

# ANNUAL REPORT 2016



FOR THE LOVE OF **MUSIC**

## A WORD FROM THE CHAIRMAN

---

# A YEAR OF STABLE SERVICES AND SOLID FINANCIAL RESULTS

2016 was NMP's fourth year of operations. Since the launch of NMP in 2012 the organisation has proven its ability to deliver efficient and transparent back-office services to a broad range of customers.

Throughout the year, NMP focused on a number of process efficiencies leading to overall cost reductions for its customers and ultimately, the rights holders. The process efficiencies, which were carried out, resulted in a more modern management of NMP's administration by utilising IT to automate business functions. The cost efficiencies gained thereby are significant achievements as NMP's portfolio is composed of the challenging offline market combined with the high-volume processing demands stemming from online service provision. As NMP was able to process more collections than expected at a lower than budgeted cost, the organisation showed its great potential to be the reliable back-office service provider needed in the industry.

Despite this year's positive progress, 2016 was a strategically challenging year for NMP as NCB and MCPS were engaged in strategic projects that had the potential to adversely affect NMP. As a result, a level of ambiguity around NMP's portfolio existed and continues to exist in 2017.

However, once clarity is reached on this, a future roadmap for NMP will be defined. The Board is delighted and grateful that throughout this period of uncertainty the valued employees of NMP have continued to deliver best value services to rights holders.



**Craig Nunn**  
Chairman NMP

# THIS IS NETWORK OF MUSIC PARTNERS A/S (NMP)

We want to be part of our industry's constant change. Our organisation works back-stage as an agile and cost efficient body that serves the music copyright societies and their members. Simply said, we ensure that money is collected and distributed on their behalf so the correct rights holders get paid when their music is used. Our flexible IT system *Bifrost* is our backbone and on top of this we add our business expertise which enables us to service our customers so they gain a benefit for their members.

## HISTORY OF NMP

---

Network of Music Partners A/S is a joint venture that delivers back-office services to a number of music copyright organisations in Europe. NMP has its headquarter in Copenhagen with a department in London.

NMP was launched in November 2012 and its first two years were focused on stabilising operations and optimising processes with the aim of utilising the full potential of NMP. NMP's main service area is the processing of mechanical offline business for PRS for Music who provide services to MCPS in the UK and the Nordic/Baltic copyright societies. Since then, NMP has taken on additional responsibilities by managing the online administration of the Nordic copyright societies (with the exception of Stim in Sweden) as well as the Baltic societies. NMP has successfully provided services to ICE Operations<sup>1</sup> in support of multi-territorial online service for the Dutch collecting society Buma-Stemra.

NMP is owned by the UK performing rights society PRS for Music and by the Nordic mechanical rights society NCB.

## OUR MISSION

---

“We aim to deliver international copyright services in a transparent, reliable and cost efficient manner enabling our customers to maximise distributions to their members.”



## OUR ARENA

---

NMP handles the back-office activities in the UK offline market, the Nordic-Baltic offline markets, the Nordic-Baltic online markets and the Dutch online markets.

Front-office activities like licensing and member services remain with the national societies.

## NMP IN NUMBERS

---

**TRANSPARENT SERVICES FOR  
10 SOCIETIES, SUPPORTING +6  
CURRENCIES, USING ICE WORKS  
DATA, WITH +65 EMPLOYEES IN  
2 LOCATIONS, SINCE 2012**

<sup>1</sup> ICE is a supplier of business process outsourcing services for rights management companies.

# MANAGEMENT'S COMMENTARY

In 2016 NMP focused on a number of customer service enhancements in order to build our brand around the customers that we service. We did so by engaging ourselves in more customer interactions than before, by continuing to lobby for improved data quality and industry standardisation, by analysing and improving match rules and, most importantly, by enhancing the throughput in distributions to secure swifter pay-outs to members.

In 2016, NMP conducted a customer survey providing us with important feedback on concrete value-added improvements to be carried out for our customers. Not surprisingly, some feedback received was that general efficiency is viewed as very high priority. As our yearend result shows, we gained significant efficiencies by processing more collections than expected without increasing operational costs. Thus, this is a milestone in the right direction, as our journey of enhanced customer satisfaction has just begun.

In general, NMP's services were very stable throughout the year but our strive to reach *operational excellence* led us to take various steps to fine-tune our business processes by picking them apart and then putting them back together in a better, more modern way. We took a clear stand in matters leading to higher data quality from DSP's through involvement in DDEX<sup>2</sup> and TOWGE<sup>3</sup>. Furthermore, we implemented IT enrichments in our match engine to enhance both offline and online administration, minimising time-consuming manual work. Finally, we reviewed historically implemented business rules in our distributions and ensured a smoother money flow to rights holders.

