

Company Registration No 4018752

KOBALT MUSIC GROUP LIMITED

Report and Consolidated Financial Statements

30 June 2013

(- 31/01/2014)

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KOBALT MUSIC GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

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KOBALT MUSIC GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2013

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

W B A Ahdriz
T Bunting
J Ekelund
J P Fitzherbert-Brockholes
A J Palm
R Sanders
J Tandberg
T Teichman
R Thompson

SECRETARY

J P Fitzherbert-Brockholes

REGISTERED OFFICE

4 Valentine Place
London
SE1 8QH

BANKERS

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

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge

KOBALT MUSIC GROUP LIMITED

CHAIRMAN'S STATEMENT

I am delighted to report that this year Kobalt continued to grow rapidly and even managed to accelerate its rate of growth compared to previous years. The Group as a whole increased its turnover by 37.7% (2011/12 was an increase of 27% over 2010/11) with gross profits up 41.7%. This is partly due to the expansion into new business areas which more than doubled in size, but underpinning these results is an exciting set of numbers from the Group's core publishing business, with revenue up 32% and NPS increasing by 36%. The Group also passed through the £100m revenue landmark showing how significant a business the group has become.

Whilst continuing to invest in growth, the divisional profit attributable to publishing before allocation of central costs has increased by 64% to £2.5m, in line with the Group's long term strategy (see note 3). The new businesses of Label Services and Neighbouring Rights are loss making as they continue to follow the investment stage of their business plans. They are now growing strongly so we are looking forward to strong results in the coming years.

The board has been focused on ensuring that the company has all the resources to achieve its potential. Although the business has largely financed its expansion in recent years through its own cashflow, the board took the decision in 2012 to give the Group a significant equity injection to ensure that it was able to fully capitalise on the many opportunities that it sees. As a result over £20m of new equity has been received or committed from both new and long-standing shareholders. We believe this will provide a platform for realising Kobalt's vision to transform the industry. We have every confidence that Kobalt's remarkable success story is set to continue.

Tim Bunting

Chairman

KOBALT MUSIC GROUP LIMITED

CHIEF EXECUTIVE'S REPORT

This year has been one of significant expansion for Kobalt with our range of services tailored to the diverse needs of copyright owners and artists all showing that the time is right for a new approach to be taken across the industry

Our growth comes against a background of the wider music market which has had a mixed year. Good news has come in the form of growth in several newer digital services, especially streaming-based services such as Spotify and Pandora. This cause for optimism is however tempered by the slowdown of digital downloads and the continuing decline of physical product in many markets. Long term we continue to be optimistic that the worst of the negative impact of the digital transformation is behind us, and that we will see market-wide growth returning in the coming years. It is exciting for us to reflect on another year with a long list of successful releases. Amongst this year's highlights in publishing were big hits for Maroon 5 ("One More Night", written by Savan Kotecha, Max Martin and Johan Schuster, and "Payphone", written by Benjamin Levin, Ammar Malik and Schuster), for Miley Cyrus ("Wrecking Ball" by Lukasz Gottwald and Henry Walter), for Taylor Swift ("I Knew you Were Trouble" and "We Are Never Ever Getting Back Together", both written by Martin and Schuster), for Justin Bieber ("Beauty and a Beat", written by Martin, Anton Zaslavski and Kotecha), for One Direction ("What Makes you Beautiful", written by Ramı Yacoub and Kotecha) and Jake Bugg's album "Shangri-La" (with writing credits for Iain Archer and Jake Kennedy). A fantastic range of new clients were brought on board this year, from Disney's publishing business to major artists such as Maroon 5, Lady Antebellum, Dave Grohl, Lindsey Buckingham, Stevie Nicks, Josh Homme, Frank Zappa and just at the end of 2013, Steve Winwood. As always, though, it is the remarkable loyalty shown by existing clients which has formed the bedrock of Kobalt's success. Kobalt clients continue to trust Kobalt to service them, with a 98% retention rate. Many of the world's most successful writers continue to entrust their new works to Kobalt, convinced that we will continue to offer them a market-leading service.

With faster and more effective collection, there is no other service offering similar advantages for songwriters. We continue to improve our service with our new portal. In May 2013 the Group rolled out a game-changing upgrade to the portal, adding new functionality to what was already an unmatched service. The new portal enables clients to track synch licensing in real time, run customised queries on their catalogue, and even view user generated content which is generating royalty revenue for them on YouTube. We have had very positive feedback from clients that this has taken the concept of transparency to a new level.

