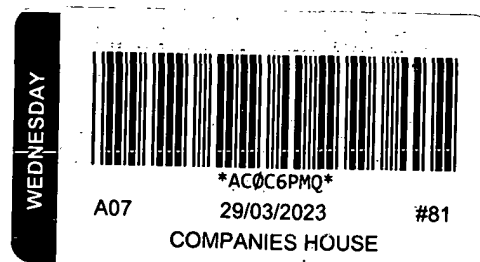


Company Registration No. 04018752

KOBALT MUSIC GROUP LIMITED

Annual Report and Consolidated Financial Statements

For the year ended 30 June 2022



KOBALT MUSIC GROUP LIMITED

**ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30 JUNE 2022**

CONTENTS	Page
Officers and professional advisers	3
Chairman's statement	4
Chief executive's report	5
Strategic report	6
Directors' report	13
Independent auditor's report	16
Consolidated income statement	20
Consolidated statement of other comprehensive income	21
Consolidated statement of financial position	22
Consolidated statement of changes in equity	23
Consolidated statement of cash flows	24
Notes to the consolidated statement of cash flows	25
Notes to the consolidated financial statements	26
Company balance sheet	65
Company statement of changes in equity	66
Notes to the company financial statements	67

KOBALT MUSIC GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

W Ahdriz
L Hubert
M Razzini
M Spetzler

COMPANY SECRETARY

C Drabble

REGISTERED OFFICE

WeWork
120 Moorgate
London,
EC2M 6UR
England

BANKERS

The Royal Bank of Scotland plc
62-63 Threadneedle Street
London
EC2R 8LA

JP Morgan Chase Bank
National Association
2029 Century Park West
38th Floor
Los Angeles
California
90067

AUDITOR

Deloitte LLP
Statutory Auditor
Reading, RG1 3BD
United Kingdom

KOBALT MUSIC GROUP LIMITED

CHAIRMAN'S STATEMENT

Since day one, Kobalt has paved a unique path to transform the music industry for the benefit of creators. Through the creations of our businesses, we've been able to unlock, to my estimation, billions in money shifted back to the creators, something we are very proud of. Our social impact has also been recognized by the Stanford Social Innovation Review in their September issue, which presented a paper on Kobalt's impact on the music industry.

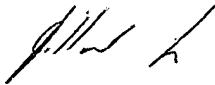
In this past fiscal year, we had set our sights on Kobalt's next chapter through the sales of AWAL, Neighbouring Rights, and our Kobalt Capital Funds. As a result, Kobalt has become stronger, and we've been able to double down on our core publishing business and AMRA, our digital global society, to continue to innovate for the benefit of creators and rights owners.

Over the years, we've had many suitors wanting to invest in Kobalt, but never one so aligned with our vision and strategy as Francisco Partners ("FP"). They were the right partners to take Kobalt into our next growth phase. I am happy to welcome FP as Kobalt Music's new majority owner. I would like to thank all investors who have believed in and supported Kobalt from day one who now had the opportunity to exit.

Without our clients and employees, we would not be able to execute our vision. I would like to thank everyone involved for another great year of growth and expansion, navigating through the challenging environments we have had on a global level.

Together, we will continue to blaze new trails to help supercharge the music industry, still always with the purpose of benefiting creators and rights owners.

Somebody stop us!



Willard Ahdriz
Founder & Chairman
25 November 2022

KOBALT MUSIC GROUP LIMITED

CHIEF EXECUTIVE'S REPORT

I'm proud to report that for the year ending 30 June 2022 (FY21/22), Kobalt achieved our second consecutive year of profitability. Our net income from continuing operations was \$65.6m vs \$5.9m in the prior year and our gross revenue increased by 22%, from \$519m to \$631m.

Our financial success starts with our team, who support some of the best songwriters in the world. Year after year, Kobalt's hard work and focus continue to be recognized in the industry. I am excited about our road ahead with our new majority investor, Francisco Partners, which took place just outside our past fiscal year in October 2022.

FY21/22 progress reporting

Kobalt Music Publishing - Kobalt's publishing division grew revenue by over 20% YoY to \$578M. Kobalt continued to top the US charts with co-writes on hits from Jack Harlow (Rog t Chahayed), Beyonce (Adam Pigott, Freddie Ross), Sam Fender (Sam Fender), Lost Frequencies with Calum Scott (Joacim Persson, Sebastian Arman, Dag Daniel Osmund Lundberg), Justin Bieber (Andrew Watt, Skrillex, Finneas), Billie Eilish (Finneas), Adele (Max Martin) and many more, capping off the fiscal year on Billboard's Publishers Quarterly with a 14.94% market share. This, combined with a stellar roster of clients that includes Andrew Watt, FINNEAS, Ozuna, Karol G, Phoebe Bridgers, Stevie Nicks, Justin Quiles, The Foo Fighters, Roddy Ricch, Gunna, Max Martin, Kali Uchis, and many more. In addition, Kobalt and its clients continued to bring in awards in the past fiscal year. Kobalt was named BMI's R&B/Hip-Hop Publisher of the Year in September 2021. In addition, the company was named Clio's Music Publisher of the Year in May 2022, and its UK team was named Sync Team of the Year by Music Week in that same month. Kobalt clients also racked up many awards in the past fiscal year, including:

- **11 Billboard Latin Awards** - highlighted by Karol G winning Female Hot Latin Songs Artist of the Year, Female Top Latin Albums Artist of the Year, and Kali Uchis winning Latin Pop Album of the Year
- **19 BMI Hip Hop/R&B Awards** (Sept 2021)
- **9 ARIA Awards** (November 2021)
- **21 Grammy Awards**, highlighted by Jasmine Sullivan winning two awards for Best R&B Album and Best R&B Performance (Feb 2022)
- Finneas won an Oscar for Best Original Song at the 2022 Academy Awards (March 2022)
- **11 ASCAP Pop Awards** (April 2022)
- **8 Swedish Awards** (May 2022)
- **21 BMI Pop Awards** (May 2022)
- Sam Fender won "Best Song Musically and Lyrically" at The Ivors (May 2022)
- **11 ASCAP Rhythm and Soul awards** (June 2022)

Kobalt's successful fiscal year results from the hard work and diligence of the best creative, synch, operations, tech, and overall global infrastructure in the music industry. Kobalt also continues to work closely with some of the most prominent legacy artists in the world, including Stevie Nicks, Paul McCartney, Lindsey Buckingham, Andrew Gold, John Denver, Joe Jackson and more, further proving Kobalt has become a destination for songwriters across genres and generations.

AMRA - AMRA, the leading global digital collection society, grew overall revenue by 7% to \$117M. Additionally, AMRA processed a record-breaking 41.1 billion music royalties compared to 29.3 billion, up 40% YoY, and now has distributed almost \$473 million of digital royalties directly to songwriters and rightsholders since its inception. AMRA - a key strategic part of Kobalt - recognized significant growth predominantly from its current client roster and new client acquisitions and new digital licensing services agreements. AMRA's business model and specific dedication using its state-of-the-art technology platform to ensure global writers and artists are paid accurately and fairly for digital usages around the world is solidified as the next generation of PROs. AMRA's global roll-out has reached all corners of the world outside the US and includes direct digital collections for China, Brazil, Japan, and, more recently, Canada. It is the broadest territorial scope in the industry which continues to generate revenue growth. AMRA's business model is built to meet the needs of the rapid growth of global digital music consumption and is once again positioned to set new standards for global digital collections among societies.



Laurent Hubert
Chief Executive Officer
Kobalt Music Group
25 November 2022

KOBALT MUSIC GROUP LIMITED

STRATEGIC REPORT

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

The Group's principal activity is the provision of services to the owners and creators of music - there have not been any significant changes in the Group's principal activity in the year under review. The Group head office is in London, with other offices in New York, Los Angeles, Miami, Nashville, Atlanta, Sydney, Stockholm, Berlin, Hong Kong, Netherlands, Switzerland, France (branch), Ireland (branch) and Luxembourg.

In the prior year, the Group sold its AWAL and Neighbouring Rights businesses to Sony Music Entertainment. This is further explained in note 11, which details the additional costs of \$10m on the profit of \$335m recognized in the prior year within discontinued operations.

During the year, the Company returned value to its shareholders and other equity holders in the form of a buy back by using a portion of the sale proceeds from the disposal of AWAL and Neighbouring Rights of \$236.9m.

During the current year, the Group closed a \$400m senior secured revolving facility and a \$150m senior secured last-out delayed draw term loan facility. The borrowings were used during the year to fund \$212m in Publishing IP catalogue assets to further enhance our future profitability.

As shown in the Group's income statement on page 20, the Group's sales have increased by 21.5% over the prior year to \$631.2m while gross profit has increased by 52.6%, \$39.0m in absolute terms. Total administrative expenses have increased by 42.7% to \$119.7m (2021: \$83.9m). The profit after tax has decreased to \$56.6m against the previous year's profit of \$341.3m. The profit decrease from the prior year is driven by the sale of the AWAL and Neighbouring Rights businesses in the prior year, further detailed in note 11. The Group also turned a profit on a continuing operations basis of \$65.6m against a profit of \$5.9m in the prior year due to a conscious decision to focus on profitability.

KEY FINANCIAL PERFORMANCE INDICATORS

The Board monitors the Company's performance in a number of ways including key performance indicators. The key financial performance indicators for continuing operations together with the information for the prior year are as follows:

	2022	2021 Restated*	Movement	Movement
Revenue	\$631,167k	\$519,403k	\$111,764k	21.5%
Gross profit	\$113,274k	\$74,225k	\$39,049k	52.6%
Gross profit percentage	17.9%	14.3%	-	-
Contribution margin ¹	\$132,934k	\$84,075k	\$48,859k	58%
Net assets	\$32,636k	\$235,594k	\$(202,958)k	(86.1)%
Net current (liabilities) / assets	\$(168,888)k	\$74,780k	\$(243,668)k	(325.8)%
Cash	\$60,801k	\$314,979k	\$(254,178)k	(80.7)%

*Refer to note 4 for further information regarding prior year restatement

¹Contribution margin is equal to gross margin less ongoing service costs shown in note 5 reconciliation

The Group also uses certain non-financial performance indicators including the number of employees. The decrease in employee numbers during the year (from an average of 597 to 402 is the result of the disposal of the Group's Neighbouring Rights and AWAL business segments in May 2021 and the Group's continued focus on profitability.

PRINCIPAL RISKS AND UNCERTAINTIES

The risks and uncertainties facing the Group are detailed below.

Revenue generation: The ongoing demand for the music administered by the Group is variable and as such the level at which this music will generate revenue for the Group in future periods is uncertain.

The Group seeks to mitigate this risk by aiming to make the roster of music administered by the Group as wide-ranging as possible. This means that the Group's revenue is not unduly affected by fluctuations in the popularity of certain genres of music, or of specific writers and artists. The fact that the Group collects royalties worldwide minimises its exposure to specific territories.

KOBALT MUSIC GROUP LIMITED

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Client acquisition and retention: The decisions of potential clients to sign with Kobalt or of existing clients to remain with Kobalt are complex and involve the consideration of many factors. As such it is uncertain how many new clients the Group will sign and what proportion of existing clients will extend their agreements.

In recent years, the Group has increased its sales efforts, particularly in the US which is the world's largest market. The Directors regularly review the Group's capital structure to enable it to provide the royalty advances which larger prospective clients often require. The Group makes constant efforts to improve its service offering, particularly in the areas of transparency and technological innovation. This serves to help retain existing clients as well as encouraging new clients to join Kobalt.

