

# ANNUAL REPORT 2018



FOR THE LOVE OF **MUSIC**

## A WORD FROM THE CHAIRMAN

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# **Network of Music Partners is still one of the finest examples of cross-border, cross-society collaboration in the music sphere.**

Since its formation in 2012, NMP has been delivering online and offline transactional processing to PRS/MCPS, the Nordic societies, BUMA (Netherlands) and several Baltic countries.

The idea behind NMP is that collaboration creates synergies and economies of scale. In a world, where the offline mechanical usage of music (CD's and DVD's) is decreasing, it becomes even more relevant to join forces to reduce costs through synergies and shared systems. Similarly, the increasing volumes in the online usage demand that we, as collecting societies, are able to work together to reduce costs for our members: The rightsholders. It is all possible due to a strong and constructive cooperation between the owner societies and their representatives in the board. I would like to take this opportunity to thank the management and the board for the constructive and solution-oriented work in the board.

Compared to previous years, the environment in 2018 has been more quiet with fewer changes and NMP has been able to focus on delivering its service and re-engineering internal IT-solutions and processes. However, our world remains dynamic and we can and must expect that changes are an unavoidable condition in the music industry.

We therefore have to prepare for both technological and structural changes in the years to come. I remain confident that the skilled staff and management of NMP in Copenhagen and Streatham both can and will meet the changes and continue to deliver on the promises that were laid out when NMP was created.

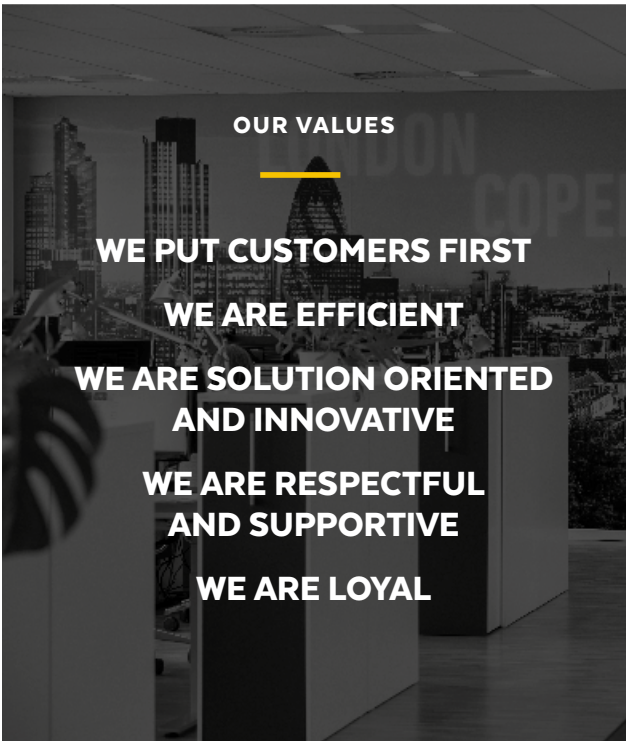


**Anders Lassen**  
Chairman NMP

**OUR MISSION**

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“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 PROFILE**

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Established in 2012

Servicing 10 societies in Europe

Delivering services for online and offline customers using same IT platform

Integrated with ICE copyright

Employing 55 experienced and talented individuals

Performing cross society work at multiple sites optimizing resource allocation

Agile and entrepreneurial company culture

94% of customers would recommend NMP to other societies/partners

# MANAGEMENT'S COMMENTARY

A very busy year filled with a successful launch of Pan-Euro services and with adaptation of core processes for altered claim processing as well as the design of a Business Intelligence solution enhancing transparency for better decision making.

Network of Music Partners' mission to "deliver international copyright services in a transparent, reliable and cost-efficient manner, enabling societies to maximize remuneration to their members" is the essence upon which the NMP joint venture was once built. Thus, within NMP we are entirely committed to the collective rights management principles as we join our customers on their journey through a disrupted landscape filled with relentless efforts of re-shaping the music industry's eco-system for the future. The journey takes us through opportunities and challenges imposed by increased globalization, slowly changing market dynamics. The journey also brings us into exciting transformations pushed forward by an ever-growing digitalization of the industry. However, despite the disruption surrounding us, our mission remains intact: The value of music is to be protected and therefore we continue to be dedicated to swifter and more accurate compensations to rightsowners.

