

NCB 2016

Transparency report



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The Transparency Report

The transparency report is an addendum to the annual report and contains information requested under the Danish Act on Collective Management of Copyright.

Further to the information provided by the Annual Report on the financial status of the Society, the transparency report contains more specific data on each collection category administered by NCB.

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.

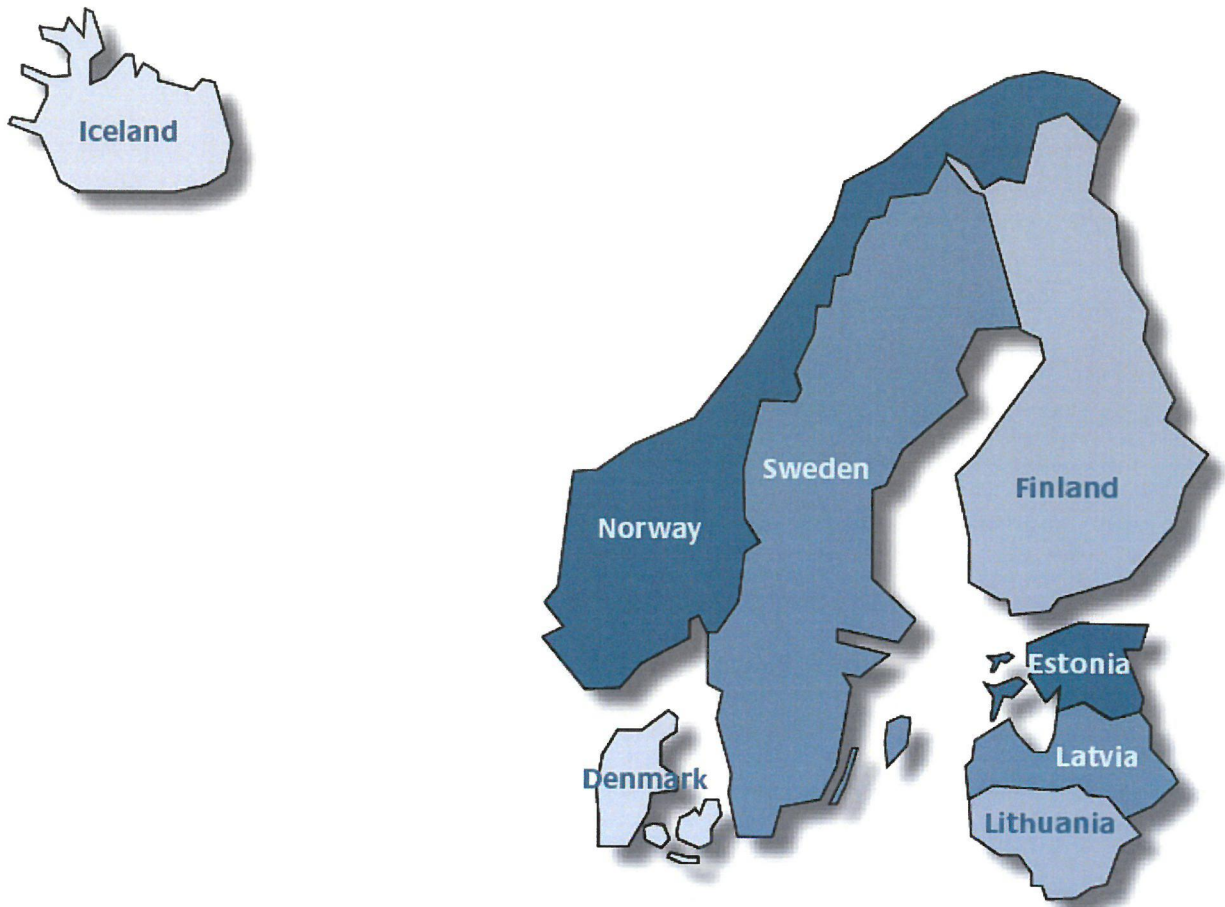
NCB's owner societies are Koda in Denmark, STEF in Iceland, Stim in Sweden, Teosto in Finland and TONO in Norway. NCB has cooperation agreements with EAÜ (Estonia), AKKA/LAA (Latvia) and LATGA-A (Lithuania).

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

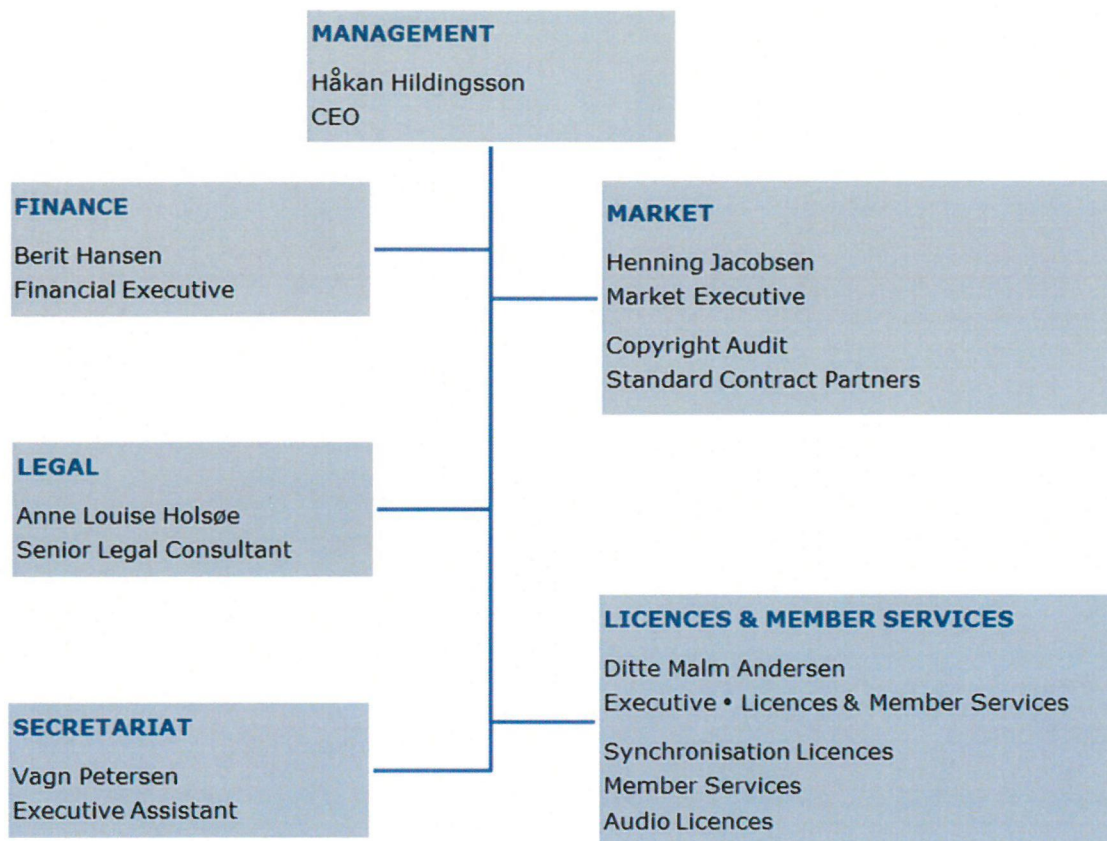
NCB's audit is undertaken by a state authorised public accountant. In addition, Koda, Stim, Teosto and TONO all appoint a rights holder representative to NCB's Audit Committee, which convenes twice a year.

