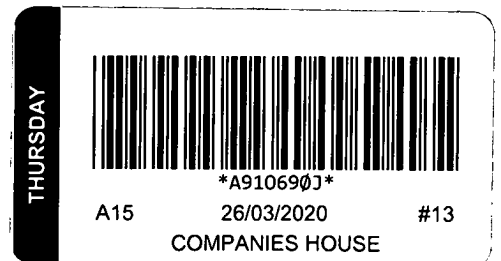


Company Registration No. 08373357

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

**Annual Report and Financial Statements
For the year ended 30 June 2019**



KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2019

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KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2019

DIRECTORS AND OFFICERS

DIRECTORS

T Sansone
C J Winchester

COMPANY SECRETARY

C J Winchester

REGISTERED OFFICE

The River Building
1 Cousin Lane
London
EC4R 3TE

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

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

STRATEGIC REPORT

For the year ended 30 June 2019

The directors present their strategic report on the Company for the year ended 30 June 2019.

PRINCIPAL BUSINESS ACTIVITIES AND BUSINESS REVIEW

Kobalt Music Publishing Worldwide Limited is a private company limited by shares, domiciled in England.

The principal activity of the Company in the year under review was that of music publishing.

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

As shown in the Company's Income Statement on page 9, the Company's revenue has increased by 64% over the prior year while the gross profit has decreased by 82%. The loss after tax is £742k compared to the previous year's profit of £464k.

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

	2019	2018	Movement
Increase in turnover	64%	23%	41%
Gross profit	£104k	£590k	(£486k)
Gross profit percentage	0.3%	3%	(2.7%)

The Company is financed by working capital and through support from its ultimate parent, Kobalt Music Group Limited.

The Company does not have any employees in the current or prior year (other than the directors).

PRINCIPAL RISKS AND UNCERTAINTIES

As a result of the integrated nature of the group, the principal risks and uncertainties facing the Company are those which affect the group as a whole.

These risks and uncertainties are as detailed below.

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

The Company seeks to mitigate this risk by seeking to make its roster of music administered by the entity as wide-ranging as possible. This means that the Company'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 Company collects royalties worldwide minimises its exposure to specific territories.

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

In recent years the Company has increased its sales efforts, particularly in the USA which is the world's largest market. Furthermore the client continues to have the financial resources available to it from its ultimate parent entity, Kobalt Music Group Limited.

The Company 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 encourage 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 are continually changing the operational and financial dynamics of music publishing. 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.

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

STRATEGIC REPORT (continued)

For the year ended 30 June 2019

Third party suppliers: Kobalt relies on a number of important third-party suppliers to operate successfully. Any failure in the provision of these services may adversely impact Kobalt's business. In recent years Kobalt has sought to institute direct collection in as many territories as possible, thereby minimising its exposure to the failure of third parties. However, the nature of music publishing makes it impossible to avoid reliance on some third parties, especially royalty collection societies.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company'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 Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Currency risk

The Company's activities expose it to some risk of changes in foreign currency exchange rates. Other than in exceptional circumstances, the group does not feel it necessary to hedge against these exposures as there is largely a natural hedge of currencies.

Credit risk

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

Liquidity risk

The Company regularly prepares and updates cash flow forecasts which monitor its financing requirements. The ultimate parent Company, Kobalt Music Group Limited, maintains a close relationship with its existing lenders whilst regularly assessing the possibility of obtaining finance from other sources, which has financial implications for Kobalt Music Publishing Limited.

FUTURE DEVELOPMENTS

The directors expect another year of strong growth for the Company. 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.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

There were no material post year end events.

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



T Sansone
Director

Date 05 February 2020

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

DIRECTORS' REPORT

For the year ended 30 June 2019

The directors present their annual report and the audited financial statements for the year ended 30 June 2019.