The other big story over the last year has been the successful launch of Kobalt Label Services, with turnover in the year of £8.1 million up 147% on last year. The group's first major release, Nick Cave and the Bad Seeds' "Push the Sky Away" was a huge commercial and critical success reaching #1 in seven countries, demonstrating Kobalt's ability to manage major releases with worldwide appeal. This year has also seen new material from New Kids on the Block, the Pet Shop Boys, and Travis all of which charted higher in key markets than their recent previous releases, showing that by leveraging our publishing platform we have in a short period built an organisation capable of delivering exceptional results for top tier artists. The pipeline of new releases for the year ahead is very exciting and we expect this business to make significant contributions to the group going forward.

With Kobalt's Neighbouring Rights division also signing up artists of the calibre of Bob Dylan, Paul Simon, Passenger, Macklemore & Ryan Lewis, Ben Howard, Neil Finn, John Newman, Paloma Faith and Gotye, the Group is showing that it can successfully deliver a wide range of services to the music industry, all characterised by the cutting-edge technology and dedicated customer service which has driven Kobalt's success to date.

Looking forward, we are excited to continue to build the future of the music business with our expanded strategy well funded by the new equity that has been issued. The complexity of the evolving music ecosystem and the growth of digital services has created an explosion in the volume of information. We believe that this gives Kobalt unique opportunities to help artists maximise the value of their content while at the same time give them the control and influence that they crave. We anticipate an exciting year ahead.

Lastly, I would like to thank our employees for all the hard work they have put in this year and our shareholders for their continued support.

Willard Ahdriz

Founder and Chief Executive

KOBALT MUSIC GROUP LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2013

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

The group's principal activity is the provision of services to the owners and creators of music. The group head office is in London, with other offices in New York, Los Angeles, Nashville, Sydney, Stockholm and Berlin.

There have not been any significant changes in the group's principal activity in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the group's activities in the next year.

As shown in the group's profit and loss account on page 9, the group's sales have increased by 37.7% over the prior year while gross margin has increased by 0.3 percentage points. Gross profit increased in absolute terms by £3,771k. Total administrative expenses have increased by 43.3 percentage points to £17,048k. The loss after tax has increased to £4,863k as opposed to the previous year's £3,738k. The group's on-going losses are the result of a conscious decision to prioritise growth over profitability, the results are in line with the group's long-term forecasts.

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

	2013	2012
Increase in turnover	37.7%	27.1%
Gross profit	£12,817k	£9,046k
Gross profit percentage	11.9%	11.6%
Operating loss	£4,231k	£2,852k

The group also uses certain non-financial performance indicators, one of which is the number of employees. The increase in employee numbers during the year (from 123 to 164) is the result of the group's rapid growth in activity.

The balance sheet on page 10 of the financial statements shows that the group's cash position remains healthy. The group is financed by working capital, loans and equity. There is also considerable headroom available from the group's loan facility should it be required.

PRINCIPAL RISKS AND UNCERTAINTIES

The risks and uncertainties facing the group are detailed below.

Revenue generation: The on-going demand for the music administered by the group is unpredictable and as such the level at which this music will generate revenue in future periods is uncertain.

The group seeks to mitigate this risk by seeking to make its roster 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.

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. Furthermore, the group has additional finance available to enable it to provide the 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.

KOBALT MUSIC GROUP LIMITED

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Market environment: There are uncertain economic conditions at present and the record industry has experienced declining sales volumes. The extent and timing of any response by the record labels to this threat is uncertain. In addition, as the major music publishers are also record companies, it is not clear how they will respond to this and what competitive action they may take to defend their publishing interests.

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 arguably allow it to adapt more quickly to industry changes than more traditional publishers.

Changing distribution: The new channels for music distribution and licensing could significantly change the operational or 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.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities expose it to a number of financial risks including currency risk, credit risk, liquidity risk and interest rate 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. Other than in exceptional circumstances, the group does not feel it necessary to hedge against these exposures.

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.

Interest rate risk

Kobalt is financed by short and medium term borrowing and is exposed to adverse movements in interest rates. The directors continually monitor this exposure and manage the risk as far as is possible.