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



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 information from the Annual Report

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

Remuneration of the Board

There has been no remuneration to the members of the Board in 2016.

Rejection of licensees

NCB does not reject licensees. The only reason in NCB for not granting a licence upon request is lack of payment of royalties due.

2 • Profit and loss split on collection categories

Income consists of commission from distributed royalties, fees and interest from late reporting and interest income from undistributed royalties placed in bonds and shares. Interest income are used to deduct costs of royalty handling and thus the commission rate.

Commission rates are fixed based on the approved budget for the year. There are no other deductions from undistributed royalties in any category to cover administration costs etc.

Costs or income that can be directly connected to a specific collection category are placed in that specific category. Costs or income with no direct connection to a specific collection category, are split by collection percentage in the range of categories they represent. There have been no costs or income connected to other business areas than collection and management of royalties.

DKK '000	Audio Standard Contract	Central Licensing	Audio Sister Societies	Audio Single Licenses	Online Services	Radio/TV	AV products	Other	Total
Collection % Offline	8,85%	27,54%	23,37%	9,04%		0,89%	23,29%	7,02%	100,00%
Collection % Total	5,20%	16,18%	13,74%	5,31%	41,24%	0,52%	13,69%	4,13%	100,00%
Royalties collected incl. performing	13.559	42.182	35.804	13.843	107.490	1.360	35.680	10.753	260.671
Royalties distributed incl. Performing Nett	11.432	36.794	19.200	9.333	101.228	4	26.034	39.845	243.870
Addition to undistributed royalties									
Income									
Commission	2.498	3.585	2.749	2.116	4.092	136	5.598	13.297	34.071
Interest	260	809	687	266	2.063	26	685	206	5.002
Realised value adjustment on securities	-61	-189	-160	-62	-481	-6	-160	-48	-1.166
Unrealised value adjustment on securities	66	205	174	67	523	7	174	52	1.269
Value adjustment on currencies									-
Financial expenses	-38	-119	-101	-39	-304	-4	-101	-30	-737
NMP									-
MCPS									-
Other	1.022								1.022
Total Income	3.747	4.292	3.349	2.348	5.893	159	6.196	13.477	39.461
Ordinary Expenses									
Staff	2.446	1.907	1.694	962	4.084	45	1.190	1.359	13.686
IT	27	85	73	28	218	3	72	22	528
Office supplies	30	92	78	30	235	3	78	24	571
Subscriptions BIEM, CISAC, GESAC	69	215	183	71	-	7	182	55	781
Travel and entertainment	32	100	85	33	-	3	85	26	364
Rent, etc.	66	205	174	67	-	7	174	52	745
Fee paid to KSTT	164	511	434	168	-	16	432	130	1.856
Administration, national branch offices	-6	-19	-16	-6	-	-1	-16	-5	-69
NMP - Operations	261	812	690	267	-	26	687	207	2.950
NMP - IT	158	493	419	162	1.256	16	417	126	3.047
NMP - Shared costs	79	245	208	80	625	8	207	62	1.515
Outside assistance	284	884	751	290	-	29	748	225	3.212
Loss member	-	-	-	-	-	-	-	-	-
Wind down costs								11.423	11.423
Ordinary Expenses	3.611	5.532	4.771	2.151	6.419	162	4.256	13.706	40.609
Profit/Loss of the Year	136	-1.240	-1.422	197	-525	-3	1.940	-229	-1.148
Depreciation F.A (NCB only)	-15	-47	-40	-16	-120	-2	-40	-12	-292
Depreciation NMP	-352	-1.096	-930	-360	-2.792	-35	-927	-279	-6.772
Sale of Bifrost	-								
Change in unrealised intra group-profit	-								
Profit from sales of tangibles assets	118	367	311	120	935	12	310	94	2.267
Income from investment in associates	-								
Unallocatable royalties	-								
Subtotal	-250	-776	-659	-255	-1.978	-25	-657	-198	-4.797
Profit before Tax	-114	-2.016	-2.081	-58	-2.503	-28	1.283	-426	-5.945
Ekstraordinary income								62	62
Tax on profit for the year								-2	-2
At Disposal	-114	-2.016	-2.081	-58	-2.503	-28	1.283	-366	-5.885
Expense ratio	26%	15%	15%	17%	8%	14%	14%	127%	17%

Note that the figure shown above includes online which section 1 does not, since it is not possible to exclude online from these numbers.

3 • Distribution of royalties

NCB distributes twice a year in June and December for offline royalties and 4 times a year in March, June, September and December for online royalties.

Royalties due to Nordic based authors, composers and music publishers are distributed via KODA, STEF, STIM, TEOSTO and TONO.