Financially, 2016 was a good year for NMP and its shareholders. The total collections processed by NMP exceeded the prognosis by 15% and revenues were up by 9% compared to budget. The online portfolios processed by NMP were 28% higher than estimated. The offline portfolios were also a bit higher than expected, in total 10% over budget. NMP cost came in a bit under budget mostly due to organisational changes resulting from more automation. As a result, NMP was able to produce a small profit of Dkk 3.5m this year, an important milestone ensuring the undertaking of necessary investments. Compared to the budget for 2016 we consider the result as very satisfying. In 2017 we expect to decrease the level of total cost and we have a budgeted profit before tax of Dkk 4.0m.

<sup>2</sup> DDEX is a consortium of leading media companies, music licensing organisations, digital service providers and technical intermediaries, focused on the creation of digital supply chain standards.

<sup>3</sup> Steering Committee for the Technical Online Working Group in Europe.

“Quality in a service is not what you put into it. It is what the customer gets out of it.”

— PETER DRUCKER

Finally, since NMP took over the financial responsibility for Polaris online administration in 2016, NMP's net assets increased significantly compared to 2015. This can be explained by the fact that the increase in assets stems from money collected on behalf of collecting societies Koda, TONO and Teosto. Thus, these monies are due to be distributed to rights holder as soon as distribution is enabled. These assets are thereby not money that will remain within NMP over time.

As cost efficiency is a constant focus in NMP, we had to say goodbye to some colleagues in 2016. However, we also welcomed new ones. In 2016, NMP's management team was strengthened with a new CFO and a new CIO laying the grounds for more bandwidth with customers in the financial and IT service areas. Also, the new finance department was set up, terminating the previous outsourcing arrangement. This change means not only that NMP manages its financial processes directly but, more importantly, the financial relations with all NMP's customers.

While 2016 was a stable year operationally and financially, it was also a strategically challenging year for NMP. Large strategic projects surrounding MCPS and NCB, were on-going. The Nordic societies decided to transfer key NCB employees into Koda, leaving the shareholding of NMP unaffected. On the UK side, MCPS decided to put the service provision from PRS out for tender. Needless to say, the external factors regarding NCB and MCPS have strained NMP's employees. Until further decisions are available from MCPS, NMP applies the necessary “business as usual” approach.

In order to keep motivation high in this complex phase, the importance of uniting the team internally was of high importance to the management.

Thus, in the autumn of 2016 the teams from Denmark and the UK were brought together to analyse and define the DNA of our organisation. Together we committed ourselves to continuously adapt to unknown terrains and growing competition, joint by our core values and the power of positive thinking.

I am very pleased with the NMP achievements of 2016 and I am proud of the ambitious team that stayed focused throughout 2016. The fact that we engaged and continue to engage in innovative actions to improve general services convinces me that the NMP team is well equipped with the culture needed to operate in this disrupted industry, only strengthened by its challenges as well as its achievements.

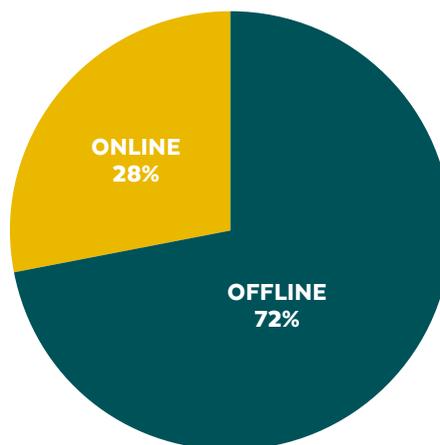
In 2017 I expect our services to go from stable to excellent as we excel in customer satisfaction. We shall continue to automate processes in order to free up further resources from manual tasks and put them onto customer value-added activities. Finally, in 2017 I believe the MCPS situation to be clarified so a long term plan can be defined for NMP.



**Malin Jonsson**  
CEO

# BUSINESS AREAS

NMP combines collections from the fast growing online market with that of the declining offline administration in one and the same IT platform. The synergies in this lie in the use of internal resources and associated IT costs but benefits are also noticeable elsewhere. For instance, constant adaption for online administration enables the offline administration to become more automated, and the stable and precise management of offline leads to valuable lessons implemented for the changing online management.