DIRECTORS

The directors who served throughout the year and to the date of this report were as follows:

J P Fitzherbert-Brockholes – resigned on 19 February 2019

T Sansone

C J Winchester

A L Duggan –Appointed on 19 February 2019 and resigned on 29 November 2019

DIVIDENDS

The directors do not recommend the payment of a dividend (2018: £ nil).

BREXIT

The impact of Brexit is not expected to be significant on the operations of the Company and the Company is continuously reviewing any potential Brexit changes and the related impact on the Company.

GOING CONCERN

As at 30 June 2019 the Company had cash reserves of £1k (2019: £114k) and net current liabilities position of £112k (2018 net asset position: £630k). The Company made a loss after tax of £742k (2018 profit: £464k).

The Company has financial support from its ultimate parent, Kobalt Music Group Limited. During the year the Group made a loss of \$52.8 million and at the balance sheet date had net liabilities of \$41.9 million and net current assets of \$13.4 million. The current and prior year losses are reflective of the strategic decision to invest in the future over short term profitability.

The Group's cash position remained strong, with cash of \$124.9 million held at the balance sheet date. This includes a term loan of \$125 million as at 30 June 2019 with a maturity of 2023. This was subsequently increased to \$185 million on 2 December 2019.

The directors acknowledge the Group is trading in an uncertain economic environment, although it is their belief that the Group is well positioned to meet its business objectives. The directors have prepared projected cash flow information for the period ending 30 June 2019 and beyond, 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, together with the bank facility in place.

Based on the above, the directors have concluded that the Group will continue in operational existence for the foreseeable future even if there were to be significant reductions in its planned revenues over this period. The directors therefore consider it appropriate to prepare the financial statements on the going concern basis.

DIRECTORS' INDEMNITIES

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

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

DIRECTORS' REPORT (continued) For the year ended 30 June 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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.

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 2006, the Company has chosen to present the following information within the strategic report:

- Financial risk management policies;
- Exposure to currency risk, credit risk, liquidity risk;
- Important events since the end of the financial year; and
- Future developments.

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.

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



T Sansone

Finance Director

Date: 05 February 2020

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Kobalt Music Publishing Worldwide Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation 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 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 (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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED (continued)

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 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 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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 Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

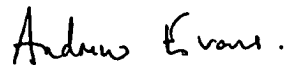
We have nothing to report in respect of these matters.

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED (continued)**

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.



Andrew Evans, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, United Kingdom

07 February 2020

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

INCOME STATEMENT

For the year ended 30 June 2019

	Note	2019 £'000	2018 £'000
TURNOVER	1	31,914	19,474
Cost of sales		<u>(31,810)</u>	<u>(18,884)</u>
GROSS PROFIT		104	590
Administrative expenses	3	(859)	(47)
Foreign exchange losses		<u>(104)</u>	<u>(244)</u>
OPERATING (LOSS) / PROFIT	4	(859)	299
Interest receivable	5	<u>115</u>	<u>167</u>
(LOSS) / PROFIT BEFORE TAXATION		(744)	466
Tax on (loss) / profit	6	<u>2</u>	<u>(2)</u>
(LOSS) / PROFIT FOR THE FINANCIAL YEAR		<u>(742)</u>	<u>464</u>

All activities derive from continuing operations.

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	2019 £'000	2018 £'000
(LOSS) / PROFIT FOR THE FINANCIAL YEAR	(742)	464
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE FINANCIAL YEAR	<u>(742)</u>	<u>464</u>

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Share capital £'000	Accumulated losses £'000	Total £'000
Balance at 1 July 2017	-	166	166
Total comprehensive income for the year	-	464	464
Balance at 30 June 2018	-	630	630
Total comprehensive loss for the year	-	(742)	(742)
Balance at 30 June 2019	-	(112)	(112)

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	2019 £'000	2018 £'000
Current assets			
Trade and other receivables	7	1,663	5,223
Cash and bank balances		<u>1</u>	<u>114</u>
Total assets		<u>1,664</u>	<u>5,337</u>
Current liabilities			
Trade and other payables	8	<u>(1,776)</u>	<u>(4,707)</u>
Net current (liabilities) / assets		<u>(112)</u>	<u>630</u>
Net (liabilities) / assets		<u>(112)</u>	<u>630</u>
Equity			
Share capital	9	-	-
Accumulated losses	10	<u>(112)</u>	<u>630</u>
Equity attributable to owners of the Company		<u>(112)</u>	<u>630</u>

The financial statements of Kobalt Music Publishing Worldwide Limited, registered number 08373357, were approved by the Board of Directors and authorised for issue on 05 February 2020.