CHARITABLE DONATIONS

During the year the Group made charitable donations of £nil (2012 - £1k)

KOBALT MUSIC GROUP LIMITED

DIRECTORS' REPORT

DIRECTORS

The directors who served throughout the year, unless otherwise stated, were as follows

W B A Ahdritz

T Bunting

J Ekelund

J P Fitzherbert-Brockholes

A J Palm

R Sanders (appointed 13 November 2012)

J Tandberg (appointed 15 November 2012)

T Teichman

R Thompson

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company and of the profit or loss of the group for that period. In preparing these 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 accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

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

AUDITOR

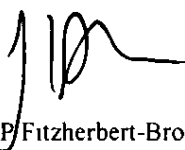
Each of the persons who is a director at the date of approval of this annual report confirms that

- 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 ought to have taken as a director to make himself 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

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



J P Fitzherbert-Brockholes

Secretary

31 JANUARY 2014

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

We have audited the financial statements of Kobalt Music Group Limited for the year ended 30 June 2013 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2013 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

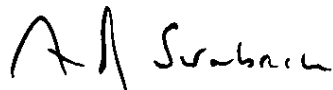
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF
KOBALT MUSIC GROUP LIMITED (continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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



Andrew Swarbrick BA FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom

31 January 2014

KOBALT MUSIC GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 30 June 2013

	Note	2013 £'000	2012 £'000
TURNOVER	2/3	107,044	77,721
Cost of sales		<u>(94,227)</u>	<u>(68,675)</u>
Gross profit		12,817	9,046
Administrative expenses		<u>(17,048)</u>	<u>(11,898)</u>
OPERATING LOSS		(4,231)	(2,852)
Interest receivable and similar income	6	25	9
Interest payable and similar charges	7	<u>(347)</u>	<u>(237)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(4,553)	(3,080)
Tax on loss on ordinary activities	8	<u>(310)</u>	<u>(658)</u>
LOSS FOR THE FINANCIAL YEAR	19	<u><u>(4,863)</u></u>	<u><u>(3,738)</u></u>

All activities derive from continuing operations

There are no recognised gains and losses other than as shown above. Therefore no statement of total recognised gains and losses is presented.

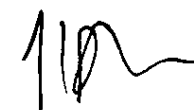
KOBALT MUSIC GROUP LIMITED

CONSOLIDATED BALANCE SHEET 30 June 2013

	Note	2013 £'000	2012 £'000
FIXED ASSETS			
Intangible assets	11	1,159	1,240
Tangible assets	12	2,579	2,001
Investments	13	2,225	946
		<u>5,963</u>	<u>4,187</u>
CURRENT ASSETS			
Debtors	14	43,425	26,022
Cash at bank and in hand		14,489	5,698
		<u>57,914</u>	<u>31,720</u>
CREDITORS: amounts falling due within one year	15	<u>(65,018)</u>	<u>(40,688)</u>
NET CURRENT LIABILITIES		<u>(7,104)</u>	<u>(8,968)</u>
NET LIABILITIES		<u>(1,141)</u>	<u>(4,781)</u>
CAPITAL AND RESERVES			
Called up share capital	18	332	288
Share premium account	19	23,854	15,202
Share option reserve	19	1,031	993
Other revaluation reserve	19	(401)	(170)
Profit and loss account	19	(25,957)	(21,094)
SHAREHOLDERS' DEFICIT	19	<u>(1,141)</u>	<u>(4,781)</u>

The financial statements of Kobalt Music Group Limited, registered number 4018752, were approved by the Board of Directors and authorised for issue on **31 JANUARY 2014**

Signed on behalf of the Board of Directors



Director

KOBALT MUSIC GROUP LIMITED

COMPANY BALANCE SHEET 30 June 2013

	Note	2013 £'000	2012 As restated (note 1) £'000
FIXED ASSETS			
Tangible assets	12	2,302	1,805
Investments	13	4,128	2,775
		<u>6,430</u>	<u>4,580</u>
CURRENT ASSETS			
Debtors	14	29,768	21,600
Cash at bank and in hand		309	-
		<u>30,077</u>	<u>21,600</u>
CREDITORS: amounts falling due within one year	15	<u>(11,750)</u>	<u>(10,660)</u>
NET CURRENT ASSETS		<u>18,327</u>	<u>10,940</u>
NET ASSETS		<u>24,757</u>	<u>15,520</u>
CAPITAL AND RESERVES			
Called up share capital	18	332	288
Share premium account	19	23,854	15,202
Share option reserve	19	1,031	993
Profit and loss account	19	(460)	(963)
SHAREHOLDERS' FUNDS	19	<u>24,757</u>	<u>15,520</u>

The financial statements of Kobalt Music Group Limited, registered number 4018752, were approved by the Board of Directors and authorised for issue on 31 JANUARY 2014

Signed on behalf of the Board of Directors



Director

J. P. FITZHERBERT-BROCKHOLES

KOBALT MUSIC GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT Year ended 30 June 2013

