

# NCB 2015

## Annual report



## Table of contents

<b>About NCB</b>	2
<b>Key figures</b>	6
<b>The Management's review</b>	7
<b>Financial review</b>	9
<b>Statements &amp; approval</b>	11
<b>Profit and loss account</b>	14
<b>Balance sheet</b>	15
<b>Statement of changes in capital and reserves</b>	17
<b>Cash flow statement</b>	17
<b>Notes</b>	18
<b>Specifications</b>	29

## 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 20 May 2016.

## Executive bodies of NCB • 2015

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

Appointed by Koda

- Anders Lassen, Managing Director
- Susi Hyldgaard, Composer (until 27 May 2015)
- Tine Birger Christensen, Music Publisher (until 27 May 2015)

Appointed by STEF

- Guðrun Björk Bjarnadóttir, General Manager

Appointed by Stim

- Alfons Karabuda, Composer (until 27 May 2015)
- Lars Karlsson, Music Publisher (until 27 May 2015)
- Karsten Dyhrberg Nielsen, CEO (chairman)

Appointed by Teosto

- Katri Sipilä, CEO (vice-chairman)
- Kim Kuusi, Composer (until 27 May 2015)
- Tommi Tuomainen, Music Publisher (until 27 May 2015)

Appointed by TONO

- Bendik Hofseth, Composer (until 27 May 2015)
- Cato Strøm, Managing Director
- Steinar Fjeld, Music Publisher (until 27 May 2015)

Observers to the Board

- AKKA/LAA: Inese Paklone, Managing Director (until 27 May 2015)
- EAÜ: Kalev Rattus, Managing Director (until 27 May 2015)
- LATGA-A: Jonas Liniauskas, Managing Director (until 27 May 2015)
- STEF: Jakob Frimann Magnusson (until 27 May 2015)

#### Employee observer

- Anne Louise Holsøe (until 27 May 2015)
- Lars Frydshøj (from 27 May 2015)

#### 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.

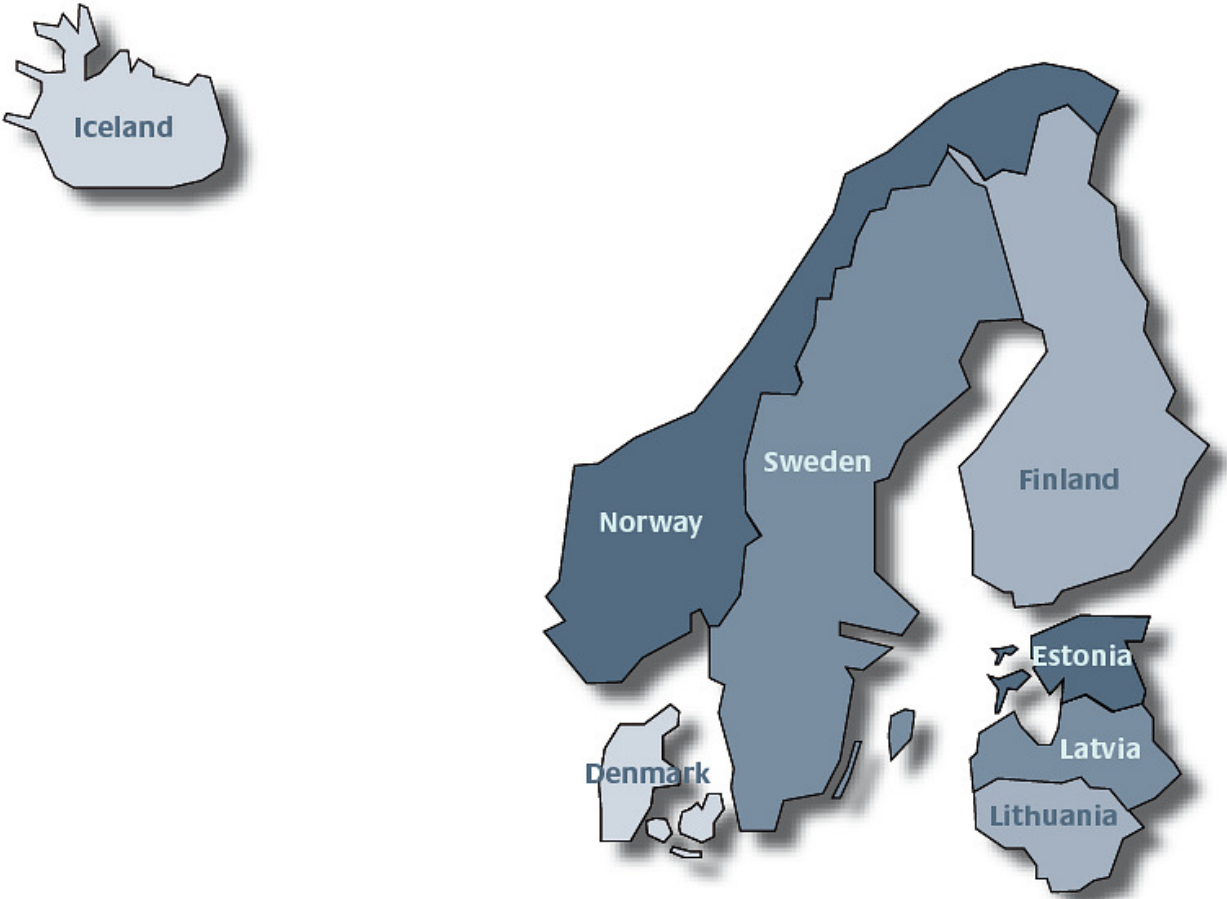
NCB's owner societies are Koda in Denmark, STEF in Iceland, Stim in Sweden, Teosto in Finland and TONO in Norway. NCB has cooperation agreements with EAÜ (Estonia), AKKA/LAA (Latvia) and LATGA-A (Lithuania).

