

Company Registration No. 14351120

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

Annual Report and Consolidated Financial Statements

For the Period from 20 October 2022 to 30 June 2023

WEDNESDAY



ACZS50IW

A04

27/03/2024

#150

COMPANIES HOUSE

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 20 OCTOBER 2022 to 30 JUNE 2023

CONTENTS	Page
Officers and professional advisers	3
Strategic report	4
Directors' report	11
Independent auditor's report	14
Consolidated income statement	18
Consolidated statement of other comprehensive income	19
Consolidated statement of financial position	20
Consolidated statement of changes in equity	21
Consolidated statement of cash flows	22
Notes to the consolidated statement of cash flows	23
Notes to the consolidated financial statements	24
Company balance sheet	58
Company statement of changes in equity	59
Notes to the company financial statements	60

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Razzini
M Spetzler

COMPANY SECRETARY

C Drabble

REGISTERED OFFICE

5th Floor Goldings House
2 Hays Lane
Hays Galleria
London
SE1 2HB

BANKERS

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

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

AUDITOR

Deloitte LLP
Statutory Auditor
Reading, RG1 3BD
United Kingdom

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report of Kobalt Music Group Intermediate Limited (the "Company") from the acquisition date 20 October 2022 to 30 June 2023 (referred to as "2023" and "period" throughout the Financial Statements).

On 12 September 2022, the Company was incorporated under the Companies Act 2006 as a private limited Company domiciled and registered in England and Wales. The Group was formed when Kobalt Music Group Bideo Limited, a 100% owned subsidiary of the Company, acquired 100% of the shares of Kobalt Music Group Limited and its subsidiaries on 20 October 2022.

These financial statements are presented in USD because the Company has determined that USD are the presentation currency which best reflects the activities of the group, since the majority of the debt funding, and a significant proportion of the revenue, are denominated USD.

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

The principal activity of Kobalt Music Group Intermediate Limited and its subsidiaries ("Group") 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 period under review. The Group head office is in London, with other offices in New York, Los Angeles, Miami, Nashville, Atlanta, Sydney, Stockholm, Berlin, Hong Kong, Netherlands, Switzerland, France, and Ireland (branch).

KEY FINANCIAL PERFORMANCE INDICATORS

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

	2023
Revenue	\$521,989k
Gross profit	\$93,064k
Gross profit percentage	17.8%
Contribution margin ¹	\$82,085k
Net assets	\$306,112k
Net current liabilities	\$(169,685)k
Cash	\$34,353k

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

The Group also uses certain non-financial performance indicators including adjusted EBITDA. Adjusted EBITDA for the period was \$47.4m resulting in adjusted EBITDA margin of 9.1%. For reconciliation of operating loss to adjusted EBITDA please see note 5.

SHAREHOLDER RELATIONSHIPS

The ultimate shareholder relationship is with Francisco Partners. A board of directors was established, consisting of representatives from Francisco Partners and Kobalt. There are quarterly board meetings during which the Kobalt leadership team provided the board with updates regarding business performance across each function and key strategic initiatives.

An Audit Committee was also established and meets quarterly in line with board meetings. Consisting of the Kobalt CFO and a representative from Francisco Partners, the Audit Committee reviews Kobalt's financial metrics including profit and loss, the balance sheet, treasury, and tax and the Kobalt risk management and compliance framework.

PRINCIPAL RISKS AND UNCERTAINTIES

The risks and uncertainties facing the Group are detailed below.

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

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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

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

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

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

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

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

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Currency risk

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

Credit risk

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

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

Liquidity risk

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

STRATEGIC REPORT

SECTION 172

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

Board of Directors

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

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

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

Culture and values

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

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

- We are Music First
- We are Creators
- We are Inclusive
- We are Transparent
- We are Powered by Tech
- We are Transformative

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

Culture remains on the Board's agenda as a subject of continuous review and progress. Through the feedback and results from our employee experience analytics and our Diversity, Equity and Inclusion practices, our management team evaluates and supports driving positive cultural norms, as well as, continuously assessing their impact. This, and feedback from our employees, constructively creates our base for action planning to drive improvements with accountability.

Strategy

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

- Sign and develop the most significant and impactful talent
- Develop best in class technology platform enabling Kobalt to be the leading B2B administration destination
- Invest in music copyright
- Promoting AMRA as the leading global digital licensing society
- Create and sustain a highly engaged workforce

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

STRATEGIC REPORT

SECTION 172 STATEMENT (continued)

Strategy (continued)

- Kobalt Music Group was sold in October 2022 to Francisco Partners (along with other investors), who support the Kobalt vision and desire to continue the expansion of the Company.
- Launching a Joint Venture to acquire Music Copyrights and continue to grow our advance business to sign new clients and retain existing roster.
- Continuing to innovate and invest in our industry-leading technology platform supporting greater efficiency and client service.