In 2018, Network of Music Partners delivered another strong financial result. Firm cost control in combination with solid performance in both the declining and growing markets were key parameters in delivering the 2018 financial result. A growth in managed online portfolios were evident and hence some investments were secured enabling continued efficient servicing to all NMP's customers. Offline portfolios declined as expected in 2018 but cost increases were prevented through NMP's built-in capability to leverage synergies.

In 2018, total revenues within NMP amounted to DKK 54.9 million (EUR 7.4 million), which is at par with last year. Costs came in at DKK 50.8 million (EUR 6.8 million) which was 3% lower than budgeted. Although online collections grew in 2018, revenues declined by 10% due to changed direct claim processing.

Offline revenues declined by 10% which is in line with expectations. Currently, NMP's online/offline portfolio is a 38/62 split which can be compared to a 30/70 in 2016.

NMP's pre-tax profit for 2018 amounted to tDKK 4,073 (tEUR 545.5) compared to tDKK 4,124 (tEUR 552.3) in 2017.

On the operational side, last year's renewed SLA between PRS/MCPS provided more clarity for the team during 2018 and consequently no time was wasted improving offline services further as new KPI's were reached and some targets were exceeded throughout the year.

In general, within the offline area focus remained on maximizing revenues by clearing as much copyright as NMP is able to perform. Also, increased collaboration between NMP's two operational sites was a success, particularly within the foreign processing as retirements led to re-distribution of tasks to ensure continued stable services.

In 2018, NMP launched an important Pan-Euro service resulting from Buma/Stemra's now direct licensing in 19 different countries. Although NMP has a long history of being a multi-territorial service provider, the additional territories of the Pan-Euro deal demanded further process automations and associated reporting capabilities. In all, a Pan-Euro service is an important milestone for NMP's service offering since the industry is pushing for more direct licensing to ensure swifter remunerations.

Another highly critical project in 2018 was one imposed by industry changes regarding the handling of the Residual, or repertoire not being fully identifiable. As streaming growths year-on-year, the need for qualitative data, less disputes and clean claims, have led DSPs, publishers and societies to become increasingly more ambitious about ensuring efficient and fair processing of claims and distributions.

Therefore, society specific arrangements for invoicing of unidentifiable music usage, is terminated and replaced by agreements of a Direct Claim process followed by one or more Back-claim processes. The distribution of any residual funds following the final back-claim, is still being negotiated, but it is likely to be paid based on the local market share. Throughout the year, NMP engaged with customers in negotiations with major DSP's and adapted matching and invoicing processes accordingly. A positive "side" effect of this initiative regarding the claims process was an increased collaboration between DSPs, NMP and the society's licensing teams. This increased collaboration enhanced understandings of complexities for each party and joint understandings are likely to lead to efficiencies in new setups.

Yet another focal area for NMP in 2018 was its design of a Business Intelligence solution or a commitment to generating enhanced transparency into customers' portfolios. Better insight into distributions, origins of music usage, reasons for suspending payments, statistics of meta-data-quality and match capabilities are all key aspects in improving decision makings ahead. The first release of the Business Intelligence solution using Cloud technology, is expected in Q1 2019.

In 2018 Polaris announced its decision to form a licensing hub with the purpose of gathering a larger repertoire under one domain. For NMP, this announcement was good news as it may lead to a more streamlined back-office administration for the Polaris community as well as more business opportunities with Polaris in the years to come.

Finally, it should not go without mentioning that 2018 marked the 6th operational year of NMP. Despite the fact that business managed by NMP throughout these 6 years has changed dramatically, the UK/Nordic joint venture has been financially and operationally very stable. Since 2012, NMP has onboarded new customers, transitioned to ICE copyright, taken on the Koda, Tono, Teosto Online administration and navigated through "deep waters" of the MCPs tender. These years of unpredictable terrains combined with generally very stable results from NMP, is a tribute to the team behind it. Thus, new and old colleagues included have all shown exceptional abilities to adjust to uncertainty, to building strong customer relations whilst exploring new technological solutions.

In short, it is the staff of NMP who have brought us to where we are today and for that I am very proud.

I humbly thank my colleagues who have worked very hard in 2018 and I am also grateful for the support from the NMP board who have backed NMP's activities throughout its 6th year.

I look forward to an exciting 2019.

