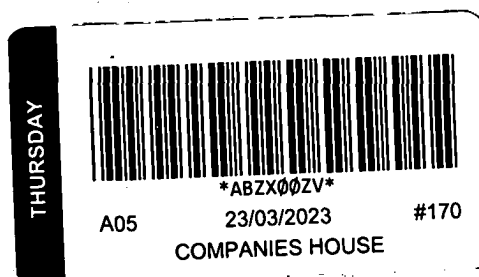


SO FAR SOUNDS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021



SOFAR SOUNDS LIMITED

COMPANY INFORMATION

Directors	M Ferguson J Lucchese R E Offer S R Tobin M J Kerns (appointed 11 February 2022)
Company secretary	Eriska Secretaries Limited
Registered number	07561876
Registered office	5th Floor Roundhouse 212 Regents Park Road London NW1 8AW
Independent auditor	CLA Evelyn Partners Limited Chartered Accountants & Statutory Auditors 45 Gresham Street London EC2V 7BG

SOFAR SOUNDS LIMITED

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SOFAR SOUNDS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The directors present their strategic report of Sofar Sounds ("the Company" or "Sofar") and financial statements for the year ended 31 December 2021.

Business review

The primary business of Sofar Sounds continues to be to support artists by reimagining the live event experience.

Sofar Sounds organises, markets, presents and executes live concerts and by providing a technology and community platform to enable independent show organizers to create their own concerts. It is a community-led, artist-centric business operating in the experience economy with a focus on digital content to amplify the reach of these experiences. Sofar holds its artists, hosts and fan communities at the core of the business through Sofar's Artist Services offerings, the company also gives artists tools to market their other concerts, sell VIP experiences and directly engage their fans, empowering artists to own their fan data and fan relationships.

As with other live entertainment businesses, 2021 continued to be an extremely challenging trading environment as the global pandemic continued to dramatically impact in-person gatherings. The business returned to live events on a smaller scale in June, 2021.

Sofar's continued dedication and artist focus was continued during 2021 with the acquisition of Seated, Inc. This has enabled Sofar to offer more ways to empower artists, and enable them to connect with their fans on a different level. We have continued to develop and expand the platform to continue to develop our one of a kind event planning and ticketing platform.

We continued to engage with our global community of independent show organisers. This has enabled us to maintain our strong relationships with independent Sofar "Curators" around the world.

Principal risks and uncertainties

The most significant risk to the business is the continued impact of COVID-19 on Sofar owned+operated concerts, on Sofar's community of independent show organizers and on Artists as a whole, considering the critical role that live performance plays in their careers.

Additional key risks and uncertainties impacting the business are:

- Reduction in commercial spending across the economy
- Concerns of a pending recession

The financial statements of the Company have been prepared on a going concern basis based on the directors' belief that the business is well placed to mitigate these risks given the management team in place and our relationships with the Sofar artists that perform, as well as recent product innovation and continued growth of the experience economy.

Financial key performance indicators

The results for the year, as set out on page 10, revenue of \$5.8M (2020 - \$2.8M) and an operating loss before tax of \$11.9M (2020 - \$12.4M).

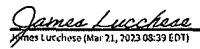
Other key performance indicators

Total Tickets Sold: 93,073 (2020 - 100,301)

SOFAR SOUNDS LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

This report was approved by the board and signed on its behalf.


J Lucchese (Mar 21, 2023 08:39 EDT)

J Lucchese
Director

Date: 21/03/2023

SOFAR SOUNDS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Principal activity

The principal activity remained enabling the production of music concerts both in person and digitally.

Dividends

The loss for the year, after taxation and minority interests, amounted to \$11,922,260 (2020 - loss \$12,231,045).

No dividends were paid during the year and the directors do not propose a final dividend (2020 - \$Nil).

Directors

The directors who served during the year were:

M Ferguson
J Lucchese
R E Offer
S R Tobin

Future developments

The business remains focused on its core business of supporting artists by connecting them with audiences via intimate music performances.

Going concern

The accounts are prepared on a going concern basis but uncertainty exists due to the risks outlined in the Strategic Report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Post balance sheet events

Following the year end, the group completed its Series D fund raise where 11,770,785 Ordinary D shares were issued for \$4.87 each. This raised a total of \$57,343,184.

1 Ordinary share, 1 Ordinary A share, 1 Ordinary B share and 1 Ordinary C share were also issued as part of this funding raise, each for a consideration of \$4.87.

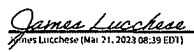
SOFAR SOUNDS LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Auditor

The auditor, CLA Evelyn Partners Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.