	Note	2013 £'000	2012 £'000
Net cash (outflow) inflow from operating activities	1	<u>(1,694)</u>	<u>1,867</u>
Returns on investments and servicing of finance			
Interest received		25	9
Interest paid		<u>(347)</u>	<u>(237)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(322)</u>	<u>(228)</u>
Taxation		<u>(1,027)</u>	<u>(680)</u>
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(468)	(620)
Payments to acquire intangible fixed assets		<u>(79)</u>	<u>(87)</u>
Net cash outflow from capital expenditure and financial investment		<u>(547)</u>	<u>(707)</u>
Acquisitions			
Payment to acquire subsidiary undertaking		-	(1,198)
Cash acquired with subsidiary undertaking		-	979
Payments to acquire other investment holdings		<u>(1,279)</u>	<u>(946)</u>
Net cash outflow from acquisitions		<u>(1,279)</u>	<u>(1,165)</u>
Net cash outflow before financing		<u>(4,869)</u>	<u>(913)</u>
Financing			
Bank loans received (repaid)		4,964	(4,000)
Share capital issued		<u>8,696</u>	<u>48</u>
Net cash inflow (outflow) from financing		<u>13,660</u>	<u>(3,952)</u>
Increase (decrease) in cash	2/3	<u><u>8,791</u></u>	<u><u>(4,865)</u></u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT Year ended 30 June 2013

1 RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	2013 £'000	2012 £'000
Operating loss	(4,231)	(2,852)
Depreciation of tangible assets	752	697
Amortisation of intangible assets	160	88
Capitalised labour costs	(862)	(647)
Increase in debtors	(16,686)	(486)
Increase in creditors	19,366	5,133
Share option payment charge	156	104
Lapsed options	(118)	-
Non cash movements due to foreign exchange differences	(231)	(170)
Net cash (outflow) inflow from operating activities	<u>(1,694)</u>	<u>1,867</u>

2 ANALYSIS OF NET FUNDS

	At 1 July 2012 £'000	Cash flow £'000	At 30 June 2013 £'000
Cash at bank and in hand	5,698	8,791	14,489
Bank loan	-	(4,964)	(4,964)
Net funds	<u>5,698</u>	<u>3,827</u>	<u>9,525</u>

3 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2013 £'000	2012 £'000
Increase (decrease) in cash in the year	8,791	(4,865)
Cash (inflow) outflow from change in debt and lease financing	(4,964)	4,000
Movement in net funds in the year	<u>3,827</u>	<u>(865)</u>
Opening net funds	5,698	6,563
Closing net funds	<u>9,525</u>	<u>5,698</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2013

1. ACCOUNTING POLICIES

Prior year adjustment and reclassification

The principal accounting policies of the group are set out below and are unchanged from the prior year, except in relation to the following. Some accrual balances have been correctly re-disclosed as due to/from a third party (as opposed as due to/from a group company). Furthermore, within the debtors note, any artist advance balances have been removed from accrued income and are now disclosed within the other debtors total.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 4 and 5.

Going concern

As at 30 June 2013 the group held substantial cash reserves of £14.5m and this position was further strengthened post year end with the issue of 299,840 ordinary shares for consideration of £5.2m.

Should it be required, the group still has in place an £8m bank borrowing facility. The group has received an offer renewal letter for this facility which would see the facility in place until January 2015. The directors are not aware of any reason why this facility would not be renewed when it expires.

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 for the period ending 30 June 2014 and beyond. These projections anticipate that the group will be able to operate from cash generated from the recent investment, together with the bank facility in place. There has been a recent investment round as noted in note 20, otherwise no further capital injections to the group are considered necessary.

They have examined the results of sensitivity analyses on their forecasts to assess the effect on cash given certain downside scenarios.

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. The directors therefore consider it appropriate to prepare the financial statements on a going concern basis.

Turnover

Turnover represents 12 months' worth of royalties. Part of this will be represented by an accrual the company makes for approximately 3 months of royalty revenue, the receipt of which occurs in the first quarter post year end.

Basis of consolidation

The group financial statements consolidate the financial statements of Kobalt Music Group Limited and its subsidiary undertakings (as listed in note 13). All entities have an accounting year end of 30 June.

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is ten years. Provision is made for any impairment.

Intangible assets - publishing asset

The publishing asset relates to payments made to acquire the right to collect royalties on future compositions by a certain client. The carrying value of the publishing asset is reviewed for impairment and adjusted, if appropriate, if events or changes in circumstances indicate the carrying value may not be recoverable. The asset will amortise with the collection of royalties on future compositions.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2013

1. ACCOUNTING POLICIES (continued)

Fixed asset investments

Fixed asset investments are stated at cost. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Fixtures and fittings	20% per annum
Office equipment	33% per annum
Computer equipment	33% per annum
Purchased software	20% to 33% per annum
Proprietary software	20% per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

Kobalt Music Group Limited operates a defined contribution stakeholder pension scheme. The group does not make any contributions to this scheme.