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

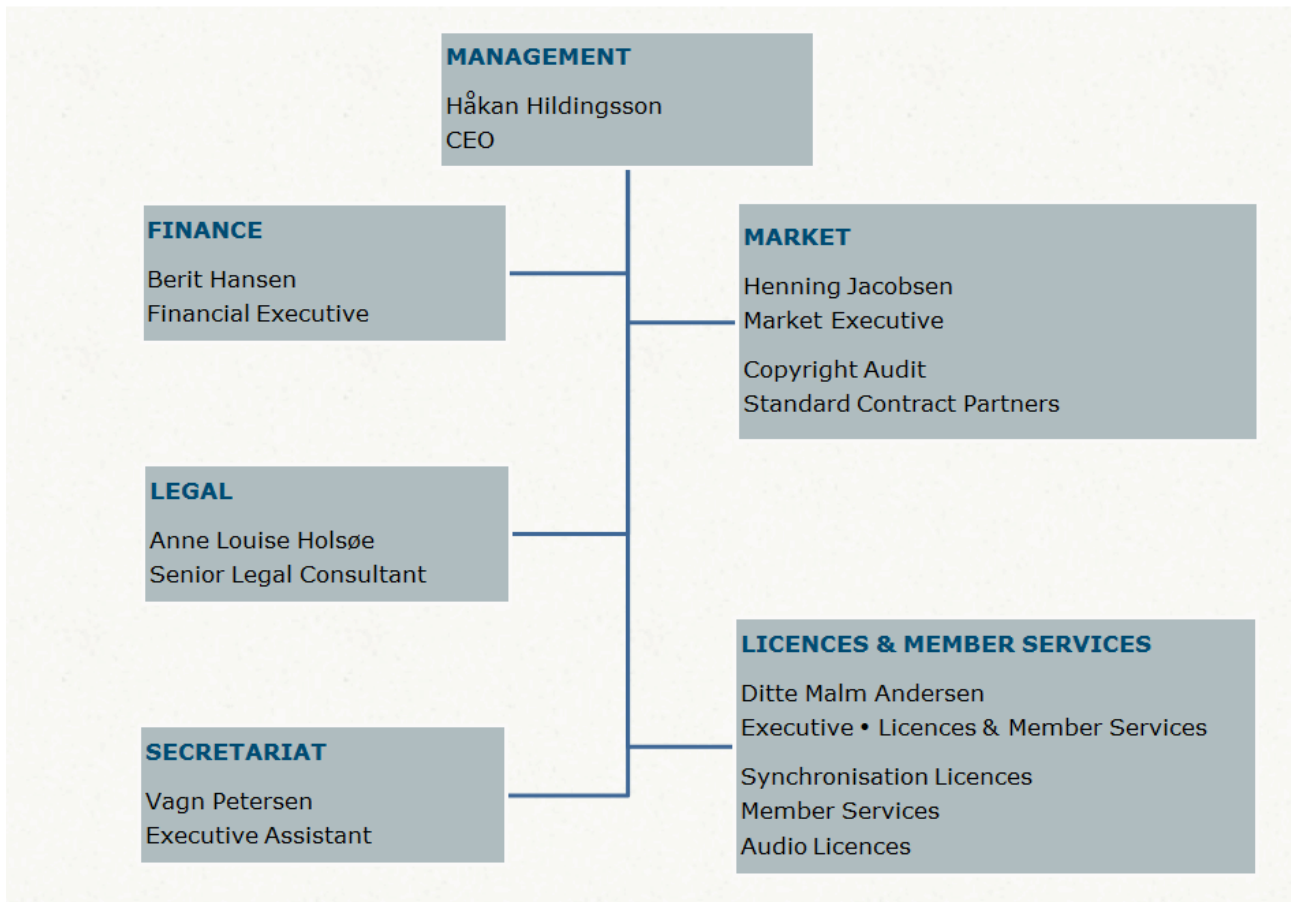
NCB's audit is undertaken by a state authorised public accountant. In addition, Koda, Stim, Teosto and TONO all appoint a rights holder representative to NCB's Audit Committee which convenes twice a year.