Market environment: Changes in the economic conditions of the markets in which Kobalt operates could impact its business. The Group monitors the latest developments in the industry by means of research, review of trade publications, and membership of industry organisations and forums. Kobalt's state of the art royalty processing and analysis systems allow it to adapt more quickly to industry changes than more traditional publishers and record labels.

Changing distribution: The new channels for music distribution and licensing (e.g. streaming) are significantly changing the operational and financial dynamics of music publishing.

Again, Kobalt's technological expertise makes it well-placed to adapt to new distribution channels. The high level of automation in its royalty processing makes assimilating new sources of revenue and/or royalty information less time-consuming and costly.

Third party suppliers: Kobalt relies on a number of important third party suppliers to operate successfully. The nature of music publishing makes it impossible to avoid reliance on some third parties, especially royalty collection societies. Any failure in the provision of these services may adversely impact Kobalt's business. The Company only pays out royalties to clients after being received.

Climate change: We are committed to finding ways of reducing our environmental impact and endeavour to be a considerate member of our local, and wider, communities. As a business we actively engage a paperless environment using technology to support this initiative, but where this is not possible all our offices are equipped with recycling facilities to reduce our consumptive waste. As a global business, while travel is necessary, we aim to minimise our travel to only essential travel where possible.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a number of financial risks including currency risk, credit risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the board of Directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Currency risk

The Group's activities expose it to some risk of changes in foreign currency exchange rates. There is largely a natural hedging in place for the Group's core activities, however in recent years the Group identified the GBP cost base of its UK operations to be posing a translation risk to consolidated reporting. In response to this, the Group entered into a programme of currency forward contracts.

Credit risk

Royalties due to Kobalt are often from large and established organisations and there is considered to be a low risk that these debts will not be recovered.

The Group is exposed to credit risk when it makes advances to clients. These advances are subject to detailed financial analysis and a full commercial assessment.

Liquidity risk

The Group regularly prepares and updates cash flow forecasts which monitor its financing requirements. The Group maintains a close relationship with its existing lenders whilst regularly assessing the possibility of obtaining finance from other sources.

KOBALT MUSIC GROUP LIMITED

STRATEGIC REPORT

SECTION 172 STATEMENT

The Directors are responsible for acting, in good faith, to promote the success of the company for the benefit of its shareholders as a whole whilst having regard to the matters set out in s.172(1)(a)-(f) Companies Act 2006.

Board of Directors

At the date of this report, the Board consists of four Directors.

The duties fulfilled by the Directors are, in part, set out in the Company's Articles of Association as well as company law. The Board promotes appropriate and effective controls and a culture of transparency within the Group. Where appropriate, the Directors discharge certain day-to-day responsibilities to the management team and other senior employees, to deliver the strategy and manage risk.

In addition to corporate governance, the Board is responsible for setting the culture and strategic direction of the Group and engaging with each of its key stakeholders to ensure the long-term success of the business. The Board meets regularly to review these matters, as well as the Group's policies and procedures. Further information on this can be found in the sections below.

Culture and values

Our values at Kobalt are the foundation of who we are and what we do. They drive the way we work with our clients, how we make decisions and the way we treat each other. Since Kobalt was founded, the vision has been to treat our clients fairly and with transparency always. These values reflect that ambition.

The Board is responsible for establishing and embedding a culture that aligns to this vision. The key values that underpin our culture are:

- Put Creators First
- Be transparent
- Move fast & keep it simple
- Respect diversity and opinions
- Stay humble
- Promote growth and development
- Operate with an entrepreneurial mindset

The Directors recognise the importance of articulating the company's culture to all employees. Our performance management and rewards are aligned to the Company's values and thus influence our ways of working.

Culture remains on the Board's agenda as a subject of continuous review. Through the results of the employee engagement survey, employee retention metrics and customer feedback, the management team evaluates the extent to which the culture is emulated by employees and makes recommendations to the Board as relevant.

Strategy

To achieve its vision, the Group has set out a strategy focused on the following:

- Build strong brand with Creators - Build a brand that is the most trusted in the industry through providing transparency and aligned incentives.
- Build a scalable platform enabled with leading technology - Invest in creating a scalable platform that can handle the exponential data growth driven by the shift of music consumption to streaming.
- Building long-term sustainable profitability.
- Developing AMRA as the leading global digital licensing society.

Over the last three years, the Directors have focused on delivering this strategy and executed several key initiatives, a selection of which are listed below:

KOBALT MUSIC GROUP LIMITED

STRATEGIC REPORT

SECTION 172 STATEMENT (continued)

Strategy (continued)

- Kobalt Music Group was sold in October 2022 to Francisco Partners (along with other investors) who support the Kobalt vision and desire to invest further in AMRA and the continued expansion of the Company.
- Invested over \$200 million on IP acquisitions along with \$249 million in advances at higher margins and longer contractual retention, further enhancing our key objective of increasing profitability in FY22.
- Invested over \$21 million in continuing to develop our industry-leading technology platform supporting greater efficiency and client service.

Stakeholder engagement

Engaging with our stakeholders helps us to identify and deliver the objectives that matter most to them. The objectives of our stakeholders are embedded in the Group's culture, values and strategy as described above. Additionally, the Board considers more specific needs and objectives of the key stakeholders during the regular board meetings. The Board delegates follow-up actions to achieve such objectives as appropriate.

Clients	<ul style="list-style-type: none"> • Kobalt’s client teams lead the engagement with our clients. • We continue to invest in our industry-leading platform to maximise value from their works. • Maintain board positions for a number of industry groups to further the industry.
Employees	<ul style="list-style-type: none"> • Kobalt’s People & Culture leads engagement with our employees through a variety of ways including surveys and meetings. • Kobalt has enhanced its inclusive culture through rolling out unconscious bias training and building initiatives from results of a Diversity, Equity & Inclusion survey. • We have been supporting our employees through the challenges of COVID-19 by providing mental health support and rollout of a flexible working policy.
Suppliers and other partners	<ul style="list-style-type: none"> • Kobalt has delegated supplier engagement to the employees responsible for the spend. • Kobalt focuses on ensuring suppliers values are aligned with ours.
Community and environment	<ul style="list-style-type: none"> • Kobalt’s Community and Green Teams lead engagement with the local communities in each of our various offices. • Kobalt has established a Diversity, Equity & Inclusion focused community group, looking at outreach initiatives and providing an annual donation to both global and local charities.

KOBALT MUSIC GROUP LIMITED

STRATEGIC REPORT

SECTION 172 STATEMENT (continued)

Policies and procedures

The Directors have put in place policies and procedures to support the Group's operating strategy in light of their Section 172 duties. These include:

(i) Delegation of Authority

The Board oversees a delegated authority whereby certain matters can be dealt with by the CEO, CFO, management team or other employees. The management team is reasonable for maintaining signing authorities. The Board maintains a close working relationship with the management team and has oversight of day-to-day business and strategic matters of the Group.

(ii) Anti-bribery and Corruption

The Board is committed to the prevention, deterrence and detection of bribery and corruption, instigating a clear policy of non-tolerance of all forms of bribery and corruption within our business. The Board oversees its responsibilities through the management team and training has been provided to all staff.

(iii) Whistleblowing

The Board is committed to conducting all business in an honest and ethical manner. Kobalt's employee handbooks include a whistleblowing policy to encourage the timely reporting of suspected wrongdoing.

(iv) Anti-Slavery

The Board has a clear stance of zero-tolerance of all forms of slavery, human trafficking and other exploitation in any part of the Group's business or in its supply chain. Kobalt's website includes further information on the Modern Slavery Act.

(v) Advice available to the Board

The Board has access to the services of outside counsel and may take independent professional advice where it judges it necessary to do so in order to discharge their responsibilities as Directors.

Information

The Directors arrange to receive and consider information required to carry out their duties and:

- Receive regular business updates and financial performance reviews against budget;
- Discuss and approve the annual budget;
- Consider and debate strategic business decisions, which impact the long-term direction of the Group.

KOBALT MUSIC GROUP LIMITED

STRATEGIC REPORT

SUSTAINABILITY

The following disclosure is for the purposes of compliance with the Streamlined Energy and Carbon Reporting (SECR) regulations. The information presented meets the requirements for SECR and does not include data relating to additional, voluntary, reporting.

For the 2021-22 financial year, Kobalt Music Group in the United Kingdom used a total of 170,420 kWh of energy, generating carbon emissions of 34.6 tCO₂e, a reduction of 45% compared to 2019-20 and a reduction of 19% on 2020-21. The Key Performance Indicator of emissions per full time equivalent employee increased by 45% to 0.21 tCO₂e / FTE between the base line year and 2020-21 due to a large reduction in employees, this reduced to an estimated 0.17 tCO₂e / FTE in the 2021-22 reporting year, reducing the tCO₂e / FTE by 22% from the baseline year.

The data has been prepared using the GHG Reporting Protocol – Corporate Standard methodology, taking best available data and estimates where required. The reporting meets the minimum requirements for SECR and no voluntary emission sources are stated.

The electricity consumption has been estimated for the current only occupied site at 120 Moorgate Street and is based on the office space leased floor area. This is due to actual electricity consumption data not being available. The emissions associated with electricity for the previously occupied River House site are based on Kobalt's consumption over which they have direct occupational control. Energy associated with heating and cooling of both offices is under the control of the landlords and is not included in this disclosure.

This disclosure includes data for all subsidiary companies in the UK over which Kobalt Music Group Ltd has financial control. These have not been broken out as all operations are co-located.

The Group's UK carbon footprint is shown in the below table.

	Units	2021-22	2020-21
ENERGY INPUTS			
Total Purchased Electricity	kWh	170,420	192,708
Total Energy Use	kWh	170,420	192,708
EMISSIONS			
Scope 2 – Purchased Electricity	kgCO ₂ e	34,570	42,923
Total Emissions	kgCO₂e	34,570	42,923
FTE		225	203
Intensity ratio: Emissions per employee	Kg CO ₂ e / employee	154	211
Intensity ratio: Emissions per employee	T CO ₂ e / employee	0.15	0.21

UK employees represent 56% of the Group's employee population, the energy consumption is deemed to be evenly distributed and therefore a proportionate estimate of the total Group emissions would be equivalent to 61,732 kgCO₂e.

At the 120 Moorgate Street site it has been necessary to estimate electricity consumption using industry standard benchmarks. The impact of increasing or decreasing the estimate by 10% for electricity is +/- 1.2% of the total emissions for the company.

It is also a requirement under SECR to state any energy efficiency actions that were undertaken in the reporting year. Kobalt Music Group Ltd relocated to a smaller office at the start of 2022 resulting in a lower energy demand. Kobalt Music Group Ltd have reduced unnecessary travel by increasing the use of remote meetings.

KOBALT MUSIC GROUP LIMITED

STRATEGIC REPORT

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 1 September 2022 the Company reached an agreement with Francisco Partners Management, L.P. for an entity controlled by Francisco Partners VI, L.P. and its affiliated funds to acquire all the shares in the issued share capital of the Company. The agreement closed on 20 October 2022.

FUTURE DEVELOPMENTS

The Directors expect another year of strong growth across the Group. The Directors are not aware, at the date of this report, of any likely major changes in the Group's principal activities in the next year.

RESEARCH AND DEVELOPMENT

In the coming year the Group expects to further enhance and expand the scalability of its global licensing, collection and payment platform as well as its client portal, providing clients with unparalleled transparency.

