

Company Registration No 04018752

KOBALT MUSIC GROUP LIMITED

Annual Report and Consolidated Financial Statements

For the year ended 30 June 2015

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KOBALT MUSIC GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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KOBALT MUSIC GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

W B A Ahdritz
T Bunting
D Caro
J P Fitzherbert-Brockholes
J Ekelund
A J Palm
R Sanders
J Tandberg
R Thompson

COMPANY 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
London, United Kingdom

KOBALT MUSIC GROUP LIMITED

CHIEF EXECUTIVE'S REPORT

I am pleased to announce that we had another good year at Kobalt. We have continued to expand our services and revenue as well as our influence in the global music industry. From the beginning, we have been clear in our belief that in order to move into the digital age, the music industry needs a new structure with a centralized organization supported by a global technology platform. The transformation is now accelerating with streaming growing significantly on a global level. The collection results we deliver to our publishing rights owners are unique and provide a substantial measurable value. The advantages of our vision are only becoming greater!

During the fiscal year ended 30 June 2015, our revenue grew by 26%. Today we serve over 500 publishing companies with 8,000 songwriters and more than 6,000 recording clients with over 20,000 artists on their rosters. We continued to improve our offerings and expanded into more territories to deliver an even better service for our clients. We opened our Latin America office, based in Miami, and in January 2016, we opened a Hong Kong office to cover the growing Asia and China markets.

We also took a major step forward towards an even more efficient global structure for collecting digital income. We acquired a small US based society called AMRA, transformed it with a new world class management team and licensed our technology platform "Kore" to the company. With the re-launch of AMRA as a global digital collection society, we can now offer our clients a unique solution for the high volume, lower transaction value from players like YouTube or Apple Music because of our direct relationship with them on a global basis. We have had positive responses from participants ranging from our clients to Digital Service Providers (DSPs). We believe that we are rolling out a new standard in the music industry for collection and music publishing.

We are confident that our new and existing services and the great results we deliver to our clients will continue to drive growth at Kobalt. In order to further support these plans, we raised 60m USD in capital from Google Ventures (today GV) and from our existing shareholder, MSD Capital, L.P. I am very pleased to count the world's leading technology investors as shareholders in Kobalt, helping us to build a great company.

Publishing

We have had another great year of signing new clients, including both big established names like Blue Mountain Music (including Bob Marley) and Jon Bon Jovi as well as new developing acts that will become tomorrow's hit makers. Our retention rate remains at over 98% percent and we continue to be a top five market share player in most key markets with hits like "Shake It Off", "Blank Space", "Bad Blood" and "Style" by Taylor Swift or "Can't Feel My Face" by The Weeknd, all co-written by Max Martin and Johan Shuster, Justin Bieber's "Where Are Ü Now" co-written by Sonny Moore, and Ed Sheeran's "Photograph", on which Johnny McDaid is a co-writer.

Kobalt also once again enjoyed success at the Grammy Awards with client Beck receiving three awards, among them the prestigious Album of the Year and Best Rock Album awards. Max Martin was named Producer of the Year and Wayne Shorter was honored with a Lifetime Achievement award. We are excited to work with such a talented client roster.

We have also continued to place many high value Synchs, for example, the use of Kid Rock's "Born Free" in a Chevrolet commercial, Alt-J's "Left Hand Free" in a Haig commercial, Dillon Francis & DJ Snake's "Get Low" in the trailer and film "Fast and Furious 7" (one of the top 10 highest grossing films of 2015) and Roy Orbison's Classic "Oh, Pretty Woman" in a high profile Super Bowl commercial for Nationwide Insurance.

Label Services (KLS)

Our Label Services division enjoyed the significant revenue growth of a 52% increase on 2014. We have had strong success with releases like Lenny Kravitz's "Strut" reaching the No 2 positions in major markets like Germany and Switzerland. Billy Idol's "Kings & Queens of the Underground" was a top 10 album in the German and Swiss markets and Big & Rich's "Gravity" reached No 8 on the US Country Album chart.

KLS released over 80 products this year (vs 40 last year) and we continue to support our clients' transition to the digital world with, for example, monetised YouTube views increasing by over 1100% between 2014 and 2015.

We are now accelerating the roll-out of our platform and tools to a wider client base. Our AWAL brand will deliver a full service digital solution with a new portal and playlist tools. We have also launched the world's first artist TV app for Apple TV with the band Placebo. We see television and virtual reality becoming an exciting extension to the music services that we offer to our artist clients.