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 2015



## Key figures

DKK '000	2011	2012	2013	2014	2015
Royalties collected excl. perf.	343,4	370,3	329,8	241,9	193,1
Royalties collected incl. perf.	372,1	445,4	431,8	337,3	280,7
Distribution excl. perf.	298,3	297,4	345,3	213,4	168,5
Change - undistributed royalties	14,2	46,3	-72	-10,5	-11,7
Commission	31,7	32,8	43,9	39	36,4
Interest	15,3	12,5	10,4	9,8	8,5
Other income	15,5	15,7	-0,1	2,3	-1,0
<b>Total income</b>	<b>62,5</b>	<b>61,0</b>	<b>54,2</b>	<b>51,1</b>	<b>43,8</b>
<b>Total expenses</b>	<b>61,6</b>	<b>61,8</b>	<b>62,6</b>	<b>55,7</b>	<b>47,8</b>
Expenses in %	15,8%	13,0%	14,2%	15,9%	16,6%
Profit/loss before tax	0,9	-0,8	-8,4	-4,6	-4,0
Capital and reserves	60,0	59,2	50,8	46,2	42,2
Indexed development:					
Royalties collected	93	112	108	85	70
Distribution	91	91	106	65	52
Commission	98	102	136	121	113
Interest	101	83	69	65	56
<b>Total income</b>	<b>99</b>	<b>97</b>	<b>86</b>	<b>81</b>	<b>70</b>
<b>Total expenses</b>	<b>97</b>	<b>97</b>	<b>98</b>	<b>87</b>	<b>75</b>

## **The Management's review**

### **Setting the scene for a new beginning**

On 10 December 2015 NCB celebrated its centenary in Copenhagen. 300 specially invited guests came to pay tribute to an organization which has serviced authors, composers and music publishers worldwide during 100 years. And as was mentioned many times during the night, NCB has been and still is the vehicle for Nordic/Baltic cooperation and the people of NCB have made many key contributions to strengthen this Nordic/Baltic collective during the years.

The celebration in December also marked the end of a transition year for NCB during which a great number of cost reducing initiatives were effectuated. To reduce cost of organization and administration was not only a necessity to adapt NCB to the paradigm shift in the Nordic market for physical music sales but also to set the prerequisites for a further five year mandate from the NCB owners.

One of the many cost reducing initiatives was to relocate to a new office in Copenhagen. The new premises located close to the historic part of Copenhagen were not only more fit for the current organization but also 60% less expensive than the previous one.