Foreign currencies

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. 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. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Leasing and hire purchase agreements

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2013

1 ACCOUNTING POLICIES (continued)

Royalty advances

Advances in respect of royalties payable, which are non-refundable but recoupable, comprise advances to clients under contract. These advances are included as prepayments. Specific provisions are made against these advances where the outstanding advance at the balance sheet date exceeds future expected royalty earnings.

Share-based payments

The group has applied the requirements of FRS 20 Share-based Payments. The group has issued equity-settled share-based payments to certain employees and suppliers. 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.

2. TURNOVER

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.

	2013 £'000	2012 £'000
United Kingdom	13,932	11,463
Rest of Europe	29,991	18,505
North America	51,319	37,055
Rest of World	11,802	10,698
	<u>107,044</u>	<u>77,721</u>

3. SEGMENT INFORMATION

Classes of business

	Publishing		Label Services		Neighbouring Rights		Grand total	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Turnover (all sales to third parties)	<u>96,964</u>	<u>73,438</u>	<u>8,092</u>	<u>3,274</u>	<u>1,988</u>	<u>1,009</u>	<u>107,044</u>	<u>77,721</u>
Segmental profit	<u>2,505</u>	<u>1,532</u>	<u>(1,981)</u>	<u>(528)</u>	<u>(374)</u>	<u>(395)</u>	150	609
Common costs							(4,381)	(3,461)
Operating loss							(4,231)	(2,852)
Finance charges							(322)	(228)
Loss before tax							<u>(4,553)</u>	<u>(3,080)</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2013

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2013 £'000	2012 £'000
Directors' remuneration	2,172	1,184
Directors' emoluments	<u>857</u>	<u>696</u>
Emoluments of highest paid director	No	No
Average number of persons employed (including directors) by the group during the year was:		
Management	13	14
Copyright administration	33	33
Other administration	50	36
Label Services	23	4
Client services	10	6
Synchronisation and creative	35	30
	<u>164</u>	<u>123</u>
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	8,933	6,087
Social security costs	892	651
Share-based payment charges	156	104
	<u>9,981</u>	<u>6,842</u>

5. OPERATING LOSS

	2013 £'000	2012 £'000
Operating loss is after charging (crediting):		
Depreciation of fixed assets		
Owned assets	752	697
Amortisation of intangible assets	160	88
Operating lease rentals		
Land and buildings	600	307
Plant and machinery	7	13
Foreign exchange (gains) losses	(464)	251
The analysis of auditor's remuneration is as follows		
Fees payable to the company's auditor for the audit of the group's annual accounts	90	85
Other services	126	123
	<u>126</u>	<u>123</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2013 £'000	2012 £'000
Bank interest receivable	<u>25</u>	<u>9</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2013

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
Bank loans and overdraft	347	237

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	2013 £'000	2012 £'000
Current tax		
United Kingdom corporation tax based on the result for the year at 23.75% (2012 - 25.5%)	-	-
Non-reclaimable withholding tax on royalty payments received	969	658
Tax paid in overseas jurisdictions	58	-
Total current tax	1,027	658
Deferred taxation		
Origination and reversal of timing differences	(717)	-
Tax on profit on ordinary activities	310	658

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax is 23.75% (2012 - 25.5%). 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

	2013 £'000	2012 £'000
Loss on ordinary activities before tax	(4,553)	(3,080)
Tax on loss on ordinary activities at standard rate	(1,082)	(785)
Factors affecting charge for the year		
Expenses not deductible for tax purposes	180	208
Income not taxable for tax purposes	(231)	-
Depreciation in (deficit) excess of capital allowances	(29)	137
Tax losses carried forward	1,186	720
Net non-reclaimable withholding tax on royalty payments received	969	658
Losses utilised	34	(280)
Total actual amount of current tax	1,027	658

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 £4.7 million (2012 - £3.3 million) of which £71.7k (2012 - £nil) has been recognised as a deferred tax asset.