Online/offline collections in NMP

## ONLINE SERVICES 2016

The Online Service team has had a very busy year. Indeed, the twelve month period saw NMP receive and process 31% more usage reports year-on-year, which meant that the number of issued invoices to DSP's increased equally. Moreover, the amount of reporting lines ingested into our system *Bifrost* increased with 78%. All in all, this meant that NMP could invoice 38% more copyright value by using the existing resources at NMP.

However, there are still challenges which must be met. This is the case with the quality of the metadata received from DSP's in their usage reports, particularly missing composer/author names, as well as management of works data. Any unclear copyright situation will require holding back from distribution. Online Services has thus been looking for smarter solutions and expects to allocate significant resources to this also in 2017.

2016 saw NMP continue its international efforts in seeking to improve reporting quality, from a format as well as content aspect, by continuing its active participation in DDEX, the online music business end to end data format standards body.

This has resulted in both a slimmer DDEX "flat file reporting format" enabling NMP to receive more data with less data resources. Also, I have been appointed as chairman of the steering committee for TOWGE, where the front office decision makers from the major publishers as well as the medium-sized and large societies of Europe meet to address the challenges of the fragmented rights market in Europe. The appointment is a confirmation of the business knowledge as well as a pragmatic approach to all administration processes applied within NMP.

**Hans-Peter Roth**  
Director of Online Services



## OFFLINE SERVICES - THE HUB OF THE FUTURE

---

As the offline markets in the UK & the Nordics continue to decline year on year, a challenge for NMP has been to continue to deliver services at an appropriate cost in line with revenue declines, but still handle the volumes which have not declined as sharply, and have even increased in some areas. NMP has risen well to this challenge over the last year, delivering cost reductions in both the UK & DK teams, firstly by enhancing our matching routines in order to increase auto-match levels and reduce manual handling, and secondly by optimising use of our resources across teams in London and Copenhagen.

With our proven successes of delivering services in a transparent, reliable and cost efficient manner, which has been so important for our customers with the aforementioned decline in their offline markets, we now see opportunities for us to expand our offline services portfolio and provide services for other societies who are facing the same challenges.

Having developed the Bifrost system to handle both UK licensing agreements and the BIEM standard contract under which the majority of European societies operate and with the added benefit of being fully interfaced with the ICE copyright database, NMP holds a unique position within the offline business.

Our current offline services platform offers flexibility in terms of common format loads and outputs required for offline mechanical administration, a consolidated product and recording database and the ability to handle diverse and complex UK or BIEM<sup>4</sup> licensing rules. During 2017 we will explore all opportunities to an offline hub, by offering other collection societies the opportunity to utilise the flexibility of our services.

### **Mark Stevens**

Director of Offline Services

<sup>4</sup> BIEM is the international organisation representing mechanical rights societies.



## INVESTING IN THE FUTURE

### EFFICIENCIES THROUGH SELF-SERVICE

---

During 2016, recognising the importance of increasing automation and the need for unnecessary manual work within our own operational teams, NMP launched a modernised and user friendly self-service portal for our existing customers' Work-by-Work licensees. This is an important milestone in NMP's plan to help reduce costs for our customers when faced with offline revenue decline, especially in the Work-by-Work area where values are low.

The application has been re-designed to enable licensees quickly and easily register their release details, including copyright and manufacturing details, whilst giving them the ability to pay online and obtain a license in a timely and efficient manner. The implementation of such a feature is critical in building for the future within the offline market, as it enables end-users to do some of the administration themselves, reducing the need for queries and manual intervention from our customers. The application is also fully flexible and adaptable for use by other potential customers.

<sup>5</sup> The alliance representing the Danish, Finnish and Norwegian collecting societies, Koda, TONO and Teosto respectively.

### INVESTING IN CUSTOMER DIALOGUE REGARDING FINANCIAL MANAGEMENT

---

NMP established its finance department in April 2016 and experienced a rapid development in responsibilities and activities throughout the year. In 2016 NMP took over the financial responsibilities for Polaris<sup>5</sup> online (Koda, TONO, Teosto, STEF and the Baltics) from NCB including invoicing on behalf of these societies and managing their money from collection to distribution pay-out. So far, the transition of financial responsibilities has been a success but we will continue to improve processes.

At NMP we have a vision to strengthen the cooperation with our customers and we strive to do so by continuously focusing on transparency in areas like reporting, day-to-day requests and supporting financial information for customer's local/internal requirements. In order to improve cooperation and dialogue across finance functions we have established a CFO Forum with our customers with the purpose of sharing expectations, best practices and uniformity in the accounting processes.