Royalties due to international rights holders are distributed via affiliated societies based on NCBs reciprocal and unilateral agreements.

Royalties distributed per category for 2016:

Distributed amounts	Nett amount DKK	Commission DKK	Rate
AV Mechanisation	8.380.235	1.733.495	18%
AV Synchronisation	17.654.379	3.865.117	18%
CLA	36.752.707	3.579.786	12%
CLA-Local Dist.	41.129	4.776	12%
Foreign	19.200.322	2.749.486	12%
Lumpsum	39.475.383	13.309.338	25%
Norwegian Broadcast	369.952	123.317	25%
Online	101.228.089	4.092.047	10%
Phono Single License	9.333.325	2.116.306	18%
Phono Standard License	11.432.108	2.498.260	18%
Radio/TV	3.517	772	18%
Hovedtotal	243.871.145	34.072.700	

The Baltic Societies have set their own commission rates at EAÜ 25%, AKKA-LA 24% and LATGA-A 21% for all royalties collected in their respective territories.

Royalties distributed to foreign Sister Societies in 2016:

Nett Distribution Foreign Sister Societies												
Society	AV Mechanisation	AV Synchronisation	CLA	CLA-Local Dist.	Foreign	Lumpsum	Norwegian Broadcast	Online	Phono Single License	Phono Standard License	Radio/TV	Total
ABRAMUS							27,70	992,57				1.020,27
ACDAM							8,68					8,68
ACUM	200,60	978,08	2.222,92			858,00	33,13	55.789,58	996,25	4.678,53		65.757,09
ADDAF	15,42		30,86				2,18	0,04	245,88		334,74	629,12
AEPI	452,12	2.179,94	5.003,64		8,82	2.598,47	44,11	20.054,14	3.615,64	2.450,27		36.407,15
AGADU			67,93				5,62				37,59	111,14
AKM						912,21	97,78	124.740,07				125.750,06
AMAR	10,62	157,48	15,72				14,63	17,11	63,55	809,52		1.088,63
AMCOS	3.813,58	4.989,95	20.889,33			8.467,92	360,05	108.372,36	5.603,22	7.582,97		160.079,38
AMRA	58,04	36,70	4.994,83				32,91	139.333,21	183,55	799,48		151.434,08
APA							1,34					1,34
APRA						10.025,39	580,15	553.046,27				563.651,81
ARMAUTHOR							2,15					2,15
ARTISIUS	1.852,12	807,52	3.056,69			1.081,06	15,49	10.658,75	1.889,55	3.711,96		23.073,14
ASCAP						93.413,39	11.198,19	4.425.777,26				4.530.388,84
ASDAC							1,52					1,52
AUME	7.707,35	14.516,77	25.264,70	10,61	16,18	15.482,08	378,51	82.113,38	2.986,33	12.317,93		160.793,84
BMI						84.482,14	3.276,86	4.351.593,13				4.439.352,13
BSDA							2,77	1.567,30				1.570,07
BUMA						106.578,07	1.153,86	1.408.923,67				1.516.655,60
BUMDA							1,78					1,78
CASH	36,69	79,88				649,57	13,08	21,70		175,85		976,77
CMRRA							0,31					0,31
COTT							3,69					3,69
GEMA	160.875,57	85.752,86	269.414,31	43,19	50,60	158.475,30	4.034,72	2.116.112,23	168.198,58	136.977,06	3,13	3.099.937,55
HARRY FOX AGENCY	7.319,66	21.505,71	38.766,69		126,32	24.208,74	318,07	67.684,10	20.058,26	51.765,53		231.753,08
HDS	131,62		1.039,00			83,78	7,54	5.448,65	447,93	450,56		7.609,08
IMRO						448,58	58,37	32.720,92				33.227,87
IRPS							2,50					2,50
JACAP							4,46	3.664,66				3.669,12
JASRAC	22.594,70	2.135,02	344,32			30.809,20	294,49	23.535,15	2.333,04	6.309,51		88.355,43
KOMCA	92,12		0,71			198,33	143,56	4.403,53		6,14		4.844,39
MCPS	72.942,02	140.306,10	438.475,50	2.083,39	58,66	204.860,06	5.092,40	1.509.155,63	108.238,23	171.466,31	7,83	2.652.686,13
MCS	140,05		0,80				6,34	50,41				197,60
MESAM	6,96	5.636,02	14,43			169,84	3,22	1.031,66		839,94		7.702,07
MSG	74,37		46,61				4,18	1.185,24		13,40		1.333,82
MUSICAUTOR	20,82		27,46				5,73	420,48	298,11	1.000,53		1.773,13
OSA	9.467,45		1.985,52			4.991,34	42,97	6.088,11	459,54	1.571,76		24.606,69
PRS						144.933,93	1.728,48	3.140.285,17				3.286.947,58
RAO	6.460,65	5.000,82	3.395,86			3.245,00	82,00	2.663,03	4.070,86	4.853,93		29.772,15
SABAM	5.774,81	21.654,22	41.512,99			23.659,68	353,63	300.301,01	15.039,08	37.447,69		445.743,11
SACEM	173.953,88	230.160,87	164.521,42	325,44		91.039,96	1.929,30	376.213,42	51.924,17	70.855,70	36,70	1.160.960,89
SACM	766,84	403,79	2.104,68			217,90	16,73	2.220,14	709,95	666,46		7.106,49
SACVEN	0,74	133,74	63,34			337,47	7,00	76,17		41,80		660,26
SADAIC	660,69	3.179,16	13.973,11			1.484,02	58,49	28.512,13	4.041,97	4.370,81		56.280,38
SAMRO	356,28	3.830,19	40,63				26,16	4.062,52		36,18		8.351,96
SARRAL	3,48		27,25			192,41	0,45			0,09		223,68
SAYCO			825,66				2,43	2.336,01				3.165,46
SAZAS	11.037,42		937,50				19,71	164,04		263,83		12.422,50
SBACEM	37,45	450,15	177,08			3.987,63	38,13	11.306,91	98,12	472,61		16.568,08
SCD	43,36		44,29				5,82	2.600,10		63,17		2.756,74
SDRM							0,75					0,75
SESAC			337,83	3,99		3.817,61	188,17	63.698,50	96,44	16,59		68.159,13
SGAE	30.978,17	6.946,02	22.101,68			11.927,82	246,49	59.282,28	6.101,37	11.478,51		149.062,34
SIAE	22.599,41	25.969,53	149.018,87	18,70		38.526,87	1.005,58	177.938,42	24.613,08	46.978,79		486.669,25
SOCAN						11.375,18	580,75	538.859,61				550.815,54
SOCINPRO							2,21	623,71				625,92
SODRAC	9.426,28	287,10	2.357,24			8.285,64	175,79	17.877,32	258,61	135,80		38.803,78
SOKOJ	253,00	441,75	1.501,78			390,90	13,29	6.691,25	134,70	2.475,58		11.902,25
SOZA			133,43			77,39	0,62	692,84		67,75		972,03
SPA	1.342,38	142,61	4.525,55			849,05	29,59	7.494,07	1.429,87	3.923,13		19.736,25
STEMRA	14.597,17	63.174,51	59.992,02	5,64	33,67	113.247,84	3.877,15	815.530,98	145.809,72	60.671,75		1.276.940,45
SUIISA	15.986,56	6.701,44	20.295,57			19.558,34	1.491,74	195.999,28	6.937,14	13.081,06		280.051,13
UACRR	78,71						3,51			1.647,67		1.729,89
UBC	0,11		72,89			240,26	10,98	346,12		913,89		1.584,25
UCMR-ADA	56,50	19,96	3.523,58			85,65	51,84	4.156,39	234,83	1.316,15		9.444,90
ZAIKS	5.867,45	649,89	3.539,81			3.584,09	36,95	20.102,20	2.022,02	974,07		36.776,48
ZAMP			131,14				2,75	34,81		124,57		293,27
Total DKK	588.093,22	648.227,78	1.306.817,17	2.490,96	294,25	1.235.853,47	39.261,53	20.834.569,74	579.277,56	666.050,57	47,66	25.900.983,91