The Finance Act 2012, which provides for reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013, was substantively enacted on 3 July 2012. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

The Government intends to enact future reduction in the main tax rate down to 21% effective from 1 April 2014 and to 20% by 1 April 2015. As these tax rates were not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with FRS 21 as it is a non-adjusting event occurring after the reporting period.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2013

9. 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 latest issued or traded price of the company's shares on the date of grant. The vesting period is up to three 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 outstanding during the year are as follows

	2013		2012	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of year	976,209	7.31	1,035,514	2.92
Granted during the year	244,828	10.64	14,540	9.86
Forfeited during the year	-	n/a	(61,317)	4.09
Exercised during the year	(250,533)	2.84	(12,528)	3.75
Expired during the year	(172,393)	2.29	-	n/a
Outstanding at the end of the year	<u>798,111</u>		<u>976,209</u>	
Exercisable at the end of the year	<u>550,597</u>		<u>967,409</u>	

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

Year ended 30 June	2013	2012
Weighted average share price	£6.62	£5.59
Weighted average exercise price	£10.64	£9.86
Expected volatility	25%	25%
Weighted average expected life	9.9 years	5.0 years
Weighted average risk-free rate	1.76%	1.5%
Expected dividend yield	-	-

Other equity-settled share-based payments

The company provides incentives in the form of BA, BB and BC Ordinary shares sold to senior employees of the group. In the year ended 30 June 2013 no shares in these classes were issued (2012: 52,080 BB Shares and 350,341 BC Shares, sold for £0.005 each). The fair value of these share transactions were assessed as if they were share options by using the Black-Scholes pricing model.

The inputs into the Black-Scholes pricing model for shares sold within the relevant period are as follows

Year ended 30 June	2013	2012
Weighted average share price	n/a	£5.33
Weighted average exercise price	n/a	£9.68
Expected volatility	n/a	25%
Weighted average expected life	n/a	4.0 years
Weighted average risk-free rate	n/a	0.7%
Expected dividend yield	n/a	-
Weighted average fair value	n/a	0.23

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2013

9 SHARE BASED PAYMENTS (continued)

Expected volatility was estimated by considering comparable companies and historical volatility of the group's share price over the previous 5 years

The group recognised total expenses of £156k related to equity-settled share-based payment transactions in the year ended 30 June 2013 (2011 - £104k)

10 PROFIT ATTRIBUTABLE TO THE COMPANY

The profit for the financial year dealt with in the financial statements of the parent company was £503k (2012 - £566k) As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company

11. INTANGIBLE FIXED ASSETS

GROUP	Goodwill on consolidation £'000	Publishing asset £'000	Total £'000
Cost			
At 1 July 2012	1,241	87	1,328
Additions	74	5	79
At 30 June 2013	<u>1,315</u>	<u>92</u>	<u>1,407</u>
Amortisation			
At 1 July 2012	72	16	88
Provided during the year	136	24	160
At 30 June 2013	<u>208</u>	<u>40</u>	<u>248</u>
Net book value			
At 30 June 2013	<u>1,107</u>	<u>52</u>	<u>1,159</u>
At 30 June 2012	<u>1,169</u>	<u>71</u>	<u>1,240</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2013

12. TANGIBLE FIXED ASSETS

GROUP

	Office equipment and fixtures £'000	Software £'000	Computer equipment £'000	Total £'000
Cost				
At 1 July 2012	850	3,005	823	4,678
Additions	284	862	184	1,330
At 30 June 2013	<u>1,134</u>	<u>3,867</u>	<u>1,007</u>	<u>6,008</u>
Depreciation				
At 1 July 2012	417	1,741	519	2,677
Provided during the year	100	454	198	752
At 30 June 2013	<u>517</u>	<u>2,195</u>	<u>717</u>	<u>3,429</u>
Net book value				
At 30 June 2013	<u>617</u>	<u>1,672</u>	<u>290</u>	<u>2,579</u>
At 30 June 2012	<u>433</u>	<u>1,264</u>	<u>304</u>	<u>2,001</u>

COMPANY

	Office equipment and fixtures £'000	Software £'000	Computer equipment £'000	Total £'000
Cost				
At 1 July 2012	476	2,997	569	4,042
Additions	142	862	139	1,143
At 30 June 2013	<u>618</u>	<u>3,859</u>	<u>708</u>	<u>5,185</u>
Depreciation				
At 1 July 2012	173	1,742	322	2,237
Provided during the year	58	453	135	646
At 30 June 2013	<u>231</u>	<u>2,195</u>	<u>457</u>	<u>2,883</u>
Net book value				
At 30 June 2013	<u>387</u>	<u>1,664</u>	<u>251</u>	<u>2,302</u>
At 30 June 2012	<u>303</u>	<u>1,255</u>	<u>247</u>	<u>1,805</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2013