Approved by the Board of Directors and signed on behalf of the Board by:



C Drabble

Company Secretary

25 November 2022

KOBALT MUSIC GROUP LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 30 June 2022.

DIRECTORS

The Directors who served throughout the year and to the date of this report, except as noted, were as follows:

W Ahdriz
L Hubert
M Razzini (appointed 20 October 2022)
M Spetzler (appointed 20 October 2022)
T Bunting (resigned 20 October 2022)
A Palm (resigned 20 October 2022)
H Berk (resigned 20 October 2022)
J Fitzherbert-Brockholes (resigned 20 October 2022)
A Vukajlovic (resigned 20 October 2022)
J Ekelund (resigned 20 October 2022)
S Grover (resigned 12 Oct 2021)
M Bachmann (resigned 20 July 2021)

DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its Directors of all subsidiaries which were made during the year and remain in force at the date of this report.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year (30 June 2021 - \$nil).

GOING CONCERN

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. During the year the Group made a profit of \$65.6 million from continuing operations and at the balance sheet date had net assets of \$32.6 million and net current liabilities of \$168.9 million. The current year profits are reflective of the strategic decision to invest in the future.

The Group's cash position remained strong, with cash of \$60.8 million held at the balance sheet date. The Company's borrowings of \$255.5 million at the balance sheet date was used to acquire \$212 million in Publishing IP catalogue assets to further enhance our future profitability. In October 2022, Francisco Partners became the Company's major shareholder, investing in our vision and growth.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements. For further information refer to note 2.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ("IASB") and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

KOBALT MUSIC GROUP LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT (continued)

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STRATEGIC REPORT

As permitted under s414C(11) of the Companies Act, the Company has chosen to present the following information within the strategic report:

- financial risk management policies;
- exposure to price risk, credit risk, liquidity risk and cash flow risk;
- important events since the end of the financial year;
- future developments;
- research and development activities and;
- post balance sheet events.

AUDITOR

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the Director has taken all the steps that he / she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

DISABLED EMPLOYEES

The Company gives full consideration to applications for employment from disabled persons where the candidates' particular aptitudes abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.


KOBALT MUSIC GROUP LIMITED

DIRECTORS' REPORT

EMPLOYEE INVOLVEMENT

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the company has been continued through company wide meetings and presentations. Regular meetings are held between local management and employees to allow the free flow of information and ideas.

Approved by the Board of Directors and signed on behalf of the Board by:



C Drabble
Company Secretary
25 November 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KOBALT MUSIC GROUP LIMITED

Report on the audit of the financial statement

Opinion

In our opinion:

- the financial statements of Kobalt Music Group Limited (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2022 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies and
- the related notes 1 to 32 in relation to the consolidated accounts
- the parent balance sheet
- the parents' statements of changes in equity
- the related notes 33 to 42 in relation to the parent accounts

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KOBALT MUSIC GROUP LIMITED

Other information

The other information comprises of the Chairman's statement, Chief executive's report, Strategic report, and the Directors' report. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have 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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pension legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KOBALT MUSIC GROUP LIMITED

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Managements assumptions and judgements in estimating the final quarters revenue accrual: We challenged the key assumptions and judgements in the accruals by testing the underlying data and adjustments to valid supporting documentation and external source evidence, assessing both corroborative and contradictory evidence, utilised bespoke analytical tools to assess the reasonableness of assumptions, performed retrospective reviews over previous estimates and reperformed the calculation for mathematical accuracy.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing concluding analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house / external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with relevant tax authorities.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KOBALT MUSIC GROUP LIMITED

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sandy Sullivan

Sandy Sullivan FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, United Kingdom

25 November 2022

KOBALT MUSIC GROUP LIMITED

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Revenue	5	631,167	519,403
Cost of sales		(517,893)	(445,178)
Gross profit		113,274	74,225
Other operating income		10,109	7,885
Administrative expenses		(119,673)	(83,854)
Other operating (expenses)/income		(2,401)	590
Foreign exchange gain		20,569	13,944
Operating profit	6	21,878	12,790
Investment income	8	34,608	19,980
Finance costs	9	(5,620)	(20,490)
Profit before tax		50,866	12,280
Tax	10	14,705	(6,430)
Profit for the year from continuing operations		65,571	5,850
Discontinued operations			
(Loss) / Profit for the year from discontinued operations	11	(8,923)	335,445
Profit for the year		56,648	341,295

KOBALT MUSIC GROUP LIMITED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Profit for the year		56,648	341,295
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(17,820)	(47)
Other comprehensive loss for the year, net of tax		(17,820)	(47)
Total comprehensive income for the year, net of tax		38,828	341,248

KOBALT MUSIC GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 June 2022

	Note	2022 \$'000	2021 \$'000 Restated*
Non-current assets			
Goodwill	13	1,147	1,211
Intangible assets	14	258,631	54,737
Property, plant and equipment	15	1,941	9,010
Right of use asset	16	11,011	26,834
Investments	18	1,393	5,361
Financial derivatives	27	1,516	1,732
Deferred tax assets	24	28,222	-
Advances	19	185,592	97,982
		<u>489,453</u>	<u>196,867</u>
Current assets			
Financial derivatives	27	-	2,559
Advances	19	76,131	28,368
Trade and other receivables	20	213,806	201,627
Cash and bank balances		60,801	314,979
		<u>350,738</u>	<u>547,533</u>
Total assets		<u>840,191</u>	<u>744,400</u>
Current liabilities			
Trade and other payables	21	(65,813)	(38,332)
Lease liability	22	(1,867)	(3,657)
Financial derivatives	27	(2,265)	-
Borrowings	23	(2,256)	-
Accruals	21	(401,261)	(364,395)
Deferred revenue	21	(46,164)	(66,369)
		<u>(519,626)</u>	<u>(472,753)</u>
Non-current liabilities			
Deferred tax liability	24	(531)	(531)
Other payables	21	(27,238)	(4,400)
Financial derivatives	27	(600)	-
Lease liability	22	(12,454)	(31,122)
Borrowings	23	(247,106)	-
		<u>(287,929)</u>	<u>(36,053)</u>
Net current (liabilities) / assets		<u>(168,888)</u>	<u>74,780</u>
Net assets		<u>32,636</u>	<u>235,594</u>
Equity			
Share capital	28	629	996
Share premium account	29	194,432	193,894
Retranslation reserves	30	(30,313)	(12,493)
Share option reserve		25,343	30,392
Retained earnings		(157,455)	22,805
Total equity		<u>32,636</u>	<u>235,594</u>

*See note 4 for further information

The financial statements of Kobalt Music Group Limited, registered number 04018752, were approved by the Board of Directors and authorised for issue on 25 November 2022.



L Hubert - Director

KOBALT MUSIC GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2022

	ISSUED SHARE CAPITAL	SHARE PREMIUM	SHARE OPTION RESERVE	RETAINED EARNINGS	RETRANS- LATION RESERVES	TOTAL EQUITY
Note	28	29			30	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1 July 2020	<u>994</u>	<u>193,760</u>	<u>25,161</u>	<u>(318,490)</u>	<u>(12,446)</u>	<u>(111,021)</u>
Profit for the period	-	-	-	341,295	-	341,295
Other comprehensive loss	-	-	-	-	(47)	(47)
Total comprehensive loss	-	-	-	22,805	(12,493)	230,227
Issue of shares	2	134	-	-	-	136
Share-based payment transactions (note 12)	-	-	5,231	-	-	5,231
Balance at 30 June 2021	<u>996</u>	<u>193,894</u>	<u>30,392</u>	<u>22,805</u>	<u>(12,493)</u>	<u>235,594</u>
Profit for the period	-	-	-	56,648	-	56,648
Other comprehensive loss	-	-	-	-	(17,820)	(17,820)
Total comprehensive loss	-	-	-	56,648	(17,820)	38,828
		538				592
Issue of shares	54	-	-	-	-	-
Share-based payment transactions (note 12)	-	-	1,086	-	-	1,086
Option cancellation payments	-	-	(6,113)	-	-	(6,113)
Share repurchase from retained earnings	(421)	-	-	(236,908)	-	(237,329)
Foreign exchange Differences	-	-	(22)	-	-	(22)
30 June 2022	<u>629</u>	<u>194,432</u>	<u>25,343</u>	<u>(157,455)</u>	<u>(30,313)</u>	<u>32,636</u>

KOBALT MUSIC GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2022

		2022	2021
	Note	\$'000	\$'000
Net cash (used in) / from operating activities		(5,207)	31,035
Investing activities			
Disposal of subsidiaries		-	410,513
Transaction costs related to disposal of subsidiaries	11	(10,000)	(12,698)
Purchases of property, plant and equipment	15	(198)	(862)
Purchases of intangible assets	14	(217,888)	(38,529)
Purchase of assets held for sale		-	(251)
Disposal of assets held for sale		-	2,007
Return on Investment	18	760	6,258
Investments in third parties	18	-	(300)
Dividend received from investment	18	4,837	150
Net cash (used in) / from investing activities		(222,489)	366,288
Financing activities			
Proceeds on issue of shares		592	135
Repurchase of own shares		(236,909)	-
Share option cancellation payments		(6,113)	-
Loans drawn		255,500	-
Loans repaid		-	(185,000)
Loan interest repaid		(734)	(35,519)
Lease disposal		(4,776)	-
Transaction costs related to loans and borrowings		(8,973)	(69)
Repayment of lease liabilities		(5,738)	(6,501)
Interest paid		(11)	(19)
Net cash used in financing activities		(7,162)	(226,973)
Net (decrease) / increase in cash and cash equivalents		(234,858)	170,350
Cash and cash equivalents at beginning of year		314,979	151,447
Effect of foreign exchange rate changes		(19,320)	(6,818)
Cash and cash equivalents at end of year		60,801	314,979

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2022

		2022	2021
	Note	\$'000	\$'000
Profit for the year		56,648	341,295
Adjustments for:			
Profit / (loss) on disposal of subsidiaries		10,000	(364,267)
Finance costs	9	3,202	25,609
Interest on lease liability	9	2,418	3,212
Income tax expense	10	13,517	6,707
Depreciation of property, plant and equipment	15	1,727	2,353
Depreciation of right of use assets	16	3,856	4,753
Amortisation of intangible assets	14	11,564	9,451
Fair value gain in investment	18	(1,677)	(1,837)
Share-based payment expense	7	1,392	5,231
Property, plant and equipment disposal	15	4,767	-
Deferred financing costs write off		-	2,695
Operating cash flows before movements in working capital		107,414	35,202
(Increase) / decrease in receivables	20	(147,552)	45,334
Increase/ (decrease) in payables	21	66,980	(42,654)
Origination and reversal of timing differences giving rise to deferred tax asset	24	(28,222)	-
Reversal of timing differences giving rise to a deferred tax liability	24	-	(140)
Cash utilised from operations		(1,380)	37,742
Income taxes paid	10	(3,827)	(6,707)
Net cash (used in) / from operating activities		(5,207)	31,035

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

1. CORPORATE INFORMATION

Kobalt Music Group Limited and its subsidiaries (collectively, the Group) is a company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The consolidated financial statements of the Group for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 25 November 2022. Kobalt Music Group Limited (the Company) is a limited company incorporated and domiciled in England. The registered office is located at WeWork, 120 Moorgate, London, EC2M 6UR.

The Group is principally engaged in the provision of services to the owners and creators of music.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand (\$000), except when otherwise indicated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognised in profit or loss as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash-generating unit (CGU) is determined based upon its products and services and reportable segment. Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

Revenue recognition

The Group recognises revenue from the following major sources:

- Music-based royalties
- Asset Management fees received as the General Partner for Kobalt's Fund advisory business ("Kobalt Capital")

Royalties:

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all its royalty revenue arrangements.