Royalties collected from foreign Sister Societies in 2016:

Society	Film/Video	Karaoke	Not defined	Online	Phono	Phono blank	Radio/TV	Blanktape	Total
DKK			product			tape		levy	
ACUM	79.800,25			32.259,12	21.167,53		31.567,08		164.793,98
AMCOS	37.801,52		45.738,57	491.741,57	135.395,31				710.676,97
ARTISJUS				6.971,61	14.493,53	18.750,28	101.894,61		142.110,03
AUME	5.204,28		1.100,87	101.670,53	635.882,41		457.974,69		1.201.832,78
CASH	1.139,28			29.208,29	10.118,90				40.466,47
GEMA	1.942.598,82		19.031,33	1.523.618,75	4.846.642,27	2.221,37	3.302.245,36		11.636.357,90
HFA			59.087,48	453.008,45	327.242,70				839.338,63
HDS				3.140,24	606,45		51.546,56		55.293,25
JASRAC	330.048,37			382.895,10	1.549.735,02	13.866,51	212.928,55		2.489.473,55
KODA			398,17	3.124,62					3.522,79
KOMCA	10.226,64	2.433,59	4.408,74	23.101,96	115.835,15				156.006,08
MCPS	112.575,08		1.339.255,05	1.143.806,32	1.773.499,25		352.674,27		4.721.809,97
MCSC		3.505,34		9.394,94	14.282,09				27.182,37
MUSICAUTOR				3.120,17	3.475,66				6.595,83
OSA	245,00		6.908,13	10.865,95	34.305,33	9.729,35	226.273,49		288.327,25
RAO					29.662,12				29.662,12
SABAM	72.991,02			9.581,96	256.128,02	7.788,69	220.951,64		567.441,33
SACM				19.688,47	18.515,74				38.204,21
SADAIC				4.043,26	39.547,68				43.590,94
SCD				5,89	1.224,64				1.230,53
SDRM	461.578,93		61.692,66	4.971.683,25	781.468,92	140.127,84	286.125,47		6.702.677,07
SGAE	27.324,18		86.640,93	80.754,68	457.628,13	344.975,94	121.905,00		1.119.228,86
SIAE	97.904,05			75.703,06	352.650,39	179.934,87	104.959,72	18.509,62	829.661,71
SODRAC			1.545,02	233.605,06	125.117,26	40.484,01	20.847,10		421.598,45
SOKOJ				11,15	959,38				970,53
SOZA	43,02			1.104,21	4.061,27				5.208,50
SPA	2.739,62			11.394,08	42.626,28	1.076,50	91.026,35	431,26	149.294,09
STEMRA	76.999,28			419.495,43	448.532,32	600.202,94	21.558,01	21.801,03	1.588.589,01
STIM				184.493,22					184.493,22
SUISA	76.541,46		33,69	596.444,21	181.140,64	90.873,93	606.509,34	1.575,56	1.553.118,83
U.C.M.R.				1.789,38	5.796,35	115,04			7.700,77
ZAIS	45,47			14.828,98	63.068,29				77.942,74
Total DKK	3.335.806,27	5.938,93	1.625.840,64	10.842.553,91	12.290.809,03	1.450.147,27	6.210.987,24	42.317,47	35.804.400,76

4 • Overview of undistributed royalties

In general, royalties are distributed based on relevant works documentation.

However, during the collection and distribution process, the royalties undergo different statuses before the amount is distributed. In the figure below the different statuses are shown under each collection category.

Status	Explanation
Invoiced:	The invoice has been created and NCB is awaiting payment.
Payment received:	The amount is received and will be paid out with next distribution run.
Partly distributed:	A part of the amount has been distributed. Typically, information is missing in order to pay out the rest of the amount.
Ready for MPRT:	The amount will be paid out with next distribution run.
Failed:	The distribution failed and further action is needed in order to pay out the amount. A list of the various reason codes are shown in later in the report.
NCB amount received:	Regulation amounts.
DSTDST:	Regulation amounts

Should it not be possible to pay out received amounts within 3 years the main rule is that the amount is distributed as a lump sum based on collection in the same collection period and geographic collection area. However, there are some exceptions from this rule, e.g. disputes etc.