J Lucchese (Mar 21, 2023 08:39 EDT)

J Lucchese
Director

Date: 21/03/2023

SOFAR SOUNDS LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group 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 for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOFAR SOUNDS LIMITED

Opinion

We have audited the financial statements of Sofar Sounds Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Consolidated Analysis of Net Debt and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 31 December 2021 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

SOFAR SOUNDS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOFAR SOUNDS LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

SOFAR SOUNDS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOFAR SOUNDS LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We obtained an understanding of the Group's and Parent Company's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations and of the Group's and Parent Company's policies and procedures regarding compliance. We also drew on our existing understanding of the Group's and Parent Company's industry and regulation.

We understand that the Group and Parent Company comply with the framework through:

- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change;
- and
- A risk assessment framework and register that includes regular review and scrutiny by the directors and management.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements and which are central to the Group's ability to conduct its business and where failure to comply could result in material penalties. The Group must abide by the Companies Act 2006 and FRS102 in respect of the preparation and presentation of the financial statements. Aside from this, we did not identify any specific laws and regulations as being of significance in the context of the Group.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above:

- Enquired of management and those charged with governance as to the risks of non-compliance and any instances thereof;
- Reviewed minutes of meetings of those charged with governance; and
- Obtained written management representations regarding disclosure of any non-compliance with laws and regulations.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements through manual journal entries and incorrect recognition of revenue.

The procedures carried out to gain evidence in the above areas included:

- Evaluation of the design effectiveness of management's controls designed to prevent and detect irregularities;
- Testing of a sample of manual journal entries, selected through applying specific risk assessments applied based on the entity's processes and controls surrounding manual journal entries;
- Reviewing and challenging estimates made by management; and
- Substantive testing of revenue transactions.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

SOFAR SOUNDS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOFAR SOUNDS LIMITED (CONTINUED)

www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A Heeralall

A Heeralall (Mar 21, 2023 14:56 GMT)

Avinash Heeralall (Senior Statutory Auditor)

for and on behalf of

CLA Evelyn Partners Limited

Chartered Accountants

Statutory Auditors

45 Gresham Street

London

EC2V 7BG

Date: 21/03/2023

SOFAR SOUNDS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 \$	2020 \$
Turnover	4	5,834,966	2,770,383
Cost of sales		(2,892,593)	(1,499,723)
Gross profit		2,942,373	1,270,660
Administrative expenses		(15,408,357)	(14,208,982)
Other operating income	5	538,410	455,475
Operating loss	6	(11,927,574)	(12,482,847)
Interest receivable and similar income	10	2,967	42,942
Interest payable and similar expenses	11	(5,638)	(1,688)
Loss before taxation		(11,930,245)	(12,441,593)
Tax on loss	12	117,025	210,548
Loss for the financial year		(11,813,220)	(12,231,045)
Foreign currency translation differences		(348,872)	(19,992)
Other comprehensive income for the year		(348,872)	(19,992)
Total comprehensive income for the year		(12,162,092)	(12,251,037)
(Loss) for the year attributable to:			
Non-controlling interests		109,040	-
Owners of the Parent Company		(11,922,260)	(12,231,045)
		(11,813,220)	(12,231,045)

The notes on pages 22 to 47 form part of these financial statements.

SOFAR SOUNDS LIMITED
REGISTERED NUMBER:07561876

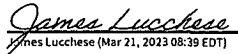
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 \$	2020 \$
Fixed assets			
Intangible assets	13	1,742,590	10,733
Tangible assets	14	407,890	526,451
		<u>2,150,480</u>	<u>537,184</u>
Current assets			
Debtors	16	5,545,898	1,029,381
Cash at bank and in hand	17	4,201,527	5,605,865
		<u>9,747,425</u>	<u>6,635,246</u>
Creditors: amounts falling due within one year	18	(5,727,143)	(991,836)
Net current assets		<u>4,020,282</u>	<u>5,643,410</u>
Total assets less current liabilities		<u>6,170,762</u>	<u>6,180,594</u>
Creditors: amounts falling due after more than one year	19	(333,025)	-
Provisions for liabilities			
Net assets		<u><u>5,837,737</u></u>	<u><u>6,180,594</u></u>
Capital and reserves			
Called up share capital	21	25	21
Share premium account	22	50,353,460	40,073,735
Foreign exchange reserve	22	(1,811,238)	(1,462,366)
Share options reserves	22	3,066,413	1,705,542
Deferred shares	22	180,339	-
Profit and loss account	22	(46,060,302)	(34,136,338)
Non-controlling interests		109,040	-
Shareholders' funds		<u><u>5,837,737</u></u>	<u><u>6,180,594</u></u>

SOFAR SOUNDS LIMITED
REGISTERED NUMBER:07561876

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2021

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


James Lucchese (Mar 21, 2023 08:39 EDT)

J Lucchese
Director

Date: 21/03/2023

The notes on pages 22 to 47 form part of these financial statements.