Signed on behalf of the Board of Directors:



T Sansone

Director

05 February 2020

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below.

Basis of accounting

Kobalt Music Publishing Worldwide Limited (the 'Company') is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 1.

These financial statements are presented in pounds sterling, which is also the functional currency because that is the currency of the primary economic environment in which the Company operates.

The financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the FRC.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to certain disclosures regarding the Company's capital, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, certain related party transactions, financial instruments and the effect of future accounting standards not yet adopted. Where relevant, equivalent disclosures have been given in the group accounts of Kobalt Music Group Limited.

Going concern

The financial statements have been prepared using the going concern basis of accounting. The Company's financial activities, together with the factors likely to affect its future development and position, are set out in the directors' report on page 5.

Measurement basis

The financial statements have been prepared on a historical cost basis.

Turnover

All turnover relates to music royalties. Music royalties revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Turnover represents 12 months' worth of royalties. Part of this will be represented by an accrual the Company makes for approximately three months of royalty revenue, the receipt of which occurs in the first quarter post year end.

Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling (GBP) at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies, other than purchases of sterling, are translated into sterling at average monthly rates. Purchases of sterling are translated at the rate ruling on the date of the transaction. Exchange differences (including closing balances) are taken into account in arriving at the operating result. Exchange differences on opening net assets are taken directly to reserves.

Management charges

Intercompany management charges are costs incurred for services performed by other group entities on behalf of the Company. Expenses are recharged at cost plus a mark-up.

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and liabilities, such as cash, trade receivables and trade payables, arise directly from the Company's operating activities. Trade receivables are short-term and recognised at the undiscounted amount owed to the Company. Trade payables are short-term and recognised at the undiscounted amount due from the Company. Any intercompany balances will be recognised at amortised cost.

New and amended standards adopted by the Group

Impact of initial application of IFRS 15 'Revenue from Contracts with Customers'

In the current year, the Group has applied IFRS 15 'Revenue from Contracts with Customers' which is effective for annual periods beginning on or after 1 January 2018. IFRS 15 introduced a five-step approach to revenue recognition. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively.

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

1. ACCOUNTING POLICIES (continued)

The Group assessed whether the adoption of IFRS 15 had any impact on the timing of revenue recognition. Under IAS 18 the Group recognised revenue based on stage of completion whereas IFRS 15 established a five-step model where the recognition should be when contractual performance obligations are satisfied by transferring control of the goods or services to the customer. Following assessment of the contracts held by the Group, it was determined that the impact of aligning the Group's revenue recognition with performance obligations to the customer did not have a material impact on the revenue in the prior periods. Therefore, no restatement has been made.

Impact of initial application of IFRS 9 'Financial Instruments'

In the current year, the Group has applied IFRS 9 'Financial Instruments' and the related consequential amendments to other Adopted IFRSs that are effective for periods beginning on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Group has concluded that no restatements are required as a result of implementation and as such no comparatives have been updated.

IFRS 9 introduced new requirements for:

- 1) the classification and measurement of financial assets and financial liabilities;
- 2) impairment of financial assets; and
- 3) general hedge accounting.

Details of the impact of these new requirements on the Group's consolidated financial statements are described below.