In 2016 an Online Task force was created in order to reduce the large amounts in Status "Failed" in the online collection area. This work is almost ready and actions will be executed in 2017.

Undistributed royalties by 31 December 2016

Collection Area	Before 2015	2015	2016	Total
AV Mechanisation	1.119.398	470.975	9.180.872	10.771.245
Failed	47.140	1.715	7.571.650	7.620.505
Invoiced	524.832	47.130	489.883	1.061.845
NCB Amount received	940			940
Partly distributed	-	12.190	37.749	49.939
Payment Received	546.486	409.940	1.081.590	2.038.016
AV Synchronisation	684.658	974.215	12.266.968	13.925.841
Failed	85.690	2.676	6.481.930	6.570.296
Invoiced	470.361	346.531	909.284	1.726.177
Partly distributed	25.292	111.661	66.218	203.172
Payment Received	103.315	513.346	4.809.536	5.426.197
CLA	669.597	1.804.241	12.409.155	14.882.994
Failed	203.492	11.922	11.211.942	11.427.356
Partly distributed	-	173.235	502.374	675.609
Payment Received	466.105	1.619.084	694.839	2.780.029
CLA-Local Dist	64.446	80.305	411.435	556.186
Failed	29.239		411.340	440.579
Partly distributed	-	243	95	338
Payment Received	35.207	80.062		115.269
Foreign	5.782.906	10.582.476	11.493.847	27.859.230
Failed	18.768	1	847.794	866.563
NCB Amount received	-576.867	1.562	-4.780	-580.084
Partly distributed	6.065.105	6.998.472	7.791.066	20.854.642
Payment Received	275.900	3.582.441	2.859.768	6.718.108
Lumpsum	13			13
Payment Received	13			13
Online	67.478.869	48.461.115	54.713.756	170.653.739
Failed	38.865.483	20.737.531	28.381.452	87.984.467
Invoiced	3.543.723	3.362.634	5.083.005	11.989.362
NCB Amount received	3.868.662	15.152	349.878	4.233.692
Partly distributed	-	1.662.741	7.893.966	9.556.707
Payment Received	17.459	10.752.305	885	10.770.649
Ready for MPRT Calculation	21.183.541	11.930.751	13.004.570	46.118.863
Other	17.720	5.246	4.518	27.483
Invoiced	17.487	5.246	4.518	27.251
Payment Received	232			232
Phono Single License	1.977.555	1.847.942	12.109.118	15.934.614
Failed	232.811	23.974	7.698.647	7.955.432
Invoiced	758.738	91.602	247.195	1.097.535
Partly distributed	-	95.713	214.351	310.064
Payment Received	986.005	1.636.653	3.948.925	6.571.583
Phono Standard	1.895.283	1.289.922	7.788.535	10.973.741
Failed	677.209	28.890	7.076.240	7.782.338
Invoiced	38.444			38.444
NCB Amount received	-		490	490
Partly distributed	-	62.339	80.553	142.892
Payment Received	1.179.631	1.198.693	631.253	3.009.576
Radio/TV	171		48.679	48.850
Failed	-		48.593	48.593
Partly distributed	153		85	238
Payment Received	19			19
(tom)	-		3.618.896	3.618.896
DSTDST	-		3.618.896	3.618.896
Total DKK	79.690.617	65.516.437	124.045.779	269.252.832

Discrepancy to the undistributed amount in the balance sheet is due to the fact that the balance sheet also includes national funds and DP works (free works) that are excluded from BIFROST, but not yet physically paid out.

Royalties failed in distribution by 31 December 2016:

Royalties that have failed during distribution can be held back for several reasons. The reasons for lack of distribution are shown in the figure below.

As can be concluded the vast majority of failed amounts derive from online collections. An Online Task Force was created in 2016 to secure that the amount of undistributed online royalties are decreased.

As the rights of online royalties flow through the owners of NCB, a formal decision from those owners on how to proceed is crucial in order to activate the plan created by the Online Task Force. However, the necessary actions are expected to be implemented in 2017.

In general online amounts that are free of royalties are credited and returned to online licensees. Amounts that have insufficient work documentation will be distributed as a lump sum to rights holders after 3 years, based on collection in the given period and given geographic area.

Undistributed amounts failed	Before 2015	2015	2016	Hovedtotal
AV Mechanisation	47.140	1.715	7.571.650	7.620.505
Dispute	144	-	-	144
Distribution agreement not found	-	-	5	5
Fixed work	-	-	1.089	1.089
Insufficient work documentation	26.529	-	35.629	62.158
Negative royalty amount	-	-	-5	-5
No Society	2.743	67	704.346	707.155
No Society or fixed works	-	-	10	10
Total shares more than 100%	2.802	-	-	2.802
Total shares more than 100% or dispute	839	-	365.567	366.406
Work is free	-	-	6.896	6.896
Work is in invalid Status	14.083	1.647	6.262.973	6.278.702
Work not found	-	1	6.283	6.284
Work unsuitable for distributing society	-	-	188.858	188.858
AV Synchronisation	85.690	2.676	6.481.930	6.570.296
Distribution agreement not found	24.174	-	-	24.174
Fixed work	-	-	982	982
Insufficient work documentation	2.049	85	10.995	13.129
No Society	2.069	-	522.439	524.508
Total shares more than 100%	865	-	-	865
Total shares more than 100% or dispute	1.171	-	719.424	720.596
Work is free	-	-	822	822
Work is in invalid Status	55.362	2.591	5.047.678	5.105.632
Work not found	-	-	22.032	22.032
Work unsuitable for distributing society	-	-	157.556	157.556
CLA	203.492	11.922	11.211.942	11.427.356
Buyout	-	-	20	20
Dispute	148	-	-	148
Fixed work	3	0	193.477	193.480
Insufficient work documentation	85.250	675	39.945	125.869
Negative royalty amount	-	-	-349	-349
No Society	8.054	18	923.421	931.494
No Society or fixed works	1.510	593	652	2.754
Total shares more than 100%	59.823	261	-	60.084
Total shares more than 100% or dispute	12.447	67	6.202.792	6.215.307
Work is free	-	-	5.326	5.326
Work is in invalid Status	36.257	10.308	2.580.599	2.627.164
Work not found	-	-	1.007	1.007
Work unsuitable for distributing society	-	-	1.265.053	1.265.053
CLA-Local Dist	29.239	411.340	440.579	440.579
Fixed work	-	-	7	7
Insufficient work documentation	-	-	297	297
No Society	25.407	-	69.795	95.202
Total shares more than 100% or dispute	2.168	-	218.044	220.212
Work is in invalid Status	1.664	-	111.408	113.072
Work unsuitable for distributing society	-	-	11.789	11.789
Foreign	18.768	1	847.794	866.563
Insufficient work documentation	-	1	13.573	13.575
Total shares more than 100% or dispute	4.029	-	816.999	821.028
Work is in invalid Status	-	-	11.575	11.575
Work not found	14.739	-	5.647	20.386