Stakeholder engagement

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

Clients	<ul style="list-style-type: none">• Kobalt's client teams lead the engagement with our clients.• We continue to invest in our industry-leading platform to maximise value from their works.• Maintain board positions for a number of industry groups to further the industry.
Employees	<ul style="list-style-type: none">• Kobalt's People & Culture leads engagement with our employees through a variety of ways including surveys, training/workshops, regular communication and coaching.• Kobalt has enhanced its inclusive culture through a clear Diversity, Equity and Inclusion strategy linked to business objectives.• Kobalt operates via a Hybrid working policy to support better work-life balance.• Kobalt provides ongoing physical and mental wellbeing support to all employees globally, in the form of Employee Assistant Programs, Annual Leave and Recharge Days.
Suppliers and other partners	<ul style="list-style-type: none">• Kobalt has delegated supplier engagement to the employees responsible for budget management/spend.• Kobalt focuses on ensuring suppliers' values are aligned with ours.• Kobalt remains committed to working with suppliers with sustainable social and environmental practices.
Community and environment	<ul style="list-style-type: none">• Kobalt's Employee Resource Groups will advocate and serve as allies to six employee-led communities:<ul style="list-style-type: none">○ Green (environmental), Parents, Women, LGBTQIA+, Wellbeing and Multicultural.• Kobalt has sponsored a ten-year education grant with Save The Music.• Kobalt commits to outreach initiatives to work with underprivileged talent to fill our Global Internship Program and Junior roles.• Kobalt provides an annual donation to both global and local charities which are employee-led.• Kobalt is currently working to implement an ESG Action Plan in 2024/25.

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

STRATEGIC REPORT

SECTION 172 STATEMENT (continued)

Policies and procedures

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

(i) Delegation of Authority

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

(ii) Anti-bribery and Corruption

The Board is committed to the prevention, deterrence and detection of bribery and corruption. Kobalt takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all our business dealings and relationships. The Board oversees its responsibilities through the management team by ensuring training on this forms part of our mandatory compliance training program.

(iii) Whistleblowing

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

(iv) Anti-Slavery

The Board has a clear stance of zero-tolerance of all forms of slavery, human trafficking and other exploitation in any part of the Group's business or in its supply chain. Kobalt's website includes further information on the Modern Slavery Act 2015.

(v) Advice available to the Board

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

Information

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

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

STRATEGIC REPORT

SUSTAINABILITY

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

For the 2022-23 financial period, Kobalt Music Group Intermediate Limited in the United Kingdom used a total of 50,700 kWh of energy, generating carbon emissions of 10.15 tCO₂e. The Key Performance Indicator of emissions per full time equivalent employee for the period was 0.05 tCO₂e.

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

The electricity consumption has been estimated for the only occupied site at 120 Moorgate Street during the financial period, and is based on the office space leased floor area. The landlord at this site does not have tenant metering fitted and therefore actual consumption data is not available. Energy associated with heating and cooling of both offices is under the control of the landlords and is not included in this disclosure.

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

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

	Units	2022-23
ENERGY INPUTS		
Total Purchased Electricity	kWh	50,700
Total Energy Use	kWh	50,700
EMISSIONS		
Scope 2 – Purchased Electricity	kgCO ₂ e	10,152
Total Emissions	kgCO₂e	10,152
FTE		188
Intensity ratio: Emissions per employee	Kg CO ₂ e / employee	54
Intensity ratio: Emissions per employee	T CO ₂ e / employee	0.05

UK employees represent 55% of the Group's employee population, the energy consumption is deemed to be evenly distributed and therefore a proportionate estimate of the total Group emissions would be equivalent to 18,458 kgCO₂e.

It has been necessary to estimate electricity consumption using industry standard benchmarks. The impact of increasing or decreasing the estimate by 10% for electricity is +/- 2.9% of the total emissions for the Company.

It is also a requirement under SECR to state any energy efficiency actions that were undertaken in the reporting period. Kobalt Music Group Intermediate Ltd relocated to a smaller office at the start of 2022 resulting in a lower energy demand.

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

STRATEGIC REPORT EVENTS SINCE THE END OF THE FINANCIAL PERIOD

No events since the end of the financial period that impact the financial statements.

FUTURE DEVELOPMENTS

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

RESEARCH AND DEVELOPMENT

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

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



C Drabble

Company Secretary

16 November 2023

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the period from 20 October 2022 to 30 June 2023.

DIRECTORS

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

M Razzini (appointed 12 September 2022)
M Spetzler (appointed 12 September 2022)

DIRECTORS' INDEMNITIES

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

DIVIDENDS

The Directors do not recommend the payment of a dividend for the period.

GOING CONCERN

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. During the period the Group made had a profit of \$13.1 million from continuing operations and at the balance sheet date had net assets of \$306.1 million and net current liabilities of \$169.7 million.

In October 2022, Francisco Partners became the Company's major shareholder, investing in our vision and growth.

The Group's cash position remained strong, with cash of \$34.4 million held at the balance sheet date.

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

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT (continued)

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

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

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

STRATEGIC REPORT

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

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

AUDITOR

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

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

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

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

DISABLED EMPLOYEES

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

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

DIRECTORS' REPORT

EMPLOYEE INVOLVEMENT

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

FUTURE DEVELOPMENTS

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


RESEARCH AND DEVELOPMENT

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

SUPPLIERS AND OTHER PARTNERS

Kobalt has delegated supplier engagement to the employees responsible for budget management/spend. Kobalt focuses on ensuring suppliers' values are aligned with ours. Kobalt remains committed to working with suppliers with sustainable social and environmental practices.