### **Nordic synchronization model**

On 1 June, NCB was finally able to launch the new Nordic harmonized collective model for synchronization licensing. The new model was the end result of a long lasting discussion involving all Nordic author and publisher organizations of how the Nordic collective licensing mandate should be defined. All parties finally agreed that the new model would generate benefits for rights holders as well as for film and TV producers. By year end, it was concluded that the model had been well received by the customers and that the model would continue to be developed in 2016.

### **Collection and distribution**

During 2015, NCB collected DKK 193 million worth of mechanical royalties and DKK 150 million came from traditional NCB offline collection areas i.e. record producers, video distributors and foreign societies. DKK 43 million (DKK 136 million including performing rights royalties) came from online digital service providers i.e. Spotify, YouSee and Tidal.

NCB's collection, excluding online, decreased by 15% compared to 2014 and it is likely to assume that the decrease will continue in 2016. Worth mentioning is a signal from Norway indicating that the decrease in physical media sales might level out. According to IFPI statistics, the Norwegian market for recorded music grew by 6.9% in 2015 and sale of physical formats (CD, vinyl) grew its market share to 16.8% from 13.7% in 2014.

During 2015 NCB distributed DKK 168.5 million worth of mechanical royalties which was a decrease of 21% compared to 2014 and the total volume of undistributed royalties decreased by DKK 11.7 million.



## **2015 financial result**

The financial result for 2015, which is reviewed in further detail on the following pages, is considered very satisfactory given that income decreased by 14% due to a non-budgeted DKK 4.6 million negative adjustments on securities and currencies. The income shortfall was though balanced by a cost base that was DKK 7.8 million lower than in 2014.

Hard work and tough decisions have secured a cost base that is 14% lower in 2015 than in 2014. Staff cost is down by 31% and this dramatic decrease is first and foremost explained by the full year effect of the transfer of NCB online FTEs to NMP in 2014. A 15% decrease of other external expenses is mainly explained by the full effect of the new model for NCBs involvement in Baltic work-by-work licensing and the release of legal assistance accruals.

All in all, I am proud of the work we have done so far in order to prepare us for the challenges ahead and I look forward to a 2016 when we can further develop our service to authors, composers and music publishers in close collaboration with Koda, STEF, Stim, Teosto and TONO.

## Financial review

### Collections

In 2015 NCB collected DKK 280.7 million including online performing rights. This was a decrease of DKK 56.7 million or 16.8% compared to 2014. Collections excluding performing rights amounted to DKK 193.1 million or 20% below the 2014 collection level.

The main explanation behind the decline in offline collections is central licensing agreements (GEMA and SACEM) which decreased by 40% (having corrected for a reporting delay). Collections from Nordic record producers with a standard contract also decreased by approximately 28%.

Collections from Swedish producers and distributors decreased by 36% (DKK 19.7 million) and the equivalent numbers for Denmark were 27% (DKK 12 million), Finland 30% (DKK 14 million) and Norway (DKK 2.5 million).

### Distributions

NCB distributed royalties to a total value of DKK 168.5 million which constituted a decrease of DKK 45 million compared to 2014. The decrease affected Swedish based rights holders by a DKK 25.5 million lower distribution. The equivalent decrease for Danish rights holders was DKK 6.4 million, and DKK 8 million for Finnish rights holders. Distribution to Norwegian rights holders decreased by DKK 1.8 million.

### Income

When the books for 2015 were closed, NCB had a total of DKK 43.8 million in income which was a decrease of 14% compared to 2014.

Subsequent to the decrease in distribution, commission income decreased by DKK 2.6 million (6.7%) and the primary reason was a DKK 7 million lower online commission income than in the 2015 budget. However, higher offline lump sum distribution limits the commission income decrease to DKK 2.6 million as can be seen in the P/L.

Financial income decreased by DKK 1.3 million from DKK 9.8 million in 2014 to DKK 8.5 million in 2015 due to low/negative interest levels in the Nordic countries. Included in this amount is approximately DKK 2.6 million interest invoiced to producers and distributors for late reporting and audit findings.

Value adjustments on securities and currencies show a negative amount of DKK 4.6 million. This is primarily delivered from unrealized adjustments on especially Danish and Norwegian bonds. On the bonds there was a positive currency adjustment of 0.9 DKK million that limited the loss.

