2013

Annual Report

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About NCB

Name & registered office

Nordisk Copyright Bureau
Hammerichsgade 14
DK-1611 Copenhagen V
Denmark

CVR number 22 13 33 14
(Central Business Register 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 20 May 2013.

Executive bodies of NCB • 2013

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

Appointed by Koda Tine Birger Christensen, Music Publisher Susi Hyldgaard, Composer Anders Lassen, Managing Director (chairman)	**Appointed by Teosto** Kim Kuusi, Composer Katri Sipilä, Managing Director Tommi Tuomainen, Music Publisher	**Appointed by STEF** Guðrún Björk Bjarnadottir, Managing Director
Appointed by Stim Alfons Karabuda, Composer Lars Karlsson, Music Publisher Kenth Muldin, Managing Director (until February 2014)	**Appointed by TONO** Steinar Fjeld, Music Publisher Bendik Hofseth, Composer Cato Strøm, Managing Director (vice-chairman)	**Observers to the Board** **AKKA/LAA:** Inese Paklone, Managing Director **EAÜ:** Kalev Rattus, Managing Director **LATGA-A:** Jonas Liniauskas, Managing Director **Employee observer** Anne Louise Holsøe
Audit Committee Jacob Morild, Lyricist Pekka Sipilä, Executive Director Kettil Skarby, Music Publisher Asbjørn Schaathun, Composer	**Auditor** Deloitte Statsautoriseret Revisionspartnerselskab	**Management** Karsten Dyhrberg Nielsen, 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 with a staff of approximately 35 employees. 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).

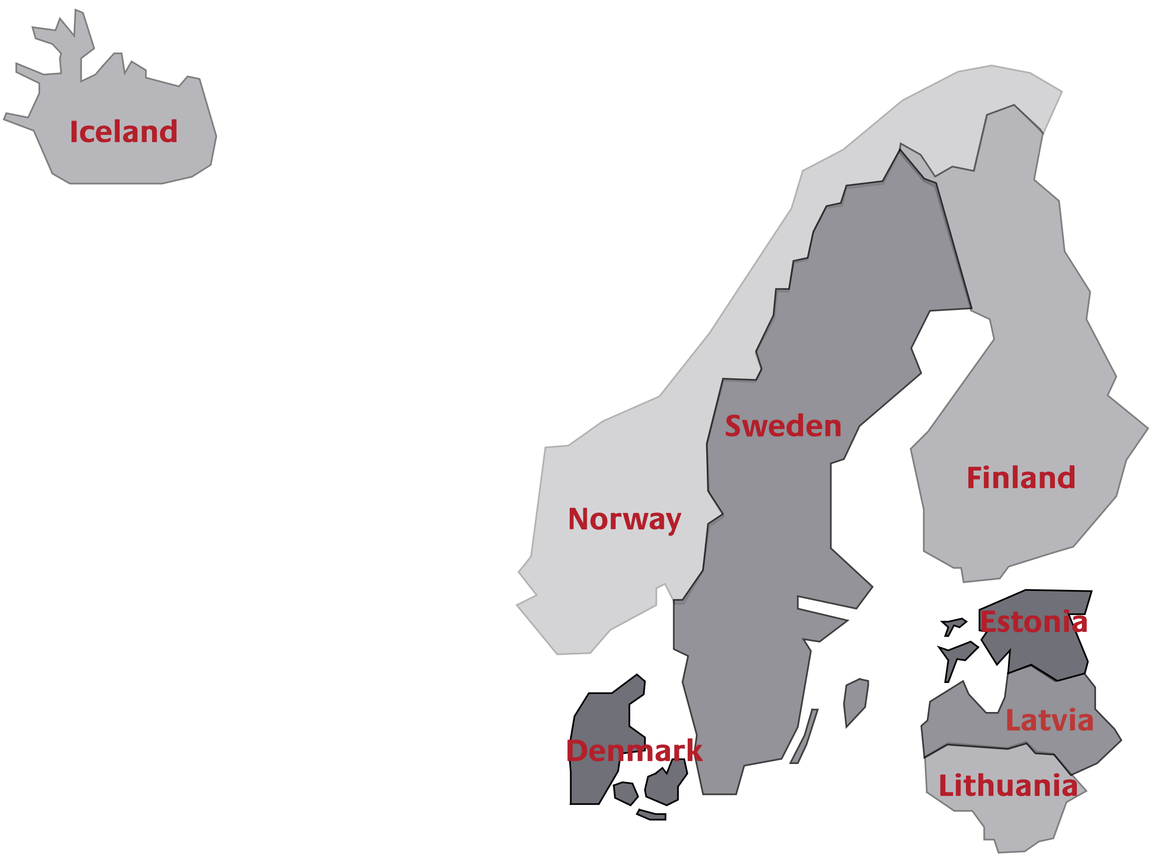
NCB's Board of Directors consists of 13 members. Koda, Stim, Teosto and TONO appoint three members each and STEF appoints one member. One of the three members appointed by Koda, Stim, Teosto and TONO is a composer or lyricist, the second is a music publisher and the third is from the relevant society's administration. STEF decides which category is to represent it on the Board. At the board meetings all three Baltic societies and NCB's employees are represented by one observer 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.