SOFAR SOUNDS LIMITED
REGISTERED NUMBER: 07561876

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2021

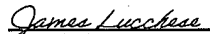
	Note	2021 \$	2020 \$
Fixed assets			
Intangible assets	13	9,376	10,733
Tangible assets	14	236,640	340,190
Investments	15	3,557,117	942,562
		<u>3,803,133</u>	<u>1,293,485</u>
Current assets			
Debtors	16	26,362,067	21,063,012
Cash at bank and in hand	17	1,297,722	447,054
		<u>27,659,789</u>	<u>21,510,066</u>
Creditors: amounts falling due within one year	18	(646,584)	(459,945)
Net current assets		<u>27,013,205</u>	<u>21,050,121</u>
Total assets less current liabilities		<u>30,816,338</u>	<u>22,343,606</u>
Creditors: amounts falling due after more than one year	19	(174,927)	-
Net assets		<u><u>30,641,411</u></u>	<u><u>22,343,606</u></u>
Capital and reserves			
Called up share capital	21	25	21
Share premium account	22	50,353,460	40,073,735
Foreign exchange reserve	22	11,324	152,856
Share option reserve	22	3,066,413	1,705,542
Deferred shares	22	180,339	-
Profit and loss account carried forward		(22,970,150)	(19,588,548)
Shareholders' funds		<u><u>30,641,411</u></u>	<u><u>22,343,606</u></u>

SOFAR SOUNDS LIMITED
REGISTERED NUMBER:07561876

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2021

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the Company for the year was \$3,379,898 (2020: \$4,716,262).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


James Lucchese (Mar 21, 2023 08:39 EDT)

J Lucchese
Director

Date: 21/03/2023

The notes on pages 22 to 47 form part of these financial statements.

SO FAR SOUNDS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Foreign exchange reserve	Share option reserve	Shares to be issued	Profit and loss account	Equity attributable to owners of parent company	Non- controlling interests	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$
At 1 January 2021	21	40,073,735	(1,462,366)	1,705,542	-	(34,136,338)	6,180,594	-	6,180,594
Comprehensive income for the year									
Loss for the year	-	-	-	-	-	(11,922,260)	(11,922,260)	109,040	(11,813,220)
Currency translation differences	-	-	-	-	-	(1,704)	(1,704)	-	(1,704)
Foreign currency translation differences	-	-	(348,872)	-	-	-	(348,872)	-	(348,872)
Other comprehensive income for the year	-	-	(348,872)	-	-	(1,704)	(350,576)	-	(350,576)
Total comprehensive income for the year	-	-	(348,872)	-	-	(11,923,964)	(12,272,836)	109,040	(12,163,796)
Shares issued during the year	4	10,279,725	-	-	-	-	10,279,729	-	10,279,729
Share options charge	-	-	-	1,360,871	-	-	1,360,871	-	1,360,871
Issue of deferred shares	-	-	-	-	180,339	-	180,339	-	180,339
Total transactions with owners	4	10,279,725	-	1,360,871	180,339	-	11,820,939	-	11,820,939
At 31 December 2021	25	50,353,460	(1,811,238)	3,066,413	180,339	(46,060,302)	5,728,697	109,040	5,837,737

SOFAR SOUNDS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Share premium account	Foreign exchange reserve	Share option reserve	Profit and loss account	Total equity
	\$	\$	\$	\$	\$	\$
At 1 January 2020	20	40,063,773	(1,442,374)	891,518	(21,905,293)	17,607,644
Comprehensive income for the year						
Loss for the year	-	-	-	-	(12,231,045)	(12,231,045)
Currency translation differences	-	-	(19,992)	-	-	(19,992)
Other comprehensive income for the year	-	-	(19,992)	-	-	(19,992)
Total comprehensive income for the year	-	-	(19,992)	-	(12,231,045)	(12,251,037)
Shares issued during the year	1	9,962	-	-	-	9,963
Share option charge	-	-	-	814,024	-	814,024
Total transactions with owners	1	9,962	-	814,024	-	823,987
At 31 December 2020	21	40,073,735	(1,462,366)	1,705,542	(34,136,338)	6,180,594

SOFAR SOUNDS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Foreign exchange reserve	Share option reserve	Shares to be issued	Profit and loss account	Total equity
	\$	\$	\$	\$	\$	\$	\$
At 1 January 2021	21	40,073,735	152,856	1,705,542	-	(19,588,548)	22,343,606
Comprehensive income for the year							
Loss for the year	-	-	-	-	-	(3,379,898)	(3,379,898)
Currency translation differences	-	-	-	-	-	(1,704)	(1,704)
Foreign currency translation differences	-	-	(141,532)	-	-	-	(141,532)
Total comprehensive income for the year	-	-	(141,532)	-	-	(3,381,602)	(3,523,134)
Contributions by and distributions to owners							
Shares issued during the year	4	10,279,725	-	-	-	-	10,279,729
Share option charge	-	-	-	1,360,871	-	-	1,360,871
Issue of deferred shares	-	-	-	-	180,339	-	180,339
Total transactions with owners	4	10,279,725	-	1,360,871	180,339	-	11,820,939
At 31 December 2021	25	50,353,460	11,324	3,066,413	180,339	(22,970,150)	30,641,411