Under IFRS 15, the Group recognise revenue for usage-based royalties at the later of:

- (a) when the usage occurs; and
- (b) the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).

As a result, turnover represents 12 months' worth of royalties and part of this will be represented by an accrual the company makes for approximately three months of royalty revenue, the receipt of which occurs in the first quarter post year end.

Asset Management fees

As part of the Group's Asset Management business it receives management fees and performance fees on the assets it manages. These fees are accrued based on when they are earned.

Other income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL). Dividends are recognised as investment revenues in profit or loss when the right to receive payment is established.

Interest income on financial assets at amortised cost (2021 - amortised cost) calculated using the effective interest method is recognised in the statement of profit or loss as part of investment revenues as it is earned from financial assets that are held for cash management purposes.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Withholding tax is a complex issue that requires analysis of domestic legislation, double tax treaties and the submission of forms and documents to relevant payers and tax authorities. Due to the inherent complexities there is a risk that not all withholding tax has been accounted correctly. The Company, therefore, continues to consult with tax specialists and experts on a regular basis to consult and review its tax structuring arrangements. Were any amounts to become due in respect to withholding tax the Company is entitled to claim these back under the customer agreement. The possibility of a material net outflow is considered remote.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Property, plant and equipment

Property plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment, if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Fixtures and fittings	20% per annum
Office equipment	33% per annum
Computer equipment	33% per annum

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement and valuation processes

In estimating the fair value of an asset (or a liability), the Group uses fair value hierarchy in IFRS 13 to the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The investments outlined in note 18 of the Group's assets are measured at fair value for financial reporting purposes.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Royalty advances

Advances in respect of royalties payable, which are non-refundable but recoupable, represent the cost of the grant of rights for certain writer agreements. Specific provisions are made against these advances where the outstanding advance at the balance sheet date exceeds future expected royalty earnings. The IAS 36 requirement to consider impairment has been considered when concluding on the provisions applied in this reporting period.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the asset or CGU's value in use, as the fair value less cost to sell is not reliably determinable. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years.

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

Income from operating subleases is recognized as 'other operating income' in profit or loss.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. The Group has issued equity-settled share-based payments to certain employees and others providing similar services. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed immediately if there is no vesting period or on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Pension costs

Kobalt Music Group Limited only operates a defined contribution stakeholder pension scheme. The contributions made by Kobalt are included in the Profit and Loss Account.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **For the year ended 30 June 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in United States Dollars (USD), as the majority of the Group's income and expenses are in USD and all management and bank reporting is undertaken in USD.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign currency enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises. The Income Statement is translated at the average exchange rate for the financial year. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

Derivative financial instruments

During the year the Group has entered into foreign exchange forward contracts in order to manage its exposure to foreign exchange rate risk. See note disclosure 27. These are currently the only derivative financial instruments that the Group holds.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately as the current set of derivatives do not meet the criteria to be designated for hedge accounting under IFRS 9.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Going concern

During the year the Group made a profit of \$65.6 million from continuing operations and at the balance sheet date had net assets of \$32.6 million and net current liabilities of \$169.8 million. The current year profits are reflective of the strategic decision to invest in the future.

The Group's cash position remained strong, with cash of \$60.8 million held at the balance sheet date. The Company's borrowings of \$255.5 million at the balance sheet date were used to acquire \$212 million in Publishing IP catalogue assets to further enhance our future profitability.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

The Directors acknowledge the Group is trading in an uncertain economic environment, although it is their belief that the Group is well positioned to meet its business objectives. The Directors have prepared projected cash flow information to cover a period of at least 12 months from the date of approval of these accounts, including meeting debt covenants, any foreign exchange and interest rate impact on revenue, gross margin and costs, and examined the results of sensitivity analysis on their forecasts to assess the effect on cash given certain downside scenarios. These projections anticipate that the Group will be able to operate from cash generated from trading (including the fact that royalties are paid out after being received, providing a natural working capital hedge). In addition to the above forecasts, as the majority of the Group's forecast advances and acquisitions are discretionary, if required the Group could reduce outbound advances to preserve cash. In October 2022, Francisco Partners became the Company's majority shareholder investing in our vision and growth.

Based on the above, the Directors have concluded that the Group will continue in operational existence for the foreseeable future even if there were to be significant reductions in its planned revenues over this period and can make use of additional mitigating steps as required. The Directors therefore consider it appropriate to prepare the financial statements on the going concern basis.

New standards and interpretations not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

Title	Subject	As issued by the IASB, mandatory for accounting periods starting on or after
IFRS 16 – Amendments	Covid-19-Related Rent Concessions beyond 30 June 2021	April 2021
IFRS 17	Insurance Contracts	1 Jan 2023
IFRS 17 - Amendments	IFRS 17	1 Jan 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the provision of services set out in IFRS 15, in particular, whether the Group can reliably measure the revenue due from its contractual counterparts. The Directors are satisfied that the valuation method adopted in making this measurement of the revenue in the current year is appropriate.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Recoverability of internally-generated intangible asset

During the year, management reconsidered the recoverability of its internally-generated royalty system which is included in its balance sheet as an intangible asset at a value of \$15.6 million (2021: \$20.7 million). Refer to note 14 for further details.

Given the unique nature of this system it is not possible to value this asset based on the market price for identical or similar assets. However, since the Directors consider Kobalt's royalty system to be a market-leading product they believe that its recoverable value significantly exceeds its value as recorded in the accounts.

Recoverability of deferred tax asset

During the year, management considered the recoverability of tax assets by ensuring that future tax losses could be used to offset future taxable profits. The estimation of future taxable profits by jurisdiction is based on our forecasted growth of the Company where assumptions have been using historical and forward looking information for determining taxable profits by jurisdiction.

The Directors are satisfied that there will be taxable profits and the deferred tax asset is recoverable.

Recoverability of advances

In the course of its business the Group regularly makes advances to clients which are recoupable by means of future royalty receipts, but non-refundable.

The Directors assess the recoverability of these advances by considering historic earning trends of the clients concerned and also with reference to expected future earnings. Where the value of future earnings is less than the amount advanced a provision is booked against the advance.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

4. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

During the year ended 30 June 2022, the Company reclassified its advance balance from trade and other receivables to an advance intangible asset which is broken out between current and noncurrent. In accordance with IAS 38, *Intangible Assets*, the \$12.4 million previously disclosed as unconditional obligations in the prior year, which related to future advance obligations, has also been recorded as an increase to advances and other payables. Further, in the current year, in order to more accurately present net advances as of the balance sheet date, the Company recorded its accrual of advance recoupment for the final quarter within net advances instead of accruals. In order to be comparative this accrual in the prior year was also adjusted. These restatements resulted in a net adjustment to total assets of \$4.6 million, current liabilities of \$0.2 million and non-current liabilities of \$4.4 million.

The impact to the Company's financial statements is summarised below.

Statement of financial position	As previously reported \$'000	Adjustments \$'000	As restated \$'000
Impact of misstatement			
At 30 June 2021			
Trade and Other Receivables	323,356	(121,729)	201,627
Advances – Current	-	28,368	28,368
Advances – Non-current	-	97,982	97,982
Total Assets	739,779	4,621	744,400
Trade and other payables	(30,357)	(7,975)	(38,332)
Accruals	(372,149)	7,754	(364,395)
Total current liabilities	(472,532)	(221)	(472,753)
Other long term payables	-	(4,400)	(4,400)
Total non current liabilities	(31,653)	(4,400)	(36,053)

5. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable segments, as follows:

- the Publishing (including Kobalt Capital) segment, which administers music publishing rights on behalf of clients and provides asset management services; and
- the AMRA segment, which is a music royalty collection society.

The Group's Chief Executive monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross profit and contribution margin and is measured consistently with profit or loss in the consolidated financial statements.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

5. SEGMENT INFORMATION (continued)

Classes of business	Publishing (Incl. Kobalt Capital)	AMRA	Other/ corporate	Eliminations	Consolidated
	2022	2022	2022	2022	2022
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross collection / fees	616,128	117,306	(84)	(63,819)	669,531
Revenue					
External sales to third parties	513,967	117,306	-	-	631,273
Inter-segment sales	<u>63,797</u>	<u>-</u>	<u>(84)</u>	<u>(63,819)</u>	<u>(106)</u>
Total revenue	<u>577,764</u>	<u>117,306</u>	<u>(84)</u>	<u>(63,819)</u>	<u>631,167</u>
Contribution margin*	122,620	11,208	(873)	(45)	132,934
Sales / Marketing cost					(9,995)
Corporate activity cost					<u>(40,235)</u>
Adjusted EBITDA					<u>82,704</u>
Depreciation and amortisation					(13,290)
Provisions and write-offs					(13,140)
Exchange rate loss					20,569
Finance cost					(10,263)
Other expenses					(14,322)
Share based payments					<u>(1,392)</u>
Profit before tax					<u>50,866</u>
Total assets	3,036	289	4,739	(7,224)	840
Total liabilities	(3,055)	(310)	(4,663)	7,220	(808)

*Contribution margin is equal to gross margin less ongoing service costs

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2022

5. SEGMENT INFORMATION (continued)

Classes of business	Publishing (Incl. Kobalt Capital)	AMRA	Other/corporate	Eliminations	Consolidated
	2021 S'000	2021 S'000	2021 S'000	2021 S'000	2021 S'000
Gross collection / fees	507,237	109,814	-	(68,795)	548,256
Revenue					
External sales to third parties	409,589	109,814	-	-	519,403
Inter-segment sales	68,795	-	-	(68,795)	-
Total revenue	<u>478,384</u>	<u>109,814</u>	<u>-</u>	<u>(68,795)</u>	<u>519,403</u>
Contribution margin*	78,497	6,141	(561)	-	84,077
Sales / Marketing cost					(9,371)
Corporate activity cost					(30,689)
Adjusted EBITDA					<u>44,017</u>
Depreciation and amortisation					(11,000)
Provisions and write-offs					(4,164)
Exchange rate loss					13,944
Finance cost					(25,240)
Other expenses					(1,039)
Share based payments					(4,238)
Loss before tax					<u>12,280</u>
Total assets	3,097	215	5,004	(7,572)	<u>744</u>
Total liabilities	(3,143)	(245)	(4,660)	7,539	(509)

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

5. SEGMENT INFORMATION (continued)

Geographic information

Revenues from external customers

Turnover, which is stated net of value added tax, represents amounts earned in respect of the Group's continuing activity as stated in the Directors' Report. An analysis of turnover by geographical market is given below:

	2022 \$'000	2021 \$'000
United Kingdom	87,812	70,151
Rest of Europe	158,070	135,709
North America	302,976	235,841
Rest of World	82,309	77,702
Total revenue	<u>631,167</u>	<u>519,403</u>

6. OPERATING PROFIT

Has been arrived at after charging:

	Note	2022 \$'000	2021 \$'000
Net foreign exchange loss		20,569	13,944
Depreciation of property, plant and equipment	15	1,727	2,353
Depreciation of right-of-use assets	16	3,856	4,753
Amortisation of intangible assets included in other operating expenses	14	11,564	9,451
Staff costs	7	56,647	61,318
R&D expenses not capitalised		5,485	5,710
Fees payable to the Company's auditor for the audit of the Group's annual financial statements:		415	486
Subsidiaries' annual financial statements		90	66
Other non-audit services:			
Taxation compliance services		531	398
Other taxation advisory services		173	780
Other advisory services		207	56

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

7. STAFF COSTS

The average monthly number of both continued and discontinued operations (including executive directors) was:

	2022 Numbers	2021 Numbers
Publishing client services and administration	132	152
Synchronisation and creative	90	89
AWAL	-	126
Neighbouring Rights	-	28
AMRA	25	25
Tech and Product	67	81
Corporate and Other	88	96
	<u>402</u>	<u>597</u>

Post-capitalisation staff costs:

	2022 \$'000	2021 \$'000
Wages and salaries	47,641	49,408
Employer pension contributions	2,014	2,301
Social security contributions and similar taxes	5,600	5,371
Share-based payment charges	<u>1,392</u>	<u>4,238</u>
	<u>56,647</u>	<u>61,318</u>

Capitalisation amounts can be found within note 14.

