



---

# *Koda*

## Financial Statements for 2016

---

CVR No 64 08 69 28

The Financial Statements have been translated from the original in Danish. In case of discrepancy, the Danish version shall prevail.

When translating from DKK into EUR, the exchange rate at the balance sheet date, ie 743.44, has been used for both income statement and balance sheet items.

# Contents

	<u>Page</u>
Management's Statement	1
Independent Auditor's Report	2
Accounting Policies	4
Income Statement 1 January – 31 December	8
Balance Sheet at 31 December	9
Cash Flow Statement	10
Notes to the Financial Statements	11

## Management's Statement

The Executive Board and the Board of Directors have today considered and adopted the Financial Statements of Koda for the financial year 1 January to 31 December 2016.

The Financial Statements are prepared in accordance with the By-laws of Koda and the accounting policies adopted by the Society. We consider the accounting policies applied appropriate and the estimates made reasonable. Moreover, we consider the overall financial statements presentation true and fair.

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2016 of the Society and of the results of the Society operations for 2016.

We recommend that the Financial Statements be adopted at the Ordinary General Meeting of the Society.

Copenhagen, 20 March 2017

### Executive Board

Anders Lassen

### Board of Directors

Niels Mosumgaard  
(Chairman)

Bent Sørensen  
(Deputy Chairman)

Peter Littauer

Susi Hyldgaard

Jacob Morild

Niels Marthinsen

Morten Alfred Høirup

Tine Birger Christensen

Ole Dreyer Wogensen

Jens Visby  
(Employee Representative)

The Financial Statements were presented at the Annual General Meeting of the Society,  
/ 2017

# ***Independent Auditor's Report***

To the Board of Directors of Koda

## **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Society at 31 December 2016, and of the results of the Society's operations for the financial year 1 January - 31 December 2016 in accordance with the By-laws of Koda and the accounting policies adopted by the Society.

## **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 our report. We are independent of the Society in accordance with the International Ethics Standards Board for 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 By-laws of Koda and the accounting policies adopted by the Society, 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 Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Society 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.

## ***Independent Auditor's Report***

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment 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 Society'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 Society'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 Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, 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.

Copenhagen, 20 March 2017

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ulrik Ræbild  
State Authorised Public Accountant

Anders Røjleskov  
State Authorised Public Accountant



## **Accounting Policies**

The Financial Statements are prepared under the following accounting policies which remain unchanged from last year.

In 2016, Koda implemented the “Danish Act on the Collective Management of Copyrights” and reference is made to the separate transparency report. The Financial Statements have been restated accordingly.

The Financial Statements for 2016 are presented in EUR thousands.

### **Recognition and measurement**

Music revenue is recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Society, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Society, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### **Translation policies**

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

# Accounting Policies

## Income Statement

### Music revenue

Koda's music revenue is recognised in the income statement under the completed-contract method when music has been used before the balance sheet date, and Koda has acquired the right to the revenue on behalf of its members, and the revenue can be reliably measured.

### Administrative expenses

Administrative expenses comprise expenses for staff, premises, office supplies, etc with deduction of reimbursements received. Staff expenses comprise salaries and payroll related expenses.

### Depreciation and impairment losses

Depreciation and impairment losses comprise depreciation and impairment of projects and operating equipment.

### Income from investments in group enterprise

The item "Income from investment in subsidiary" includes the profit/loss for the year.

### Financial income and expenses

Financial income and expenses comprise return on portfolios etc and are recognised in the income statement at the amounts relating to the financial year.

### Tax

Tax on profit for the year is recognised in the Financial Statements of the Society under the provisions applying to trade associations.

## Balance Sheet

### Receivables

Receivables are recognised at market value, usually corresponding to the invoiced amount. Other receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. The value is reduced by provisions for bad debts according to principles determined on the basis of the Society's experience from past years and of an individual assessment of each receivable.

# Accounting Policies

## Securities

Securities are measured at market value at the balance sheet date. Unrealised price gains/losses at the balance sheet date and realised price gains/losses from sale are included in the item "Net financial income" in the income statement.

## Development projects

Development projects are recognised at Koda's share of internal and external project costs.

Development projects comprise external consultant assistance, salaries and other expenses directly and indirectly related to the development activities of the Society.

Development projects that are clearly defined and identifiable and in respect of which the utilisation in the Society can be demonstrated, and where it is the intention to use the project, are recognised as assets. This applies if sufficient certainty exists that the value in use of future earnings can cover operating expenses as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount.

Development projects are amortised systematically over their useful lives which are assessed at five years.

## Operating equipment and leasehold improvements

Operating equipment and leasehold improvements are recognised at cost less accumulated depreciation and any impairment losses. Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives which are 3-5 years for operating equipment and 10 years for leasehold improvements.



# Accounting Policies

## Investment in associate

Investment in associate is recognised at cost. An associate with a negative net asset value is recognised at EUR 0. Any legal or constructive obligation of the Society to cover the negative balance of the enterprise is recognised as a liability.

## Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums and subscriptions, etc.

## Financial debts

Loans are measured at amortised cost which substantially corresponds to nominal value.