SOFAR SOUNDS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Share premium account	Foreign exchange reserve	Share options	Profit and loss account	Total equity
	\$	\$	\$	\$	\$	\$
At 1 January 2020	20	40,063,773	(206,136)	891,518	(14,872,286)	25,876,889
Comprehensive loss for the year						
Loss for the year	-	-	-	-	(4,716,262)	(4,716,262)
Currency translation differences	-	-	358,992	-	-	358,992
Total comprehensive income for the year	-	-	358,992	-	(4,716,262)	(4,357,270)
Contributions by and distributions to owners						
Shares issued during the year	1	9,962	-	-	-	9,963
Share options charge	-	-	-	814,024	-	814,024
Total transactions with owners	1	9,962	-	814,024	-	823,987
At 31 December 2020	21	40,073,735	152,856	1,705,542	(19,588,548)	22,343,606

SOFAR SOUNDS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 \$	2020 \$
Cash flows from operating activities		
Loss for the financial year	(11,813,220)	(12,231,045)
Adjustments for:		
Amortisation of intangible assets	170,769	2,628
Depreciation of tangible assets	204,709	179,795
Loss on disposal of tangible assets	-	14,952
Interest paid	5,638	1,688
Interest received	(2,967)	(42,942)
Taxation charge	(117,025)	(210,548)
(Increase)/decrease in debtors	(4,516,517)	92,735
Increase/(decrease) in creditors	3,254,812	(1,060,263)
Corporation tax received	-	210,548
Foreign exchange	(348,872)	(19,992)
Share option	1,360,871	814,024
Net cash used in operating activities	<u>(11,801,802)</u>	<u>(12,248,420)</u>
Cash flows used in investing activities		
Purchase of intangible fixed assets	-	(8,924)
Purchase of tangible fixed assets	(89,223)	(203,437)
Sale of tangible fixed assets	-	887
Cash paid on acquisition of subsidiary	(1,129,961)	-
Interest received	2,967	42,942
Net cash used in investing activities	<u>(1,216,217)</u>	<u>(168,532)</u>
Cash flows from financing activities		
Issue of ordinary shares	11,619,319	9,963
Interest paid	(5,638)	(1,688)
Net cash generated from financing activities	<u>11,613,681</u>	<u>8,275</u>
Net (decrease) in cash and cash equivalents	<u>(1,404,338)</u>	<u>(12,408,677)</u>

SOFAR SOUNDS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 \$	2020 \$
Cash and cash equivalents at beginning of the year	5,605,865	18,014,542
Cash and cash equivalents at the end of the year	<u>4,201,527</u>	<u>5,605,865</u>
Cash and cash equivalents at the end of the year comprise:		
Cash at bank and in hand	<u>4,201,527</u>	<u>5,605,865</u>
	<u>4,201,527</u>	<u>5,605,865</u>

SOFAR SOUNDS LIMITED

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2021

	At 1 January 2021 \$	Cash flows \$	Acquisition and disposal of subsidiaries \$	At 31 December 2021 \$
Cash at bank and in hand	5,605,865	(1,404,338)	-	4,201,527
Debt due after 1 year	-	-	(149,900)	(149,900)
	<u>5,605,865</u>	<u>(1,404,338)</u>	<u>(149,900)</u>	<u>4,051,627</u>

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

Sofar Sounds Limited is a private company, limited by shares, domiciled and incorporated in England and Wales (registered number: 07561876). The registered office address is 5th Floor Roundhouse, 212 Regents Park Road, London, NW1 8AW.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

Parent Company disclosure exemptions

In preparing the separate financial statements of the Parent Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the year has been presented as the reconciliation for the Company and the Parent Company would be identical;
- No Statement of Cash Flows has been presented for the Parent Company;
- Disclosures in respect of the Parent Company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- No disclosures have been given for the aggregate remuneration of the key management personnel of the Parent Company as their remuneration is included in the totals for the Company as a whole.

The following principal accounting policies have been applied:

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

In accordance with their responsibilities, the directors have considered the appropriateness of the going concern basis, which has been used in the preparation of these financial statements. In making this going concern assessment, the directors have considered the following matters:

- the group's strong track record of successful fundraising from shareholders and other investors as evidenced by historical financing to date and,
- the current financing options that are on offer to the group

Following the year end, the group completed its Series D fund raise which raised around \$57m, this has been considered by the directors and forecasts have been prepared which show the group has sufficient funding to meet liabilities as they fall due over the next 12 months.

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional currency is GBP. This differs from the presentational currency which is USD.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue from ticket sales is recognised when the event has occurred. Revenue received in advance of the event date, is deferred.