KOBALT MUSIC GROUP LIMITED

CHIEF EXECUTIVE'S REPORT (Continued)

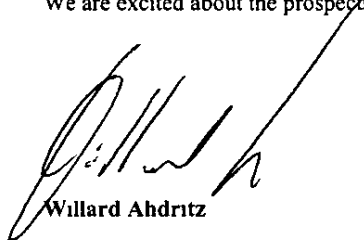
Neighbouring Rights

Our Neighbouring Rights division continues to surpass our expectations with a phenomenal 127% revenue growth over the previous year and significant new signings including global superstars such Bruno Mars, Sam Smith, Calvin Harris, Ariana Grande, Lil Wayne, Magic!, OMI, Björn Ulvaeus (of ABBA), Roxette, Nero, American Authors, Christina Perri and Hurts. The combination of our leading industry knowledge and technology in this complex area will ensure that we deliver significant value for these and future clients.

Kobalt Music Capital

The independent Kobalt investment fund, for which the group provides administration services, also had another great year, delivering both improved returns on historic acquisitions and advances and new investments. The fund has now made investments totalling over \$87m and has the capacity to make over \$200m of investments that will also support our revenue growth as we administer those rights.

We are excited about the prospects in all of our divisions and look forward to delivering further growth.



Willard Ahdriz

Founder and Chief Executive Officer

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, Sydney, Stockholm and Berlin.

As shown in the group's profit and loss account on page 12, the group's sales have increased by 25.6% over the prior year while gross profit has increased by 28.8 percentage points. Gross profit increased in absolute terms by \$6.4m. Total administrative expenses have increased by 38.7 percentage points to \$53.3m. The loss after tax has increased to \$27.3m as opposed to the previous year's \$18.5m. The group's on-going losses are the result of a conscious decision to prioritise growth through making strategic investments over short term profitability, the results are in line with the group's long-term forecasts.

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 together with the information for the prior year are as follows:

	2015	2014 Restated
Increase in turnover	25.6%	11.3%
Gross profit	\$28,738k	\$22,316k
Gross profit percentage	11.7%	11.4%
Operating (loss)	\$(24,525)k	\$(16,092)k
Net assets	\$25,137k	\$3,132k
Net current assets / (liabilities)	\$9,897k	\$(8,023)k
Cash	\$46,251k	\$20,532k

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 an average of 212 to 259) is the result of the group's rapid growth in activity and investment in the future.

The group's cash position has increased, and its net asset position has improved in the course of the year. The group is financed by working capital and equity, with 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 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.

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 from equity received in the year and a bank facility 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: 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.

KOBALT MUSIC GROUP LIMITED

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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 (e.g. streaming) are significantly changing 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 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. Other than in exceptional circumstances, the group does not feel it necessary to hedge against these exposures as there is largely a natural hedge of currencies.

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.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

There were no material post balance sheet events.

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 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



J P Fitzherbert-Brockholes

Company Secretary

14 March 2016

KOBALT MUSIC GROUP LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2015

DIRECTORS

The directors who served throughout the year and to the date of this report, unless otherwise stated, were as follows

W B A Ahdritz
T Bunting
D Caro
J Ekelund
J P Fitzherbert-Brockholes
A J Palm
R Sanders
J Tandberg
R Thompson

DIRECTOR IDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its directors 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 (30 June 2014 - \$nil)

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

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, and
- Research and development activities

KOBALT MUSIC GROUP LIMITED

DIRECTORS' REPORT (continued)

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 by



J P Fitzherbert-Brockholes

Company Secretary

14 March 2016

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

We have audited the financial statements of Kobalt Music Group Limited for the year ended 30 June 2015 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 21. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 of the parent company's affairs as at 30 June 2015 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

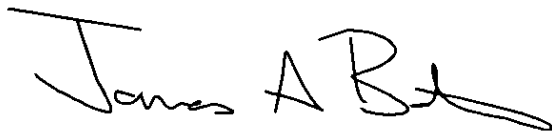
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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



James Bates (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

14 March 2016

KOBALT MUSIC GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 30 June 2015

	Note	2015 \$'000	2014 Restated \$'000
TURNOVER	2/3	245,050	195,055
Cost of sales		<u>(216,312)</u>	<u>(172,739)</u>
Gross profit		28,738	22,316
Administrative expenses		<u>(53,263)</u>	<u>(38,408)</u>
OPERATING LOSS	5	(24,525)	(16,092)
Interest receivable and similar income	6	3	25
Interest payable and similar charges	7	<u>(387)</u>	<u>(522)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(24,909)	(16,589)
Tax on loss on ordinary activities	8	<u>(2,397)</u>	<u>(1,922)</u>
LOSS FOR THE FINANCIAL YEAR	19	<u><u>(27,306)</u></u>	<u><u>(18,511)</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.