Directors' remuneration amounts can be found within note

31.

8. INVESTMENT INCOME

	2022 \$'000	2021 \$'000
Incentive share income	32,921	18,130
Gain on equity investment	1,677	1,838
Interest income	<u>10</u>	<u>12</u>
	<u>34,608</u>	<u>19,980</u>

For details on investment in subsidiaries, refer to note 18 to the consolidated financial statements.

9. FINANCE COSTS

	2022 \$'000	2021 \$'000
Interest expense on financial liabilities measured at amortised cost	3,202	17,278
Interest on lease liabilities	<u>2,418</u>	<u>3,212</u>
	<u>5,620</u>	<u>20,490</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

10. INCOME TAX

The major components of income tax expense for the years ended 30 June 2022 and 2021 are:

	2022 \$'000	2021 \$'000
Current income tax		
United Kingdom corporation tax based on the loss for the year at 19% (2021: 19%)	2,160	-
Non-reclaimable withholding tax on royalty payments received	7,458	5,114
s455 UK corporation tax for the year	72	86
Net refund of UK corporation tax for earlier years	(539)	(35)
Tax paid in overseas jurisdictions	4,366	747
Total current tax	<u>13,517</u>	<u>5,912</u>
Deferred taxation		
Origination and reversal of timing differences	(28,222)	(140)
Write-down of previously recognised deferred tax assets	-	658
Tax on profit on ordinary activities	<u>(14,705)</u>	<u>6,430</u>

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax is 19% (2021: 19%). The actual tax charge for the current year and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2022 \$'000	2021 \$'000
Profit on ordinary activities before tax	50,866	12,280
Tax on profit on ordinary activities at standard rate	9,665	2,332
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	2,459	4,670
Income not taxable for tax purposes	(1,267)	2,364
Expenses deductible for tax purposes	(666)	-
Depreciation in excess of capital allowances	(1,082)	(129)
Tax losses carried forward	(29,613)	1,770
Net non-reclaimable withholding tax on royalty payments received	7,458	5,114
Different tax rates used in overseas jurisdictions	2,455	2,313
Movement in short term timing differences	(682)	(5,392)
Losses utilised	(3,432)	(6,612)
Total actual amount of current tax	<u>(14,705)</u>	<u>6,430</u>

On 10 June 2021 the UK government enacted to increase the UK corporation tax rate to 25% with effect from 1 April 2023. This will impact the value of the tax charged on UK profits generated in 2023 and subsequently. Deferred tax assets and liabilities have been measured at 25% to the extent that they will be reversed after 1 April 2023.

Deferred taxation

Various Group companies have, subject to agreement by the tax authorities in the relevant jurisdictions, tax losses available for offset against future taxable profits arising from the same trades. These losses have an approximate value of \$26.6 million (2021: \$40.9 million) of which \$24.4 million (2021: nil) has been recognized as a deferred tax asset.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

11. DISCONTINUED OPERATIONS

In the prior year, the Group entered into a sale agreement with Sony Corporation to dispose of certain subsidiaries, which carried out all of the Group's AWAL and Neighbouring Rights operations. The disposal was affected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 17 May 2021, on which date control of these subsidiaries passed to the acquirer.

The results of the discontinued operations, which have been included in the profit / (loss), were as follows:

	Group investments \$'000
Net gain recognised in prior year	335,445
Payable to acquirer	(4,661)
Transaction costs	<u>(5,339)</u>
	(10,000)
Attributable tax refund	<u>1,077</u>
Net loss recognised in current year	(8,923)
Total net gain recognized on sale	326,522

A net loss of \$8.9 million arose during the current year which reflects an adjustment payable to acquirer as well as additional expenses incurred over what was estimated in the prior year.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

12. SHARE-BASED PAYMENTS

Equity-settled share options

The Company provides incentives in the form of share options to many employees of the Group as well as a small number of key suppliers. Options are exercisable at a price equal to or greater than the Company's option fair market value s on the date of grant. The vesting period is up to four years. If the options remain unexercised after a period of between five and ten years from the date of grant the options expire. Some options are forfeited if the employee leaves the Group.

Details of the share options and restricted stock units outstanding during the year are as follows:

	2022		2021	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of year	2,144,601	28.09	2,006,856	20.30
Granted during the year	67,650	23.78	242,250	13.07
Forfeited during the year	(30,392)	35.27	(86,561)	41.14
Cancelled during the year	(140,770)	22.76	-	-
Exercised during the year	(39,715)	10.00	(17,631)	10.00
Expired during the year	-	-	(312)	38.00
Other movements during the year	18,000	-	-	-
	<u>2,019,374</u>		<u>2,144,602</u>	
Outstanding at the end of the year				
Exercisable at the end of the year	<u>1,882,346</u>		<u>1,525,948</u>	

The weighted average share price at exercise was £10.00 (2021: £10.00).

At 30 June 2022, outstanding options had an exercise price of £3.00 to £53.00 (2021: £3.00 to £51.00) and a weighted average remaining contractual life of 7.6 years (2021: 7.9 years).

The inputs into the Black-Scholes option pricing model for options granted within the relevant year are as follows:

Year ended 30 June	2022	2021
Weighted average share price at grant (based on FTSE All Share movement)	£24.30	£0.96
Weighted average exercise price	£23.78	£13.07
Expected volatility	25%	25%
Weighted average expected life	10.00	10.00
Weighted average risk-free rate	1.33%	0.30%
Expected dividend yield	-	-

Expected volatility was estimated by considering comparable companies and historical volatility of the Group's share price over the previous five years.

The Group recognised total expenses of \$1.4 million (2021: \$5.2m) related to equity-settled share-based payment transactions in the year ended 30 June 2022.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

13. GOODWILL AND IMPAIRMENT

GROUP	Goodwill \$'000
Cost	
At 1 July 2021	2,149
Foreign exchange rate movements	(181)
At 30 June 2022	1,968
Accumulated impairment losses	
At 1 July 2021	938
Foreign exchange rate movements	(117)
At 30 June 2022	821
Net book value	
At 30 June 2021	1,211
At 30 June 2022	1,147

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a suitable discount rate in order to calculate the present value of the cash flows.

The carrying amount of goodwill is allocated to the CGUs as follows at 30 June 2022, before impairment consideration:

	2022 \$'000	2021 \$'000	2020 \$'000
Publishing	1,269	1,450	1,287
AMRA	699	699	699
	<u>1,968</u>	<u>2,149</u>	<u>1,986</u>

The recoverable amount of each segment as a cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial forecasts approved by the Directors covering a five-year period, and a pre-tax discount rate of 10% per annum. For the purposes of impairment testing, cash flows beyond that five-year period have been extrapolated without assuming further growth.

For the Publishing and AMRA cash-generating unit, the Directors estimate that a decrease from the historical three-year average growth rates of ~15% and ~20% respectively to nil would still result in significant headroom from an impairment charge.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2022

14. OTHER INTANGIBLE ASSETS

GROUP	Client contracts \$'000	Software licences \$'000	Development costs \$'000	Publishing assets \$'000	Total assets \$'000
Cost					
At 1 July 2020	<u>26,873</u>	<u>3,880</u>	<u>37,719</u>	<u>3,167</u>	<u>71,639</u>
Additions – internally generated	-	-	7,201	1,746	8,947
Additions – external third party	-	135	31	29,416	29,582
Disposal – sale of assets (note 11)	(24,801)	(180)	-	(4,169)	(29,150)
Foreign exchange rate movements	1,959	467	4,758	362	7,546
At 30 June 2021	<u>4,031</u>	<u>4,302</u>	<u>49,709</u>	<u>30,522</u>	<u>88,564</u>
Additions – internally generated	-	-	4,288	1,376	5,664
Additions – external third party	-	222	54	211,948	212,224
Foreign exchange rate movements	-	(545)	(6,190)	(618)	(7,353)
At 30 June 2022	<u>4,031</u>	<u>3,979</u>	<u>47,861</u>	<u>243,228</u>	<u>299,099</u>
Amortisation					
At 1 July 2020	<u>3,980</u>	<u>2,355</u>	<u>19,071</u>	<u>317</u>	<u>25,723</u>
Amortisation charge	911	606	7,291	643	9,451
Disposal – sale of assets (note 11)	(4,547)	(103)	-	(58)	(4,708)
Foreign exchange rate movements	412	305	2,611	33	3,361
At 30 June 2021	<u>756</u>	<u>3,163</u>	<u>28,973</u>	<u>935</u>	<u>33,827</u>
Amortisation charge	159	626	7,589	3,190	11,564
Foreign exchange rate movements	-	(409)	(4,334)	(180)	(4,923)
At 30 June 2022	<u>915</u>	<u>3,380</u>	<u>32,228</u>	<u>3,945</u>	<u>40,468</u>
Net book value					
At 1 July 2020	<u>22,893</u>	<u>1,525</u>	<u>18,648</u>	<u>2,850</u>	<u>45,916</u>
At 30 June 2021	<u>3,275</u>	<u>1,139</u>	<u>20,736</u>	<u>29,587</u>	<u>54,737</u>
At 30 June 2022	<u>3,116</u>	<u>599</u>	<u>15,633</u>	<u>239,283</u>	<u>258,631</u>

All amortisation of intangible assets is recorded as a cost within operating expenses on the income statement on a straight line basis.

Client contracts consist of administration agreements acquired on acquisition, and these are amortised over 25 years.

Development costs consists entirely of the Group's internally developed royalty system. Different components of the system have different remaining amortisation periods, ranging up to five years.

Publishing assets relates to payments made to acquire the right to collect royalties on future compositions by a certain client and certain additional onboarding costs. Publishing assets are amortised with the collection of royalties on the future compositions. During the current year, the Company changed the useful life of acquired catalogues from 20 years to 35 years. There was a \$1.7 million impact due to the change in estimate in the current year.

Software licences include licences with a perpetual life purchased from external third parties and applications internally created. Software licences are amortised over three years.