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 (PRS for Music is the music copyright society for recording, copying and performing rights in the UK). NMP provides back-office services to the music copyright administration industry.

NMP's management is based in Copenhagen, Denmark, and the operations take place in Copenhagen as well as in London with Danish and UK staff. NMP employs more that 50 people on the two locations.

NCB's territory of administration



Organisation 2013

ncb
nordisk
copyright
bureau

MANAGEMENT
Karsten Dyhrberg Nielsen, CEO

STRATEGY & BUSINESS DEVELOPMENT
Karsten Dyhrberg Nielsen

SECRETARIAT & HR
Camilla McNair Tengbom

FINANCE
Bo Karmark

COMMUNICATIONS
Ulrich Jensen

MARKET & RIGHTS HOLDER RELATIONS
Håkan Hildingsson

AUDIT & ANTI-PIRACY
Henning Jacobsen

OPERATIONS & IT
NMP – Network of Music Partners A/S

50%

nmp
network of
music partners

MANAGEMENT
Karsten Dyhrberg Nielsen, CEO
Christian Schmidt Klyhn, COO

OPERATIONS UK
Mark Stevens

OPERATIONS DK
Christian Schmidt Klyhn

IT
Malin Jonsson

Key figures

The society's financial trend during the last 5 years.

DKK m.	2009	2010	2011	2012	**2013**
Royalties collected excluding performing rights	388.5	367.7	343.4	370.3	329.8
Royalties collected including performing rights	409.4	398.9	372.1	445.4	431.8
Distribution excluding performing rights	351.0	326.7	298.3	297.4	345.3
Change – undistributed royalties	14.9	20.3	14.2	46.3	–72.0
Commission	31.8	32.3	31.7	32.8	43.9
Interest	18.0	15.1	15.3	12.5	10.4
Other income	17.6	15.6	15.5	15.7	–0.1
Total income	**67.4**	**63.0**	**62.5**	**61.0**	**54.2**
Total expenses	**65.2**	**63.8**	**61.6**	**61.8**	**62.6**
Expenses in %	**15.1%**	**15.4%**	**15.8%**	**13.0%**	**14.2%**
Profit/loss before tax	**2.2**	**–0.8**	**0.9**	**–0.8**	**–8.4**
Capital and reserves	**59.9**	**59.1**	**60.0**	**59.2**	**50.8**
Indexed development					
Royalties collected	100	97	91	109	105
Distribution	100	93	85	85	98
Commission	100	136	95	311	138
Interest	100	102	100	103	58
Total income	100	93	93	91	80
Total expenses	100	98	94	95	96

2013 was a good year for NCB

The successful establishment of the NMP joint venture with British PRS for Music by the end of 2012 gave the best possible starting point for the year, and throughout 2013 all core processes within NMP have been stable with performance exceeding expectations.