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



C Drabble

Company Secretary

16 November 2023

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

Report on the audit of the financial statement

Opinion

In our opinion:

- the financial statements of Kobalt Music Group Intermediate Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- consolidated income statement;
- consolidated statement of other comprehensive income;
- consolidated statement of financial position;
- consolidated statement of changes in equity;
- consolidated statement of cash flows;
- the statement of accounting policies and
- notes 1 to 33 in relation to the consolidated accounts
- company balance sheet
- company statement of changes in equity
- the related notes 34 to 38 in relation to the company accounts

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

Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

- Management's assumptions and judgements in estimating the final quarters revenue accrual. This estimate is material and given the assumptions and judgements within its calculation is the area identified to be most capable of manipulation. We challenged the key assumptions and judgements in the accruals by testing the underlying data and adjustments to valid supporting documentation and external source evidence, assessing both corroborative and contradictory evidence, utilised tailored analytical procedures to assess the reasonableness of assumptions, performed retrospective reviews over previous estimates and reperformed the calculation for mathematical accuracy.
- Management's assumptions and judgments in estimating the impairment of acquired intangible assets and goodwill. Given the significance of this estimate and the subjective nature of the assumptions and judgments involved in its calculation, we identified it as an area of heightened risk for potential manipulation. We reviewed the impairment assessment for intangible assets including goodwill from management and challenged the assumptions within this including forecast revenue growth, discount rates used and long term growth rates and undertook a sensitivity analysis of underlying business forecasts.

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



Sandy Sullivan FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom

16 November 2023

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

CONSOLIDATED INCOME STATEMENT For the Period from 20 October 2022 to 30 June 2023

	Note	Period to June 2023 \$'000
Revenue	5	521,989
Cost of sales		(428,925)
Gross profit		93,064
Other operating income		1,292
Administrative expenses	7	(63,385)
Other operating expenses		(1,965)
Foreign exchange gain		12,832
Operating profit	6	41,838
Investment income	9	618
Finance costs	10	(27,718)
Profit before tax		14,738
Tax	11	(1,663)
Profit for the year from continuing operations		13,075
Profit for the year		13,075

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the period from 20 October 2022 to 30 June 2023

	Period to June 2023 \$'000
Profit for the year	13,075
Other comprehensive income	
Items that may be reclassified subsequently to profit or loss:	
Exchange differences on translation of foreign operations	(16,127)
Other comprehensive loss for the year, net of tax	(16,127)
Total comprehensive loss for the year, net of tax	(3,052)

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 June 2023

	Note	2023 \$'000
Non-current assets		
Goodwill	13	275,616
Intangible assets	14	540,683
Property, plant and equipment	15	4,250
Right of use asset	16	13,283
Investments	18	344
Financial derivatives	27	1,577
Deferred tax assets	24	30,066
Advances	19	178,402
		1,044,221
Current assets		
Advances	19	95,877
Trade and other receivables	20	241,169
Cash and bank balances		34,353
		371,399
Total assets		1,415,620
Current liabilities		
Trade and other payables	21	(45,107)
Lease liability	22	(2,318)
Financial derivatives	27	(117)
Borrowings	23	(4,975)
Accruals	21	(410,210)
Deferred revenue	21	(78,357)
		(541,084)
Non-current liabilities		
Deferred tax liability	24	(113,581)
Other payables	21	(7,534)
Lease liability	22	(14,663)
Borrowings	23	(432,646)
		(568,424)
Net current liabilities		(169,685)
Net assets		306,112
Equity		
Share capital	28	-
Share premium account	29	339,461
Retranslation reserves	30	(16,127)
Retained earnings		(17,222)
Total equity		(306,112)

The financial statements of Kobalt Music Group Intermediate Limited, registered number 14351120, were approved by the Board of Directors and authorised for issue on 16 November 2023.

M Razzini - Director

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 20 October 2022 to 30 June 2023

	ISSUED SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	RETRANS- LATION RESERVES	TOTAL EQUITY
Note	28	29		30	
	S'000	S'000	S'000	S'000	S'000
20 October 2022	-	-	-	-	-
Profit for the period	-	-	13,075	-	13,075
Other comprehensive loss	-	-	-	(16,127)	(16,127)
Total comprehensive profit / (loss)	-	-	13,075	(16,127)	(3,052)
Issue of shares	0	339,461	-	-	339,461
Option cancellation payments	-	-	(32,576)	-	(32,576)
Shared based payment transactions	-	-	1,207	-	1,207
Foreign exchange differences	-	-	1,072	-	1,072
30 June 2023	0	339,461	(17,222)	(16,127)	(306,112)

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 20 October 2022 to 30 June 2023

		2023
	Note	S'000
Net used in operating activities investing activities		(16,669)
Purchases of property, plant and equipment	15	(2,905)
Purchases of intangible assets	14	(49,724)
Acquisition of subsidiary net of cash taken on	4	(307,719)
Net cash used in investing activities		(360,348)
Financing activities		
Proceeds on issue of shares		331,461
Share option cancellation payments		(32,576)
Repayment of lease liabilities		(2,338)
Right of use asset additions		(158)
Repayment of loan		(191,468)
Loans drawn		337,218
Loan interest repaid		(25,733)
Net cash from financing activities		416,406
Net increase in cash and cash equivalents		39,389
Cash and cash equivalents at beginning of year		-
Effect of foreign exchange rate changes		(5,036)
Cash and cash equivalents at end of year		34,353

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS For the year period from 20 October 2022 to 30 June 2023

		2023
	Note	S'000
Profit for the year		13,075
Adjustments for:		
Finance costs	10	26,645
Interest on lease liability	10	1,072
Income tax expense	11	1,663
Depreciation of property, plant and equipment	15	493
Depreciation of right of use assets	16	1,795
Amortisation of intangible assets	14	21,318
Share-based payment expense	8	1,207
Unrealised gain of derivatives		(4,161)
Unrealised gain on foreign exchange differences		(9,367)
Operating cash flows before movements in working capital		53,740
Decrease in receivables	20	(67,781)
Decrease in payables	21	(787)
Cash used in operations		(14,828)
Income taxes paid	11	(1,841)
Net cash used in operating activities		(16,669)

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

1. CORPORATE INFORMATION

Kobalt Music Group Intermediate is a company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The registered office is located at 5th Floor Goldings House, 2 Hays Lane, Hays Galleria, SE1 2HB.