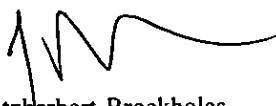
KOBALT MUSIC GROUP LIMITED

CONSOLIDATED BALANCE SHEET As at 30 June 2015

	Note	2015 \$'000	2014 Restated \$'000
FIXED ASSETS			
Goodwill	11	3,571	1,668
Other intangible assets	11	9	44
Tangible assets	12	6,640	5,640
Investments	13	5,020	3,803
		<u>15,240</u>	<u>11,155</u>
CURRENT ASSETS			
Debtors	14	100,162	88,829
Cash at bank and in hand		46,251	20,532
		<u>146,413</u>	<u>109,361</u>
CREDITORS amounts falling due within one year	15	<u>(136,516)</u>	<u>(117,384)</u>
NET CURRENT ASSETS / (LIABILITIES)		<u>9,897</u>	<u>(8,023)</u>
NET ASSETS		<u><u>25,137</u></u>	<u><u>3,132</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	778	631
Share premium account	19	103,045	61,927
Share option reserve	19	6,715	2,305
Other revaluation reserve	19	1,387	(2,249)
Profit and loss account	19	(86,788)	(59,482)
SHAREHOLDERS' FUNDS	19	<u><u>25,137</u></u>	<u><u>3,132</u></u>

The financial statements of Kobalt Music Group Limited, registered number 04018752, were approved by the Board of Directors and authorised for issue on 14 March 2016

Signed on behalf of the Board of Directors


 J P Fitzherbert-Brockholes
 Director

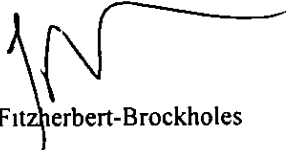
KOBALT MUSIC GROUP LIMITED

COMPANY BALANCE SHEET As at 30 June 2015

	Note	2015 \$'000	2014 Restated \$'000
FIXED ASSETS			
Tangible assets	12	5,940	5,166
Investments	13	9,998	7,401
		<u>15,938</u>	<u>12,567</u>
CURRENT ASSETS			
Debtors	14	76,879	49,501
Cash at bank and in hand		25,211	4,255
		<u>102,090</u>	<u>53,756</u>
CREDITORS: amounts falling due within one year	15	<u>(3,201)</u>	<u>(2,250)</u>
NET CURRENT ASSETS		<u>98,889</u>	<u>51,506</u>
NET ASSETS		<u>114,827</u>	<u>64,073</u>
CAPITAL AND RESERVES			
Called up share capital	18	778	631
Share premium account	19	103,045	61,927
Share option reserve	19	6,715	2,305
Other revaluation reserve	19	(54)	(91)
Profit and loss account	19	4,343	(699)
SHAREHOLDERS' FUNDS	19	<u>114,827</u>	<u>64,073</u>

The financial statements of Kobalt Music Group Limited, registered number 04018752, were approved by the Board of Directors and authorised for issue on 14 March 2016

Signed on behalf of the Board of Directors


 J P Fitzherbert-Brockholes
 Director

KOBALT MUSIC GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT For the year ended 30 June 2015

	Note	2015 \$'000	2014 Restated \$'000
Net cash outflow from operating activities	A	<u>(10,061)</u>	<u>(13,098)</u>
Returns on investments and servicing of finance			
Interest received		3	25
Interest paid		<u>(387)</u>	<u>(522)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(384)</u>	<u>(497)</u>
Taxation		<u>(1,732)</u>	<u>(2,228)</u>
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		<u>(1,477)</u>	<u>(1,136)</u>
Net cash outflow from capital expenditure and financial investment		<u>(1,477)</u>	<u>(1,136)</u>
Acquisitions			
Payment to acquire subsidiary undertaking		(1,913)	-
Cash acquired with subsidiary undertaking		1,239	-
Payments to acquire other investment holdings		<u>(1,218)</u>	<u>2</u>
Net cash (outflow) / inflow from acquisitions		<u>(1,892)</u>	<u>2</u>
Net cash outflow before financing		<u>(15,546)</u>	<u>(16,957)</u>
Financing			
Bank loans repaid		-	(8,488)
Share capital issued		<u>41,265</u>	<u>21,202</u>
Net cash inflow from financing		<u>41,265</u>	<u>12,714</u>
Increase / (Decrease) in cash	B/C	<u><u>25,719</u></u>	<u><u>(4,243)</u></u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT For the year ended 30 June 2015

A. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2015	2014
	\$'000	Restated \$'000
Operating loss	(24,525)	(16,092)
Depreciation of tangible assets	2,191	1,637
Amortisation of intangible assets	343	249
Capitalised labour and other development costs	(2,218)	(1,771)
Increase in debtors	(10,903)	(14,578)
Increase in creditors	16,367	15,020
Share option payment charge	5,590	540
Lapsed options	(1,180)	(21)
Movements due to foreign exchange differences through the Profit and Loss Account	769	1,834
Other foreign exchange differences	3,505	84
Net cash outflow from continuing operating activities	<u>(10,061)</u>	<u>(13,098)</u>

B. ANALYSIS OF NET FUNDS

	At 1 July 2014 Restated \$'000	Cash flow \$'000	At 30 June 2015 \$'000
Cash at bank and in hand	20,532	25,719	46,251
Net funds	<u>20,532</u>	<u>25,719</u>	<u>46,251</u>

C. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2015	2014
	\$'000	Restated \$'000
Increase / (Decrease) in cash in the year	25,719	(4,243)
Movement in net funds in the year	25,719	(4,243)
Opening net funds	20,532	24,775
Closing net funds	<u>46,251</u>	<u>20,532</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

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

During the year the group has decided to change the presentational currency of the group consolidated accounts from Great British Pounds (GBP) to United States Dollars (USD). This is due to the fact that the majority of the group's income and expenses are in USD and during the year all management and bank reporting has changed to USD. The prior year Balance Sheet has been retranslated at the rate as at 30 June 2014 and the Profit and Loss Account has been retranslated at the prior year average rate.

As outlined in the Note 14, Debtors, in the prior year advances was split between other debtors and accrued income. The accounting policy has been updated during the year so that all advances are reported within other debtors. As such, the prior year Debtor note has been restated to reflect this.

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 strategic and directors' report on pages 6 to 9.

Going concern

During the year the Group has raised \$41 million equity and as at 30 June 2015 the group held substantial cash reserves of \$46 million with net assets of \$25 million. Should it be required, the group also has in place a \$12 million bank borrowing facility in place until September 2016. 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 current year losses are reflective of the strategic decision to invest in the future over short term profitability. The directors have prepared projected cash flow information for the period ending 30 June 2016 and beyond, and examined the results of sensitivity analyses 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 the recent investment, together with the bank facility in place. Subsequent to the recent investment, no further capital injections to the group are considered necessary.

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 the 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 three 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. The results of subsidiaries acquired are consolidated from the date on which control passed. Acquisitions are accounted for under the acquisition method. All intra-group profits and balances are eliminated on consolidation.

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.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

1. ACCOUNTING POLICIES (continued)

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.

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.

Software costs

Software development costs are capitalised only to the extent that they lead to the creation of an enduring asset delivering benefits at least as great as the amount capitalised. If there is insufficient evidence on which to base reasonable estimates of the economic benefits that will be generated in the period until the design and content are next updated, the costs of developing the design and content are charged to the profit and loss account as incurred.

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 contributions made by Kobalt are included in the Profit and Loss Account.

Foreign currencies

The Balance Sheet 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. The Profit and Loss Account 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.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

1. ACCOUNTING POLICIES (continued)

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

Royalty advances

Advances in respect of royalties payable, which are non-refundable but recoupable, comprise advances to clients under contract. As outlined above, the accounting policy has been updated so that all royalty advances are included in other debtors. 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

	2015	2014
	\$'000	Restated \$'000
United Kingdom	35,520	33,062
Rest of Europe	57,552	56,921
North America	121,700	83,143
Rest of World	30,278	21,929
	<u>245,050</u>	<u>195,055</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2015

3. SEGMENT INFORMATION

Classes of business	Publishing		Label Services		Neighbouring Rights		Society		Grand total	
	2015 \$'000	2014 Restated \$'000	2015 \$'000	2014 Restated \$'000	2015 \$'000	2014 Restated \$'000	2015 \$'000	2014 Restated \$'000	2015 \$'000	2014 Restated \$'000
Turnover (all sales to third parties)	194,180	166,723	29,048	19,153	20,855	9,179	967	-	245,050	195,055
Segmental Profit/(loss)	5,784	3,880	(8,384)	(7,208)	935	(350)	(5,577)	-	(7,242)	(3,678)
Common costs									(17,283)	(12,414)
Operating loss									(24,525)	(16,092)
Finance charges									(384)	(497)
Loss on ordinary activities before tax									(24,909)	(16,589)