NCB has undergone a tremendous amount of change since the NMP project was initiated during the second half of 2009. It is not only visible in the fact that all UK recorded media products and collections are now processed on NCB's adapted legacy systems, but also through the many other changes which have occurred in the last couple of years.

It is worth noting that collections from online usage of music accounted for 43.7% of NCB's total collections in NCB's territories in 2013. Streaming, which NCB started processing only in 2011, now accounts for 33.9% of total collections. Considering the continued decline in revenue from offline usage of recorded music this is indeed good news.

Another important focus area for NCB in the past year has been the work on reducing the amount of undistributed royalties held by NCB. This is a very complex area of NCB's business as the reasons for the accumulation of undistributable royalties are almost as many as the number of rights holders affected. Nevertheless, intensive work in certain collection areas in combination with sound changes to some of the business rules and processes applied has led to a significant reduction in undistributed royalties. NCB's total distributions amounted to DKK 410 million in 2013, an increase of 17% compared to 2012.

In 2013 we saw the first year with full effect of the centralisation at our Copenhagen office of work-by-work and synchronisation licensing. This change has been very satisfactory as costs have been reduced significantly while we see no negative effects on related collections. We will continue the work on optimising our licensing by further automisation of the licensing process and also through our work on creating a better licensing model for synchronisation of music across NCB's territories.

Collections from record labels holding a standard contract with NCB has been in steady decline, with collections in 2013 being less than half of what they were in 2009. NCB is leading a push for a new way of licensing record labels across Europe as the collective rights management industry needs to address a situation where complex contracts and traditional territorial delineations make it impossible to license labels in a feasible way. Two important steps were taken in 2013. A new industry contract was signed between BIEM (our industry organisation) and IFPI (representing the record labels) creating a formal framework for future negotiations where none has existed since 2002. And BIEM decided to initiate preparatory work with a view to creating one uniform and simple agreement covering all of Europe.

Even though collections from the traditional offline sources continue their decline, NCB's coverage of the market through an effective audit function remains important. NCB found a total of DKK 6.5 million in audit differences in 2013.

Looking ahead, some of the fundamental challenges for NCB are unchanged. NCB's traditional areas of activity are in decline and the role within the growing online business is unclear – at least when considering the longer perspective. During 2013, NCB's owners have discussed different strategic options for NCB, a discussion that continues into 2014. An important part of this process is naturally to identify which areas of activity are sustainable and where changes are needed. However, for an entity that is built on the collaboration between societies it is our belief that the trend towards increased international collaboration ultimately will mean that NCB and NCB's joint venture with PRS for Music, NMP, will find positions in the industry from where they can thrive.

The financial result for 2013, which is reviewed in further detail on the following pages, is considered satisfactory. On a comparable basis, costs have been reduced by 11% from 2012 to 2013 while distributions to rights holders increased by no less than DKK 60 million. This increase in distributions with increased commission income as a consequence also meant that when adjusting for the negative income from value adjustments on securities and the investment made in NMP, NCB actually showed a positive operational result for the year. Considering the extraordinary nature of some of the distributions in 2013 this positive trend will, however, be difficult to sustain in 2014, and we are therefore expecting an operational loss for the year despite a continued decrease in costs.

Karsten Dyhrberg Nielsen, CEO
March 2014

Financial review

Collections

In 2013 NCB collected DKK 432 million including performing rights. This was a decrease of DKK 14 million or 3% compared to 2012. Collections excluding performing rights amounted to DKK 330 or 11% below 2012.

The main explanation for the decline is the offline audio market where the decline in Standard Audio/CLA was 23% and Work-by-Work Audio was 12%.

Geographically, the main contributor to the decline was a decline in collections from Sweden of DKK 18 million (24%), Denmark DKK 8 million (13%) and Finland DKK 8 million (14%).

Distributions

Royalties distributed (excluding performing rights) amounted to DKK 345 million after commission deduction, an increase of DKK 48 million compared to last year. The increase was primarily to Swedish based rights holders (DKK 22 million), Danish rights holders (DKK 14 million) and Norwegian rights holders (DKK 11 million).