### Ordinary Expenses

Ordinary expenses decreased by 14% to DKK 48 million in 2015 compared to DKK 56 million in 2014. The primary driver for this is a decrease in staff cost following the organizational changes (online resources) from 2014 when the full effect is seen in 2015.

Expenses related to NMP have increased since 2014 due to the above mentioned staff transfer in 2014 but the effect on the NCB books have been limited since NMP shared the cost related to the online resources between NCB and its online customer in Holland (Buma/Stemra).

### **Amortisation/depreciation**

Depreciations for 2015 amounted to DKK 0.3 million which was a decrease of DKK 0.1 million compared to 2014. The explanation behind this development is that previous company cars have been sold.

### **Assets**

“Investments in Associates” amounted to DKK 26.3 million and relate to the investment in NMP. There has not been any change to the investment in 2015.

Debtors decreased from DKK 11.466 million in 2014 to DKK 7.376 million in 2015. This is primarily due to the fact that there were no prepayments to publishers in December 2015.

“Securities” amounted to DKK 281 million and were placed in Nordic government and private bonds.

### **Liabilities**

By 31 December 2015, undistributed royalties amounted to DKK 197 million, a decrease of DKK 11.7 million excl. value adjustments compared to 31 December 2014. Balances with owner societies increased from DKK 115 million to DKK 130 million; an increase of DKK 15 million.

### **Cash Flow**

Cash and securities as per 31 December 2015 amounted to DKK 436 million, or DKK 5 million (1%) less than 31 December 2014. The primary contributor was the result for the year before depreciations, which amounted to a loss of DKK 4 million. The change in debtors contributed positively with DKK 4 million, while the short time debt decreased by DKK 12 million. In 2015, NCB undistributed royalties decreased by DKK 11.7 million. Finally, the net change in prepayment contributed with a decrease of DKK 6 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 2015. 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 2015 and of its financial performance as well as the cash flow for the financial year 1 January to 31 December 2015. 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, 29 March 2016

### Management

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Håkan Hildingsson

### Board of Directors

Adopted at the Annual General Meeting on 20 May 2016.

#### Appointed by Koda

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Anders Lassen

#### Appointed by Stim

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Karsten Dyhrberg  
Nielsen (Chairman)

#### Appointed by STEF

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Guðrún Björk  
Bjarnadóttir

#### Appointed by Teosto

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Katri Sipilä  
(Vice-chairman)

#### Appointed by TONO

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Cato Strøm

## 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 2015, which comprise the accounting policies, income statement, balance 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 requirements 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 disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 position at 31 December 2015 and of the results of its operations and cash flows for the financial year 1 January-31 December 2015 in accordance with the Danish Financial Statements Act.

## **Statement on the management review**

Pursuant to the Danish Financial Statements Act, we have read the management review. We have not performed any further procedures in addition to the audit of the financial statements.

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

Copenhagen, 29 March 2016

Deloitte  
Statsautoriseret Revisionspartnerselskab  
CVR nr. 33 96 35 56

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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	2015	2014
<b>Royalties collected</b>	2-3	<b>193.144</b>	<b>241.920</b>
<b>Royalties distributed</b>	4	<b>168.461</b>	<b>213.418</b>
Commission	5	36.355	38.983
Financial income, interest	6	8.459	9.759
Financial expenses	7	-968	-970
Value adjustments on securities and currencies		-4.623	-1.436
Other	8	4.549	4.747
<b>Total income</b>		<b>43.771</b>	<b>51.083</b>
Staff	9	-15.225	-22.079
Other external expenses	10	-9.399	-11.074
Expenses NMP	11	-23.320	-22.642
<b>Ordinary expenses</b>		<b>-47.944</b>	<b>-55.795</b>
<b>Profit before amortisation/depreciation</b>		<b>-4.172</b>	<b>-4.713</b>
Amortisation/depreciation	12	-302	-387
Profit from investments in associates	13	486	486
<b>Net profit/loss for the year</b>		<b>-3.988</b>	<b>-4.614</b>
Tax on profit for the year	14	0	0
<b>At disposal</b>		<b>-3.988</b>	<b>-4.614</b>
<b>Proposal for appropriation of profit</b>			
The year's result		-3.988	-4.614
Transferred to reserve for net revaluation according to the equity method		0	0
Retained earnings		46.150	50.764
<b>At disposal</b>		<b>42.162</b>	<b>46.150</b>
Carried forward to next year		42.162	46.150
<b>At 31 December</b>		<b>42.162</b>	<b>46.150</b>