"Within NMP we are entirely committed to the collective rights management principles as we join our customers on their journey through a disrupted landscape filled with relentless efforts of re-shaping the music industry's eco-system for the future."

— MALIN JONSSON



**Malin Jonsson**  
CEO

# NMP'S AREAS OF RESPONSIBILITY

NMP has service level agreements (SLA) with ten customers combining responsibility for handling collections from the fast-growing online markets with the responsibility of handling collection of the somewhat declining mechanical offline markets.

Ensuring efficient and professional handling for this broad portfolio, NMP uses its IT platform designed for multi-territorial and multi-currency processing. NMP provides important synergies in terms of reduced IT costs and strong IT capabilities by optimizing human resources used across society portfolios and across business areas. In our combined setup of administration for online/offline portfolios, using the same IT-platform, the "more" mature but cost challenged offline portfolios benefits from co-habiting with online business as online pushes for continuous improvements in its ever-changing market. Similarly, online portfolios which cover a more fluent and volatile business setup is managed by staff having long knowledge of efficient adaptation of market conditions stemming from the offline world.

# NEW BUSINESS IN 2018

## NMP LAUNCHED PAN-EURO SERVICES FOR BUMA/STEMRA

In 2015, Buma/Stemra entered service agreements with ICE for its online business. ICE outsourced this business to NMP and in mid 2015 services were launched with a number of Digital Service Providers in a stable and successful manner. However, these services were limited to the Dutch territory only. Already in 2015, Buma/Stemra expressed their need of expanding services through direct licensing agreements on a Pan-European basis, ensuring that their members received the most comprehensive and efficient service. Since then, NMP has been discussing and negotiating as well as delivering a *Proof Of Concept* regarding Pan-European processing. In 2018, a contract between Buma/Stemra and NMP was entered and a number of Digital Service Providers are now onboarded on a Pan-Euro basis for Buma/Stemra. Today, NMP, on behalf of Buma/Stemra, is processing 19 different countries on its IT-platform. Mutual benefits of this new arrangement were seen immediately as Buma/Stemra's portfolio continues to grow.

In 2019, NMP hopes to enter further Pan-Euro agreements with other existing customers.







# FOCUS ON NEW CLAIMS PROCESSING

## MACHINE LEARNING AND MAXIMIZING DIRECT CLAIMS

With the amount of changes to the Online licensing agreements being implemented, this means we must maximize direct claims by matching more repertoire upfront before invoicing. Therefore, one of the explorative initiatives in 2018 was how to improve our match rates through more automated solutions and by optimizing the use of resources on manual matching.

In terms of automated solutions, NMP is investigating the use of new technologies and has initiated an exercise with IBM looking into their Machine Learning package. The results of an initial pilot exercise were positive, showing potential increases in auto-match rates and reductions in un-matched amounts, so NMP will continue to investigate this further as well as investigating other technologies in the market place.

During 2018, we also focused very closely on our manual match processes and made a number of improvements and process changes to ensure that we are optimizing the time spent on manual matching and thus maximize direct claims at the point of invoicing.

**Mark Stevens**

Director of Offline Services

## REVISED CONDITIONS REGARDING ONLINE LICENSING AGREEMENTS

NMP's customers are in the midst of renegotiating their current contracts with the Digital Service Providers, active in their territory, to implement a new two-stage invoicing process.

The industry is moving from Societies invoicing for all repertoire on their territories, which has not been carved out (other licensors' repertoire), to an invoicing process where only repertoire identified as being represented by society is invoiced.

As part of the new invoicing process the invoicing will take place in two stages. One initial invoice in connection with the usage period and one (or more) back-claim invoice(s) to take into account invoicing of works that has been registered late.

In the industry, there is an overall commitment to work towards standardizing the invoicing process. A process where NMP plays an active role via the Technical Online Working Group Europe (TOWGE) and DDEX.

**Michael Forstberg**

Director Online Services

## NETWORK OF MUSIC PARTNERS

NETWORK OF MUSIC PARTNERS IS A JOINT VENTURE BY PRS FOR MUSIC AND NCB. IT WAS FOUNDED IN 2012 AND HAS OPERATIONS IN COPENHAGEN AND LONDON.

WE OFFER PROFESSIONAL SERVICES TO OUR CUSTOMERS THAT ARE TRANSPARENT, DEPENDABLE AND COST EFFICIENT.