**Anders Poulsen**  
CFO

## ROADMAP FOR IT

---

In the last quarter of 2016, we began to analyse where to strengthen our IT foundation in order to ensure a stable and solid IT platform moving forward. This resulted in an ambitious IT Roadmap for 2017. One initiative in our roadmap is capacity management i.e. ensuring that, despite increasing data volumes, we sustain our ability to deliver stable back-office services. In 2016 we approved an investment in a new server which will not only ensure adequate server capacity but also ensure a continuous focus on being cost efficient, as manual interference in daily operations will be reduced and runtime is more efficient.

Implementing a business intelligence solution is another important strategic initiative in our roadmap. In 2016 we started the project aiming to find the right business partner — we entered a partnership with a supplier who we believe will be a strategic partner to develop the solution needed. This initiative supports our mission to constantly pursue delivering transparent services and maximise distribution to our customers. Having enhanced insight into data will strengthen our position as a professional partner to our customers.

Another initiative started in 2016, involves IT security. The threat from hackers using phishing e-mails to infect companies with ransomware, has increased within the last couple of years and called for a continuously high attention to our company's IT security policy. As a result, a penetration test identifying potential vulnerability as well as an awareness campaign of employees to safely handle attacks from hackers are in the pipeline.

### **Tine Oswald**

Director of IT and Projects

# WHAT IS BIFROST?

Bifrost is a business application that delivers considerable value within the processing of music copyrights. It covers the entire workflow chain from handling license contracts and release registration to sales reporting and collection of royalties, and onto the distribution of money to the music rights holders.

Bifrost is unique in that it supports the processing of both offline and online administration on one and the same IT platform providing significant economy of scale.

Bifrost has proven its capability to support multiple music copyright societies on multiple work ownership identification systems (work databases). Today, Bifrost runs on the ICE works database.

### **Business Benefits:**

- reliable, efficient and transparent processing of mechanical offline and online music copyrights
- access to the world music repertoire through one stop, multi-territorial and cross-border licensing and collection services
- identification of repertoires ownership on transactional basis
- invoicing of licensees
- payment of the correct rights holders on a transactional or non-transactional basis
- swift royalty distribution

# THE NMP TEAM AND OUR CORE VALUES

NMP's ability to achieve its goals in a disrupted industry relies on its employees to swiftly grasp necessary adjustments, use their competencies in an innovative and efficient manner to come up with ways to service our customers now and in the future.

In short, our ability to reach results lies entirely on having the right people with the right know-how and with the right attitude. In a recent employee survey, an overwhelming number of employees confirmed that "NMP is a great place to work". This is the fourth year in a row with great results proving that NMP has a very strong DNA to service customers and build our brand upon.