Income

Total income for 2013 amounted to DKK 54 million compared to DKK 61 million in 2012. Income in 2012 and 2013 cannot be directly compared as the 2012 income is influenced by the establishment of NMP.

Commission income contributed with an increase of DKK 11 million (34%). The main driver for the increase is actions towards increasing work documentation and lump sum distributions. As interest rates continue to be low, the financial income decreased by DKK 2 million from DKK 13 million to DKK 11 million. Financial expenses are on the same level in 2013 as in 2012.

Disregarding the transaction regarding NMP, the primary negative contribution to income compared to last year is negative value adjustment on securities and currencies. Value adjustments for 2013 amounted to a loss of DKK 5 million compared to a positive contribution in 2012 of DKK 5 million.

Ordinary Expenses

Ordinary expenses amounted to DKK 62 million in 2013 compared to DKK 64 million in 2012. Late 2012 the NMP joint venture was established to take full effect in 2013. This change makes it difficult to do a line by line comparison of costs as the cost structure has changed and employees transferred from NCB to NMP.

Expenses related to NMP include depreciation amounting to DKK 5 million. On a comparable basis the decrease in costs from 2012 to 2013 was DKK 7 million or 11%. The reduction was primarily driven by reduction in staff costs due to reduction in FTEs and costs savings on local branch offices.

Amortisation/depreciation

Depreciations for 2013 amounted to DKK 0.6 million. In 2012 depreciations amounted to DKK 3.6 million, whereas a significant part related to depreciation on assets transferred to NMP in late 2012. In addition, the amortisation/depreciation for 2012 was impacted by profit from sale of tangible and intangible fixed assets from NCB to NMP.

Assets

"Investments in Associates" amounted to DKK 27 million and relates to the investment in NMP. There has not been any change to the investment in 2013.

"Outstanding at producers" decreased from DKK 50 million in 2012 to DKK 20 million in 2013. The main explanation for the decrease is the solution of some larger disputes.

"Securities" amounted to DKK 345 million and were placed in Nordic government and private bonds.

Liabilities

By 31 December 2013 undistributed royalties amounted to DKK 228 million, a decrease of DKK 72 million compared to 31 December 2012. Balances with owner societies increased from DKK 46 million to DKK 86 million, an increase of DKK 40 million. The net decrease amounted to DKK 32 million and was driven by actions towards increasing work documentation and lump sum distributions.

Cash Flow

Cash and securities as at 31 December 2013 amounted to DKK 449 million, or DKK 18 million less than 31 December 2012. The primary contributor was the result for the year before depreciations, which amounted to a loss of DKK 9 million.

The change in debtors contributed positively with DKK 48 million primarily due to the solution of disputes. In 2013 NCB succeeded in reducing undistributed royalties. The net reduction amounted to DKK 32 million. Finally the net change in prepayment contributed with a decrease of DKK 11 million and other debt with a decrease of DKK 10 million.

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 2013.

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 2013 and of its financial performance as well as the cash flow for the financial year 1 January to 31 December 2013.

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, 24 March 2014

Management

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Karsten Dyhrberg Nielsen

Board of Directors

Adopted at the Annual General Meeting on 20 May 2014.

Appointed by Koda	**Appointed by Stim**	**Appointed by Teosto**	**Appointed by TONO**
Tine Birger Christensen	Alfons Karabuda	Kim Kuusi	Steinar Fjeld
Susi Hyldgaard	Lars Karlsson	Katri Sipilä	Bendik Hofseth
Anders Lassen (Chairman)	[vacant]	Tommi Tuomainen	Cato Strøm (Vice-chairman)

Appointed by STEF

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Guðrún Björk Bjarnadottir

Independent auditor's reports

To the Annual General Meeting of Nordisk Copyright Bureau

Report on the financial statements
We have audited the financial statements of Nordisk Copyright Bureau for the financial year 1 January - 31 December 2013, which comprise the accounting policies, income statement, bal-ance sheet, statement of changes in equity, cash flow statement and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical require-ments and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and dis-closures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the financial statements give a true and fair view of the Society's financial posi-tion at 31 December 2013 and of the results of its operations and cash flows for the financial year 1 January - 31 December 2013 in accordance with the Danish Financial Statements Act.

