

Deloitte.



Nmp - Network Of Music Partners A/S

Rued Langgaards Vej 8
2300 København S
CVR No. 34725101

Annual report 2022

The Annual General Meeting adopted the
annual report on 28.03.2023

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Tine Oswald

Chairman of the General Meeting

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Entity details

Entity

Nmp - Network Of Music Partners A/S

Rued Langgaards Vej 8

2300 København S

Business Registration No.: 34725101

Registered office: København

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Gorm Arildsen

Katja Manley Østergaard

Simon Howard Platz

Risto Harri Olavi Salminen

Andrea Czapary Martin

Lina Heyman

Lisa Jane Van Bosch

Executive Board

Tine Oswald

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 Copenhagen S

Statement by Management

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 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of its operations and cash flows for the financial year 01.01.2022 - 31.12.2022.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

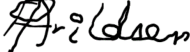
We recommend the annual report for adoption at the Annual General Meeting.


Copenhagen, 28.03.2023

Executive Board

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Tine Oswald


Board of Directors

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Gorm Arildsen

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Katja Manley Østergaard

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Simon Howard Platz


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Risto Harri Olavi Salminen

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Andrea Czapary Martin

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Lina Heyman

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Lisa Jane van Bosch

Independent auditor's report

To the shareholders of Nmp - Network Of Music Partners A/S

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Nmp - Network Of Music Partners A/S for the financial year 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of its operations and cash flows for the financial year 01.01.2022 - 31.12.2022 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

Report on other legal and regulatory requirements and other reporting responsibilities**Non-compliance with the Danish VAT act**

During the year, the Entity has prepared incorrect VAT reports and filed VAT report late, for which Management may be held liable. In 2023 the VAT reporting for 2022 has been reconciled and adjusted correctly.

Copenhagen, 28.03.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Henrik Hartmann Olesen

State Authorised Public Accountant
Identification No (MNE) mne34143

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures					
Revenue	46,248	47,009	43,047	51,510	54,886
Gross profit/loss	34,530	35,797	33,406	39,512	45,245
Operating profit/loss	2,284	1,239	804	784	4,170
Net financials	(251)	(144)	(115)	(107)	(98)
Profit/loss for the year	1,749	1,783	539	465	3,333
Total assets	307,057	282,590	283,387	239,114	254,865
Investments in property, plant and equipment	0	374	756	1,813	185
Equity	32,623	30,874	29,091	28,087	38,753
Ratios					
Gross margin (%)	74.66	76.15	77.60	76.71	82.43
Net margin (%)	3.78	3.79	1.25	0.90	6.07
Return on equity (%)	5.51	5.95	1.89	1.39	7.62
Equity ratio (%)	10.62	10.93	10.27	11.75	15.21

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

Gross margin (%):

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

Revenue

Net margin (%):

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

Revenue

Return on equity (%):

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

Average equity

Equity ratio (%):

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

Total assets

Primary activities

Network of Music Partners A/S (NMP) is a joint venture delivering back-office services to societies administrating copyrights in the music industry. NMP is owned by PRS for Music (copyright society for performing rights in UK) and NCB (Nordic Copyright Bureau administrating mechanical rights in the Nordic and Baltic territories).

The company's head office is in Copenhagen with a branch office in London. NMP has 44 employees in total.

Development in activities and finances

In Q2, NMP's Dutch customer, Buma/Stemra unfortunately informed NMP that they were developing a new platform to administer their copyright services and the expected go-live date was end of 2022. Therefore, the service agreement with Buma/Stemra was terminated on 31st of December 2022. With this knowledge, it became clear that optimization was needed to reduce costs. As a result, a re-organization was implemented in NMP including reductions in staff and Deputy CEO Mark Stevens was appointed Director of Operations taking on responsibility for all operations across online and offline.

Further in 2022, the Baltic societies made an agreement with SUIISA (Swiss collecting society) to collect their online repertoire from April 1st 2022. However, this revenue only being minor part (0,2%) of NMP's revenues.

NMP managed collections amounting to approx. DKK 977 million in total in 2022, which was 13% above budget and 2% increase compared to 2021. The online portfolio increased by 16% compared to 2021 and was predominately related to upfront payments and extra residual payments. However, the increase also stems from the offline portfolio still holding up well against the continued declining market due to strong revenues in the international market through streaming increases.

The increase in collections together with a focus on releasing historic royalties not yet distributed due to ownership issues have resulted in NMP distributing DKK 991 millions to rightsholders in 2022 and by this NMP has once again delivered the best result in NMP's history.

Profit/loss for the year in relation to expected developments

The increased business managed by NMP during 2022 resulted in revenue of DKK 58 million, which was 8% over budget.

Further, the continued strong focus on cost-efficiency resulted in NMP reducing cost by 4% compared to budget. This mainly due to savings in FTEs and IT costs.

The profit for the year amounted to DKK 2 million before tax, which management finds satisfying.

All in all, it has been a turbulent year for NMP due to the termination of Buma/Stemra's service agreement. However, NMP's management is very satisfied with this year's result and how staff adapted to the enforced changes and still delivered successfully. NMP management would also like to thank the NMP Board for their support throughout 2022.

Outlook

In 2023, NMP expects a decline in revenues compared to 2022 due to Buma/Stemra having left NMP's customer portfolio. Naturally, a severe cost focus will still be very important in 2023. The general uncertainty related to the declining offline market continues. However, the general trend is expected to level for 2023.

NMP expects a positive result for 2023 in line with 2022.