## Balance sheet

DKK '000	Note	2015	2014
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Equipment	16	469	412
<b>Total tangible fixed assets</b>		<b>469</b>	<b>412</b>
<b>Fixed assets investments</b>			
Investments in Associates	17	26.308	27.322
Rent deposits		247	1.523
<b>Total fixed assets investments</b>		<b>26.555</b>	<b>28.845</b>
<b>Total fixed assets</b>		<b>27.024</b>	<b>29.257</b>
<b>Current assets</b>			
<b>Debtors</b>			
Prepayment to publishers		0	5.688
Producers		4.714	3.319
Receivables from Associates		382	0
Other debtors		1.319	88
Accrued interest		1.396	2.299
Other deferred assets		232	72
<b>Total debtors</b>		<b>8.043</b>	<b>11.466</b>
<b>Securities</b>			
Bonds		299.675	280.542
Shares		562	563
<b>Total securities</b>	18	<b>300.237</b>	<b>281.105</b>
<b>Cash at bank and in hand</b>		<b>136.156</b>	<b>159.838</b>
<b>Total current assets</b>		<b>444.436</b>	<b>452.409</b>
<b>Total assets</b>		<b>471.460</b>	<b>481.666</b>



## Balance sheet

DKK '000	Note	2015	2014
<b>Liabilities</b>			
<b>Capital and reserves</b>			
Carried forward to next year		42.162	46.150
<b>Capital and reserves</b>		<b>42.162</b>	<b>46.150</b>
<b>Short-term debt</b>			
<b>Debt - prepayments</b>			
International sister societies		9.935	19.377
Advance payments from producers		71.487	67.845
<b>Total debt - prepayments</b>		<b>81.422</b>	<b>87.222</b>
<b>Other short-term debt</b>			
Current portion of long-term liabilities		0	783
Members		16.339	15.129
Balances with owner societies incl. performing		130.493	115.198
Balances with associates			1.995
Other creditors		534	535
Undistributed mechanical royalties	19	196.948	210.176
Other debt	20	3.562	4.478
<b>Total other short-term debt</b>		<b>347.876</b>	<b>348.294</b>
<b>Total prepayments and other short-term debt</b>		<b>429.298</b>	<b>435.516</b>
<b>Total liabilities</b>		<b>471.460</b>	<b>481.666</b>

## Statement of changes in capital and reserves

DKK '000	2015	2014
Capital and reserves as at 1 January	46.150	50.764
Transferred to reserve for net revaluation according to the equity method	0	0
Result of year	-3.988	-4.614
<b>Capital and reserves as at 31 December</b>	<b>42.162</b>	<b>46.150</b>

## Cash flow statement

DKK '000	2015	2014
The year's result	-3.988	-4.614
Adjustment to opening balance	0	0
Amortisation/depreciation reversed (note 12)	302	499
Profit from sale of intangibles (note 12)	0	-112
Profit/loss from investments in associates (note 13)	-486	-486
Dividend from associates	1.500	750
	<b>-2.672</b>	<b>-3.963</b>
Changes in deposit	1.276	-31
Changes in debtors	3.423	20.428
Changes in prepayment	-5.800	-27.870
Changes in short-term debt	12.827	22.301
Changes in undistributed royalties	-13.228	-17.910
Changes in long-term debt	0	-783
<b>Cash flow from operating activities</b>	<b>-4.174</b>	<b>-7.828</b>
<b>Investing Activity</b>		
Development projects in progress	0	0
Establishment of Associates	0	0
Investments in equipment etc.	-430	0
Sale of fixed assets	53	151
<b>Cash flows from investing activities</b>	<b>-377</b>	<b>151</b>
<b>Net cash flow for the year</b>	<b>-4.551</b>	<b>-7.677</b>
<b>Cash and securities as at 1 January</b>	<b>440.944</b>	<b>448.621</b>
<b>Cash and securities as at 31 December</b>	<b>436.393</b>	<b>440.944</b>