13. INVESTMENTS

GROUP	Group investments £'000		
Cost			
At 1 July 2012			946
Additions			1,279
			<u>2,225</u>
At 30 June 2013			<u><u>2,225</u></u>

COMPANY	Investment in subsidiary undertakings £'000	Investments in non-group companies £'000	Total £'000
Cost			
At 1 July 2012	1,829	946	2,775
Additions	74	1,279	1,353
	<u>1,903</u>	<u>2,225</u>	<u>4,128</u>
At 30 June 2013	<u><u>1,903</u></u>	<u><u>2,225</u></u>	<u><u>4,128</u></u>

During the year the company made a further £74,000 investment in AWAL UK Ltd, this being contingent consideration which fell due under the terms of the acquisition agreement

The company also made an investment of £1,279,000 in Kobalt Music Copyrights SCA

The company's wholly owned subsidiaries are as listed on the following page, with principal activities as noted below

The principal activity of Kobalt America Holdings, Inc is that of a holding company for the US subsidiaries

The principal activity of Kobalt Digital Licensing Limited, Kobalt Label Services Limited, Kobalt Masters Licensing America, Inc and Kobalt Label Services America, Inc is the distribution and licensing of music recordings

The principal activity of Kobalt Neighbouring Rights Limited is the collection of neighbouring rights income on behalf of clients

The principal activity of Kobalt Capital Limited, Kobalt Capital (Suisse) Sarl and Kobalt Capital America, Inc is the provision of investment advice

The principal activity of all other group entities is music publishing, except for Kollektor Limited and Kobalt STIM Aggregated Rights Limited which are dormant

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2013

13. INVESTMENTS (continued)

Company	Class of shares	Proportion of voting rights and shares held	Country of registration or incorporation (if not England and Wales)
<i>Subsidiary undertakings</i>			
AWAL Digital Limited (formerly AWAL (UK) Limited)	Ordinary	100%	
KMG Germany GmbH	Ordinary	100%	Germany
Kobalt America Holdings, Inc	Ordinary	100%	USA
Kobalt Capital Limited	Ordinary	100%	
Kobalt Capital Suisse Sarl	Ordinary	100%	Switzerland
Kobalt Digital Licensing Limited	Ordinary	100%	
Kobalt Label Services America, Inc (formerly Kobalt Digital Services America Inc)	Ordinary	100%	USA
Kobalt Label Services Limited (formerly Kobalt Digital Services Limited)	Ordinary	100%	
Kobalt Masters Licensing America Inc (formerly Kobalt Digital Licensing America, Inc)	Ordinary	100%	USA
Kobalt Music Administration Limited	Ordinary	100%	
Kobalt Music Publishing (Italia) Limited	Ordinary	100%	
Kobalt Music Publishing America Inc	Ordinary	100%	USA
Kobalt Music Publishing Australia Pty Limited	Ordinary	100%	Australia
Kobalt Music Publishing Limited	Ordinary	100%	
Kobalt Music Royalties Sarl	Ordinary	100%	Luxembourg
Kobalt Music Scandinavia AB	Ordinary	100%	Sweden
Kobalt Music Services America Inc	Ordinary	100%	USA
Kobalt Music Services Australia Pty Limited	Ordinary	100%	Australia
Kobalt Music Services Limited	Ordinary	100%	
Kobalt Neighbouring Rights Limited	Ordinary	100%	
Kojam Music Limited	Ordinary	100%	
Kollector Limited	Ordinary	100%	
Kobalt STIM Aggregated Rights Limited	Ordinary	100%	

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2013

14 DEBTORS

	GROUP		COMPANY	
	2013 £'000	2012 £'000	2013 £'000	2012 As restated (note 1) £'000
Amounts owed by group undertakings	-	-	29,098	20,827
Other debtors	16,819	9,326	304	456
Prepayments	1,200	972	366	317
Deferred taxation (note 16)	717	-	-	-
Accrued income	24,689	15,724	-	-
	<u>43,425</u>	<u>26,022</u>	<u>29,768</u>	<u>21,600</u>

Other debtors includes £369k (2012 - £359k) relating to rent deposits on leases that are due to expire after more than one year from the balance sheet date

An element of the other debtors balance relates to royalty advances made to artists. The company expects a proportion of this debt to be recovered after more than one year from the balance sheet date. However it is not practical for the company to accurately calculate or estimate this balance and for this reason the amount has not been separately identified.

All other debtors are due within one year.