Total net development costs of \$15,633k (2021: \$20,736k) are held by KTech Services Ltd.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2022

15. PROPERTY, PLANT AND EQUIPMENT

GROUP	Office equipment and fixtures \$'000	Computer equipment \$'000	Total \$'000
Cost			
At 1 July 2020	14,346	5,488	19,834
Additions	763	99	862
Foreign exchange movements	1,113	473	1,586
At 30 June 2021	16,222	6,060	22,282
Additions	44	154	198
Disposals	(7,956)	(9)	(7,965)
Foreign exchange movements	(1,440)	(582)	(2,022)
At 30 June 2022	6,870	5,623	12,493
Accumulated depreciation			
At 1 July 2020	5,184	4,953	10,137
Depreciation	1,829	524	2,353
Foreign exchange movements	347	435	782
At 30 June 2021	7,360	5,912	13,272
Depreciation	1,522	205	1,727
Depreciation on disposals	(3,196)	(2)	(3,198)
Foreign exchange movements	(605)	(644)	(1,249)
At 30 June 2022	5,081	5,471	10,552
Net book value			
At 1 July 2020	9,162	535	9,697
At 30 June 2021	8,862	148	9,010
At 30 June 2022	1,789	152	1,941

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2022

16. RIGHT OF USE ASSETS

GROUP

	Lease
Cost	\$'000
At 30 June 2020	34,381
Foreign exchange movements	2,065
At 30 June 2021	36,446
Additions	1,440
Disposals	(17,858)
Foreign exchange movements	3,855
At 30 June 2022	23,883
Accumulated depreciation	
At 30 June 2020	4,599
Depreciation	4,753
Foreign exchange movements	260
At 30 June 2021	9,612
Depreciation	3,856
Depreciation on disposals	(4,762)
Foreign exchange movements	4,166
At 30 June 2022	12,872
Net book value	
At 30 June 2021	26,834
At 30 June 2022	11,011

The maturity analysis of lease liabilities is presented in note 22.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

17. SUBSIDIARIES

The Group consists of a parent company, Kobalt Music Group Ltd, incorporated in the UK and a number of subsidiaries indirectly, which operate and are incorporated around the world. All subsidiaries are 100% owned by the Group with 100% of voting share. See below for details:

Guarantees

The Company will guarantee the debts and liabilities of certain of its UK subsidiaries at the reporting date in accordance with section 479A of Companies Act 2006. The Company has assessed the probability of loss under these guarantees as remote.

Name	Address	Place of incorporation and operation	Principal activity
KMG Germany GmbH	(b)	Germany	Music publishing
Kobalt America Holdings, Inc	(c)	USA	Holding company
Kobalt Capital America, Inc	(c)	USA	Provision of investment advice
Kobalt Capital Limited*	(a)	UK	Provision of investment advice
Kobalt Capital Suisse Sarl	(d)	Switzerland	Provision of investment advice
Kobalt Music Administration Limited (iii)	(a)	UK	Music publishing
Kobalt Music Publishing (Italia) Limited*	(a)	UK	Music publishing
Kobalt Music Publishing America Inc	(c)	USA/Canada	Music publishing
Kobalt Music Publishing Australia Pty Limited	(e)	Australia	Music publishing
Kobalt Music Publishing Limited*	(a)	UK	Music publishing
Kobalt Music Royalties Sarl	(f)	Luxembourg	Music publishing
Kobalt Music Royalties II Sarl	(f)	Luxembourg	Music publishing
Kobalt Music Scandinavia AB	(g)	Sweden	Music publishing
Kobalt Music Services America Inc	(c)	USA	Music publishing
Kobalt Music Services America II Inc	(c)	USA	Music publishing
Kobalt Music Services Australia Pty Limited	(e)	Australia	Music publishing
Kobalt Music Services Limited*	(a)	UK	Music publishing
Kobalt Music Services II Limited (ii)	(a)	UK	Music publishing
Kojam Music Limited (iii)	(a)	UK	Music publishing
Kobalt Music Publishing Malaysia Limited (formerly Kollector Limited) (ii)	(a)	UK	Music Publishing
Kobalt Music Publishing Worldwide Limited (formerly Kobalt STIM Aggregated Rights Limited)*	(a)	UK	Music publishing
Kobalt 2015 Limited (ii)	(a)	UK	Music publishing
Kobalt Music Netherlands BV	(h)	Netherlands	Music publishing
Kobalt Music Netherlands Publishing B.V., (Formerly Fintage Publishing B.V) (iii)	(h)	Netherlands	Music publishing
Kobalt Music Netherlands International B.V., (Formerly Fintage Music International B.V.)	(h)	Netherlands	Music publishing
Kobalt Music Netherlands Publishing Australia B.V., (Formerly Fintage Publishing Australia B.V.) (iii)	(h)	Netherlands	Music publishing
Kobalt Music Netherlands Publishing Italiana B.V., (Formerly Fintage Publishing Italiana B.V) (iii)	(h)	Netherlands	Music publishing
Kobalt Music Netherlands Direct B.V., (Formerly Fintage Direct B.V.) (iii)	(h)	Netherlands	Music publishing

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

17. SUBSIDIARIES (continued)

Name	Address	Place of incorporation and operation	Principal activity
Ktech Services Limited*	(a)	UK/Ireland	Group service provision
American Music Rights Association Inc.	(i)	USA	Collection society
AMRA London Limited*	(j)	UK	Society service provision
Kobalt London Limited(i)	(a)	UK/France	Group service provision
Kobalt Music Publishing Asia Limited	(k)	Hong Kong	Music publishing
Kobalt Music Services Asia Limited	(k)	Hong Kong	Music publishing
American Music Rights Association Aktiebolah	(g)	Sweden	Society service provision
Kobalt Capital Luxembourg Sarl	(f)	Luxembourg	Provision of investment advice
Kobalt Music Catalogues Limited	(a)	UK	Music publishing

(i) Directly held by Kobalt Music Group Limited

(ii) Dissolved

(iii) Merged into Kobalt Music Netherlands BV

* Exemption from Audit by Parent Guarantee – Entities debts and liabilities are guaranteed by the Company at the reporting date in accordance with section 479A of the Companies Act 2006.

- (a) WeWork, 120 Moorgate, London EC2M 6UR, United Kingdom
- (b) Oberwallstrasse 32, 10117, Berlin, Germany
- (c) 2 Gansevoort St., 6th Floor, New York, NY 10014
- (d) c/o Fidulem S.A., Av. Mon-Repos 24, Case postale 625, 1001 Lausanne, Switzerland
- (e) Suite 203, 24-30 Springfield Avenue, Potts Point, Sydney, Australia
- (f) 35, rue Glesener, L-1630 Luxembourg
- (g) Upplandsgatan 16, 113 60 Stockholm, Sweden
- (h) Bergweidedijk 38 7418AA Deventer, The Netherlands
- (i) 2100 Ponce de Leon, Suite 1230, Coral Gables, Florida 33134, United States
- (j) 21-27 Lambs Conduit Street, London, WC1N 3GS, United Kingdom
- (k) Unit 1502, 15th Floor, Austin Tower, 22-26 Austin Avenue, Tsim Sha Tsui, Hong Kong

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2022

18. INVESTMENTS

	Group investments
	\$'000
Fair value	
At 1 July 2020	9,289
Investment in third parties	300
Fair value adjustment	1,838
Return of capital	(6,258)
Dividend received	(150)
Foreign exchange movements	<u>342</u>
At 30 June 2021	<u>5,361</u>
Fair value adjustment	1,677
Return of capital	(760)
Dividend received	(4,837)
Foreign exchange movements	<u>(47)</u>
At 30 June 2022	<u>1,393</u>

At 30 June 2022, the Group held a strategic, non-controlling interest of less than 3% in Kobalt Music Royalties SCA SICAV-SIF ("Fund I") and less than 1% in KMR Music Royalties IISCSp ("Fund II").

Post year-end Fund II was liquidated and Fund I is in the process of liquidation.

Value of investment at year-end is marked to fair value using the 31 March 2022 statement. Management does not believe there will be any material changes.

19. ADVANCES

	2022	2021
	\$'000	\$'000
		Restated*
Advances	280,051	136,041
Provision for impairment of advances	<u>(18,328)</u>	<u>(9,691)</u>
Total advances	<u>261,723</u>	<u>126,350</u>
Analysed as:		
Current assets	76,131	28,368
Non-current assets	<u>185,592</u>	<u>97,982</u>
	<u>261,723</u>	<u>126,350</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2022

19. ADVANCES (continued)

	Net advances \$'000
At 1 July 2020	156,867
Additions	68,163
Recoupment	(35,686)
Provision for unrecoupable	(2,094)
Disposal of subsidiary	(64,887)
Foreign exchange movements	<u>3,987</u>
At 30 June 2021	126,350
Additions	249,073
Recoupment	(97,072)
Provision for unrecoupable	(8,637)
Foreign exchange movements	<u>(7,991)</u>
At 30 June 2022	<u>261,723</u>

Movement in provision:

	Provision \$'000
At 1 July 2020	(11,154)
Disposal of subsidiary (note 11)	3,557
Charged to consolidated statement of comprehensive income during the period	<u>(2,094)</u>
At 30 June 2021	(9,691)
Charged to consolidated statement of comprehensive income during the period	<u>(8,637)</u>
At 30 June 2022	<u>(18,328)</u>

20. TRADE AND OTHER RECEIVABLES

*See note 4 for further information.

Trade and other receivables are measured at unamortised amount receivable.

Under IFRS 9, the Directors consider the carrying amount of trade and other receivables at the transaction price as it is assumed they do not contain a significant financing component

	2022 \$'000	2021 \$'000 Restated*
Other receivables	17,827	25,004
Prepayments	3,063	4,162
Accrued income	<u>192,916</u>	<u>172,461</u>
Total trade and other receivables	<u>213,806</u>	<u>201,627</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2022

21. TRADE AND OTHER PAYABLES

*See note 4 for further information.

The Directors consider that the carrying amount of trade and other payables is approximately equal to their fair value.

	2022 \$'000	2021 \$'000 Restated*
Trade creditors	24,645	1,260
Social security and other taxes	7,884	19,426
Accruals	401,261	364,395
Deferred revenue	46,164	66,369
Other creditors	60,522	22,046
Total trade and other payables	<u>540,476</u>	<u>473,496</u>

22. LEASE LIABILITIES

The amounts due as of the balance sheet date of leases classified as capital leases per IFRS 16:

	2022 \$'000	2021 \$'000
Not later than one year	1,867	3,657
Later than one year and not later than five years	12,052	16,978
Later than five years	402	14,144
	<u>14,321</u>	<u>34,779</u>
Analysed as:		
Current	1,867	3,657
Non-current	12,454	31,122
	<u>14,321</u>	<u>34,779</u>

The Group does not face a significant liquidity risk regarding its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

23. LOANS AND BORROWING

The book value and fair value of loans and borrowings are as follows:

	2022	2021
	\$'000	\$'000
Secured borrowing at amortised cost		
Term loan and revolver	255,500	-
Accrued loan interest	2,256	-
Capitalised debt costs	<u>(8,394)</u>	<u>-</u>
Total borrowings	<u>249,362</u>	<u>-</u>
Analysed as:		
Current	2,256	-
Non-current	<u>247,106</u>	<u>-</u>
	<u>249,362</u>	<u>-</u>

All borrowings are in US dollars.

The other principal features of the Group's borrowings are as follows:

During the current year, Kobalt London Limited, a subsidiary of the Group closed a \$400.0 million senior secured revolving facility and a \$150.0 million senior secured last-out delayed draw term loan facility. As at 30 June 2022 the value outstanding across both facilities was \$255.5 million (2021: nil). Additionally, capitalised debt costs of \$8.4 million were incurred.

