed product etc.

Other intangible assets are written down to the lower of recoverable amount and carrying amount.

Profits or losses are recognised in the income statement as an adjustment to amortisation and impairment losses.

Tangible fixed assets

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

- IT: 3-4 years
- Vehicles: 5 years
- Office equipment: 3-5 years

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price minus selling costs and carrying amount at the time of sale. Profits or losses are recognised in the income statement as adjustment to depreciation and impairment losses, or under other operating income if the selling price exceeds original cost.

Investments in associates

Investments in associates are recognised and measured under the equity method. This means that investments are measured at the pro rata share of the enterprises' equity plus or less intra-group profits or losses.

The Society's share of the enterprises' profits or losses after elimination of intra-group profits and losses.

Upon distribution of profit or loss, net revaluation of investments associates is transferred to reserve for net revaluation according to the equity method under equity.

Investments in associates are written down to the lower of recoverable amount and carrying amount.

Investments

Securities are measured at the market value at the balance sheet date if they are listed.

Fair value adjustments are recognised in the Profit and loss account.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less provisions for bad debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Deferred income

Deferred income comprises received income for recognition in subsequent financial years. Deferred income is measured at cost.

Unallocatable royalties

Unallocatable royalties result from the receipt of royalties for which no recording documentation is received that permits individual distribution or for which it has not been possible to distribute to rights holders after 10 distribution periods (4-years).

A proportion of unallocatable royalties older than 10 distribution periods is distributed to the rights holders and to non-Nordic sister societies based on a specific distribution model.

Cash flow statement

The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Society's cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments fixed asset investments as well as purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases. Cash and cash equivalents comprise cash and short-term securities.

2 • Royalties collected by product category

DKK '000	2016	2015
Audio - Standard Contract	13.559	19.837
Central Licensing Agreements	42.182	27.996
Audio - sister societies	13.917	16.311
Audio - work-by-work licences	13.843	15.873
Online services	37.134	47.881
Radio/TV	1.354	1.592
Audio-visual products	9.326	9.100
Other	59.000	54.554
Total	190.315	193.144

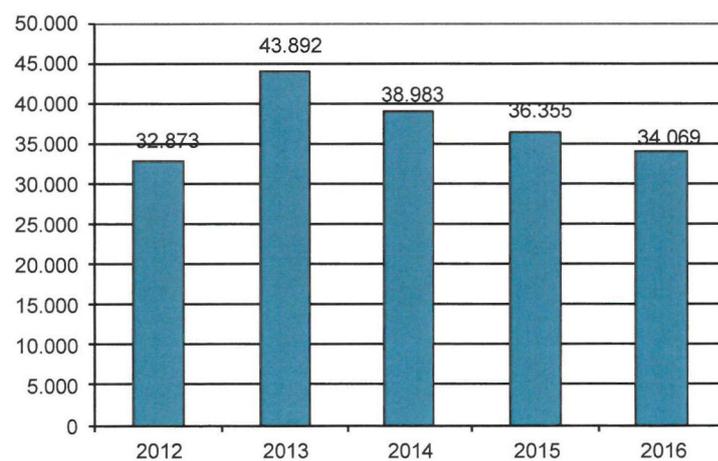
3 • Royalties collected by country

DKK '000	2016	2015
Norway	35.370	46.968
Sweden	39.730	34.817
Denmark	32.908	33.677
Finland	41.208	33.153
Germany	11.636	17.894
France	6.703	5.772
UK	4.722	2.926
Estonia	3.142	2.891
Iceland	1.575	2.207
Switzerland	1.553	1.535
Italy	830	1.345
Austria	1.202	1.171
Netherlands	1.589	1.008
Japan	2.489	1.068
Lithuania	326	402
Latvia	252	375
Other	5.080	5.935
Total	190.315	193.144

4 • Royalties distributed by country

DKK '000	2016	2015
Sweden	91.799	92.075
Denmark	25.805	29.973
Finland	24.897	23.469
Norway	22.212	22.716
Germany	1.681	1.773
Iceland	1.414	995
UK	2.653	3.460
France	940	798
Estonia	1.708	821
Italy	391	407
Netherlands	1.276	1.057
USA	261	542
Latvia	1	12
Belgium	253	258
Lithuania	119	68
Other	14.146	-9.963
Total	189.556	168.461