**Stephan Kristensen**  
Senior Business Expert

**Our DNA is what defines us now and in the future, as an organization and as a brand:**

## WHAT WE SAID

## WE AIM AT

---

We are customer oriented

Delivering a WOW customer experience

---

We are efficient

Doing more by working smarter

---

We are innovative

Being creative and being adventurous

---

We are solution oriented

Having fun and dare to be a little bold at times

---

We are respectful

Staying humble and building strong relationships

---

We are positive

Embracing change and staying flexible

---

We are supportive

Being passionate, being proud

---

We are loyal

Build positive teams with a family spirit

---

## NMP MANAGEMENT TEAM

---



**MALIN JONSSON**  
**MANAGING DIRECTOR/CEO**  
mjo@dk.nmp.eu  
+45 29 33 54 83



**TINE OSWALD**  
**DIRECTOR OF IT & PROJECTS**  
tio@dk.nmp.eu  
+45 22 14 65 42



**MARK STEVENS**  
**DIRECTOR, OFFLINE SERVICES**  
ms@uk.nmp.eu  
+44 75 07 64 71 93



**CAMILLA MCNAIR TENGBOM**  
**HR AND PA**  
ct@dk.nmp.eu  
+45 22 61 00 03



**HANS PETER ROTH**  
**DIRECTOR, ONLINE SERVICES**  
hpr@dk.nmp.eu  
+45 24 98 90 09



**ANDERS POULSEN**  
**DIRECTOR OF FINANCE**  
apo@dk.nmp.eu  
+45 22 99 62 72

## BOARD OF DIRECTORS

---

**CRAIG NUNN (CHAIRMAN)**  
**COO, PRS FOR MUSIC**

**ANDERS LASSEN**  
**CEO, KODA**

**KARSTEN DYHRBERG NIELSEN**  
**CEO, STIM**

**KATRI SIPILÄ**  
**CEO, TEOSTO**

**BENDIK HOFSETH**  
**CHAIRMAN, TONO**

**GRAHAM DAVIES**  
**DIRECTOR OF DIGITAL &  
STRATEGY PRS FOR MUSIC**

**CHRIS BUTLER**  
**COO, MUSIC SALES LTD**

**HÅKAN HILDINGSSON**  
**CEO, NCB**

**STEPHAN KRISTIANSEN**  
**EMPLOYEE REPRESENTATIVE**

# FINANCIAL RESULTS 2016

## FINANCIAL HIGHLIGHTS

|  | 2016<br>DKK'000 | 2015<br>DKK'000 | 2014<br>DKK'000 | 2013<br>DKK'000 |
|--|-----------------|-----------------|-----------------|-----------------|
| <b>KEY FIGURES</b>                           |                 |                 |                 |                 |
| Revenue                                      | 61.616          | 52.744          | 51.684          | 52.088          |
| Gross profit/loss                            | 48.475          | 38.252          | 39.259          | 36.005          |
| Operating profit/loss                        | 4.700           | 381             | (13)            | 0               |
| Net financials                               | (49)            | (40)            | (13)            | 0               |
| Profit/loss for the year                     | 3.557           | 0               | 0               | 0               |
| Total assets                                 | 139.589         | 65.866          | 67.188          | 67.521          |
| Investments in property, plant and equipment | 11              | 832             | 0               | 4.954           |
| Equity                                       | 55.472          | 57.915          | 60.915          | 62.415          |
| <b>RATIOS</b>                                |                 |                 |                 |                 |
| Gross margin (%)                             | 78,7            | 72,5            | 76,0            | 69,1            |
| Net margin (%)                               | 5,8             | 0,0             | 0,0             | 0,0             |
| Return on equity (%)                         | 6,3             | 0,0             | 0,0             | 0,0             |
| Equity ratio (%)                             | 39,7            | 87,9            | 90,7            | 92,4            |

Total assets increased in 2016 as Polaris distributions and collection of customer funds has been transferred from Nordic Copyright Bureau.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

### Ratios

Gross margin (%)

Net margin (%)

Return on equity (%)

Equity ratio (%)

### Calculation formula

$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$

$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$

$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$

$\frac{\text{Equity} \times 100}{\text{Total assets}}$

### Ratios

The entity's operating gearing.

The entity's operating profitability.

The entity's return on capital invested in the entity by the owners.

The financial strength of the entity.

The Annual General Meeting adopted the annual report  
on 23.03.2017

#### Chairman of the General Meeting



Craig Stuart Nunn

## ENTITY DETAILS

---

#### Entity

NMP – NETWORK OF MUSIC PARTNERS A/S  
Rued Langgaards Vej 8  
2300 København S  
Central Business Registration No: 34725101  
Registered in: København  
Financial year: 01.01.2016–31.12.2016

#### Board of directors

Katri Sipilä  
Graham Ian Davies  
Christopher Mark Butler  
Craig Stuart Nunn  
Håkan Inge Hildingsson  
Karsten Dyhrberg Nielsen  
Stephan Kristensen  
Mads Ole Bundgaard Iversen, *Suppleant*

#### Executive board

Anna Malin Jonsson, *administrerende direktør*

#### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
Postboks 1600  
0900 København C

## STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

---

The Board of Directors and the Executive Board have today considered and approved the annual report of NMP – NETWORK OF MUSIC PARTNERS A/S for the financial year 01.01.2016–31.12.2016.

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 Entity's financial position at 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016–31.12.2016.

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, 23.03.2017

### Executive Board



Anna Malin Jonsson,  
administrerende direktør

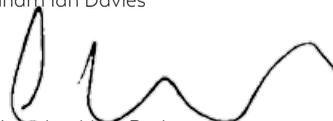
### Board of directors



Katri Sipilä



Graham Ian Davies



Christopher Mark Butler



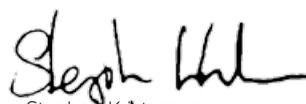
Craig Stuart Klann



Håkan Inge Hildingsson



Karsten Dyhrberg Nielsen



Stephan Kristensen



Mads Ole Bundgaard Iversen, *Suppleant*



BUSINESS CENTRE →

BUSINESS CENTRE

H

# INDEPENDENT AUDITOR'S REPORT

To the shareholders of NMP - NETWORK OF MUSIC PARTNERS A/S

## Opinion

We have audited the financial statements of NMP - NETWORK OF MUSIC PARTNERS A/S 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 Entity's financial position at 31.12.2016 and of the results of its operations and cash flows 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 Entity 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 Entity'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 Entity 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 Entity'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 Entity'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 Entity 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, 23.03.2017*

#### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No: 33963556

  
Bjørn Winkler Jakobsen,  
State Authorised Public Accountant

  
Henrik Hartmann Olesen,  
State Authorised Public Accountant

## INCOME STATEMENT FOR 2016

|   | NOTES    | 2016<br>DKK'000 | 2015<br>DKK'000 |
|---|----------|-----------------|-----------------|
| Revenue   |          | 61.616          | 52.744          |
| Other external expenses                             |          | (13.141)        | (14.492)        |
| <b>Gross profit/loss</b>                            |          | <b>48.475</b>   | <b>38.252</b>   |
| Staff costs   | 1        | (28.353)        | (25.193)        |
| Depreciation, amortisation<br>and impairment losses | 2        | (15.422)        | 12.678)         |
| <b>Operating profit/loss</b>                        |          | <b>4.700</b>    | <b>381</b>      |
| Other financial income                              |          | (49)            | (5)             |
| Other financial expenses                            |          | 0               | (35)            |
| <b>Profit/loss before tax</b>                       |          | <b>4.651</b>    | <b>341</b>      |
| Tax on profit/loss for the year                     | 3        | (1.094)         | (341)           |
| <b>PROFIT/LOSS FOR THE YEAR</b>                     | <b>4</b> | <b>3.557</b>    | <b>0</b>        |

## BALANCE SHEET AT 31.12.2016

|   | NOTES    | 2016<br>DKK'000 | 2015<br>DKK'000 |
|---|----------|-----------------|-----------------|
| Acquired rights                                     |          | 29.408          | 38.351          |
| <b>Intangible assets</b>                            | <b>5</b> | <b>29.408</b>   | <b>38.351</b>   |
| Other fixtures and fittings, tools<br>and equipment |          | 2.766           | 5.786           |
| <b>Property, plant and equipment</b>                | <b>6</b> | <b>2.766</b>    | <b>5.786</b>    |
| Deposits  |          | 547             | 537             |
| <b>Fixed assets investments</b>                     | <b>7</b> | <b>547</b>      | <b>537</b>      |
| <b>FIXED ASSETS</b>                                 |          | <b>32.721</b>   | <b>44.674</b>   |
| Trade receivables                                   |          | 14.658          | 1.703           |
| Receivables from group enterprises                  |          | 5.312           | 3.168           |
| Deferred tax  | 9        | 0               | 55              |
| Other receivables                                   |          | 412             | 554             |
| Prepayments   | 8        | 1.633           | 597             |
| <b>Receivables</b>                                  |          | <b>22.015</b>   | <b>6.077</b>    |
| <b>Cash</b>   |          | <b>84.853</b>   | <b>15.115</b>   |
| <b>CURRENT ASSETS</b>                               |          | <b>106.868</b>  | <b>21.192</b>   |
| <b>ASSETS</b>                                       |          | <b>139.589</b>  | <b>65.866</b>   |
| Contributed capital                                 |          | 500             | 500             |
| Reserve for development expenditure                 |          | 2.084           | 0               |
| Retained earnings                                   |          | 52.888          | 57.415          |
| <b>EQUITY</b>                                       |          | <b>55.472</b>   | <b>57.915</b>   |
| Deferred tax  | 9        | 372             | 0               |
| <b>PROVISIONS</b>                                   |          | <b>372</b>      | <b>0</b>        |
| Prepayments received from customers                 |          | 22.474          | 0               |
| Trade payables                                      |          | 1.670           | 2.758           |
| Income tax payable                                  |          | 626             | 210             |
| Other payables                                      |          | 58.975          | 4.983           |
| <b>Current liabilities other than provisions</b>    |          | <b>83.745</b>   | <b>7.951</b>    |
| <b>LIABILITIES OTHER THAN PROVISIONS</b>            |          | <b>83.745</b>   | <b>7.951</b>    |
| <b>EQUITY AND LIABILITIES</b>                       |          | <b>139.589</b>  | <b>65.866</b>   |
| Unrecognised rental and lease<br>commitments        | 11       |                 |                 |