Statement on the management commentary
Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial state-ments.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, 24 March 2014

Deloitte
Statsautoriseret Revisionspartnerselskab

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Bjørn Winkler Jakobsen
State Authorised
Public Accountant

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Henrik Hartmann Olesen
State Authorised
Public Accountant

Profit and loss account

DKK '000	Note	2013	2012
Royalties collected	2-3	329,829	370,214
Royalties distributed	4	345,328	297,334
Commission	5	43,892	32,873
Financial income, interest	6	11,138	13,245
Financial expenses	7	-776	-710
Value adjustments on securities and currencies		-5,498	5,217
Other	8	5,383	10,415
Total income		**54,139**	**61,040**
Staff	9	-29,215	-37,011
Other external expenses	10	-13,512	-25,140
Expenses NMP	11	-19,747	-2,039
Ordinary expenses		**-62,474**	**-64,190**
Profit before amortisation/depreciation		**-8,335**	**-3,150**
Amortisation/depreciation	12	-608	6,459
Loss from investments in associates	13	486	-4,107
Net profit for the year		**-8,457**	**-798**
Tax on profit for the year	14	0	0
At disposal		**-8,457**	**-798**
Proposal for appropriation of profit			
The year's result		-8,457	-798
Transferred to reserve for net revaluation according to the equity method		0	0
Retained earnings		59,221	60,019
At disposal		**50,764**	**59,221**
Carried forward to next year		50,764	59,221
AT 31 DECEMBER		**50,764**	**59,221**

Balance sheet as at 31 December

ASSETS

DKK '000	Note	2013	2012
FIXED ASSETS			
Intangible fixed assets			
Development projects completed	15	0	90
Total intangible fixed assets		**0**	**90**
Tangible fixed assets			
Equipment	16	950	1,217
Total tangible fixed assets		**950**	**1,217**
Fixed asset investments			
Investments in associates	17	27,586	27,100
Rent deposits		1,492	1,463
Total fixed asset investments		**29,078**	**28,563**
Total fixed assets		**30,028**	**29,870**
CURRENT ASSETS			
Debtors			
Prepayments to publishers		6,469	8,401
Producers		20,400	49,850
Receivables from associates		40	8,578
Other debtors		449	9,400
Accrued interest		3,580	2,876
Other deferred assets		956	1,038
Total debtors		**31,894**	**80,143**
Securities			
Bonds		344,576	344,854
Shares		526	283
Total securities	18	**345,102**	**345,137**
Cash at bank and in hand		**103,519**	**122,048**
Total current assets		**480,515**	**547,328**
TOTAL ASSETS		**510,543**	**577,198**

LIABILITIES

DKK '000	Note	2013	2012
CAPITAL AND RESERVES			
Carried forward to next year		50,764	59,221
Capital and reserves		**50,764**	**59,221**
LONG-TERM DEBT			
Employee bonds		783	1,475
Total long-term debt		**783**	**1,475**
SHORT-TERM DEBT			
Debt – prepayments			
International sister societies		38,947	46,035
Advance payments from producers		76,145	80,468
Total debt – prepayments		**115,092**	**126,503**
Other short-term debt			
Current portion of long-term liabilities		692	536
Members		20,391	26,823
Balances with owner societies (including performing rights)		86,034	46,490
Other creditors		2,566	160
Undistributed royalties	19	228,086	300,086
Other debt	20	6,135	15,904
Total other short-term debt		**343,904**	**389,999**
Total prepayments and other short-term debt		**458,996**	**516,502**
TOTAL LIABILITIES		**510,543**	**577,198**
Contingencies and securities	21		