## 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	2015	2014
Audio - Standard Contract	19.837	27.502
Central Licensing Agreements	27.996	60.512
Audio - sister societies	16.311	18.356
Audio - work-by-work licences	15.873	12.907
Online services	47.881	42.696
Radio/TV	1.592	1.307
Audio-visual products	9.100	19.967
Other	54.554	58.673
<b>Total</b>	<b>193.144</b>	<b>241.920</b>

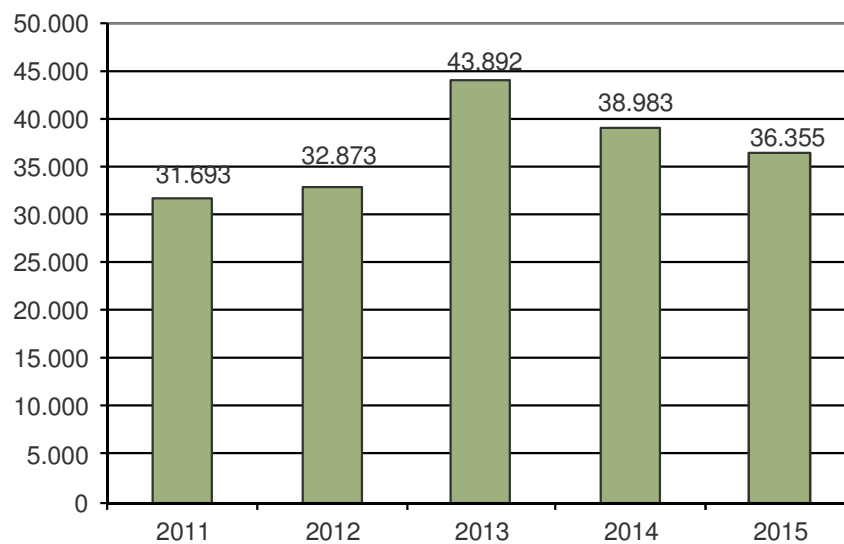
## 3 • Royalties collected by country

DKK '000	2015	2014
Norway	46.968	49.591
Sweden	34.817	54.506
Denmark	33.677	45.893
Finland	33.153	47.130
Germany	17.894	17.650
France	5.772	2.978
UK	2.926	5.069
Estonia	2.891	2.556
Iceland	2.207	2.549
Switzerland	1.535	1.336
Italy	1.345	776
Austria	1.171	1.065
Netherlands	1.008	1.140
Japan	1.068	1.279
Lithuania	402	512
Latvia	375	331
Other	5.935	7.559
<b>Total</b>	<b>193.144</b>	<b>241.920</b>

#### 4 • Royalties distributed by country

DKK '000	2015	2014
Sweden	92.075	117.625
Denmark	29.973	36.369
Finland	23.469	31.506
Norway	22.716	24.594
Germany	1.773	2.387
Iceland	995	1.883
UK	3.460	2.499
France	798	1.534
Estonia	821	1.076
Italy	407	726
Netherlands	1.057	1.395
USA	542	295
Latvia	12	111
Belgium	258	178
Lithuania	68	349
Other	-9.963	-9.109
<b>Total</b>	<b>168.461</b>	<b>213.418</b>

#### 5 • Commission income





## 6 • Financial interest

DKK '000	2015	2014
Interest income, bank	614	994
Interest income, bonds	4.471	7.429
Interest income, other	3.374	1.336
<b>Total</b>	<b>8.459</b>	<b>9.759</b>

## 7 • Financial expenses

DKK '000	2015	2014
Interest, expenses	616	873
Other financial expenses	352	97
<b>Total</b>	<b>968</b>	<b>970</b>

## 8 • Other income

DKK '000	2015	2014
Related party production fee	832	886
Income NMP	3.431	3.458
Other	286	403
<b>Total</b>	<b>4.549</b>	<b>4.747</b>

## 9 • Staff costs

DKK '000	2015	2014
Wages and salaries	11.814	17.402
Pension contributions	1.540	2.301
Holiday pay	337	525
Fees to board members/audit committee	923	933
Training and education	98	50
Other	513	869
<b>Total</b>	<b>15.225</b>	<b>22.079</b>
Average number of employees	23,0	32,4