## Cash flow statement

The cash flow statement shows the Society's cash flows for the year broken down by payments received, operating and investing activities, payments made and changes for the year in cash and cash equivalents and securities at the beginning and end of the year.

## Income Statement 1 January - 31 December

	Note	2016 EUR 'ooo	2015 EUR 'ooo
Performing rights		102.339	103.787
Mechanical rights		3.845	4.361
Music revenue, abroad		9.494	7.174
<b>Total music revenue</b>	1	<b>115.679</b>	<b>115.322</b>
Distribution to rights holders for the year	2	-105.391	-104.020
<b>Profit before expenses etc</b>		<b>10.287</b>	<b>11.303</b>
Administrative expenses	3	-11.925	-10.367
<b>Profit before depreciation, amortisation and other items</b>		<b>-1.638</b>	<b>936</b>
Depreciation, amortisation and impairment losses		-1.178	-807
<b>Profit before interest</b>		<b>-2.816</b>	<b>129</b>
Net financial income and expenses	4	2.816	-129
<b>Profit before tax</b>		<b>0</b>	<b>0</b>
Corporation tax		0	0
<b>Net profit for the year</b>		<b>0</b>	<b>0</b>

# Balance Sheet at 31 December

## Assets

	Note	2016 EUR '000	2015 EUR '000
Investment in associate, Polaris Nordic A/S		22	22
<b>Fixed asset investments</b>		<b>22</b>	<b>22</b>
Development projects in progress	6	0	34
Completed development projects	6	1.946	2.457
Operating equipment and leasehold improvements	7	1.344	1.843
<b>Property, plant, equipment and intangible assets</b>		<b>3.290</b>	<b>4.334</b>
Receivables		916	777
Prepayments		148	248
Deposits		481	470
Other receivables		11.052	5.816
Cash at bank and in hand		5.067	15.334
Securities	5	87.438	77.260
<b>Current assets</b>		<b>105.103</b>	<b>99.905</b>
<b>Assets</b>		<b>108.415</b>	<b>104.261</b>
<b>Capital and liabilities</b>			
Funds for cultural contributions	8	9.455	9.716
Collective blank media funds	9	503	554
Other payables and debt	10	2.916	3.731
Provision for distribution	11	95.541	90.260
<b>Capital and liabilities</b>		<b>108.415</b>	<b>104.261</b>
Contingent assets	12		
Contingent liabilities	13		

# Cash Flow Statement

	<u>2016</u>	<u>2015</u>
	EUR 'ooo	EUR 'ooo
<b>Music revenue received, Denmark</b>		
Music revenue for the year, Denmark	106.185	108.149
Change in trade receivables	-136	573
Change in other receivables	-5.215	-1.282
	<u>100.833</u>	<u>107.439</u>
<b>Music revenue received, abroad</b>		
Music revenue for the year, abroad	9.494	7.174
	<u>9.494</u>	<u>7.174</u>
<b>Operating expenses</b>		
Administrative expenses for the year	-11.925	-10.367
Change in payables	-829	-515
Change in prepayments	98	-91
	<u>-12.655</u>	<u>-10.973</u>
<b>Financial expenses</b>		
Interest expenses for the year	2.816	-129
Change in accrued interest	3	-3
Change in deposits	-9	-9
	<u>2.809</u>	<u>-141</u>
<b>Investments</b>		
Development projects and operating equipment	-117	-1.641
	<u>-117</u>	<u>-1.641</u>
<b>Funds for cultural contributions and collective blank media funds</b>		
Funds for cultural contributions and collective blank media funds	-9.029	-9.395
Change in funds for cultural contributions and collective blank media funds	-351	-494
	<u>-9.380</u>	<u>-9.889</u>
<b>Individual contributions</b>		
Individual contributions for the year	-96.362	-94.624
Change in individual contributions	5.289	4.941
	<u>-91.073</u>	<u>-89.683</u>
<b>Change in cash and cash equivalents for the year</b>	<b>-89</b>	<b>2.287</b>
Securities and cash and cash equivalents, beginning of year	92.594	90.307
<b>Securities and cash and cash equivalents, end of year</b>	<u><b>92.505</b></u>	<u><b>92.594</b></u>



# Notes to the Financial Statements

	2016	2015
	EUR '000	EUR '000
<b>1 Music revenue</b>		
Primary transmission on radio and TV and retransmission	59.823	62.745
KulturPlus	588	992
Internet and On Demand	18.739	19.274
Cinemas and films	1.719	1.592
Hotels and restaurants	6.870	6.614
Background music	6.482	6.114
Concerts, events, etc	11.831	10.918
Adjustment of provision for bad debts	132	-99
Abroad	9.494	7.174
	<b>115.679</b>	<b>115.322</b>
<b>2 Distribution to rights holders for the year</b>		
Distribution to rights holders for the year is allocated as follows:		
Funds for cultural contributions	1.577	9.065
Provision for distribution for the year	96.562	94.954
<b>Distribution to rights holders</b>	<b>98.139</b>	<b>104.020</b>
<b>Calculation of funds for cultural contributions</b>		
Profit according to the income statement	105.391	104.020
Net public performance rights, abroad	-9.399	-7.174
Net KulturPlus	-578	-992
Net mechanical rights	-3.638	-3.925
Online public performance, already provided	-7.985	-4.653
	<b>83.791</b>	<b>87.275</b>
Funds for cultural contributions, 10% provided	1.127	8.727
Online public performance, provided	450	338
<b>Calculated funds for cultural contributions for the year</b>	<b>1.577</b>	<b>9.065</b>