Statement of changes in capital and reserves

DKK ’000	2013	2012
Capital and reserves as at 1 January	59,221	60,019
Transferred to reserve for net revaluation according to the equity method	0	0
Result of year	-8,457	-798
Capital and reserves as at 31 December	**50,764**	**59,221**

Cash flow statement

DKK ’000	2013	2012
OPERATING ACTIVITIES		
The year's result	-8,457	-798
Adjustment to opening balance	1	0
Amortisation/depreciation reversed (note 12)	608	3,566
Profit from sale of intangibles (note 12)	0	-10,025
Profit/loss from investments in associates (note 13)	-486	4,107
	-8,334	**-3,150**
Changes in deposits	-29	-30
Changes in debtors	48,249	-37,163
Changes in prepayments	-11,411	-24,028
Changes in short-term debt	25,905	26,306
Changes in undistributed royalties	-72,000	46,331
Changes in long-term debt	-692	-536
Cash flow from operating activities	**-18,312**	**7,730**
INVESTING ACTIVITIES		
Development projects in progress	0	-13,951
Establishment of associates	0	31,742
Investment in equipment etc.	-252	-1,228
Cash flows from investing activities	**-252**	**16,563**
Net cash flow for the year	**-18,564**	**24,293**
Cash and securities as at 1 January	**467,185**	**442,892**
Cash and securities as at 31 December	**448,621**	**467,185**

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 have been restated to reflect NCB's special activity as a Society which administers copyrights.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable as 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.

Notes

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 Company'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 (5 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.

Notes

2 · Royalties collected by product category

DKK '000	2013	2012
Audio – Standard Contract	33,701	47,990
Central Licensing Agreements	62,826	77,240
Audio – sister societies	17,336	20,577
Audio – work-by-work licences	20,518	23,349
Online services	53,703	56,444
Radio/TV	1,765	4,484
Audio-visual products	22,198	21,292
Other	117,782	118,938
Total	**329,829**	**370,314**

3 · Royalties collected by country

DKK '000	2013	2012
Sweden	58,631	76,761
Denmark	53,510	61,501
Norway	63,578	64,118
Finland	49,294	57,176
Germany	13,877	16,630
UK	2,900	4,665
France	3,708	3,968
Netherlands	2,402	1,844
Italy	1,261	1,322
Iceland	2,702	3,156
Estonia	2,286	2,149
Japan	1,450	1,532
Lithuania	872	885
Latvia	761	563
CLA EMI – European territories	63,292	65,735
Other	9,305	8,309
Total	**329,829**	**370,314**

4 · Royalties distributed by country

DKK '000	2013	2012
Sweden	162,854	140,983
Denmark	51,294	37,502
Finland	41,688	41,497
Norway	43,448	32,513
Germany	2,426	2,599
Iceland	2,312	2,269
UK	1,543	1,410
France	2,055	2,162
Estonia	1,491	1,323
Italy	1,019	905
Netherlands	936	801
USA	300	338
Latvia	530	166
Belgium	453	225
Lithuania	378	308
Other	32,601	32,333
Total	**345,328**	**297,334**

5 · Commission income

DKK '000

2009	2010	2011	2012	2013
31,757	32,269	31,693	32,873	43,892

6 · Financial income – interest

DKK '000	2013	2012
Interest income, bank	845	1,247
Interest income, bonds	9,672	9,422
Interest income, other	621	2,576
Total	**11,138**	**13,245**

7 · Financial expenses

DKK '000	2013	2012
Interest expenses	663	588
Other financial expenses	113	122
Total	**776**	**710**

8 · Other income

DKK '000	2013	2012
Related party productions fee	959	1,081
Income NMP	3,242	796
Income PRS for Music	0	6,430
Other	1,182	2,108
Total	**5,383**	**10,415**

9 · Staff costs

DKK '000	2013	2012
Wages and salaries	23,457	29,751
Pension contributions	3,103	4,188
Holiday pay	643	946
Fees to board members and audit committee	967	977
Training and education	99	164
Other	946	985
Total	**29,215**	**37,011**
Average number of employees	43.7	61.9