## 2019 NEW TECHNOLOGY INITIATIVE

### WORKING ON ENHANCING TRANSPARENCY AND BETTER DECISION MAKING ABILITIES

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In 2018, we began our BI (Business Intelligence) journey together with our BI Partner, Kapacity, as we identified a need to create more transparency into society related data. We have chosen to implement a cloud based Data Warehouse (Microsoft Azure) as this architecture supports our need for flexibility and scalability – two important parameters in a disrupted music industry with increasing data volumes. The BI tool will extract and convert large amounts of raw data into structured, analyzable insights giving NMP the opportunity to provide dashboard based reports to our customers. The BI tool will in other words support our mission to give our customers easy access to valuable and insightful reports and by this transparency give them a tool to analyze trends and improve decision making. Moreover, it will give NMP more insight into business critical processes – which is crucial to maximize distribution to our customers' member.

**Tine Oswald**

Director of IT and Projects

### BLOCKCHAIN THESIS

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Together with the IT University of Copenhagen, NMP supported the research of the Blockchain technology in the music industry. The technology has the potential of vastly affecting our and other industries ahead. The research carried out resulted in a master thesis by Alexandra Cecilie Gjøl Torbensen named "New kids on the blockchain". Not only did her research explain how Blockchain works and how it may alter the music industry in the future, but it also explained the various challenges the industry faces today through great fragmentation, push for commercial arrangements, lack of data quality and latency. NMP is proud to have contributed to the research and looks forward to similar opportunities ahead.

# HELPING MUSIC PROSPER. THROUGH NETWORK PARTNERSHIPS.

## OUR CUSTOMERS

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# 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

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

We strive 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 (except Stim) 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 the Nordic mechanical rights society NCB.

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

## NMP MANAGEMENT TEAM

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## BOARD OF DIRECTORS

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**ANDERS LASSEN (Chairman)**  
**CEO KODA**

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

**RISTO SALMINEN**  
**CEO TEOSTO**

**ROBERT ASHCROFT**  
**CEO PRS FOR MUSIC**

**STEVE POWELL**  
**CFO PRS FOR MUSIC**

**SIMON PLATZ**  
**MANAGING DIRECTOR BUCKS**  
**MUSIC GROUP**

**CATO STRØM (Observer)**  
**CEO TONO**

**STEVE BURTON (Observer)**  
**COO MCPS**

**STEPHAN KRISTENSEN**  
**EMPLOYEE REPRESENTATIVE**

# FINANCIAL RESULT 2018

## FINANCIAL HIGHLIGHTS

	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
<b>KEY FIGURES</b>					
Revenue	54.886	55.039	61.616	52.744	51.684
Gross profit/loss	45.247	44.880	48.475	38.252	39.259
Operating profit/loss	4.172	4.229	4.700	381	(13)
Net financials	(99)	(105)	(49)	(40)	(13)
Profit/loss for the year	3.334	3.276	3.557	0	0
Total assets	253.054	229.781	139.589	65.866	67.188
Investments in property, plant and equipment	185	2.882	11	832	0
Equity	42.082	48.748	55.472	57.915	60.915
<b>RATIOS</b>					
Gross margin (%)	82,4	81,5	78,7	72,5	76,0
Net margin (%)	6,1	6,0	5,8	0,0	0,0
Return on equity (%)	7,3	6,3	6,3	0,0	0,0
Equity ratio (%)	16,6	21,2	39,7	87,9	90,7

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

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss}}{\text{Revenue}} \times 100$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year}}{\text{Revenue}} \times 100$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year}}{\text{Average equity}} \times 100$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity}}{\text{Total assets}} \times 100$	The financial strength of the entity.



The Annual General Meeting adopted the annual report  
on 21.03.2019

#### Chairman of the General Meeting



Anders Lassen

## ENTITY DETAILS

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#### 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: 01.01.2018–31.12.2018

#### Board of directors

Anders Lassen, *Chairman*  
Karsten Dyhrberg Nielsen  
Risto Salminen  
Robert Ashcroft  
Steve Powell  
Simon Platz  
Cato Strøm, *Observer*  
Steve Burton, *Observer*  
Stephan Kristensen

#### Executive board

Anna Malin Jonsson, *CEO*

#### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
Postboks 1600  
0900 København C

## STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

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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 01.01.2018–31.12.2018.