## Notes to the Financial Statements

	2016	2015
	EUR '000	EUR '000
<b>3 Administrative expenses</b>		
Staff expenses	-8.666	-8.855
Refunded administrative expenses	304	775
Fees	-595	-647
Commission	-1.499	-527
Marketing and PR	-987	-790
Travelling, meetings and entertainment	-343	-349
Rental income	145	152
Rental expenses	-1.000	-902
Property expenses	-276	-293
Office supplies	-459	-451
IT expenses	-512	-447
Acquisitions and maintenance	0	-21
Membership fees etc	215	248
Refund of administrative expenses	1.748	1.742
	<b>-11.925</b>	<b>-10.367</b>
 Including remuneration to the Executive Board and the Board of Directors	 535	 533
<b>4 Net financial income</b>		
Return on portfolio	2.690	-230
Bank and giro accounts	-60	-66
Receivables etc	186	168
	<b>2.816</b>	<b>-129</b>
<b>5 Securities</b>		

The portfolio comprises bonds, corporate bonds and investment fund certificates in distributing investment funds where the underlying portfolios comprise bonds.



## Notes to the Financial Statements

	Development projects (in progress)	Development projects (completed)
<b>6 Development projects</b>		
Cost at 1 January 2016	34	2.883
Additions	0	87
Transferred to completed development projects	-34	0
Cost at 31 December 2016	0	2.970
Amortisation and impairment losses at 1 January 2016	0	-416
Amortisation for the year	0	-608
Amortisation and impairment losses at 31 December 2016	0	-1.024
<b>Carrying amount at 31 December 2016</b>	<b>0</b>	<b>1.946</b>

## 7 Operating equipment and leasehold improvements

	Fixtures and fittings DKK '000	IT equipment DKK '000	IT software DKK '000	Leasehold improvements DKK '000	Total DKK '000
Cost at 1 January 2016	535	1.514	135	1.311	3.495
Additions for the year	0	64	0	0	64
Disposals for the year	0	0	0	0	0
Cost at 31 December 2016	535	1.578	135	1.311	3.559
Depreciation, amortisation and impairment at 1 January 2016	-263	-1.007	-135	-240	-1.645
Impairment losses for the year	0	0	0	0	0
Depreciation and amortisation for the year	-91	-347	0	-132	-570
Depreciation, amortisation and impairment at 31 December 2016	-354	-1.354	-135	-372	-2.215
<b>Carrying amount at 31 December 2016</b>	<b>181</b>	<b>224</b>	<b>0</b>	<b>939</b>	<b>1.344</b>

## Notes to the Financial Statements

	2016	2015
	EUR '000	EUR '000
<b>8 Funds for cultural contributions</b>		
Funds for cultural contributions for the year	8.829	9.066
Funds for cultural contributions, transferred from previous years	626	651
	<b>9.455</b>	<b>9.717</b>
<b>9 Collective blank media funds</b>		
Collective blank media funds for the year	200	332
Collective blank media funds, transferred from previous years	303	222
	<b>503</b>	<b>554</b>
<b>10 Payables and other debt</b>		
Koda-Dramatik	121	121
Polaris Nordic A/S	112	143
Accrued expenses	1.369	2.328
Accrued holiday pay	856	832
Accrued A-tax, labour market contributions and ATP	13	16
Prepayments	445	291
	<b>2.916</b>	<b>3.731</b>
<b>11 Provision for distribution</b>		
For distribution, beginning of year	90.260	85.319
Provision for distribution for the year	96.362	94.624
Distribution for the year, payments made	-91.082	-89.683
	<b>95.541</b>	<b>90.260</b>
Including music revenue to the Executive Board and the Board of Directors of Koda	31	42



# Notes to the Financial Statements

## 12 Contingent assets

The results of Koda are affected by the rights organisations not having come to an agreement about the distribution of material considerations collected by Copydan for the period 2014 - 16. The rights organisations are expected to come to an agreement in 2017 after which Copydan will pay the considerations.

## 13 Contingent liabilities

### *Rental obligation:*

The Society has entered into a rental obligation which is non-cancellable until 1 March 2024. The obligation amounts to EUR 7,371k at 31 December 2016 and part of the lease has been sub-leased on non-cancellable leases totalling EUR 870k.

### *Lease obligation:*

At 31 December 2016, the obligation amounts to EUR 37k.

### *Polaris Nordic A/S*

Together with Tono, Norway, and Teosto, Finland, Koda participates in the jointly owned company Polaris Nordic A/S that has entered into a five-year operating agreement with ICE. At 31 December 2016, the future estimated expense for Koda in the contract period amounts to EUR 2,043k.