Undistributed amounts failed	Before 2015	2015	2016	Hovedtotal
Online	38.865.483	20.737.531	28.381.452	87.984.467
100% Carve out - nothing to dist.	12.228.951	6.409.657	5.359.143	23.997.751
Collection % less than 100%	-	0	31.983	31.984
Dispute	322.982	253.251	-	576.233
Illegal split on work with direct licencing	95.149	-	-	95.149
Insufficient work documentation	933.960	162.272	146.659	1.242.891
Negative royalty amount	-904	-	-1	-905
No Society	1.711.266	488.114	411.307	2.610.687
No Society or fixed works	329	150	143	623
Performing share > 100%	71	7	-	78
Performing total shares are 0	17.580	2.561	-	20.141
Protection % changed between inv. and dist.	10.399.538	2.870.226	2.549.019	15.818.783
Total shares more than 100%	6.366.325	1.363.554	-	7.729.878
Total shares more than 100% or dispute	524.215	654.245	2.423.387	3.601.848
Work in invalid status for perf distribution	330.890	62.451	-	393.341
Work is free	-	-	131.878	131.878
Work is in invalid Status	5.933.733	8.014.010	12.970.855	26.918.598
Work not found	1.399	22	-	1.421
Work unsuitable for distributing society	-	457.010	4.357.078	4.814.088
Phono Single License	232.811	23.974	7.698.647	7.955.432
Dispute	82	-	-	82
Distribution agreement not found	-	-	296	296
Fixed work	-	-	4.177	4.177
Insufficient work documentation	18.115	-	106.570	124.685
No Society	8.731	1.653	270.650	281.034
No Society or fixed works	-	-	2.214	2.214
Producer not found	128	-	-	128
Total shares more than 100%	2.256	-	-	2.256
Total shares more than 100% or dispute	28.953	-	1.242.276	1.271.229
Work is free	-	-	39.001	39.001
Work is in invalid Status	174.546	22.320	5.400.038	5.596.905
Work not found	-	-	194.041	194.041
Work unsuitable for distributing society	-	-	439.384	439.384
Phono Standard	677.209	28.890	7.076.240	7.782.338
100% Carve out - nothing to dist.	-	-	34.597	34.597
Dispute	3.287	-	-	3.287
Fixed work	15	-	45.564	45.579
Insufficient work documentation	302.696	1.661	41.610	345.967
No Society	36.611	1.994	421.752	460.357
No Society or fixed works	28	4	154	185
Protection % changed between inv. and dist.	571	-	-	571
Sound carrier marked non-music	-	-	7.040	7.040
Total shares more than 100%	35.236	-	-	35.236
Total shares more than 100% or dispute	148.010	4	2.954.504	3.102.518
Work is free	-	-	2.647	2.647
Work is in invalid Status	150.755	25.047	3.152.227	3.328.029
Work not found	-	179	15.176	15.356
Work unsuitable for distributing society	-	-	400.970	400.970
Radio/TV	-	-	48.593	48.593
No Society	-	-	821	821
Total shares more than 100% or dispute	-	-	47.699	47.699
Work is free	-	-	73	73
Total DKK	40.159.832	20.806.709	69.729.588	130.696.129

5 • Social and cultural deductions

NCB does not deduct social and cultural amounts on any mechanical rights. The only social and cultural amounts deducted are deducted from performing rights on behalf of Koda, STEF, STIM, Teosto and TONO, as shown in the figure below. NCB only handles performing rights when handling online rights on behalf of the owner societies, and therefore NCB only deducts social and cultural amounts on the performing rights part of online rights. All amounts are transferred to the owner societies (KODA, STIM, TONO, TEOSTO, STEF) for further handling. Thus, NCB refers to Koda, STEF, STIM, Teosto and TONO for further information.

Society	Currency	Amount in Currency	Amount in DKK
Koda	DKK	2.710.408,94	2.710.408,94
TONO	NOK	3.307.667,20	2.646.696,59
Teosto	EUR	77.815,62	579.666,82
STEF	ISK	820.137,89	46.988,80
STIM	SEK	658,67	520,11
			5.984.281,26

	Koda	Teosto	STEF	TONO	STIM
	% of	% of	% of	% of	% of
	performing	performing	performing	performing	performing
Permanent Downloads		6,7	10	10	
On demand streaming (for free)		6,7			
On demand streaming (under sub.)	10	6,7	10	10	
Ringtones		6,7	10	10	
Cloud Locker Services		6,7			
Temporary Downloads	10	6,7	10	10	
Tehered Downloads (for free)		6,7			
Tehered Downloads (under Sub.)		6,7			
Webcasting		6,7			
User generated content (e.g. Youtube)		6,7			

NKF – Norwegian Composers Foundation

In accordance with the Norwegian Act of April 9, 1965 no.1, regarding The Norwegian Composers foundation NCB also deducts 2% on all sales in Norway. However, this is not a deduction but an extra charge, since the 2 % are added to the invoice. NCB refers to the Norwegian Composers Foundation and the Norwegian Act of April 9, 1965 no.1 for further information.