The Company and its subsidiaries (collectively, the Group) form the consolidated financial statements for the year ended 30 June 2023, which were authorised for issue in accordance with a resolution of the Directors on 16 November 2023.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

Basis of consolidation

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

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

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

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

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

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

Summary of significant accounting policies

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

Business combinations and goodwill

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

The Company has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. This election can be applied on a transaction by transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable or group of similar identifiable assets.

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

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

Revenue recognition

The Group recognises revenue from the following major sources:

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

Royalties:

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

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

(a) when the usage occurs; and

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

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

Asset Management fees

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

Other income

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

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes

Current income tax

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

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

Deferred tax

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

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

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

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

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

Property, plant and equipment

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

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

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

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement and valuation processes

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

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

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

Intangible assets

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

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

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

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

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

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

Royalty advances

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

Non-current assets held for sale

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

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

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

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

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

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

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

Impairment of non-financial assets

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

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

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

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

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

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

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

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

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

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

Share-based payments

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

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

Pension costs

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

Cash and cash equivalents

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

Derivative financial instruments

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

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

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

Going concern

During the year the Group made a profit of \$12.1 million from continuing operations and at the balance sheet date had net assets of \$305.1 million and net current liabilities of \$169.7 million.

The Group's cash position remained strong, with cash of \$34.4 million held at the balance sheet date. The Company's borrowings of \$255.5 million at the balance sheet date were used to acquire \$212 million in Publishing IP catalogue assets to further enhance our future profitability.

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

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

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

New standards and interpretations not yet effective

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

Title	Subject	As issued by the IASB, mandatory for accounting periods on or after
IFRS 17	Insurance Contracts	1 Jan 2023
Amendments to IFRS 17	IFRS 17	1 Jan 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 Jan 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 Jan 2023
Amendments to IAS 8	Definition of accounting estimates	1 Jan 2023
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback	1 Jan 2024
Amendment to IAS 1	Non-current Liabilities with Covenants	1 Jan 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Critical judgements in applying the Group's accounting policies

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

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

Revenue recognition

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

Key sources of estimation uncertainty

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

Recoverability of internally-generated intangible asset

During the year, management reconsidered the recoverability of its internally-generated royalty system which is included in its balance sheet as an intangible asset at a value of \$63.5 million. Refer to note 14 for further details.

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

Recoverability of deferred tax asset

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

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

Recoverability of advances

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

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

Recoverability of Goodwill

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

The recoverable amount of each segment as a cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial forecasts approved by the Directors covering a five-year period, and a pre-tax discount rate of 10.9% per annum. For the purposes of impairment testing, cash flows beyond that five-year period have been extrapolated without assuming further growth.

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

4. BUSINESS COMBINATIONS

Acquisition of Kobalt Music Group Limited

On 20 October 2022, the Group acquired 100% of the ordinary shares in Kobalt Music Group Limited (further referred as "KMG") for \$402m, satisfied in cash. Kobalt is a music company powered by innovative technology created as an alternative to the traditional music business model. The company has become the leading independent music publishing destination for artists, songwriters, and publishers.

The acquisition had the following impact on the Group's cash flows:

	\$'000
Consideration	402,779
Rollover Shares	(8,060)
Cash Acquired	(87,000)
Net cash flow on acquisition	307,719

The acquisition had the following effect on the Group's assets and liabilities:

Balance Sheet	Book Value \$'000	Fair Value adjustment \$'000	Fair Value \$'000
Non-current assets			
Intangible assets	277,491	237,969	515,460
Property, plant and equipment	1,749	-	1,749
Right of use asset	10,441	-	10,441
Investments	261	-	261
Financial derivatives	1,450	-	1,450
Deferred tax assets	28,222	-	28,222
Advances	93,328	-	93,328
	412,942	237,969	650,911
Current assets			
Advances	173,324	-	173,324
Trade and other receivables	181,015	-	181,015
Cash and bank balances	87,000	-	87,000
	441,339	-	441,339
Total assets	854,281	237,969	1,092,250
Current liabilities			
Trade and other payables	(98,895)	-	(98,895)
Lease liability	(1,867)	-	(1,867)
Financial derivatives	(2,166)	-	(2,166)
Borrowings	(4,521)	-	(4,521)
Accruals	(393,478)	-	(393,478)
Deferred revenue	(51,378)	1,757	(49,621)
	(552,305)	1,757	(550,548)
Non-current liabilities			
Deferred tax liability	(530)	(112,842)	(113,372)
Financial derivatives	(1,440)	-	(1,440)
Lease liability	(11,816)	-	(11,816)
Borrowings	(287,312)	-	(287,312)
	(301,098)	(112,842)	(413,940)
Net Assets Acquired	878	126,884	127,762
Consideration Paid			402,779
Goodwill			275,017

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

5. SEGMENT INFORMATION

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

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

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the period from 20 October 2022 to 30 June 2023