Revenue from commercial partnerships is recognised in stages of the contract when defined performance obligations have been met.

Revenue from content is recognised as and when it is generated and communicated from a distribution partner.

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Government grants

Grants for furlough grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the profit or loss in the same period as the related expenditure.

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.11 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the profit or loss over its useful economic life of 10 years.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Trademarks	- 5 years
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2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	- 3 and 5 years
Office equipment	- 3 and 4 years
Computer equipment	- 3 and 4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in subsidiaries are assessed for indicators of impairment by using cash flow forecasts to determine the value in use. Any impairment losses are recognised through the profit or loss.

2.14 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.15 Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Group's cash management.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.16 Classification of financial instruments issued by the Group

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

2.17 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

2.18 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Judgments in applying accounting policies and key sources of estimation uncertainty

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

The judgements, estimates and assumptions are evaluated at each reporting date and are based on historical experience as adjusted for current market conditions and other factors. Management makes estimates and assumptions concerning the future in preparing the financial statements and the actual results will not always reflect the accounting estimates made. The estimates and assumptions that had a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Group are outlined below.

Revenue recognition

Specifically for commercial partnership revenue, the directors assess the appropriate amount of revenue to recognise on each project in progress at the reporting date by reference to the value of work completed and the accrued right to consideration.

Impairment of intercompany balances

The directors have carried out an impairment review considering the fair value less costs to sell to which the intercompany balances are owed from.

Given the impact of COVID-19 on the Group and the uncertainty over future cash flows, the Directors have also considered the total enterprise value of the Group based on the share price of recent fundraising and therefore whether the intercompany balances would be recoverable on sale.

Preference shares

In accordance with the Group's accounting policy these financial instruments are deemed to be equity only instruments. The Group has no contractual obligations to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another. Additionally, it is at the Group's discretion whether further shares are issued.

Presentation of intercompany balances

No formal agreements are in place for intercompany balances, which are repayable on demand but are not expected to be repaid within 12 months of the year end. As the balances due are very material to the financial statements they have been presented as due in more than one year.

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 \$	2020 \$
Ticket sales	4,317,013	2,057,258
Content revenue	105,124	224,666
Commercial partnership	1,412,829	488,459
	<u>5,834,966</u>	<u>2,770,383</u>

Analysis of turnover by country of destination:

	2021 \$	2020 \$
United Kingdom	63,907	270,166
Rest of world	5,771,059	2,500,217
	<u>5,834,966</u>	<u>2,770,383</u>

5. Other operating income

	2021 \$	2020 \$
Other operating income	528,410	455,475
Sundry income	10,000	-
	<u>538,410</u>	<u>455,475</u>

6. Operating loss

The operating loss is stated after charging:

	2021 \$	2020 \$
Exchange differences	21,522	(14,419)
Other operating lease rentals	407,512	483,560
	<u>429,034</u>	<u>469,141</u>

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

7. Auditor's remuneration

	2021 \$	2020 \$
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>42,797</u>	<u>37,444</u>
Fees payable to the Group's auditor and its associates in respect of:		
Accounts preparation services	<u>3,090</u>	<u>3,875</u>
	<u>3,090</u>	<u>3,875</u>

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2021 \$	Group 2020 \$	Company 2021 \$	Company 2020 \$
Wages and salaries	8,621,213	9,465,645	1,909,445	2,823,824
Social security costs	401,110	378,572	219,000	280,416
Cost of defined contribution scheme	53,241	65,848	50,901	61,303
	<u>9,075,564</u>	<u>9,910,065</u>	<u>2,179,346</u>	<u>3,165,543</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2021 No.	Group 2020 No.	Company 2021 No.	Company 2020 No.
Operational	40	54	7	8
Technology	23	23	4	4
Support	27	37	10	13
	<u>90</u>	<u>114</u>	<u>21</u>	<u>25</u>

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

9. Directors' remuneration

	2021 \$	2020 \$
Directors' emoluments	<u>391,258</u>	<u>327,956</u>

The highest paid director received remuneration of \$187,500 (2020 - \$164,242).

10. Interest receivable

	2021 \$	2020 \$
Other interest receivable	<u>2,967</u>	<u>42,942</u>

11. Interest payable and similar expenses

	2021 \$	2020 \$
Bank interest payable	<u>5,638</u>	<u>1,688</u>

12. Taxation

	2021 \$	2020 \$
Corporation tax		
Current tax on losses for the year	(117,025)	(210,548)
	<u>(117,025)</u>	<u>(210,548)</u>
Total current tax	<u>(117,025)</u>	<u>(210,548)</u>
Taxation on loss	<u>(117,025)</u>	<u>(210,548)</u>

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

12. Taxation (continued)

Factors affecting tax credit for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 \$	2020 \$
Loss on ordinary activities before tax	<u>(11,930,245)</u>	<u>(12,441,593)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(2,266,747)	(2,363,903)
Effects of:		
Disallowable expenses	197,277	217,122
Allowances	(11,710)	2,985
International tax rate	(144,312)	(139,617)
Other tax rates	(943)	4,472
Tax credits	(137,199)	(215,020)
Taxable losses not recognised as deferred tax assets	2,246,609	2,283,413
Total tax credit for the year	<u>(117,025)</u>	<u>(210,548)</u>

Factors that may affect future tax charges

Finance Act 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023. The full anticipated effect of these changes is reflected in the above deferred tax balances.