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2013 £'000	2012 £'000	2013 £'000	2012 As restated (note 1) £'000
Bank overdraft	-	-	-	5,320
Bank loan	4,964	-	4,964	-
Amounts owed to group undertakings	-	-	5,516	4,528
Trade creditors	1,224	410	207	149
Accruals and deferred income	57,738	38,477	741	467
Other taxes and social security costs	562	237	216	114
Other creditors	530	1,564	106	82
	<u>65,018</u>	<u>40,688</u>	<u>11,750</u>	<u>10,660</u>

The bank loan was repaid in full on 3 July 2013. The loan bore an annual interest rate of 5% over LIBOR. The loan was secured by a debenture granted by Kobalt Music Group Limited and by a charge over the group's assets.

16 DEFERRED TAX ASSET

	£'000
Credit for year and at 30 June 2013	<u>717</u>

The amounts of deferred tax asset provided in the accounts is as follows

	GROUP	
	2013 £'000	2012 £'000
Trading losses	<u>717</u>	<u>-</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2013

17 OPERATING LEASE COMMITMENTS

The group has annual commitments under non-cancellable operating leases are as follows

	Plant and machinery		Land and building	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	1	1	55	16
Between one and five years	-	7	605	124
After more than five years	-	-	-	248
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

18. CALLED UP SHARE CAPITAL

	2013	2012
	£'000	£'000
Called up, allotted and fully paid		
5,881,010 (2012 - 5,630,477) ordinary shares of £0 05 each	294	282
1,030,274 (2012 - 1,030,274) BA ordinary shares of £0 005 each	5	5
52,080 (2012 - 52,080) BB ordinary shares of £0 005 each	-	-
350,341 (2012 - 280,341) BC ordinary shares of £0 005 each	2	1
561,143 (2012 - nil) A preference shares of £0 05 each	28	-
62,500 (2012 - nil) B preference shares of £0 05 each	3	-
	<u> </u>	<u> </u>
	332	288
	<u> </u>	<u> </u>

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

Date	Type of share	No. of shares
11 July 2012	Ordinary shares of £0 05 each	28,043
16 July 2012	Ordinary shares of £0 05 each	142,933
9 August 2012	Ordinary shares of £0 05 each	5,040
14 March 2013	Ordinary shares of £0 05 each	1,008
12 April 2013	Ordinary shares of £0 05 each	72,509
18 June 2013	Ordinary shares of £0 05 each	1,000

In the year, the following shares were issued for cash

Date	Type of share	No of shares	Share price
1 July 2012	BC ordinary shares of £0 005 each	70,000	£0 01
July-September 2012	A preference shares of £0 05 each	561,143	£12 00
25 April 2013	B preference shares of £0 05 each	62,500	£20 00

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2013

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT ON RESERVES

GROUP	Called up share capital £'000	Share premium account £'000	Share option reserve £'000	Other revaluation reserve £'000	Profit and loss account £'000	Shareholders' deficit	Shareholders' deficit
						2013 Total £'000	2012 Total £'000
At 1 July	288	15,202	993	(170)	(21,094)	(4,781)	(1,025)
Loss for the year	-	-	-	-	(4,863)	(4,863)	(3,738)
New equity share capital subscribed	44	8,652	-	-	-	8,696	48
Equity settled share based payment charge	-	-	156	-	-	156	104
Consideration for lapse of shares	-	-	(118)	-	-	(118)	-
Currency translation differences	-	-	-	(231)	-	(231)	(170)
At 30 June	332	23,854	1,031	(401)	(25,957)	(1,141)	(4,781)

COMPANY	Called up share capital £'000	Share premium account £'000	Share option reserve £'000	Profit and loss account £'000	Shareholders' funds	Shareholders' funds
					2013 Total £'000	2012 Total £'000
At 1 July	288	15,202	993	(963)	15,520	14,802
Profit for the year	-	-	-	503	503	566
New equity share capital subscribed	44	8,652	-	-	8,696	48
Equity settled share based payment charge	-	-	156	-	156	104
Consideration for lapse of shares	-	-	(118)	-	(118)	-
At 30 June	332	23,854	1,031	(460)	24,757	15,520

Share option reserve

The group has issued equity-settled share-based payments to certain employees and suppliers. 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 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. A corresponding entry is recognised in the share option reserve.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2013

20. POST BALANCE SHEET EVENTS

Between 5 August 2013 and 30 September 2013 the company issued 299,840 ordinary shares of £0.05 each for a consideration of £5,247,200.

In January 2014 the company agreed to issue 409,100 ordinary shares of £0.05 each for a consideration of £7,159,250. The company also agreed to issue a further 126,614 ordinary shares of £0.05 each for a consideration of £2,215,745 depending on various conditions.