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 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018–31.12.2018.

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.

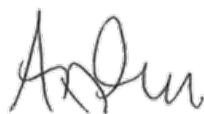
Copenhagen, 21.03.2019

### Executive Board



Anna Malin Jonsson,  
CEO

### Board of directors



Anders Lassen, *Chairman*



Karsten Dyhrberg Nielsen



Risto Salminen



Robert Ashcroft



Steve Powell



Simon Platz



Stephan Kristensen



# 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 01.01.2018–31.12.2018, 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 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 – 31.12.2018 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, 21.03.2019*

### **Deloitte**

Statsautoriseret Revisionspartnerselskab  
Central Business Registration No: 33963556



Bjørn Winkler Jakobsen,  
State Authorised Public Accountant  
Identification No (MNE) mne32127



Henrik Hartmann Olesen,  
State Authorised Public Accountant  
Identification No (MNE) mne34143



## INCOME STATEMENT FOR 2018

	NOTES	2018 DKK'000	2017 DKK'000
Revenue		54.886	55.039
Other external expenses		(9.639)	(10.159)
<b>Gross profit/loss</b>		<b>45.247</b>	<b>44.880</b>
Staff costs	1	(27.011)	(26.831)
Depreciation, amortisation and impairment losses	2	(14.064)	(13.820)
<b>Operating profit/loss</b>		<b>4.172</b>	<b>4.229</b>
Other financial income		0	0
Other financial expenses		(99)	(105)
<b>Profit/loss before tax</b>		<b>4.073</b>	<b>4.124</b>
Tax on profit/loss for the year	3	(739)	(848)
<b>PROFIT/LOSS FOR THE YEAR</b>	<b>4</b>	<b>3.334</b>	<b>3.276</b>

## BALANCE SHEET AT 31.12.2018

	NOTES	2018 DKK'000	2017 DKK'000
Aquired rights		11.249	20.642
Development projects		976	0
<b>Intangible assets</b>	<b>5</b>	<b>12.225</b>	<b>20.642</b>
Other fixtures and fittings, tools and equipment		1.763	3.615
<b>Property, plant and equipment</b>	<b>6</b>	<b>1.763</b>	<b>3.615</b>
Deposits		569	558
<b>Fixed assets investments</b>	<b>7</b>	<b>569</b>	<b>558</b>
<b>FIXED ASSETS</b>		<b>14.557</b>	<b>24.815</b>
Trade receivables		47.456	59.302
Receivables from group enterprises		94	644
Deferred tax	9	0	0
Other receivables		1.971	1.183
Prepayments	8	1.390	1.018
<b>Receivables</b>		<b>50.911</b>	<b>62.147</b>
<b>Cash</b>		<b>187.585</b>	<b>142.819</b>
<b>CURRENT ASSETS</b>		<b>238.497</b>	<b>204.966</b>
<b>ASSETS</b>		<b>253.054</b>	<b>229.781</b>
Contributed capital		500	500
Reserve for development expenditure		4.098	3.296
Retained earnings		37.484	44.952
<b>EQUITY</b>		<b>42.082</b>	<b>48.748</b>
Deferred tax	9	1.054	713
<b>PROVISIONS</b>		<b>1.054</b>	<b>713</b>
Prepayments received from customers		35.583	38.520
Trade payables		1.964	1.855
Income tax payable		8	(5)
Other payables		172.363	139.950
<b>Current liabilities other than provisions</b>		<b>209.917</b>	<b>180.320</b>
<b>LIABILITIES OTHER THAN PROVISIONS</b>		<b>209.917</b>	<b>180.320</b>
<b>EQUITY AND LIABILITIES</b>		<b>253.054</b>	<b>229.781</b>

## STATEMENT OF CHANGES IN EQUITY FOR 2018

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Proposed extraordinary dividend DKK'000
Equity beginning of year	500	3.296	44.952	0
Extraordinary dividend paid	0	0	0	(10.000)
Transfer to reserves	0	802	(802)	0
Profit/loss for the year	0	0	-6.666	10.000
<b>Equity end of year</b>	<b>500</b>	<b>4.098</b>	<b>37.484</b>	<b>0</b>

	Total DKK
Equity beginning of year	48.748
Extraordinary dividend paid	(10.000)
Transfer to reserves	0
Profit/loss for the year	3.334
<b>Equity end of year</b>	<b>42.082</b>