## 10 • Other external expenses

DKK '000	2015	2014
IT	643	797
Office supplies	932	701
Membership BIEM, CISAC, GESAC	400	664
Travel and entertainment	948	912
Rent etc.	4.273	4.706
Fee paid to owner society	1.764	719
Administration local branch offices	-69	1.080
Audit and advisory services	566	696
Legal assistance	-1.111	230
Outside assistance	380	118
Tab Per Meilstrup		451
Flytteomkostninger	674	
<b>Total</b>	<b>9.399</b>	<b>11.074</b>

## 11 • Expenses NMP

DKK '000	2015	2014
DK Operating costs	6.926	8.072
DK service charge (Operations)	1.023	517
IT shared expenses	6.466	4.912
Dedicated costs 2,25 FTF	3.357	3.446
Other costs	-125	436
Depreciation	5.672	5.260
<b>Total</b>	<b>23.320</b>	<b>22.642</b>

## 12 • Amortisation/depreciation

DKK '000	2015	2014
Tangible fixed assets (note 16)	302	499
Profit from sale of tangibles fixed assets	0	-112
<b>Total</b>	<b>302</b>	<b>387</b>


### 13 • Profit from investments in associated companies

DKK '000	2015	2014
Share of profit / loss after tax	0	0
Change in unrealised intra-group profit on intangibles	486	486
<b>Total</b>	<b>486</b>	<b>486</b>

### 14 • Tax on profit for the year

DKK '000	2015	2014
Current tax of the year	0	0
Year's changes in deferred tax	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

### 15 • Intangible fixed assets

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

## 16 • Tangible fixed assets

DKK '000	IT	Office Equipment	Total
<b>Cost at 1 January</b>	<b>4.613</b>	<b>2.863</b>	<b>7.476</b>
Year's addition	0	430	430
Year's disposals	-113	-80	-193
<b>Cost at 31 December</b>	<b>4.500</b>	<b>3.213</b>	<b>7.713</b>
<b>Depreciation at 1 January</b>	<b>4.241</b>	<b>2.823</b>	<b>7.064</b>
Reversal relating to disposals	-69	-53	-122
Year's depreciation	289	13	302
<b>Depreciation at 31 December</b>	<b>4.461</b>	<b>2.783</b>	<b>7.244</b>
<b>Book value at 31 December</b>	<b>39</b>	<b>430</b>	<b>469</b>

## 17 • Fixed asset investments

DKK '000	
<b>Cost at 1 January</b>	<b>31.207</b>
Year's addition	0
Year's disposals	0
<b>Cost at 31 December</b>	<b>31.207</b>
<b>Net value adjustments at 1 January</b>	<b>-3.885</b>
Net share of profit/loss for the year	0
Dividend	-1.500
Adjustment on realised intra-group amortisation	486
<b>Net value adjustments at 31 December</b>	<b>-4.899</b>
<b>Book value at 31 December</b>	<b>26.308</b>

## 18 • Securities

DKK '000	2015	2014
<b>Bonds</b>		
Bonds DKK	139.538	137.248
Bonds NOK	85.933	68.475
Bonds SEK	24.326	23.601
Bonds EUR	49.878	51.217
<b>Shares</b>	562	563
<b>Total</b>	<b>300.237</b>	<b>281.105</b>

## 19 • Undistributed royalties

DKK '000	2015	2014
1 January	210.176	228.086
Royalties collected	193.144	241.920
Correction Baltics 2014	412	-412
Royalties distributed	-168.461	-213.418
Commission	-36.355	-38.983
Value adjustments on currencies, total	-1.967	-7.017
<b>31 December</b>	<b>196.949</b>	<b>210.176</b>
<b>Changes in undistributed royalties</b>	<b>-13.227</b>	<b>-17.910</b>

## 20 • Other debt

DKK '000	2015	2014
Provision for salaries/flextime/holiday pay	1.645	1.835
VAT	0	46
Miscellaneous debt	1.917	2.597
<b>Total</b>	<b>3.562</b>	<b>4.478</b>

## 21 • Contingencies and securities

Rent liabilities up to 1 May 2019 totalling DKK 1.6 million.

Subscription liabilities up to 31 December 2015 totalling DKK 0.3 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 2016.

There are no other contingent liabilities.