Kobalt Music Group Limited and all of its subsidiaries serve as guarantors of the debt.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2022

24. DEFERRED TAX

	S'000
Deferred tax asset	
At 30 June 2020	576
Exchange rate movements	72
Utilization of deferred tax assets	<u>(648)</u>
At 30 June 2021	-
Net trading losses	<u>(28,222)</u>
At 30 June 2022	<u>(28,222)</u>

The amount of deferred tax asset relates to historic tax losses and is provided in the financial statements as follows:

	GROUP	
	2022	2021
	S'000	S'000
Net trading losses	<u>28,222</u>	<u>-</u>
Deferred tax liability		S'000
At 30 June 2020		(3,386)
Exchange rate movements		(292)
Reversal of timing difference		140
Transfer to discontinued operations		<u>3,007</u>
At 30 June 2021		<u>(531)</u>
Exchange rate movements		-
Reversal of timing differences		-
At 30 June 2022		<u>(531)</u>

The deferred tax liability relates to the client contracts in note 14.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

25. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases for those leases that did not meet the criteria under IFRS 16 to be capitalised, which fall due as follows:

	2022 \$'000	2021 \$'000
Lease payments under operating leases recognised as an expense in the year	746	523
	<u>746</u>	<u>523</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of three years. At 30 June 2022, all operating leases had less than one year left in term with options to renew.

	2022 \$'000	2021 \$'000
Not later than one year	992	526
Later than one year and not later than five years	-	41
Later than five years	-	-
	<u>992</u>	<u>567</u>

The Group as a lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2022 \$'000	2021 \$'000
Not later than one year	249	548
Later than one year but not later than five years	567	2,178
	<u>816</u>	<u>2,726</u>

26. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise of cash and cash equivalents, trade receivables and trade payables which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group's activities expose it to a variety of financial risks including liquidity rate risk, and foreign currency exchange rate risk. It is the objective of the Group to minimise these risks where possible by maintaining and operating a robust control environment. Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a separate sub-committee of the Board.

The Group currently uses derivative financial instruments to manage its exposure to these risks.

All trade payables are due to be paid within twelve months of the Balance Sheet date. See note 21 for further details.

All assets of the company are charged to the Royal Bank of Scotland plc as part of an inter-company overdraft agreement

Liquidity risk

As regards liquidity, the Group's policy throughout the period has been to ensure the continuity of funding. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2022

26. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

The Group presentational currency is USD and operates in the United Kingdom, USA and internationally resulting in the Group being exposed to foreign exchange risk arising from various currency exposures.

The Group's policy is to conduct the majority of its sales in the local currency of each entity. Within each statutory entity, there is an amount of trading with overseas customers which are settled in foreign currencies. The Group monitors its exposure to currency by regularly reviewing its cash balances and matching these with future known and forecasted requirements.

The Group's policy is to align cash holdings and future expenses of its major currencies in order to provide some protection against adverse movements in foreign exchange rates. At year end the Group held cash as follows

Currency	30 June 2022	30 June 2021
	\$'000	\$'000
United States Dollar	30,598	281,674
Great British Pound	7,188	5,204
Euro	8,665	12,767
Swedish Krona	2,810	4,774
Swiss Franc	1,909	1,767
Canadian Dollar	1,400	2,276
Australian Dollar	3,484	3,823
Hong Kong Dollar	2,417	1,308
Chinese Yuan	1,821	973
Japanese Yen	509	413

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or negotiate debt facilities.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- **Level 3:** inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2022

27. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative asset and liability with NatWest Markets Plc do not meet the offsetting criteria in IAS 32. Consequently, the gross amount of the derivative asset and the gross amount of the derivative liability presented separately in the Group's statement of financial position.

Cash collateral has also been paid to the counterparty. The cash collateral does not meet the offsetting criteria in IAS 32, but it can be set off against the net amount of the derivative asset and derivative liability in the case of default and insolvency or bankruptcy, in accordance with the associated collateral arrangements.

Foreign exchange forward contracts	2022 \$'000	2021 \$'000
FX forward contracts	-	2,559
Cash collateral	1,516	1,732
Derivative asset	<u>1,516</u>	<u>4,291</u>
Analysed as:		
Current	-	2,559
Non-current	<u>1,516</u>	<u>1,732</u>
	<u>1,516</u>	<u>4,291</u>
FX forward contracts	<u>(2,865)</u>	-
Derivative liability	<u>(2,865)</u>	-
Analysed as:		
Current	(2,265)	-
Non-current	<u>(600)</u>	-
	<u>(2,865)</u>	-

The following table details the Group's liquidity analysis for its foreign exchange forward contracts based on contractual maturities. The table has been drawn up based on the undiscounted gross inflows and outflows on those derivatives. Assumes all contracts will be gross settled.

When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Foreign exchange forward contracts	2022 \$'000	2021 \$'000
Not later than one month	2,020	3,141
Later than one month and not later than three months	6,063	6,287
Later than three months and not later than twelve months	16,187	26,041
One to two years	9,821	-
	<u>34,091</u>	<u>35,469</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2022

28. SHARE CAPITAL

Issued and fully paid:

	2022	2021
	\$'000	\$'000
6,326,781 (2021 - 6,987,223) ordinary shares of £0.05 each	534	584
618,826 (2021 - 931,102) BA ordinary shares of £0.005 each	6	6
52,080 (2021 - 52,080) BB ordinary shares of £0.005 each	-	-
307,530 (2021 - 315,341) BC ordinary shares of £0.005 each	2	2
112,000 (2021 - 112,000) BD ordinary shares of £0.005 each	1	1
56,144 (2021 - 77,750) BG ordinary shares of £0.005 each	1	1
428,818 (2021 - 530,684) A preference shares of £0.05 each	38	38
50,584 (2021 - 62,500) B preference shares of £0.05 each	4	4
2 (2021 - 1,377,981) C preference shares of £0.10 each	17	185
270,996 (2021 - 1,354,984) D preference shares of £0.10 each	26	175
	629	996

During the year, share capital was increased by £2k (\$2k) by the issue of 39,715 ordinary shares.

In the year, the following shares were issued as a result of the exercise of options:

Date	Type of share	No. of shares
October 202	Ordinary shares of £0.05	1,100
April 2022	Ordinary shares of £0.05	2,000
June 2022	Ordinary shares of £0.05	36,615

During the year, share capital was decreased by \$421k by the share repurchase for cash during the year of 1,915,672 ordinary and 1,657,098 preference shares.

Date	Type of share	No. of shares
July 2021	Preference D shares of £0.10	1,083,988
March 2022	Preference C shares of £0.10	459,328
March 2022	Ordinary shares of £0.05	18,750
June 2022	Preference A shares of £0.05	101,866
June 2022	Preference B shares of £0.05	11,916
June 2022	Ordinary BA shares of £0.005	312,276
June 2022	Ordinary BC shares of £0.005	7,811
June 2022	Ordinary BG shares of £0.005	21,606
June 2022	Ordinary shares of £0.05	1,555,226

During the year, there was a preference C conversion, share capital was decreased by £45k (\$55k) by the conversion of 918,653 preference C shares to ordinary shares.

Date	Type of share	No. of shares
April 2022	Preference C shares of £0.10	918,653

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2022

28. SHARE CAPITAL (continued)

The rights, preferences and restrictions attaching to each class of share are as follows:

Share class	Voting rights	Dividends rights	Capital distribution rights	Other
Ordinary	Full	Subject to the preferred dividend rights attaching to the Series D preferred shares and the series C preferred shares, full rights to participate in distribution of dividends	Subject to the rights of the Series A preferred shares, Series B preferred shares, Series C preferred shares and Series D preferred shares, full rights to participate in capital distributions; (d) the shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder	None
Ordinary - BA	20 Ordinary BA shares have the same voting rights as one Ordinary share	Subject to the preferred dividend rights attaching to the Series D preferred shares and the Series C preferred shares, Ordinary BA shareholders have the right to participate in distribution of dividends payable to that share class	Subject to the rights of the Series A preferred shares, Series B preferred shares, Series C preferred shares and Series D preferred shares, Ordinary BA shareholders have the right to participate in capital distributions, such distributions to be reduced by the threshold value of £6.00 per Ordinary BA share; (d) the shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder	None
Ordinary - BB	20 Ordinary BB shares have the same voting rights as one Ordinary share	Subject to the preferred dividend rights attaching to the Series D preferred shares and the Series C preferred shares, Ordinary BB shareholders have the right to participate in distribution of dividends payable to that share class	Subject to the rights of the Series A preferred shares, Series B preferred shares, Series C preferred shares and Series D preferred shares, Ordinary BB shareholders have the right to participate in capital distributions, such distributions to be reduced by the threshold value of £7.50 per Ordinary BB share; (d) the shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder	None

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2022

28. SHARE CAPITAL (continued)

Share class	Voting rights	Dividends rights	Capital distribution rights	Other
Ordinary – BC	20 Ordinary BC shares have the same voting rights as one Ordinary share	Subject to the preferred dividend rights attaching to the Series D preferred shares and the Series C preferred shares, Ordinary BC shareholders have the right to participate in distribution of dividends payable to that share class	Subject to the rights of the Series A preferred shares, Series B preferred shares, Series C preferred shares and Series D preferred shares, Ordinary BC shareholders have the right to participate in capital distributions, such distributions to be reduced by the threshold value of £10.00 per Ordinary BC share; (d) the shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder	None
Ordinary - BD	20 ordinary BD shares have the same voting rights as one Ordinary share	Subject to the preferred dividend rights attaching to the Series D preferred shares and the Series C preferred shares, Ordinary BD shareholders have the right to participate in distribution of dividends payable to that share class	Subject to the rights of the Series A preferred shares, Series B preferred shares, Series C preferred shares and Series D preferred shares, Ordinary BD shareholders have the right to participate in capital distributions, such distributions to be reduced by the threshold value of £20.00 per Ordinary BD share; (d) the shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder	None
Ordinary - BG	20 ordinary BG shares have the same voting rights as one Ordinary share	Subject to the preferred dividend rights attaching to the Series D preferred shares and the Series C preferred shares, Ordinary BG shareholders have the right to participate in distribution of dividends payable to that share class	Subject to the rights of the Series A preferred shares, Series B preferred shares, Series C preferred shares and Series D preferred shares, Ordinary BG shareholders have the right to participate in capital distributions, such distributions to be reduced by the threshold value of £17.50 per Ordinary BG share	The shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2022

28. SHARE CAPITAL (continued)

Share class	Voting rights	Dividends rights	Capital distribution rights	Other
Series A Preferred	Full voting rights on an as converted basis into Ordinary shares	Subject to the preferred dividend rights attaching to the Series D preferred shares and the Series C preferred shares, full rights to participate in distribution of dividends	Subject to the rights of the Series D preferred shares and the Series C preferred shares, prior right to participate up to £12.00 per Series A preferred share in capital distributions, pari passu with right of Series B preferred shares to participate up to £20.00 per Series B preferred share, where the amount receivable per ordinary share, series a preferred share and Series B preferred share would otherwise be less than £20.00 per share	Convertible into Ordinary shares at any time and automatically on a listing; The shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder
Series B Preferred	Full voting rights on an as converted basis into Ordinary shares	Subject to the preferred dividend rights attaching to the Series D preferred shares and the Series C preferred shares, full rights to participate in distribution of dividends	Subject to the rights of the Series D preferred shares and the Series C preferred shares, prior right to participate up to £20.00 per Series B preferred share in capital distributions, pari passu with right of Series A preferred shares to participate up to £12.00 per Series A preferred Share, where the amount receivable per ordinary share, Series A preferred share and Series B preferred share would otherwise be less than £20.00 per share	Convertible into Ordinary shares at any time and automatically on a listing; The shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder
Series C Preferred	Full voting rights on an as converted basis into Ordinary shares	Subject to the preferred dividend rights attaching to the Series D preferred shares, prior right to receive dividend equal to the greater of 8% of the applicable Series C Ip amount and the ordinary share dividend the holders would receive on an as converted basis	Subject to the prior rights of the Series D preferred shares, prior right (prior to the holders of Series A preferred shares, Series B preferred shares, Ordinary shares and B shares) to receive up to the Series C Ip amount per Series C preferred share held on a capital distribution, otherwise right to receive same amount per share as holders of ordinary shares	Convertible into Ordinary shares at any time and automatically on a listing; The shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2022