## CASH FLOW STATEMENT 2018

	NOTES	2018 DKK'000	2017 DKK'000
Operating profit/loss		3.334	3.276
Amortisation, depreciation and impairment losses		14.064	13.820
Working capital changes	10	41.204	56.810
<b>Cash flow from ordinary operating activities</b>		<b>58.603</b>	<b>73.906</b>
<b>Cash flows from operating activities</b>		<b>58.603</b>	<b>73.906</b>
Acquisition etc of property, plant and equipment		(185)	(2.882)
Acquisition etc of intangible assets		(3.647)	(3.058)
<b>Cash flows from investing activities</b>		<b>(3.832)</b>	<b>(5.940)</b>
Dividend paid		(10.000)	(10.000)
<b>Cash flows from financing activities</b>		<b>(10.000)</b>	<b>(10.000)</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>44.771</b>	<b>57.966</b>
Cash and cash equivalents beginning of year		142.819	84.853
<b>CASH AND CASH EQUIVALENTS END OF YEAR</b>		<b>187.590</b>	<b>142.819</b>

## NOTES

	2018 DKK'000	2017 DKK'000	Other fixtures and fittings, tools and equipment DKK'000
<b>1. STAFF COSTS</b>			
Wages and salaries	23.823	23.629	
Pension costs	2.479	2.359	
Other social security costs	709	843	
	<b>27.011</b>	<b>26.831</b>	
Average number of employees	49	50	
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	12.064	12.818	
Depreciation of property, plant and equipment	2000	1.002	
Impairment losses on property, plant and equipment	0	0	
	<b>14.064</b>	<b>13.820</b>	
<b>3. TAX ON PROFIT/LOSS FOR THE YEAR</b>			
Tax current year taxable income	450	495	
Change in deferred tax for the year	426	341	
Adjustment concerning previous years	(137)	12	
	<b>739</b>	<b>848</b>	
<b>4. PROPOSED DISTRIBUTION OF PROFIT/LOSS</b>			
Extraordinary dividend distributed in the financial year	10.000	10.000	
Retained earnings	(6.666)	(6.724)	
	<b>3.334</b>	<b>3.276</b>	
			<b>Deposits DKK'000</b>
<b>5. INTANGIBLE ASSETS</b>			
Cost beginning of year	0	75.727	
Additions	976	2.671	
<b>Cost end of year</b>	<b>976</b>	<b>78.398</b>	
Amortisation and impairment losses beginning of year	0	(55.085)	
Amortisation for the year	0	(12.064)	
<b>Amortisation and impairment losses end of year</b>	<b>0</b>	<b>(67.149)</b>	
<b>Carrying amount end of year</b>	<b>976</b>	<b>11.249</b>	
			<b>2018 DKK'000</b>
			<b>2017 DKK'000</b>
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Cost beginning of year			9.938
Additions			185
Disposals			0
<b>Cost end of year</b>			<b>10.123</b>
Depreciation and impairment losses beginning of the year			(6.323)
Depreciation for the year			(2.037)
Disposals			0
<b>Depreciation and impairment losses end of the year</b>			<b>(8.360)</b>
<b>Carrying amount end of year</b>			<b>1.763</b>
<b>7. FIXED ASSET INVESTMENTS</b>			
Cost beginning of year			558
Additions			11
<b>Cost end of year</b>			<b>569</b>
<b>Carrying amount end of year</b>			<b>569</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.			
<b>10. CHANGE IN WORKING CAPITAL</b>			
Increase/decrease in receivables		11.236	(40.131)
Increase/decrease in trade payables etc		29.968	96.941
		<b>41.204</b>	<b>56.810</b>
<b>11. UNRECOGNISED RENTAL AND LEASE COMMITMENTS</b>			
Hereof liabilities under rental or lease agreements until maturity in total		<b>2.497</b>	<b>3.738</b>

Additions regarding development projects is related to establishment of Business Intelligence solution. 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 increased market and customer demand. Bifrost and the continued improvement of the system is essential for maintaining and improving the revenue stream.

# 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 2018

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### 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, stationary 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 comprise 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 consist 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

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### 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 7 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.

Other payables comprise primarily temporary undistributed collections (royalties) on behalf of the Nordic societies (Polaris).

### 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.**



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