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2015	2014
	\$'000	Restated \$'000
Directors' remuneration		
Directors' emoluments	4,901	3,544
Company contributions to money purchase pension schemes	1	-
	<u>4,092</u>	<u>3,544</u>
The number of directors who:		
Are members of money purchase pension schemes	2	-
Exercised options over shares in the Company	2	-
Had awards receivable in the form of shares under long-term incentive scheme	3	4
Emoluments of highest paid director	<u>2,802</u>	<u>1,649</u>
The highest paid director did not exercise options during the year (2014 – None)	No	No
Average number of persons employed (including directors) by the group during the year was		
Management	17	16
Copyright administration	48	38
Other administration	92	72
Label Services	37	30
Client services	11	10
Synchronisation and creative	54	46
	<u>259</u>	<u>212</u>
	2015	2014
	\$'000	Restated \$'000
Staff costs during the year (including directors)		
Wages and salaries	24,345	20,600
Employer pension contributions	57	-
Social security costs	2,039	2,079
Share-based payment charges	5,590	540
	<u>32,031</u>	<u>23,219</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

5. OPERATING LOSS

	2015	2014
	\$'000	Restated \$'000
Operating loss is after charging [crediting]:		
Depreciation of fixed assets		
Owned assets	2,191	1,637
Amortisation of intangible assets	343	249
Operating lease rentals		
Land and buildings	1,491	1,064
Plant and machinery	-	2
Foreign exchange losses	769	1,834
The analysis of auditor's remuneration is as follows		
Fees payable to the company's auditor for the audit of the group's annual financial statements	245	165
Other services		
Taxation compliance services	162	150
Other taxation advisory services	196	153
	<u> </u>	<u> </u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015	2014
	\$'000	Restated \$'000
Bank interest receivable	<u> 3</u>	<u> 25</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	\$'000	Restated \$'000
Bank loans and overdraft	<u> 387</u>	<u> 522</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	2015	2014
	\$'000	Restated \$'000
Current tax		
United Kingdom corporation tax based on the loss for the year at 20.75% (2014 - 22.5%)	-	-
Non-reclaimable withholding tax on royalty payments received	2,078	1,537
Tax paid in overseas jurisdictions	319	385
	<u>2,397</u>	<u>1,922</u>
Total current tax	2,397	1,922
Deferred taxation		
Origination and reversal of timing differences	-	-
	<u>2,397</u>	<u>1,922</u>
Tax on loss on ordinary activities	<u>2,397</u>	<u>1,922</u>

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax is 20.75% (2014 - 22.5%). 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

	2015	2014
	\$'000	Restated \$'000
Loss on ordinary activities before tax	(24,909)	(16,589)
	<u>(5,169)</u>	<u>(3,733)</u>
Tax on loss on ordinary activities at standard rate	(5,169)	(3,733)
Factors affecting charge for the year		
Expenses not deductible for tax purposes	2,094	851
Income not taxable for tax purposes	(342)	(183)
Depreciation in (deficit)/excess of capital allowances	(180)	323
Tax losses carried forward	5,626	2,971
Net non-reclaimable withholding tax on royalty payments received	2,078	1,537
Movement in short term timing differences	(101)	116
Losses utilised	(1,609)	40
	<u>2,397</u>	<u>1,922</u>
Total actual amount of current tax	<u>2,397</u>	<u>1,922</u>

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 \$15.9 million (2014 - \$10.3 million) of which \$1,110k (2014 - \$1,226k) has been recognised as a deferred tax asset. The deferred tax asset has been recognised in entities which have tax losses carried forward and are expected to be fully recovered within the next two years. The change in recognised deferred tax asset in the year is due to exchange rate movements and no amount has been (charged) / credited to the Profit and Loss Account.