The Group has carried forward losses of \$43M (2020 - \$31M) in its overseas subsidiaries. No deferred tax asset has been recognised in the financial statements as the material utilisation of the losses in future periods is not considered to be more likely than not.

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. Intangible assets

Group

	Trademarks \$	Goodwill \$	Total \$
Cost			
At 1 January 2021	27,166	-	27,166
Additions	-	1,902,626	1,902,626
At 31 December 2021	<u>27,166</u>	<u>1,902,626</u>	<u>1,929,792</u>
Amortisation			
At 1 January 2021	16,433	-	16,433
Charge for the year	1,357	169,412	170,769
At 31 December 2021	<u>17,790</u>	<u>169,412</u>	<u>187,202</u>
Net book value			
At 31 December 2021	<u>9,376</u>	<u>1,733,214</u>	<u>1,742,590</u>
At 31 December 2020	<u>10,733</u>	<u>-</u>	<u>10,733</u>

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. Intangible assets (continued)

Company

	Trademarks \$
Cost	
At 1 January 2021	27,166
At 31 December 2021	<u>27,166</u>
Amortisation	
At 1 January 2021	16,433
Charge for the year	1,357
At 31 December 2021	<u>17,790</u>
Net book value	
At 31 December 2021	<u>9,376</u>
At 31 December 2020	<u>10,733</u>

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14. Tangible fixed assets

Group

	Long-term leasehold property \$	Office equipment \$	Computer equipment \$	Total \$
Cost				
At 1 January 2021	524,913	50,534	168,777	744,224
Additions	-	30,313	28,281	58,594
Disposals	-	-	(8,033)	(8,033)
At 31 December 2021	524,913	80,847	189,025	794,785
Depreciation				
At 1 January 2021	128,492	15,143	74,138	217,773
Charge for the year	111,440	21,374	44,341	177,155
Disposals	-	-	(8,033)	(8,033)
At 31 December 2021	239,932	36,517	110,446	386,895
Net book value				
At 31 December 2021	284,981	44,330	78,579	407,890
At 31 December 2020	396,421	35,391	94,639	526,451

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

14. Tangible fixed assets (continued)

Company

	Long-term leasehold property \$	Office equipment \$	Computer equipment \$	Total \$
Cost				
At 1 January 2021	396,746	20,577	64,392	481,715
Additions	-	8,074	-	8,074
Disposals	-	-	(8,033)	(8,033)
At 31 December 2021	<u>396,746</u>	<u>28,651</u>	<u>56,359</u>	<u>481,756</u>
Depreciation				
At 1 January 2021	106,100	4,267	31,158	141,525
Charge for the year	84,906	11,113	15,605	111,624
Disposals	-	-	(8,033)	(8,033)
At 31 December 2021	<u>191,006</u>	<u>15,380</u>	<u>38,730</u>	<u>245,116</u>
Net book value				
At 31 December 2021	<u>205,740</u>	<u>13,271</u>	<u>17,629</u>	<u>236,640</u>
At 31 December 2020	<u>290,646</u>	<u>16,310</u>	<u>33,234</u>	<u>340,190</u>

SOFAR SOUNDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

15. Fixed asset investments

Company

	Investments in subsidiary companies \$
Cost or valuation	
At 1 January 2021	942,562
Additions	2,614,555
At 31 December 2021	<u>3,557,117</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Sofar Sounds Canada Ltd	745 Thurlow Street, Suite 2400, Vancouver, BC V6e 0C5	Ordinary	100%
Sofar Sounds Iberia SL	Ayala, Num. 17, Planta 1, Puerta C D 28001 Madrid	Ordinary	100%
Sofar Sounds LLC	251 Little Falls Drive, Wilmington, DE USA 19808	Ordinary	100%
Seated Inc	223 Bedford Ave Suite A #2040	Ordinary	100%
Layers Media LLC	28 N 3rd Street, APT A508, Alhambra CA, 91801	Ordinary	80%

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

15. Fixed asset investments (continued)

Subsidiary undertakings (continued)

The aggregate of the share capital and reserves as at 31 December 2021 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves \$	Profit/(Loss) \$
Sofar Sounds Canada Ltd	(131,311)	(31,972)
Sofar Sounds Iberia SL	(259,699)	(44,256)
Sofar Sounds LLC	(20,867,507)	(7,348,420)
Seated Inc	130,505	(14,615)
Layers Media LLC	545,200	(545,200)