Product	NOK
Phono standard	62.797,75
Foreign	15.353,10
AV Mechanisation	27.700,51
Online	1.360.719,16
Central Licensing int releases	87.167,75
Central Licensing nat. releases	26.487,91
Phono single licensing	53.784,23
AV Synchronisation	171.004,54
Fee's	2.219,80
Total	1.807.234,77

NCB 2016

Annual report

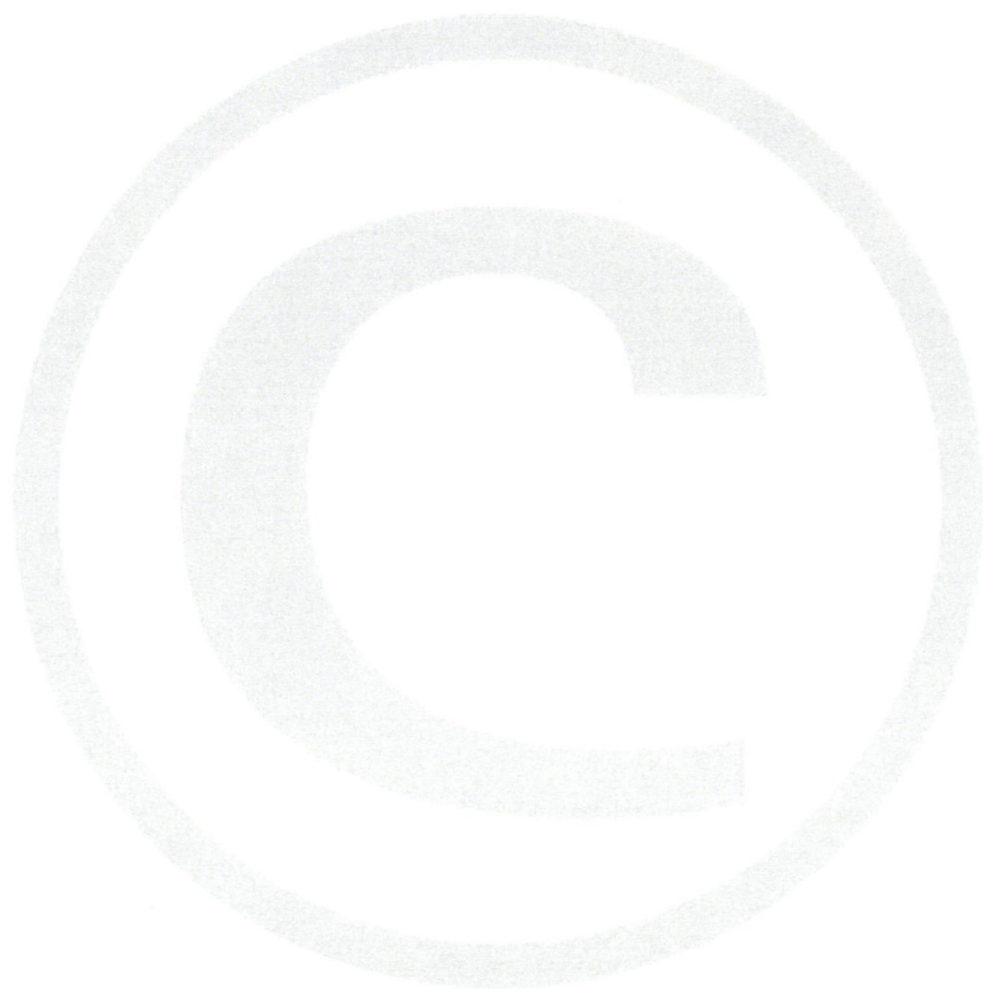


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About NCB

Name & registered office

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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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Email: ncb@ncb.dk
Web: www.ncb.dk

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.

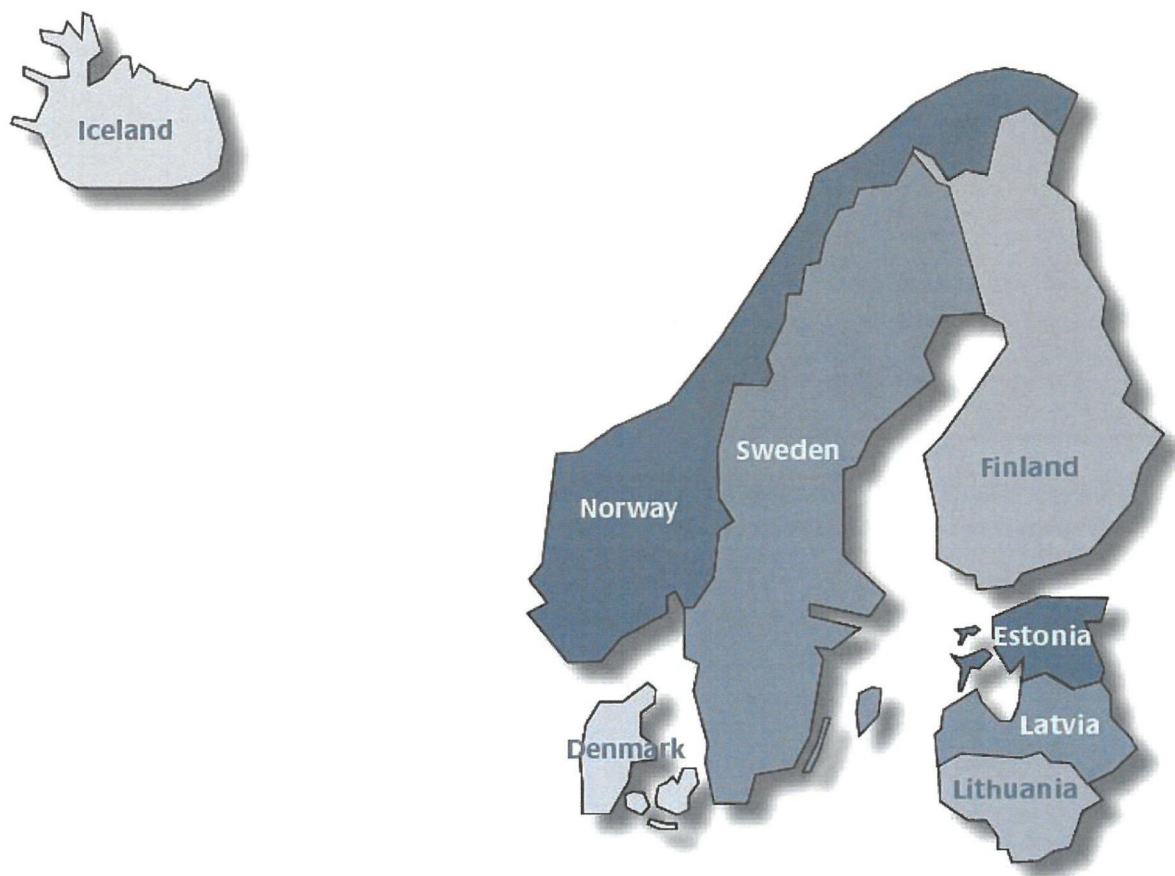
NCB's owner societies are Koda in Denmark, STEF in Iceland, Stim in Sweden, Teosto in Finland and TONO in Norway. NCB has cooperation agreements with EAÜ (Estonia), AKKA/LAA (Latvia) and LATGA-A (Lithuania).