## STATEMENT OF CHANGES IN EQUITY FOR 2016

|                             | Contributed<br>capital<br>DKK'000 | Reserve for<br>development<br>expenditure<br>DKK'000 | Retained<br>earnings<br>DKK'000 | Proposed<br>extraordinary<br>dividend<br>DKK'000 |                      |
|-----------------------------|-----------------------------------|--|---------------------------------|--|----------------------|
| Equity beginning of year    | 500                               | 0  | 57.415                          | 0  |                      |
| Extraordinary dividend paid | 0                                 | 0  | 0                               | (6.000)  |                      |
| Transfer to reserves        | 0                                 | 2.084  | (2.084)                         | 0  |                      |
| Profit/loss for the year    | 0                                 | 0  | (2.443)                         | 6.000  |                      |
| <b>Equity end of year</b>   | <b>500</b>                        | <b>2.084</b>   | <b>52.888</b>                   | <b>0</b>   |                      |
|                             |                                   |  |                                 |  | <b>Total<br/>DKK</b> |
| Equity beginning of year    |                                   |  |                                 |  | 57.915               |
| Extraordinary dividend paid |                                   |  |                                 |  | (6.000)              |
| Transfer to reserves        |                                   |  |                                 |  | 0                    |
| Profit/loss for the year    |                                   |  |                                 |  | 3.557                |
| <b>Equity end of year</b>   |                                   |  |                                 |  | <b>55.472</b>        |

## CASH FLOW STATEMENT 2016

|   | NOTES | 2016<br>DKK'000 | 2015<br>DKK'000 |
|---|-------|-----------------|-----------------|
| Operating profit/loss                                 |       | 3.557           | 0               |
| Amortisation, depreciation and impairment losses      |       | 15.442          | 12.677          |
| Working capital changes                               | 10    | 60.217          | 6.176           |
| <b>Cash flow from ordinary operating activities</b>   |       | <b>79.196</b>   | <b>18.853</b>   |
| <b>Cash flows from operating activities</b>           |       | <b>79.196</b>   | <b>18.853</b>   |
| Acquisition etc of property, plant and equipment      |       | (11)            | (1.117)         |
| Sale of fixed asset investments                       |       | (3.447)         | (3.957)         |
| <b>Cash flows from investing activities</b>           |       | <b>(3.458)</b>  | <b>(5.074)</b>  |
| Dividend paid   |       | (6.000)         | (3.000)         |
| <b>Cash flows from financing activities</b>           |       | <b>(6.000)</b>  | <b>(3.000)</b>  |
| <b>Increase/decrease in cash and cash equivalents</b> |       | <b>69.738</b>   | <b>10.779</b>   |
| Cash and cash equivalents beginning of year           |       | 15.115          | 4.336           |
| <b>CASH AND CASH EQUIVALENTS END OF YEAR</b>          |       | <b>84.853</b>   | <b>15.115</b>   |

## NOTES

|   | 2016<br>DKK'000 | 2015<br>DKK'000 |
|---|-----------------|-----------------|
| <b>1. STAFF COSTS</b>   |                 |                 |
| Wages and salaries  | 25.115          | 21.838          |
| Pension costs   | 2.447           | 2.407           |
| Other social security costs   | 791             | 948             |
|   | <b>28.353</b>   | <b>25.193</b>   |
| Average number of employees   | 51              | 56              |
| Referring to 98(3) of the Danish Financial Statements Act, no information of remuneration to management |                 |                 |
| <b>2. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES</b>  |                 |                 |
| Amortisation of intangible assets   | 12.388          | 10.715          |
| Depreciation of property, plant and equipment   | 1.553           | 1.963           |
| Impairment losses on property, plant and equipment  | 1.481           | 0               |
|   | <b>15.422</b>   | <b>12.678</b>   |
| <b>3. TAX ON PROFIT/LOSS FOR THE YEAR</b>   |                 |                 |
| Tax current year taxable income   | 626             | 0               |
| Change in deferred tax for the year   | 427             | (29)            |
| Adjustment concerning previous years  | 41              | 370             |
|   | <b>1.094</b>    | <b>341</b>      |
| <b>4. PROPOSED DISTRIBUTION OF PROFIT/LOSS</b>  |                 |                 |
| Extraordinary dividend distributed in the financial year  | 6.000           | 3.000           |
| Retained earnings   | (2.443)         | (3.000)         |
|   | <b>3.557</b>    | <b>0</b>        |

|   |                 | Aquired<br>rights<br>DKK'000 |
|---|-----------------|------------------------------|
| <b>5. INTANGIBLE ASSETS</b>                           |                 |                              |
| Cost beginning of year                                |                 | 69.223                       |
| Additions   |                 | 3.447                        |
| <b>Cost end of year</b>                               |                 | <b>72.670</b>                |
| Amortisation and impairment losses beginning of year  | (30.874)        |                              |
| Amortisation for the year                             | (12.388)        |                              |
| <b>Amortisation and impairment losses end of year</b> | <b>(43.262)</b> |                              |
| <b>Carrying amount end of year</b>                    |                 | <b>29.408)</b>               |