16. Debtors

	Group 2021 \$	Group 2020 \$	Company 2021 \$	Company 2020 \$
Due after more than one year				
Amounts owed by group undertakings	-	-	21,223,197	16,501,583
Other debtors	257,555	274,621	170,497	170,981
	<u>257,555</u>	<u>274,621</u>	<u>21,393,694</u>	<u>16,672,564</u>
Due within one year				
Trade debtors	796,794	175,205	209,883	5,699
Amounts owed by group undertakings	-	-	4,404,126	4,176,714
Other debtors	3,595,132	84,514	162,478	65,007
Prepayments and accrued income	896,417	495,041	191,886	143,028
	<u>5,545,898</u>	<u>1,029,381</u>	<u>26,362,067</u>	<u>21,063,012</u>

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

17. Cash and cash equivalents

	Group 2021 \$	Group 2020 \$	Company 2021 \$	Company 2020 \$
Cash at bank and in hand	4,201,527	5,605,865	1,297,722	447,054
	<u>4,201,527</u>	<u>5,605,865</u>	<u>1,297,722</u>	<u>447,054</u>

18. Creditors: Amounts falling due within one year

	Group 2021 \$	Group 2020 \$	Company 2021 \$	Company 2020 \$
Trade creditors	521,899	281,056	142,402	139,639
Other taxation and social security	67,472	47,142	58,743	66,430
Other creditors	2,954,989	26,572	44,847	9,878
Accruals and deferred income	2,182,783	637,066	400,592	243,998
	<u>5,727,143</u>	<u>991,836</u>	<u>646,584</u>	<u>459,945</u>

19. Creditors: Amounts falling due after more than one year

	Group 2021 \$	Group 2020 \$	Company 2021 \$	Company 2020 \$
Other loans	149,900	-	-	-
Other creditors	183,125	-	174,927	-
	<u>333,025</u>	<u>-</u>	<u>174,927</u>	<u>-</u>

Details of bank loans are included in note 20.

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

20. Loans

An analysis of loans is as follows:

	Group 2021 \$	Group 2020 \$
Amounts falling due after more than 5 years		
Other loans	149,900	-
	<u>149,900</u>	<u>-</u>

Seated Inc, an entity acquired by the group during the year had an existing loan facility of \$149,900 due to the US Government. This is a COVID-19 Economic Injury Disaster Loan. This facility has an interest rate of 3.75% and is secured over the assets of Seated Inc. The loan is due to start repayment after 30 months from the initial date of issue.

Payments are first allocated against the interest accrued to date, with the full balance of the loan being due 30 years after the date of issue.

SOFAR SOUNDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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21. Share capital

	2021 \$	2020 \$
Allotted, called up and fully paid		
1,395,349 (2020 - 1,395,349) Ordinary A shares of £0.000001 each	1	1
2,447,412 (2020 - 2,447,412) Ordinary B shares of £0.000001 each	3	3
10,099,615 (2020 - 7,656,756) Ordinary C shares of £0.000001 each	14	12
70,300 (2020 - 70,300) Deferred shares of £0.000001 each	-	-
4,357,348 (2020 - 3,553,349) Ordinary shares of £0.000001 each	7	5
	<u>25</u>	<u>21</u>

Voting - Ordinary, A Ordinary, B Ordinary, C Ordinary and Deferred shares shall confer on each holder the right to receive notice of and to attend, speak and vote at all general meetings of the Company and to receive and vote on proposed written resolutions of the company.

Dividends - Ordinary, A Ordinary, B Ordinary and C Ordinary shares - any available profits which the Company may determine to distribute in respect of any financial year will be distributed among the shareholders pro rata to their respective holdings of equity shares. The Deferred shares do not entitle the shareholders to receive dividends.

Capital distributions - Ordinary, A Ordinary, B Ordinary, C Ordinary and Deferred shares on a liquidation or other return of capital event, the surplus assets available after payment of the Company's liabilities shall be distributed to the holders of shares in order of priority set out in article 5.1 of the Company's articles of association.

On 31 January 2021, the Company issued 1,540,628 of C Ordinary Shares of £0.000001 each at a premium on \$3.87927 per share.

On 9 February 2021, the Company issued 559,941 of Ordinary Shares of £0.000001 each at a premium on \$3.87927 per share. Consideration was received by way of shares in Seated Inc.

On 11 March 2021, the Company issued 902,231 of C Ordinary Shares of £0.000001 each at a premium on \$3.87927 per share.

On 14 April 2021, the Company issued 28,500 of Ordinary Shares of £0.000001 each at a premium on £0.295 per share. On the same date, the Company issued 21,780 of Ordinary Shares of £0.000001 each at a premium of £0.30, 1,563 of Ordinary Shares of £0.000001 each at a premium on £1.17 per share.