5. SEGMENT INFORMATION (continued)

Classes of business	Publishing (Incl. Kobalt Capital) 2023 S'000	AMIRA 2023 S'000	Other/ corporate 2023 S'000	Eliminations 2023 S'000	Consolidated 2023 S'000
Gross collection / fees	486,658	99,994	-	(64,023)	522,629
Revenue					
External sales to third parties	421,995	99,994	-	-	521,989
Inter-segment sales	64,023	-	-	(64,023)	-
Total revenue	486,018	99,994	-	(64,023)	521,989
Contribution margin*	74,222	8,289	(451)	25	82,085
Sales / Marketing cost					(6,608)
Corporate activity cost					(28,073)
Adjusted EBITDA					47,404
Depreciation and amortisation					(21,811)
Provisions and write-offs					2,361
Exchange rate loss					12,831
Finance cost					(29,993)
Other expenses					5,153
Share based payments					(1,207)
Gain before tax					14,738
Total assets	3,253	923	1,619	(4,380)	1,415
Total liabilities	(3,235)	(789)	(171)	3,086	(1,109)

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the period from 20 October 2022 to 30 June 2023

5. SEGMENT INFORMATION (continued)

Geographic information

Revenues from external customers

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

	2023 S'000
United Kingdom	71,604
Rest of Europe	118,000
North America	283,628
Rest of World	48,757
Total revenue	<u>521,989</u>

6. OPERATING PROFIT

Has been arrived at after charging:

	Period to June 2023 S'000
Net foreign exchange loss	12,381
Depreciation of property, plant and equipment	493
Depreciation of right of use assets	1,795
Amortisation of intangible assets included in other operating expenses	21,318
Staff costs	34,910
R&D expenses not capitalised	3,536
Fees payable to the Company's auditor for the audit of the Group's annual financial statements:	526
Subsidiaries' annual financial statements	28
Other non-audit services:	
Taxation compliance services	531
Other taxation advisory services	173
Other advisory services	207

7. ADMINISTRATIVE EXPENSES

	2023 S'000
Staff costs	34,910
Depreciation and amortization	23,606
Provisions and write offs	(2,361)
General and administrative	<u>7,230</u>
	<u>63,385</u>

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the period from 20 October 2022 to 30 June 2023

8. STAFF COSTS

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

	2023 Numbers
Publishing client services and administration	115
Synchronisation and creative	84
AMRA	30
Tech and Product	63
Corporate and Other	81
	<u>373</u>
<i>Post-capitalisation staff costs:</i>	2023 \$'000
Wages and salaries	29,172
Employer pension contributions	1,443
Social security contributions and similar taxes	3,088
Share-based payment charges	<u>1,207</u>
	<u>34,910</u>

Directors' remuneration amounts can be found within note 31.

9. INVESTMENT INCOME

	2023 \$'000
Incentive share income	544
Gain on equity investment	40
Interest income	27
Other income	<u>7</u>
	<u>618</u>

For details on investments, refer to note 18 to the consolidated financial statements.

10. FINANCE COSTS

	2023 \$'000
Interest expense on financial liabilities measured at amortised cost	26,646
Interest on lease liabilities	<u>1,072</u>
	<u>27,718</u>

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

11. INCOME TAX

The major components of income tax expense for the year ended 30 June 2023:

	2023 \$'000
Current income tax	
United Kingdom corporation tax based on the loss for the year at 20.5%	-
Non-reclaimable withholding tax on royalty payments received	4,207
Net UK corporation tax for earlier years	41
Tax paid in overseas jurisdictions	(131)
Total current tax	<u>4,117</u>
Deferred taxation	
Origination and reversal of timing differences	(2,454)
Tax on profit on ordinary activities	<u><u>1,663</u></u>

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax is 20.5%. The actual tax charge for the current year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2023 \$'000
Profit on ordinary activities before tax	14,738
Tax on profit on ordinary activities at standard rate	3,022
Factors affecting charge for the year:	
Expenses not deductible for tax purposes	5,728
Income not taxable for tax purposes	(1,703)
Income taxable for tax purposes	31
Expenses deductible for tax purposes	(767)
Depreciation in deficit of capital allowances	(1,973)
Tax losses carried forward	(9,645)
Net non-reclaimable withholding tax on royalty payments received	4,207
Different tax rates used in overseas jurisdictions	186
Movement in short term timing differences	3,685
Deferred rate change	477
Losses utilized	(1,584)
Total actual amount of current tax	<u><u>1,663</u></u>

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

Deferred taxation

Various Group companies have, subject to agreement by the tax authorities in the relevant jurisdictions, tax losses available for offset against future taxable profits arising from the same trades. These losses have an approximate value of \$31.2 million of which \$28.1 million has been recognized as a deferred tax asset.

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

12. SHARE-BASED PAYMENTS

Equity-settled share units

The Group operates a share plan (the "plan") under which certain members of senior management are invited to purchase shares in Kobalt Music Group Topco LP, which are subject to the terms and conditions set out in the plan or related award documents. In accordance with IFRS 2, purchase of shares under the plan are accounted for as equity-settled share based payments.

Shares purchased under the plan are subject to vesting conditions, of the total number of shares in each award 50% are subject to exit-vesting conditions and the remaining 50% time-based vesting conditions. Exit vesting is a non-market performance condition. Exit vesting shares become vested upon a sale or listing of the Group provided the award holder remains an employee of the Group. This means that the length of the vesting period for exit vesting shares is dependent on achieving the non-market performance condition and should be accounted for as a grant with variable vesting period. In these circumstances the Company estimates on the grant date whether (a) the employees will complete the requisite service period and (b) the non-market performance condition will be satisfied. At each reporting date the probability of exit is reassessed and when the event becomes probable a cumulative catch-up adjustment is posted. The time-based vesting shares are vested at the rate of 1/48 a month following the granting of the shares. However, all unvested time vesting shares will become vested on the sale of the Group. Accordingly, the time-vesting shares have been accounted for on the same basis as exit-vesting shares.