10 · Other external expenses

DKK '000	2013	2012
IT	727	7,648
Office supplies	1,382	2,033
Membership BIEM, CISAC, GESAC	1,094	861
Travel and entertainment	1,142	1,234
Rent etc.	4,535	4,860
Fees paid to owner societies	1,183	890
Administration local branch offices	1,263	4,967
Audit and advisory services	938	784
Legal assistance	458	1,302
Outside assistance	880	939
VAT refund UK (2011 + 2012)	-90	0
VAT from 2012	0	-226
VAT from 2010 and 2011	0	-152
Total	**13,512**	**25,140**

11 · NMP

DKK '000	2013	2012
DK Operating costs	6,034	2,039
DK service charge (Operations)	280	0
IT shared expenses	6,091	0
Dedicated costs 2.25 FTF	1,997	0
Other costs	204	0
Depreciation	5,141	0
Total	**19,747**	**2,039**

Notes

12 · Amortisation/depreciation

DKK '000	2013	2012
Intangible fixed assets (note 15)	89	2,525
Tangible fixed assets (note 16)	519	1,041
Profit from sale of tangible fixed assets	0	0
Profit from sale of intangible fixed assets	0	-3,152
Profit from sale of intangible fixed assets (Bifrost)	0	-6,873
Total	**608**	**-6,459**

13 · Loss from investments in associates

DKK '000	2013	2012
Share of profit/loss after tax	0	-752
Change in unrealised intra-group profit on intagibles	486	-3,355
Total	**486**	**-4,107**

14 · Tax

DKK '000	2013	2012
Current tax of the year	0	0
Year's changes in deferred tax	0	0
Total	**0**	**0**

15 · Intangible fixed assets

DKK '000	Development projects completed
Cost at 1 January	**179**
Year's addition	0
Year's disposals	0
Cost at 31 December	**179**
Amortisation at 1 January	**89**
Reversal relating to disposals	0
Year's amortisation	89
Amortisation at 31 December	**178**
Book value at 31 December	**0**

16 · Tangible fixed assets

DKK '000	IT	Vehicles	Office equipment	Total
Cost at 1 January	**4,361**	**748**	**2,863**	**7,972**
Year's addition	252	0	0	252
Year's disposals	0	0	0	0
Cost at 31 December	**4,613**	**748**	**2,863**	**8,224**
Depreciation at 1 January	**3,487**	**482**	**2,786**	**6,755**
Reversal relating to disposals		0	0	0
Year's depreciation	348	150	21	519
Depreciation at 31 December	**3,835**	**632**	**2,807**	**7,274**
Book value at 31 December	**778**	**116**	**56**	**950**

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	**-4,107**
Net share ofprofit/loss for the year	0
Adjustment on realised intra-group amortisation	486
Net value adjustments at 31 December	**-3,621**
Book value at 31 December	**27,586**

Investments in associates comprise: NMP – Network of Music Partners A/S, Copenhagen, 50%.

Notes

18 · Securities

DKK '000	2013	2012
Bonds – DKK	155,884	166,108
Bonds – NOK	73,862	58,500
Bonds – SEK	62,276	65,867
Bonds – EUR	52,554	54,379
Shares	526	283
Total	**345,102**	**345,137**

19 · Undistributed royalties

DKK '000	2013	2012
1 January	300,086	253,755
Royalties collected	329,829	370,314
Royalties distributed	-345,328	-297,334
Commission	-43,892	-32,873
Value adjustments on currencies	-12,609	6,224
31 December	**228,086**	**300,086**
Changes in undistributed royalties	-72,000	46,331

20 · Other debt

DKK '000	2013	2012
Provision for salaries/flexitime/holiday pay	3,326	4,151
VAT	0	7,696
Miscellaneous debt	2,809	4,057
Total	**6,135**	**15,904**

21 · Contingencies and securities

Danish bonds with a book value of DKK 1,220,000 have been provided as security for employee bonds in a security account at Nordea Bank A/S.

Rent liabilities up to 1 July 2013, totalling DKK 1.5 million.

There are no other contingent liabilities.