On 28 April 2021, the Company issued 677 of Ordinary Shares of £0.000001 each at a premium on £0.30 per share.

SOFAR SOUNDS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

21. Share capital (continued)

On 8 June 2021, the Company issued 2,292 of Ordinary Shares of £0.000001 each at a premium on £0.295 per share. On the same date, the Company issued 32,572 of Ordinary Shares of £0.000001 each at a premium of £0.30.

On 20 December 2021, the Company issued 103,934 of Ordinary Shares of £0.000001 each at a premium on £0.215 per share. On the same date, the Company issued 17,021 of Ordinary Shares of £0.000001 each at a premium of £0.295 and 990 of Ordinary Shares of £0.000001 each at a premium of £0.30.

22. Reserves

Share premium account

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at an amount in excess of nominal value.

Foreign exchange reserve

The foreign exchange reserve represents the cumulative movements in foreign exchange.

Share option reserve

The share option reserve represents the aggregate value of share options payable by the Company.

Shares to be issued

This reserve relates to shares that are due to be issued.

Profit and loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

23. Share based payments

The fair value of options for share reserve accounting purposes is obtained via a Black Scholes valuation. Fair value of options issued in 2021 was £0.449 - £0.95 / \$0.607 - \$1.29 (2020 - £0.214 - £0.419 / \$0.29 - \$0.57).

The company operates an EMI qualifying share option scheme for its UK employees and a US ISO compliant scheme for its US employees.

The majority of the share options vest over 48 months under various terms as set out in the share option plan with a 12 months cliff.

Some executive share option grants have vesting linked to performance criteria reviewed by the Board of directors

	Weighted average exercise price (\$) 2021	Number 2021	Weighted average exercise price (\$) 2020	Number 2020
Outstanding at the beginning of the year	1.11	5,073,924	1.10	4,778,269
Granted during the year	1.10	1,563,351	1.25	492,521
Forfeited during the year	1.01	(242,962)	0.87	(179,158)
Exercised during the year	1.31	(224,058)	0.40	(17,708)
Outstanding at the end of the year	1.14	6,170,255	1.13	5,073,924

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

24. Business combinations

On 9 February 2021, the Group obtained control of Seated Inc through the purchase of 100% of the share capital of the company, for total consideration of \$1,509,905 made up of \$600,000 of cash and 699,927 shares in the company. Seated Inc's principal activity is that of a ticket vendor.

Acquisition of Seated Inc

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value \$	Fair value adjustments \$	Fair value \$
Fixed Assets			
Tangible	2,328	-	2,328
	<u>2,328</u>	<u>-</u>	<u>2,328</u>
Current Assets			
Debtors	81,919	-	81,919
Cash at bank and in hand	1,742,469	-	1,742,469
Total Assets	<u>1,826,716</u>	<u>-</u>	<u>1,826,716</u>
Creditors			
Due within one year	(1,967,120)	-	(1,967,120)
Total Identifiable net liabilities	<u>(140,404)</u>	<u>-</u>	<u>(140,404)</u>
Goodwill			1,902,626
Total purchase consideration			<u>1,762,222</u>
Consideration			
			\$
Cash			480,000
Equity instruments			909,905
Deferred consideration			120,000
Directly attributable costs			252,317
Total purchase consideration			<u>1,762,222</u>

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

24. Business combinations (continued)

The goodwill arising on acquisition is attributable to the anticipated value that Seated Inc will bring to the business in terms of its future performance over the next 10 years.

The results of Seated Inc since acquisition are as follows:

	Current period since acquisition \$
Turnover	1,795,980
Profit for the period since acquisition	<u>92,631</u>

25. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to \$53,241 (2020 - \$65,848). Contributions totalling \$10,763 (2020 - \$12,065) were payable to the fund at the balance sheet date and are included in creditors.

26. Commitments under operating leases

At 31 December 2021 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2021 \$	Group 2020 \$	Company 2021 \$	Company 2020 \$
Not later than 1 year	312,113	500,853	102,721	297,793
Later than 1 year and not later than 5 years	239,193	1,376,748	-	772,994
	<u>551,306</u>	<u>1,877,601</u>	<u>102,721</u>	<u>1,070,787</u>

27. Related party transactions

The Company has taken advantage of the exemption in FRS 102 Section 33.1A to not disclose transactions with wholly owned group entities.

SOFAR SOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

28. Post balance sheet events

Following the year end, the group completed its Series D fund raise where 11,770,785 Ordinary D shares were issued for \$4.87 each. This raised a total of \$57,343,184.

1 Ordinary share, 1 Ordinary A share, 1 Ordinary B share and 1 Ordinary C share were also issued as part of this funding raise, each for a consideration of \$4.87.

29. Controlling party

There is no ultimate controlling party.