All Unvested Incentive Units as of a Participant's Termination of Service shall be automatically forfeited and cancelled for no consideration as of such Termination of Service. Additionally, if a Participant incurs a Termination of Service by the Partnership or any of its Subsidiaries (as applicable) for Cause or at a time when Cause exists or commits a Restrictive Covenant Breach, then all Incentive Units (whether Vested Incentive Units or Unvested Incentive Units) shall be automatically forfeited and cancelled for no consideration.

During the year 32,180,629 Class B Ordinary shares were issued. Of these shares 16,090,314.5 were issued at a price of \$0.05 per share while an additional 16,090,314.5 were issued at a price of \$0.35 per share.

The Group recognised total expenses of \$1.2 million related to equity-settled share-based payment transactions in the year ended 30 June 2023.

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

13. GOODWILL AND IMPAIRMENT

GROUP	Goodwill S'000
Cost	
At 20 October 2022	-
Acquisitions	275,616
At 30 June 2023	275,616

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

The carrying amount of goodwill is allocated to the CGUs as follows as at 30 June 2023, before impairment consideration:

	2023 S'000
Publishing	254,948
AMRA	20,668
	275,616

The recoverable amount of each segment as a cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial forecasts approved by the Directors covering a five-year period, and a pre-tax discount rate of 10.9% per annum. For the purposes of impairment testing, cash flows beyond that five-year period have been extrapolated without assuming further growth.

Directors estimate that there would be an impairment charge within Publishing if revenue growth were to fall below 6%. AMRA would have headroom if growth reduced to zero.

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

14. OTHER INTANGIBLE ASSETS

GROUP	Client contracts S'000	Software licences S'000	Development costs S'000	Publishing assets S'000	Trademarks S'000	Total assets S'000
Cost						
Acquisition	138,954	515	68,600	287,528	19,800	515,397
Additions – internally generated	-	-	7,002	1,125	-	8,127
Additions – external third party	-	1,041	-	37,350	-	38,391
Additions – on acquisition of subsidiaries	-	-	-	3,206	-	3,206
At 30 June 2023	138,954	1,556	75,602	329,209	19,800	565,121
Amortisation						
Amortisation charge	3,751	257	9,370	6,574	1,366	21,318
Foreign exchange rate movements	106	420	2,734	(140)	-	3,120
At 30 June 2023	3,857	677	12,104	6,434	1,366	24,438
Net book value						
At 20 October 2022	138,954	515	68,600	287,528	19,800	515,397
At 30 June 2023	135,097	879	63,498	322,775	18,434	540,683

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

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

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

Publishing assets relates to payments made to acquire the right to collect royalties on future compositions by a certain client and certain additional onboarding costs. Publishing assets are amortised with the collection of royalties on the future compositions.

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

Trademarks includes trademarks, domain names and other brand related intellectual property. Trademarks are amortized over 10 years.

Total net development costs of \$63,498k are held by KTech Services Ltd.

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the period from 20 October 2022 to 30 June 2023

15. PROPERTY, PLANT AND EQUIPMENT

GROUP	Office equipment and fixtures S'000	Computer equipment S'000	Total S'000
Cost			
Acquisition	1,574	175	1,749
Additions	2,882	23	2,905
Foreign exchange movements	113	328	441
At 30 June 2023	4,569	526	5,095
Depreciation			
Depreciation	396	97	493
Foreign exchange movements	52	300	352
At 30 June 2023	448	397	845
Net book value			
At 20 October 2022	1,574	175	1,749
At 30 June 2023	4,121	129	4,250

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the period from 20 October 2022 to 30 June 2023

16. RIGHT OF USE ASSETS

GROUP

	Lease
Cost	\$'000
Acquisition	10,441
Additions	4,834
Disposals	(30)
Foreign exchange movements	136
At 30 June 2023	15,381
Depreciation	
Depreciation in period	1,795
Foreign exchange movements	303
At 30 June 2023	2,098
Net book value	
At 20 October 2022	10,441
At 30 June 2023	13,283

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

17. SUBSIDIARIES

The Group consists of a parent company, Kobalt Music Group Intermediate Ltd, incorporated in the UK and a number of subsidiaries indirectly, which operate and are incorporated around the world.

All subsidiaries are 100% owned by the Group with 100% of voting share. Kobalt Music Group Intermediate Ltd is 100% owned by Kobalt Music Group Topco L.P. See below for details:

Guarantees

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

Name	Address	Place of incorporation and operation	Principal activity
KMG Germany GmbH	(b)	Germany	Music publishing
Kobalt America Holdings, Inc	(c)	USA	Holding Company
Kobalt Capital America, Inc (ii)	(c)	USA	Provision of investment advice
Kobalt Capital Limited*	(a)	UK	Provision of investment advice
Kobalt Capital Suisse Sarl	(d)	Switzerland	Provision of investment advice
Kobalt Music Publishing (Italia) Limited*	(a)	UK	Music publishing
Kobalt Music Publishing America Inc	(c)	USA/Canada	Music publishing
Kobalt Music Publishing Australia Pty Limited	(e)	Australia	Music publishing
Kobalt Music Publishing Limited*	(a)	UK	Music publishing
Kobalt Music Royalties Sarl	(f)	Luxembourg	Music publishing
Kobalt Music Royalties II Sarl (ii)	(f)	Luxembourg	Music publishing
Kobalt Music Scandinavia AB	(g)	Sweden	Music publishing
Kobalt Music Services America Inc	(c)	USA	Music publishing
Kobalt Music Services America II Inc	(c)	USA	Music publishing
Kobalt Music Services Australia Pty Limited	(e)	Australia	Music publishing
Kobalt Music Services Limited*	(a)	UK	Music publishing
Kobalt Music Publishing Worldwide Limited *	(a)	UK	Music publishing
Kobalt Music Netherlands BV	(h)	Netherlands	Music publishing
Kobalt Music Netherlands International B.V.	(h)	Netherlands	Music publishing

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the period from 20 October 2022 to 30 June 2023

17. SUBSIDIARIES (continued)

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

(i) Directly held by Kobalt Music Group Intermediate Limited

(ii) Dissolved

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

- (a) 5th Floor Goldings House, 2 Hays Lane, Hays Galleria, SE1 2HB
- (b) Oberwallstrasse 32, 10117, Berlin, Germany
- (c) 2 Gansevoort St., 7th Floor, New York, NY 10014
- (d) c/o Fidulem S.A., Av. Mon-Repos 24, Case postale 625, 1001 Lausanne, Switzerland
- (e) Suite 203, 24-30 Springfield Avenue, Potts Point, Sydney, Australia
- (f) 35, rue Glesener, L-1630 Luxembourg
- (g) Upplandsgatan 16, 113 60 Stockholm, Sweden
- (h) Bergweidedijk 38 7418AA Deventer, The Netherlands
- (i) 2100 Ponce de Leon, Suite 1230, Coral Gables, Florida 33134, United States
- (j) 21-27 Lambs Conduit Street, London, WC1N 3GS, United Kingdom
- (k) Unit 1502, 15th Floor, Austin Tower, 22-26 Austin Avenue, Tsim Sha Tsui, Hong Kong
- (l) 45 Rue La Fayette, 75009 Paris, France

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

18. INVESTMENTS

	Group investments S'000
Fair value	
At 20 October 2022	<u>261</u>
Fair value adjustment	40
Foreign exchange movements	<u>43</u>
At 30 June 2023	<u>344</u>

At 30 June 2023, the Group held a strategic, non-controlling interest of less than 3% in Kobalt Music Royalties SCA SICAV-SIF ("Fund I"). KMR Music Royalties II SCSp ("Fund II") was closed April 2023.

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

19. ADVANCES

	2023 S'000
Advances	291,766
Provision for impairment of advances	<u>(17,487)</u>
Total advances	<u>274,279</u>
Analysed as:	
Current assets	95,877
Non-current assets	<u>178,402</u>
	<u><u>274,279</u></u>

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the period from 20 October 2022 to 30 June 2023

19. ADVANCES (continued)

	Net advances S'000
At 20 October 2022	266,653
Additions	75,538
Recoupment	(70,523)
Provision for unrecoupable	1,786
Foreign exchange movements	825
At 30 June 2023	<u>274,279</u>

Movement in provision:	Provision S'000
At 20 October 2022	(19,273)
Charged to consolidated statement of comprehensive income during the period	1,786
At 30 June 2023	<u>(17,487)</u>

20. TRADE AND OTHER RECEIVABLES

Trade and other receivables are measured at unamortised amount receivable.

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

	2023 S'000
Other receivables	12,519
Prepayments	3,203
Accrued income	<u>225,447</u>
Total trade and other receivables	<u>241,169</u>

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

21. TRADE AND OTHER PAYABLES

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

	2023 \$'000
Trade creditors	3,958
Social security and other taxes	355
Royalty accruals	402,555
Other accruals	7,655
Deferred revenue	78,357
Other creditors	48,328
Total trade and other payables	541,208

22. LEASE LIABILITIES

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

	2023 \$'000
Not later than one year	2,318
Later than one year and not later than five years	12,238
Later than five years	2,425
	<u>16,981</u>
Analysed as:	
Current	2,318
Non-current	14,663
	<u>16,981</u>

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the period from 20 October 2022 to 30 June 2023

23. LOANS AND BORROWING

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

	2023 S'000
Secured borrowing at amortised cost	
Term loan and revolver	440,500
Accrued loan interest	4,974
Capitalised debt costs	<u>(7,853)</u>
Total borrowings	<u>437,621</u>
Analysed as:	
Current	4,975
Non-current	<u>432,646</u>
	<u>437,621</u>

All borrowings are in US dollars.

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

During the current year, Kobalt London Limited, a subsidiary of the Group continued to utilize the loan facility. As of 30 June 2023 the value outstanding was \$440.5 million. Additionally, capitalised debt costs of (\$860k) were incurred in the year, which has reduced as capitalised debt is released.

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

24. DEFERRED TAX

	S'000
Deferred tax asset	
At 20 October 2022	-
Asset arising from business combination	31,290
Net trading losses and restricted interest movement	<u>(1,224)</u>
At 30 June 2023	<u>30,066</u>

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

	GROUP
	2023
	S'000
Net trading losses	<u>30,066</u>
Deferred tax liability	
	S'000
At 20 October 2022	<u>-</u>
Liability arising from business combination	(117,242)
Reversal of timing differences	3,678
Exchange rate movements	(17)
At 30 June 2023	<u>(113,581)</u>

The deferred tax liability relates to the intangible assets in note 14.