The Finance Act 2013, which provides for reductions in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015, was substantively enacted on 2 July 2013. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

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

	2015		2014	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of year	794,693	7.00	798,111	11.42
Granted during the year	441,064	17.66	100,000	19.73
Forfeited during the year	(294,730)	3.20	-	n/a
Exercised during the year	(162,293)	3.07	(8,040)	6.00
Expired during the year	-	-	(95,378)	5.82
	<u>778,734</u>		<u>794,693</u>	
Exercisable at the end of the year	<u>656,265</u>		<u>699,404</u>	

The weighted average share price at exercise was £18.88 (2014 – £17.18)

At 30 June 2015 outstanding options had an exercise price of £2.50 to £23 (2014 £2.20 to £17.50) and a weighted average remaining contractual life of 6.6 years (2014 – 3.0 years)

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

Year ended 30 June	2015	2014
Weighted average share price at grant	£20.65	£16.46
Weighted average exercise price	£18.47	£16.41
Expected volatility	25%	25%
Weighted average expected life	10 years	10 years
Weighted average risk-free rate	2.49%	2.73%
Expected dividend yield	-	-

Other equity-settled share-based payments

The company provides incentives in the form of BA, BB, BC, BD and BG Ordinary shares sold to senior employees of the group. 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 year are as follows

Year ended 30 June	2015	2014
Weighted average share price at grant	£18.12	£17.18
Weighted average exercise price	£19.08	£17.50
Expected volatility	25%	25%
Weighted average expected life	4 years	4 years
Weighted average risk-free rate	1.6%	1.3%
Expected dividend yield	-	-
Weighted average fair value	£3.70	£3.63

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

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 five years

The group recognised total expenses of \$5.6 million related to equity-settled share-based payment transactions in the year ended 30 June 2015 (2014 - \$540k)

10. PROFIT ATTRIBUTABLE TO THE COMPANY

The profit for the financial year dealt with in the financial statements of the parent company was \$5 million (2014 - \$nil). 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 assets \$'000	Total \$'000
Cost			
At 1 July 2014 - Restated	2,248	140	2,388
Additions	2,344	-	2,344
Exchange Variances	(180)	-	(180)
	<u>4,412</u>	<u>140</u>	<u>4,552</u>
At 30 June 2015			
Amortisation			
At 1 July 2014 - Restated	580	96	676
Provided during the year	308	35	343
Exchange Variances	(47)	-	(47)
	<u>841</u>	<u>131</u>	<u>972</u>
At 30 June 2015			
Net book value			
At 30 June 2015	<u>3,571</u>	<u>9</u>	<u>3,580</u>
At 30 June 2014 - Restated	<u>1,668</u>	<u>44</u>	<u>1,712</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

12. TANGIBLE FIXED ASSETS

GROUP	Office equipment and fixtures	Software	Computer equipment	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
At 1 July 2014 - Restated	2,270	8,448	2,400	13,118
Additions	627	2,367	701	3,695
Exchange Variances	(182)	(678)	(193)	(1,053)
At 30 June 2015	<u>2,715</u>	<u>10,137</u>	<u>2,908</u>	<u>15,760</u>
Depreciation				
At 1 July 2014 - Restated	1,077	4,805	1,596	7,478
Provided during the year	433	1,267	491	2,191
Exchange Variances	(59)	(393)	(97)	(549)
At 30 June 2015	<u>1,451</u>	<u>5,679</u>	<u>1,990</u>	<u>9,120</u>
Net book value				
At 30 June 2015	<u>1,264</u>	<u>4,458</u>	<u>918</u>	<u>6,640</u>
At 30 June 2014 - Restated	<u>1,193</u>	<u>3,643</u>	<u>804</u>	<u>5,640</u>
COMPANY	Office equipment and fixtures	Software	Computer equipment	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
At 1 July 2014 - Restated	1,556	8,448	1,611	11,615
Additions	101	2,367	516	2,984
Transferred from fellow group company	37	-	138	175
Exchange Variances	(125)	(678)	(126)	(929)
At 30 June 2015	<u>1,569</u>	<u>10,137</u>	<u>2,139</u>	<u>13,845</u>
Depreciation				
At 1 July 2014 - Restated	565	4,805	1,079	6,449
Provided during the year	193	1,260	351	1,804
Transferred from fellow group company	32	-	137	169
Exchange Variances	(45)	(386)	(86)	(517)
At 30 June 2015	<u>745</u>	<u>5,679</u>	<u>1,481</u>	<u>7,905</u>
Net book value				
At 30 June 2015	<u>824</u>	<u>4,458</u>	<u>658</u>	<u>5,940</u>
At 30 June 2014 - Restated	<u>991</u>	<u>3,643</u>	<u>532</u>	<u>5,166</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 June 2015

13. INVESTMENTS

GROUP	Group investments \$'000
Cost	
At 1 July 2014 - Restated	3,803
Exchange Variances	(305)
Additions	1,522
	<hr/>
At 30 June 2015	<u>5,020</u>