5 • Commission income



6 • Financial interest

DKK '000	2016	2015
Interest income, bank	311	614
Interest income, bonds	3.267	4.471
Interest income, other	1.425	3.374
Total	5.002	8.459

7 • Financial expenses

DKK '000	2016	2015
Interest, expenses	454	616
Other financial expenses	283	352
Total	737	968

8 • Other income

DKK '000	2016	2015
Related party production fee	736	832
Income NMP	0	3.431
Other	287	286
Total	1.022	4.549

9 • Staff costs

DKK '000	2016	2015
Wages and salaries	10.956	11.814
Pension contributions	1.291	1.540
Holiday pay	486	337
Fees to board members/audit committee	97	923
Training and education	157	98
Other	699	513
Total	13.686	15.225
Average number of employees	21,7	23,0

10 • Other external expenses

DKK '000	2016	2015
IT	528	643
Office supplies	571	932
Membership BIEM, CISAC, GESAC	781	400
Travel and entertainment	364	948
Rent etc.	745	4.273
Fee paid to owner society	1.856	1.764
Administration local branch offices	-69	-69
Audit and advisory services	1.212	566
Legal assistance	468	-1.111
Outside assistance	1.532	380
Wind down costs	11.423	674
Total	19.412	9.399

11 • Expenses NMP

DKK '000	2016	2015
DK Operating costs	2.961	6.926
DK service charge (Operations)	0	1.023
IT shared expenses	1.564	6.466
Dedicated costs 2,25 FTF	2.789	3.357
Other costs	198	-125
Depreciation	6.772	5.672
Total	14.284	23.320

12 • Amortisation/depreciation

DKK '000	2016	2015
Tangible fixed assets (note 16)	292	302
Profit from sale of tangibles fixed assets	0	0
Total	292	302

13 • Profit from investments in associated companies

DKK '000	2016	2015
Share of profit / loss after tax	0	0
Change in unrealised intra-group profit on intangibles	2.267	486
Total	2.267	486

14 • Tax on profit for the year

DKK '000	2016	2015
Current tax of the year	2	0
Year's changes in deferred tax	0	0
Total	2	0

15 • Intangible fixed assets

DKK '000	Develop-ment pro-jects com-pleted
Cost at 1 January	178
Year's addition	0
Year's disposals	0
Cost at 31 December	178
Amortisation at 1 January	178
Reversal relating to disposals	0
Year's amortisation	0
Amortisation at 31 December	178
Book value at 31 December	0

16 • Tangible fixed assets

DKK '000	IT	Office equipment	Total
Cost at 1 January	4.500	3.212	7.712
Year's addition	0	680	680
Year's disposals	0	0	0
Cost at 31 December	4.500	3.892	8.392
Depreciation at 1 January	4.461	2.783	7.244
Correction of opening balance	-14	0	0
Reversal relating to disposals	0	0	0
Year's depreciation	53	253	306
Depreciation at 31 December	4.500	3.036	7.536
Book value at 31 December	0	856	856

17 • Fixed asset investments

DKK '000	
Cost at 1 January	31.207
Year's addition	0
Year's disposals	0
Cost at 31 December	31.207
Net value adjustments at 1 January	-4.899
Net share of profit/loss for the year	1.781
Dividend	-3.000
Adjustment on realised intra-group amortisation	486
Net value adjustments at 31 December	-5.632
Book value at 31 December	25.575

18 • Securities

DKK '000	2016	2015
Bonds		
Bonds DKK	139.326	139.538
Bonds NOK	89.915	85.933
Bonds SEK	23.411	24.326
Bonds EUR	41.421	49.878
Shares	606	562
Total	294.679	300.237

19 • Undistributed royalties

DKK '000	2016	2015
1 January	196.949	210.176
Royalties collected	190.315	193.144
Correction Baltics 2014		412
Royalties distributed	-189.556	-168.461
Commission	-34.069	-36.355
Value adjustments on currencies, total	1.883	-1.967
31 December	165.522	196.949
Changes in undistributed royalties	-31.427	-13.227

20 • Other debt

DKK '000	2016	2015
Provision for salaries/flextime/holiday pay	1.613	1.645
VAT	0	0
Miscellaneous debt	12.879	1.917
Total	14.492	3.562

21 • Contingencies and securities

Rent liabilities up to 1 May 2019 totalling DKK 0.9 million.

NCB is a party in a dispute with a rights holder regarding collection and distribution of royalties on specific works. The dispute is expected to be finalized in 2017.

There are no other contingent liabilities.