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

25. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	2023 S'000
Lease payments under operating leases recognised as an expense in the year	1,372
	<u>1,372</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of four years.

	2023 S'000
Not later than one year	174
Later than one year and not later than five years	24
	<u>198</u>

The Group as a lessor

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

	2023 S'000
Not later than one year	322
Later than one year but not later than five years	955
	<u>1,277</u>

26. FINANCIAL INSTRUMENTS

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

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

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

All trade payables are due to be paid within twelve months of the Balance Sheet date. See note 20 for further details.

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

Liquidity risk

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

26. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

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

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

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

Currency	30 June 2023
	S'000
United States Dollar	15,405
Great British Pound	6,112
Euro	5,039
Swedish Krona	2,954
Swiss Franc	2,265
Canadian Dollar	721
Australian Dollar	1,073
Hong Kong Dollar	784
Chinese Yuan	-
Japanese Yen	-

Capital management

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

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

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

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

27. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Foreign exchange forward contracts	2023
	S'000
Cash collateral	1,577
Derivative asset	<u>1,577</u>
Analysed as:	
Non-current	<u>1,577</u>
	<u>1,577</u>
FX forward contracts	(117)
Derivative liability	<u>(117)</u>
Analysed as:	
Current	(117)
	<u>(117)</u>

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

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

Foreign exchange forward contracts	2023
	S'000
Not later than one month	2,025
Later than one month and not later than three months	5,914
Later than three months and not later than twelve months	5,779
	<u>13,718</u>

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the period from 20 October 2022 to 30 June 2023

28. SHARE CAPITAL

Issued and fully paid:

	2023
	\$
31 A1 Ordinary shares of \$0.000001 each	0.000031
	<u>0.000031</u>

During the year ended 30 June 2023, the Company issued 31 new A1 preference shares of \$0.000001 each subscribed by the immediate parent and ultimate controlling party.

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

Share class	Voting rights	Dividends rights	Capital distribution rights	Other
Ordinary	VOTING RIGHTS ALL SHARES RANK EQUALLY FOR VOTING PURPOSES. ON A SHOW OF HANDS EACH MEMBER HAS ONE VOTE AND ON A POLL EACH MEMBER HAS ONE VOTE PER SHARE HELD	DIVIDEND RIGHTS EACH SHARE RANKS EQUALLY FOR ANY DIVIDEND DECLARED.	RIGHTS TO CAPITAL EACH SHARE RANKS EQUALLY FOR ANY DISTRIBUTION MADE ON A WINDING UP. RIGHTS OF REDEMPTION THE SHARES ARE NOT REDEEMABLE.	None

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

29. SHARE PREMIUM

	S'000
Balance at 20 October 2022	-
Premium arising on issue of equity shares	339,461
Balance at 30 June 2023	<u>339,461</u>

30. RESERVES

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

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

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

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

31. RELATED PARTY DISCLOSURES

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

In relation to Fund I and Fund II, net amounts owed as at year end are \$5.0m. Amounts recognised as part of profit from continuing operations during the year was \$0.6m.

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

	2023 \$'000
Key management personnel compensation	
Wages and salaries	6,597
Employer pension contributions	58
Share-based payment charges	<u>785</u>
	<u>7,440</u>

Directors' remuneration is nil for the year.

32. POST BALANCE SHEET EVENTS

No post balance sheet events impact the financial statements.

33. ULTIMATE PARENT COMPANY

The ultimate controlling entity is with Francisco Partners VII P., of One Letterman Drive, Building C – Suite 410, San Francisco, CA 4109.

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

COMPANY BALANCE SHEET

For the year ended 30 June 2023

	Notes	2023 S'000
Non-current assets		
Investments	35	<u>354,245</u>
		<u>354,245</u>
Total assets		<u>354,245</u>
Net assets		<u>354,245</u>
Equity		
Share capital		-
Share premium account	36	339,031
Retranslation reserves		15,214
Retained earnings		<u>-</u>
Total equity		<u>354,245</u>

The Company reported a profit for the financial year ended 30 June 2023 of nil.

The financial statements of Kobalt Music Group Intermediate Limited, registered number 14351120, were approved by the Board of Directors and authorised for issue on 16 November 2023.

M Razzini - Director

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY As at 30 June 2023

Equity attributable to equity holders of the Company

Note	Share premium account 36 S'000	Retranslation reserve S,000	Retained earnings S'000	Total equity S'000
Balance at October 2022	-	-	-	-
Other comprehensive income	-	15,214	-	15,214
Total comprehensive income for the year	-	15,214	-	15,214
Issue of share capital	339,461	-	-	339,461
Foreign exchange differences	(430)	-	-	(430)
Balance at 30 June 2023	339,031	15,214	-	354,245

KOBALT MUSIC GROUP INTERMEDIATE LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the period from 20 October 2022 to 30 June 2023

34. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Investment in subsidiaries

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

35. INVESTMENTS

COMPANY	Investment in subsidiary undertakings S'000
Cost	
At 20 October 2022	339,461
Foreign exchange	<u>14,784</u>
At 30 June 2023	<u><u>354,245</u></u>

For details on investments, refer to note 18 to the consolidated financial statements.

36. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

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

37. SHARE OPTION RESERVE

The movements in the reserve are disclosed in the Company statement of changes in equity on page 59.

38. POST BALANCE SHEET EVENTS

No post balance sheet events that impact the financial statement.