COMPANY	Investment in subsidiary undertakings \$'000	Investments in non-group companies \$'000	Total \$'000
Cost			
At 1 July 2014 - Restated	3,603	3,798	7,401
Exchange Variances	(289)	(305)	(594)
Additions	1,669	1,522	3,191
	<hr/>	<hr/>	<hr/>
At 30 June 2015/30 June 2014	<u>4,983</u>	<u>5,015</u>	<u>9,998</u>

During the year the company made the following investments in subsidiary undertakings

- On 11 July 2014, Kobalt America Holdings, Inc (a wholly-owned subsidiary of Kobalt Group Limited) purchased 100 per cent of the issued share capital of American Music Rights Association Inc for consideration of \$500k (with no deferred consideration recognised) This combination has been accounted for as an acquisition
- On 1 January 2015, Kobalt Music Group Limited purchased 100 per cent of the issued share capital of Kobalt Netherlands BV and Kobalt 2015 Ltd Limited for consideration of £1 million (with no deferred consideration recognised) This combination has been accounted for as an acquisition
- Kobalt Music Group Limited made a further \$315k (£200k) investment into its wholly owned subsidiary, Kobalt Capital Limited, to support its development

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 American Music Rights Association Inc is that of a music royalty collection society

The principal activity of all other group entities is music publishing, except for Kollektor Limited which is dormant

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

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 America, 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 2015 Limited	Ordinary	100%	
Kobalt Netherlands BV	Ordinary	100%	Netherlands
American Music Rights Association Inc	Ordinary	100%	USA

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

14. DEBTORS

	GROUP		COMPANY	
	2015	2014	2015	2014
		Restated		Restated
	\$'000	\$'000	\$'000	\$'000
Amounts owed by group undertakings	-	-	73,089	45,990
Other debtors	47,631	39,211	3,117	2,711
Prepayments	2,251	2,154	673	800
Deferred taxation (note 16)	1,110	1,226	-	-
Accrued income	49,170	46,238	-	-
	<u>100,162</u>	<u>88,829</u>	<u>76,879</u>	<u>49,501</u>

Other debtors includes \$872k (2014 - \$733k) 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.

In the prior year royalty advances has been split between other debtors and accrued income. The accounting policy has been updated during the year so that all advances are reported within other debtors. As such, the prior year Debtor note has been restated. This has resulted in the changes above.

- 2014 other debtors Increased by \$17.6m (from \$21.6m to \$39.2 million)
- 2014 accrued income Decreased by \$17.6m (from \$63.9m to \$46.2 million)

All other debtors are due within one year.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2015	2014	2015	2014
		Restated		Restated
	\$'000	\$'000	\$'000	\$'000
Trade creditors	1,300	1,373	419	425
Accruals and deferred income	129,352	112,760	2,386	1,431
Other taxes and social security costs	1,308	643	340	310
Other creditors	4,556	2,608	56	84
	<u>136,516</u>	<u>117,384</u>	<u>3,201</u>	<u>2,250</u>

As at the 30th June 2015 the group has contractual obligations to make future advances which are either of an unconditional nature (with a known timing and amount) or conditional on a future event. Unconditional obligations are all due by 31 December 2016 and for a total of \$5.5 million and have not been recognised.

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

16. DEFERRED TAX ASSET

	\$'000
At 30 June 2014 - Restated	1,226
Exchange rate movements	(116)
	<u>1,110</u>
At 30 June 2015	<u>1,110</u>

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

	GROUP	
	2015	2014
	\$'000	\$'000
Trading losses	<u>1,110</u>	<u>1,226</u>

17. OPERATING LEASE COMMITMENTS

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

	Plant and machinery		Land and building	
	2015	2014	2015	2014
		Restated		Restated
	\$'000	\$'000	\$'000	\$'000
Operating leases which expire				
Within one year	-	2	254	105
Between one and five years	-	-	918	1,104
More than five years	-	-	556	-
	<u>-</u>	<u>-</u>	<u>1,728</u>	<u>1,209</u>

KOBALT MUSIC GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

18. CALLED UP SHARE CAPITAL

	2015	2014
	\$'000	Restated \$'000
Called up, allotted and fully paid		
6,381,927 (2014 - 6,595,734) ordinary shares of £0 05 each	502	564
977,274 (2014 - 1,030,274) BA ordinary shares of £0 005 each	8	9
52,080 (2014 - 52,080) BB ordinary shares of £0 005 each	-	-
315,341 (2014 - 350,341) BC ordinary shares of £0 005 each	2	3
112,000 (2014 - 112,000) BD ordinary shares of £0 005 each	1	2
77,750 (2014 - 12,750) BG ordinary shares of £0 005 each	1	-
530,684 (2014 - 561,143) A preference shares of £0 05 each	42	48
62,500 (2014 - 62,500) B preference shares of £0 05 each	5	5
1,377,981 (2014 - nil) C preference shares of £0 10 each	217	-
	<u>778</u>	<u>631</u>