However, NMP's management would like to highlight one key project critical for NMP in 2023. This is the launch of the ICE cloud-based works data base solution (ICE Cube). This project is planned to launch in October and the success of this launch is vital to the continuation of NMP's successful delivery of services.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2022

	Notes	2022 DKK'000	2021 DKK '000
Revenue		46,248	47,009
Other external expenses		(11,718)	(11,212)
Gross profit/loss		34,530	35,797
Staff costs	2	(27,320)	(29,195)
Depreciation, amortisation and impairment losses	3	(4,926)	(5,363)
Operating profit/loss		2,284	1,239
Other financial expenses		(251)	(144)
Profit/loss before tax		2,033	1,095
Tax on profit/loss for the year	4	(284)	688
Profit/loss for the year	5	1,749	1,783

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Acquired rights		5,072	6,222
Intangible assets	6	5,072	6,222
Other fixtures and fittings, tools and equipment		242	1,010
Property, plant and equipment	7	242	1,010
Deposits		603	603
Financial assets	8	603	603
Fixed assets		5,917	7,835
Trade receivables		54,265	66,357
Other receivables		1,996	1,533
Prepayments	9	20,006	14,194
Receivables		76,267	82,084
Cash		224,873	192,671
Current assets		301,140	274,755
Assets		307,057	282,590

Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital		500	500
Reserve for development expenditure		14,359	12,458
Retained earnings		17,764	17,916
Equity		32,623	30,874
Deferred tax	10	393	109
Provisions		393	109
Prepayments received from customers		58,846	21,981
Trade payables		36,780	11,217
Payables to group enterprises		8,612	6,144
Other payables	11	169,803	212,265
Current liabilities other than provisions		274,041	251,607
Liabilities other than provisions		274,041	251,607
Equity and liabilities		307,057	282,590
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	13		

Statement of changes in equity for 2022

	Contributed capital DKK'000	Reserve for development expenditure DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	500	12,458	17,916	30,874
Transfer to reserves	0	1,901	(1,901)	0
Profit/loss for the year	0	0	1,749	1,749
Equity end of year	500	14,359	17,764	32,623

Cash flow statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Operating profit/loss		2,284	1,239
Amortisation, depreciation and impairment losses		4,926	5,363
Working capital changes	12	28,244	(2,346)
Cash flow from ordinary operating activities		35,454	4,256
Financial expenses paid		(250)	(144)
Cash flows from operating activities		35,204	4,112
Acquisition etc of intangible assets		(3,002)	(3,953)
Acquisition etc of property, plant and equipment		0	(374)
Cash flows from investing activities		(3,002)	(4,327)
Free cash flows generated from operations and investments before financing		32,202	(215)
Increase/decrease in cash and cash equivalents		32,202	(215)
Cash and cash equivalents beginning of year		192,671	192,886
Cash and cash equivalents end of year		224,873	192,671
Cash and cash equivalents at year-end are composed of:			
Cash		224,873	192,671
Cash and cash equivalents end of year		224,873	192,671

Notes

1 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

2 Staff costs

	2022	2021
	DKK'000	DKK'000
Wages and salaries	24,189	25,839
Pension costs	2,665	2,677
Other social security costs	466	679
	27,320	29,195
Average number of full-time employees	48	46

	Remuneration of Management 2021 DKK'000
Board of Directors	3,446
	3,446

Referring to 98(3) of the Danish Financial Statements Act, no information of remuneration to management for 2022.

3 Depreciation, amortisation and impairment losses

	2022	2021
	DKK'000	DKK'000
Amortisation of intangible assets	4,159	4,420
Depreciation of property, plant and equipment	767	943
	4,926	5,363

4 Tax on profit/loss for the year

	2022	2021
	DKK'000	DKK'000
Change in deferred tax	284	(688)
	284	(688)

5 Proposed distribution of profit and loss

	2022 DKK'000	2021 DKK'000
Retained earnings	1,749	1,783
	1,749	1,783

6 Intangible assets

	Acquired rights DKK'000
Cost beginning of year	92,258
Additions	3,009
Cost end of year	95,267
Amortisation and impairment losses beginning of year	(86,036)
Amortisation for the year	(4,159)
Amortisation and impairment losses end of year	(90,195)
Carrying amount end of year	5,072

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	13,067
Cost end of year	13,067
Depreciation and impairment losses beginning of year	(12,057)
Depreciation for the year	(768)
Depreciation and impairment losses end of year	(12,825)
Carrying amount end of year	242

8 Financial assets

	Deposits DKK'000
Cost beginning of year	603
Cost end of year	603
Carrying amount end of year	603

9 Prepayments

Prepayments recognized under receivables include costs for recognition in following financial years and not invoiced revenue for the year.

10 Deferred tax

	2022	2021
Changes during the year	DKK'000	DKK'000
Beginning of year	109	797
Recognised in the income statement	284	(688)
End of year	393	109

Deferred tax relates to fixed assets.

11 Other payables

	2022	2021
	DKK'000	DKK'000
Holiday pay obligation	2,685	2,396
Other costs payable	167,118	209,869
	169,803	212,265

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

12 Changes in working capital

	2022	2021
	DKK'000	DKK'000
Increase/decrease in receivables	6,049	(440)
Increase/decrease in trade payables etc	22,195	(1,906)
	28,244	(2,346)

13 Unrecognised rental and lease commitments

	2022	2021
	DKK'000	DKK'000
Liabilities under rental or lease agreements until maturity in total	456	1,248

Accounting policies

Reporting class

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

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

Revenue

Revenue from provision of services is recognised in the income statement at completion of the service agreed 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, and 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 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**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 3 years. Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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:

	Useful life
Other fixtures and fittings, tools and equipment	3 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 carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

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 and completion of the service agreed.

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.