28. SHARE CAPITAL (continued)

Share class	Voting rights	Dividends rights	Capital distribution rights	Other
Series D Preferred	Full voting rights on an as converted basis into Ordinary shares	Prior right to receive dividend equal to the greater of 8% of the applicable Series D Ip amount and the ordinary share dividend the holders would receive on an as converted basis	Prior right (prior to the holders of Series A preferred shares, Series B preferred shares, Series C preferred shares, Ordinary shares and B shares) to receive up to 1.25 times the Series D Ip amount per Series D preferred share held on a capital distribution, otherwise right to receive same amount per share as holders of Ordinary shares	Convertible into Ordinary shares at any time and automatically on a listing; The shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder

29. SHARE PREMIUM

	\$'000
Balance at 1 July 2020	193,760
Premium arising on issue of equity share	<u>134</u>
Balance at 30 June 2021	193,894
Premium arising on issue of equity shares	<u>538</u>
Balance at 30 June 2022	<u>194,432</u>

30. RESERVES

The following describes the nature and purpose of each reserve within equity:

- a. share capital: nominal value of share capital issued;
- b. share premium: Amount subscribed for share capital in excess of nominal value;
- c. share option reserve: the cost to the Group of share options, less any consideration paid for the lapse of options;
- d. retained earnings: the company's results to date. The company has paid no dividends to date; and
- e. retranslation reserve: Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the parent's presentational currency, being USD, are recognised directly in the translation reserve.

No gains or losses were transferred from translation reserves into profit or loss during the period.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

31. RELATED PARTY DISCLOSURES

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

In relation to Fund I and Fund II, net amounts owed as at year end are \$8.5m (2021: \$15.8m). Amounts recognised as part of profit from continuing operations during the year was \$36.9m (2021: \$28.7m)

The remuneration of key management personnel, including Directors and senior executives is as follows:

	2022 \$'000	2021 \$'000
Key management personnel compensation		
Wages and salaries	33,877	19,485
Share option cancellation	27,486	-
Employer pension contributions	49	61
Share-based payment charges	691	3,887
	<u>62,103</u>	<u>23,433</u>
	2022 \$'000	2021 \$'000
Directors' remuneration		
Directors' emoluments	26,612	10,065
Share option cancellation	22,702	-
Shared-based payment charges	73	2,293
Company contributions to money purchase pension schemes	22	21
	<u>49,409</u>	<u>12,379</u>
The number of Directors who:	Number	Number
Are members of money purchase pension schemes	2	2
Exercised options over shares in the Company	-	-
Emoluments of the highest paid director are as follows:		
	2022 \$'000	2021 \$'000
Director's emoluments	24,192	7,899
Share option cancellation	16,645	-
Employer pension contributions	13	13
Share-based payment charges	-	2,210
	<u>40,850</u>	<u>10,122</u>

The highest paid director did not exercise options during the year (2021 – none).

Included in Directors' emoluments is nil for loss of office (2021 – nil).

Included in Directors' emoluments relating to option cancellations is \$22.7 million during the year (2021 – nil). Key management personnel compensation includes \$27.5 million in relation to the option cancellations during the year (2021 – nil).

Kobalt Music Group Limited is the ultimate controlling party of the Group. No single individual or entity controls Kobalt Music Group Limited.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

32. POST BALANCE SHEET EVENTS

On 1 September 2022 the Company reached an agreement with Francisco Partners Management, L.P. for an entity controlled by Francisco Partners VI, L.P. and its affiliated funds to acquire all the shares in the issued share capital of the Company. The agreement closed on 20 October 2022.

KOBALT MUSIC GROUP LIMITED

COMPANY BALANCE SHEET

For the year ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Non-current assets			
Property, plant and equipment	36	201	6,692
Right of use asset	38	-	14,756
Other Intangible assets	37	484	1,081
Financial instruments	27	1,516	1,732
Investments	34	26,212	29,940
		<u>28,413</u>	<u>54,201</u>
Current assets			
Trade and other receivables	35	153,077	64,816
Financials instruments		-	2,559
Cash and bank balances		3,311	236,337
Total assets		<u>184,801</u>	<u>357,913</u>
Non-current liabilities			
Lease liability	38	-	(17,844)
Financial instruments		(600)	-
		<u>(600)</u>	<u>(17,844)</u>
Current liabilities			
Trade and other payables	39	(544)	(298)
Lease liability	38	-	(1,787)
Loans		3	-
Financial instruments		(2,265)	-
Accruals		(1,360)	(923)
		<u>(4,166)</u>	<u>(3,008)</u>
Net current assets		<u>152,222</u>	<u>300,704</u>
Net assets		<u>180,035</u>	<u>337,061</u>
Equity			
Share capital	40	629	996
Share premium account	40	194,432	193,894
Share option reserve	41	25,343	30,392
Retranslation reserves		(45,043)	(9,376)
Retained earnings		4,674	121,155
Total equity		<u>180,035</u>	<u>337,061</u>

The company reported a profit for the financial year ended 30 June 2022 of \$120.4m (2021: \$129.4m profit).

The financial statements of Kobalt Music Group Limited, registered number 04018752, were approved by the Board of Directors and authorised for issue on 25 November 2022.



L Hubert

Director

KOBALT MUSIC GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
As at 30 June 2022

Equity attributable to equity holders of the Company

	Share capital	Share premium account	Share option reserve	Retranslation reserve	Retained earnings	Total equity
Note	40	40				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	994	193,760	25,161	(30,282)	(8,231)	181,402
Profit for the year	-	-	-	-	129,386	129,386
Other comprehensive loss for the year	-	-	-	20,906	-	20,906
Total comprehensive income for the year	-	-	-	20,906	129,386	150,292
Issue of share capital	2	134	-	-	-	136
Share-based payment transactions (note 12)	-	-	5,231	-	-	5,231
Foreign exchange differences	-	-	-	-	-	-
Balance at 30 June 2021	996	193,894	30,392	(9,376)	121,155	337,061
Profit for the year	-	-	-	-	120,427	120,427
Other comprehensive income for the year	-	-	-	(35,667)	-	(35,667)
Total comprehensive income for the year	-	-	-	(35,667)	120,427	84,760
Issue of share capital	54	538	-	-	-	592
Share repurchase from retained earnings	(421)	-	-	-	(236,908)	(237,329)
Option cancellation payments	-	-	(6,113)	-	-	(6,113)
Share-based payment transactions (note 12)	-	-	1,086	-	-	1,086
Foreign exchange differences	-	-	(22)	-	-	(22)
Balance at 30 June 2022	629	194,432	25,343	(45,043)	4,674	180,035

KOBALT MUSIC GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 30 June 2022

33. SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. This transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 2 and note 3 to the consolidated financial statements except as noted below.

As permitted by s408 Companies Act 2006, no profit and loss account is presented in respect of the parent Company.

Investment in subsidiaries

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

34. INVESTMENTS

COMPANY	Investment in subsidiary undertakings \$'000
Cost	
At 1 July 2021	29,940
Foreign exchange	<u>(3,728)</u>
At 30 June 2022	<u>26,212</u>

For details on investment in subsidiaries, refer to note 17 to the consolidated financial statements.

35. TRADE AND OTHER RECEIVABLES

	2022 \$'000	2021 \$'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	149,433	57,590
Other debtors	1,915	5,135
Prepayments	<u>1,729</u>	<u>2,091</u>
	<u>153,077</u>	<u>64,816</u>

Amounts repayable from subsidiaries are repayable on demand, unsecured, and carry interest of 3 per cent calculated on a quarterly basis (2021: 5 per cent) per annum charged on the outstanding loan balances.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 30 June 2022

36. PROPERTY PLANT AND EQUIPMENT

	Office equipment and fixtures \$'000	Computer equipment \$'000	Total \$'000
Cost			
At 1 July 2020	8,604	3,731	12,335
Additions	629	85	714
Foreign exchange movements	1,156	470	1,626
At 30 June 2021	10,389	4,286	14,675
Additions	49	54	103
Foreign exchange movements	(6,582)	(8)	(6,590)
	(2,684)	(524)	(3,208)
At 30 June 2022	1,172	3,808	4,980
Accumulated depreciation and Impairment			
At 1 July 2020	2,427	3,321	5,748
Depreciation	857	368	1,225
Foreign exchange movements	591	419	1,010
At 30 June 2021	3,875	4,108	7,983
Depreciation	288	114	402
Depreciation on disposals	(2,223)	(2)	(2,225)
Foreign exchange movements	(894)	(487)	(1,381)
At 30 June 2022	1,046	3,733	4,779
Net book value			
At 1 July 2020	6,177	410	6,587
At 30 June 2021	6,514	178	6,692
At 30 June 2022	126	75	201

KOBALT MUSIC GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 30 June 2022

37. INTANGIBLE ASSETS

	Software licences \$'000
Cost	
At 1 July 2020	3,643
Additions – external third party	-
Foreign exchange rate movements	459
At 30 June 2021	4,102
Additions – external third party	-
Foreign exchange rate movements	(511)
At 30 June 2022	3,591
Amortisation	
At 1 July 2020	2,210
Amortisation charge	533
Foreign exchange rate movements	278
At 30 June 2021	3,021
Amortisation charge	510
Foreign exchange rate movements	(424)
At 30 June 2022	3,107
Net book value	
At 1 July 2020	1,433
At 30 June 2021	1,081
At 30 June 2022	484

All amortisation of intangible assets is recorded as a cost within operating expenses on the income statement on a straight line basis.

Software licences include licences with a perpetual life purchased from external third parties and applications internally created. Software licences are amortised over three years.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 30 June 2022

38. LEASES

	Lease \$'000
Cost	
At 1 July 2021	<u>18,447</u>
Additions	-
Disposals	(9,765)
Foreign exchange movements	(4,375)
At 30 June 2022	<u>4,307</u>
Accumulated depreciation	
At 1 July 2021	<u>3,691</u>
Depreciation	886
Depreciation on disposals	-
Foreign exchange movements	(270)
At 30 June 2022	<u>4,307</u>
Net book value	
At 30 June 2021	<u>14,756</u>
At 30 June 2022	<u>-</u>

The amounts due as of the balance sheet date of leases classified as capital leases per IFRS 16:

	2022 \$'000	2021 \$'000
Not later than one year	-	1,787
Later than one year and not later than five years	-	8,818
Later than five years	-	9,026
	<u>-</u>	<u>19,631</u>
Analysed as:		
Current	-	1,787
Non-current	-	17,844
	<u>-</u>	<u>19,631</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 30 June 2022

39. TRADE AND OTHER PAYABLES

	2022 \$'000	2021 \$'000
Amounts falling due within one year:		
Trade creditors	544	298
	<u>544</u>	<u>298</u>

Amounts repayable to subsidiaries are repayable on demand, unsecured, and carry interest of 3 per cent (2020: 5 per cent) per annum charged on the outstanding loan balances.

40. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

The movements on these items are disclosed in notes 28 and 29 to the consolidated financial statements.

41. SHARE OPTION RESERVE

The movements in the reserve are disclosed in the company statement of changes in equity on page 66.

42. POST BALANCE SHEET EVENTS

Post balance sheet events are detailed in note 32 to the consolidated financial statements.