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

Date	Type of share	No. of shares
1 July 2014	Ordinary shares of £0 05	1,008
20 July 2014	Ordinary shares of £0 05	504
8 October 2014	Ordinary shares of £0 05	100
15 October 2014	Ordinary shares of £0 05	100
8 January 2015	Ordinary shares of £0 05	100
23 January 2015	Ordinary shares of £0 05	86,000
28 January 2015	Ordinary shares of £0 05	9,474
31 March 2015	Ordinary shares of £0 05	100
2 April 2015	Ordinary shares of £0 05	3,000
17 April 2015	Ordinary shares of £0 05	5,004
30 June 2015	Ordinary shares of £0 05	10,516

In the year, the following shares were issued for cash

Date	Type of share	No. of shares	Share Price	Total Consideration
21 July 2014	BG ordinary shares of £0 005 each	65,000	£2 95	£191,750
20 February 2015	C preference shares of £0 10 each	1,377,981	\$43 59	\$60,066,192
15 August 2014	Ordinary shares of £0 05	126,614	£17 50	£2,215,745
10 October 2014	Ordinary shares of £0 05	106,432	£17 50	£1,862,560

In the year, the following shares were repurchased for cash

Date	Type of share	No. of shares	Share Price (£)
24 February 2015	Ordinary shares of £0 05	562,759	23
24 February 2015	A preference shares of £0 05 each	30,459	23
24 February 2015	BA ordinary shares of £0 005 each	53,000	17
24 February 2015	BC ordinary shares of £0 005 each	35,000	13

KOBALT MUSIC GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2015
19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS/(DEFICIT) 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	Sharehol- ders' funds (deficit) 2015 Total \$'000	Sharehol- ders' funds (deficit) 2014 Total Restated \$'000
At 1 July - Restated	631	61,927	2,305	(2,249)	(59,482)	3,132	(1,731)
Loss for the financial year	-	-	-	-	(27,306)	(27,306)	(18,511)
Net new equity share capital subscribed	147	41,118	-	-	-	41,265	21,202
Equity settled share based payment charge	-	-	5,590	-	-	5,590	540
Consideration for lapse of shares	-	-	(1,180)	-	-	(1,180)	(21)
Currency translation differences	-	-	-	3,636	-	3,636	1,653
At 30 June	<u>778</u>	<u>103,045</u>	<u>6,715</u>	<u>1,387</u>	<u>(86,788)</u>	<u>25,137</u>	<u>3,132</u>

COMPANY

	Called up share capital \$'000	Share premium account \$'000	Share option reserve \$'000	Other revaluation reserve \$'000	Profit and loss account \$'000	Sharehol- ders' funds (deficit) 2015 Total \$'000	Sharehol- ders' funds (deficit) 2014 Total Restated \$'000
At 1 July - Restated	631	61,927	2,305	(91)	(699)	64,073	37,549
Profit for the financial year	-	-	-	-	5,042	5,042	-
Net new equity share capital subscribed	147	41,118	-	-	-	41,265	21,202
Equity settled share based payment charge	-	-	5,590	-	-	5,590	540
Consideration for lapse of shares	-	-	(1,180)	-	-	(1,180)	(21)
Currency translation differences	-	-	-	37	-	37	4,803
At 30 June	<u>778</u>	<u>103,045</u>	<u>6,715</u>	<u>(54)</u>	<u>4,343</u>	<u>114,827</u>	<u>64,073</u>

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 (continued)

For the year ended 30 June 2015

20. RELATED PARTY DISCLOSURES

The directors are of the view that no one party controls the Group as ownership of the Company is held across a number of individuals and investing entities. This is the largest and smallest consolidation within the Group.

Group

Other than amounts included within Directors' Emoluments (Note 4), there are no other related party transactions.

Company

Under the exemptions of FRS 8, related party disclosures are not required for transactions with other group companies by virtue of all group companies being 100% subsidiaries of Kobalt Music Group Limited and which have been consolidated in these group financial statements.

21. POST BALANCE SHEET EVENTS

There were no material post balance sheet events.