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

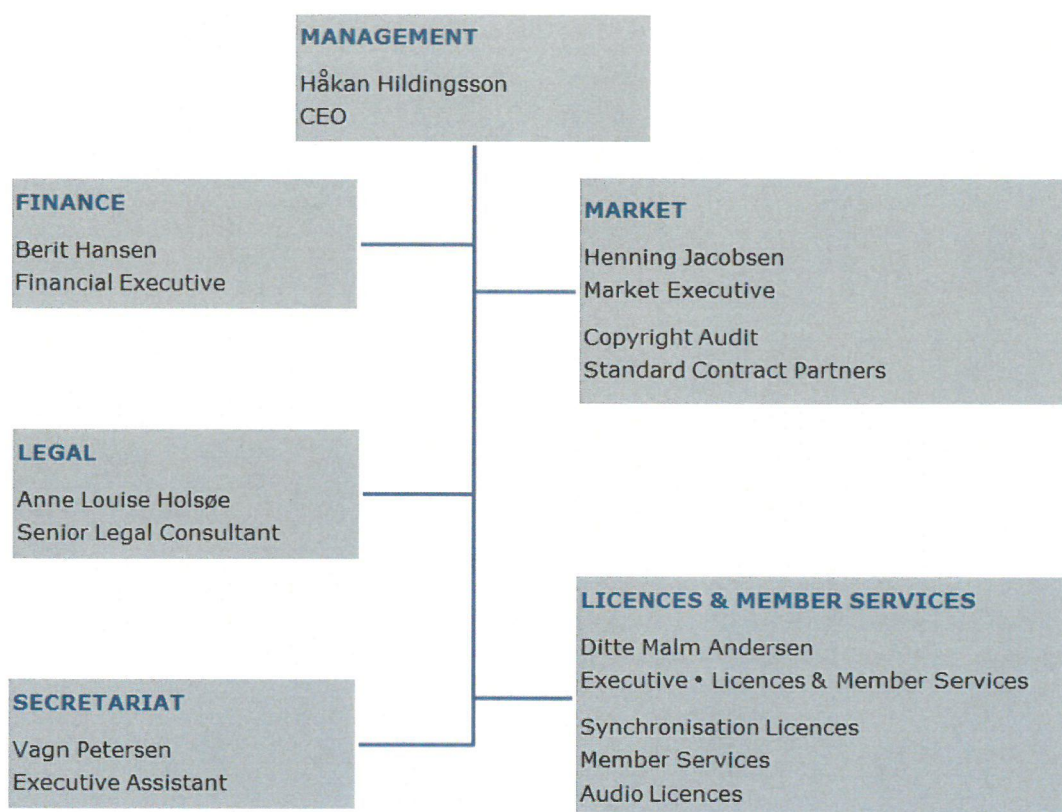
NCB's audit is undertaken by a state authorised public accountant. In addition, Koda, Stim, Teosto and TONO all appoint a rights holder representative to NCB's Audit Committee which convenes twice a year.

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 own-er 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

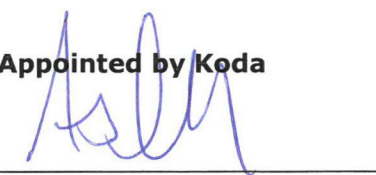


Håkan Hildingsson

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



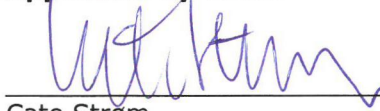
Guðrún Björk
Bjarnadóttir

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

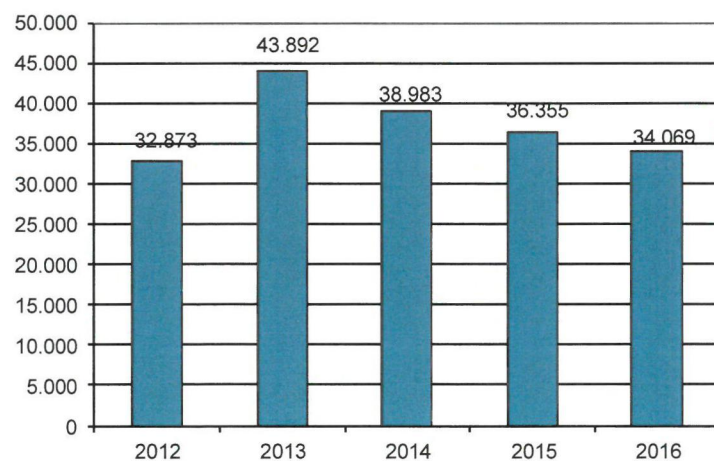
3 • Royalties collected by country

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.