Additions regarding acquired rights is related to development of Bifrost, software tool to handle collections and distribution of music right funds. Bifrost is improved on an ongoing basis to meet market increased market and customer demand. Bifrost and the continued improvement of the system is essential for maintaining and improving the revenue stream.

|   | Other fixtures<br>and fittings,<br>tools and<br>equipment<br>DKK'000 |
|---|--|
| <b>6. PROPERTY, PLANT AND EQUIPMENT</b>                   |  |
| Cost beginning of year                                    | 10.909   |
| Additions   | 11   |
| <b>Cost end of year</b>                                   | <b>10.920</b>  |
| Depreciation and impairment losses beginning of the year  | (5.120)  |
| Impairment losses for the year                            | (1.481)  |
| Depreciation for the year                                 | (1.553)  |
| <b>Depreciation and impairment losses end of the year</b> | <b>(8.154)</b>   |
| <b>Carrying amount end of year</b>                        | <b>2.766</b>   |

|                                    | Deposits<br>DKK'000 |
|------------------------------------|---------------------|
| <b>7. FIXED ASSET INVESTMENTS</b>  |                     |
| Cost beginning of year             | 536                 |
| Additions                          | 11                  |
| <b>Cost end of year</b>            | <b>547</b>          |
| <b>Carrying amount end of year</b> | <b>547</b>          |

|  |  |
|--|--|
| <b>8. PREPAYMENTS</b>  |  |
| Prepayments recognized under receivables include costs for recognition in following financial years. |  |
| <b>9. DEFERRED TAX</b>   |  |
| Deferred tax relates to fixed assets.  |  |

|   | 2016<br>DKK'000 | 2015<br>DKK'000 |
|---|-----------------|-----------------|
| <b>10. CHANGE IN WORKING CAPITAL</b>    |                 |                 |
| Increase/decrease in receivables        | (15.995)        | 4.498           |
| Increase/decrease in trade payables etc | 76.212          | 1.678           |
|   | <b>60.217</b>   | <b>6.176</b>    |

|   |              |              |
|---|--------------|--------------|
| <b>11. UNRECOGNISED RENTAL AND LEASE COMMITMENTS</b>                        |              |              |
| Hereof liabilities under rental or lease agreements until maturity in total | <b>4.882</b> | <b>5.678</b> |

# ACCOUNTING POLICIES

## Reporting class

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

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

## 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 Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity 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 Entity, and the value of the liability 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.

## INCOME STATEMENT FOR 2016

---

### Revenue

Revenue from provision of services is recognised in the income statement when delivery is made and risk has passed to the buyers. Revenue is recognised net of VAT, duties and sales discounts.

### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

### Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

### Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

### Other financial income

Other financial income comprises interest income on receivables from group enterprises, payables and foreign currencies transactions, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

### Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on transactions in foreign currencies etc.

### Tax on profit/loss for the year

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.

## BALANCE SHEET

---

### Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. The rights are amortised on a straight-line basis over their remaining duration. The amortisation period is seven years.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

### Property, plant and equipment

Other 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:

Other fixtures and fittings, tools and equipment 3-5 years.

Estimated useful lives and residual values are reassessed annually.

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

### Receivables

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

### Prepayments

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

### Cash

Cash comprises cash in hand and bank deposits.

### Deferred tax

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 carry-forwards, 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.

### Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

### Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

### Income tax receivable or payable

Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax

### Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and 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 in connection with acquisition and divestment of fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise payment of dividend.

Cash and cash equivalents comprise cash and short-term bank loans.

**A PROUD  
SUPPORTER  
OF THE MUSIC  
INDUSTRY.**

**NETWORK  
OF MUSIC  
PARTNERS**

**COPENHAGEN**

Network of Music Partners A/S  
Mikado House, Rued Langgaards vej 8  
2300 København S, DENMARK  
[nmp@dk.nmp.eu](mailto:nmp@dk.nmp.eu)

**LONDON**

Network of Music Partners A/S  
Elgar House, 41 Streatham High Road  
London SW16 1ER, UNITED KINGDOM  
[nmp@uk.nmp.eu](mailto:nmp@uk.nmp.eu)