1) The classification and measurement of financial assets and financial liabilities

The date of initial application (the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 July 2018. All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost, fair value through profit and loss or fair value through other comprehensive income, on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

As a result, The Group's primary categories of Financial Assets are measured as follows under IFRS 9; Cash and Bank Balances are carried at amortised cost, Trade and Other Receivables are measured at transaction price as it is assumed they do not contain significant financing components.

The application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities, they continue to be measured at amortised cost.

2) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model which requires the Group to account for expected credit losses to reflect changes in credit risk of those financial assets since initial recognition. Specifically, the Group is required to recognise a loss allowance for expected credit losses on its Trade and Other Receivables. Given the Group's historical low level of bad debt losses, this has had a minimal impact on the Group.

3) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting and introduces greater flexibility to the types of transactions eligible for hedge accounting. Hedge accounting has not previously been applicable to the Group and IFRS 9 has not impacted this assessment.

4) Disclosure requirements for initial application of IFRS 9

There were no financial assets or financial liabilities which the Group has had to reclassify or redesignate as a result of the transition to IFRS 9. No restatements to comparatives have been required as IFRS 9 has not impacted the measurement of the Group's financial assets and liabilities.

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2019

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, 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 Company's accounting policies

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the provision of services set out in FRS 101, in particular, whether the Company can reliably measure the revenue due from its contractual counterparts. The directors are satisfied that the valuation method adopted in making this measurement of the revenue in the current year is appropriate.

There are no key sources of estimation uncertainty in the financial statements.

3. ADMINISTRATIVE EXPENSES

	2019 £'000	2018 £'000
Management charges	859	9
Other administrative costs	-	38
	<u>859</u>	<u>47</u>

4. OPERATING (LOSS) / PROFIT

The auditor's remuneration for the period was £6k (2018: £5k) for the audit and £3k (2018: £3k) for tax services. Both costs were borne by the ultimate parent company.

The Company did not pay any directors' remuneration. In the current and prior year the directors of this Company were remunerated by the ultimate parent company, Kobalt Music Group Limited. The total amounts paid by the parent for directors' remuneration for the year ended 30 June 2019 were £5m (restated 2018: £4.5m). The restatement in the prior year is due to the erroneous exclusion of the share-based payment charges. The Company does not have any employees in current year or prior year.

5. INTEREST RECEIVABLE

	2019 £'000	2018 £'000
Amounts receivable from parent	<u>115</u>	<u>167</u>

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 June 2019

6. TAX ON (LOSS) / PROFIT FOR THE YEAR

The major components of income tax expense for the years ended 30 June 2019 and 2018 are:

	2019 £'000	2018 £'000
Current income tax	<u>(2)</u>	<u>2</u>
Total current tax	<u>(2)</u>	<u>2</u>

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax is 19% (2018: 19%). The actual tax charge for the current year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2019 £'000	2018 £'000
(Loss) / profit before tax	<u>(744)</u>	<u>466</u>
Tax on (loss) / profit at standard rate 19% (2018: 19%)	(141)	89
Group relief received	-	(87)
Tax losses carried forward	<u>139</u>	<u>-</u>
Total actual amount of tax	<u>(2)</u>	<u>2</u>

The value of current year tax losses not recognised is £139k and no deferred tax asset has been recognised. No deferred tax asset has been recognised given the uncertainty around the Company's ability to fully recover the amount over the coming two years.

7. TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Amounts owed by group companies	1,663	5,129
Other receivables	-	85
Accrued income	<u>-</u>	<u>9</u>
	<u>1,663</u>	<u>5,223</u>

Amounts receivable from group companies are repayable on demand and carry interest of 5% (2018: 5%) per annum charged on the outstanding loan balances. The loan balances are not secured. Other receivables are measured at unamortised amount receivable.

The directors consider that the carrying amount of other receivables is approximately equal to their fair value.

KOBALT MUSIC PUBLISHING WORLDWIDE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 June 2019

8. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Withholding Tax	46	24
Deferred revenue	1,730	4,683
	<u>1,776</u>	<u>4,707</u>

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

9. SHARE CAPITAL

	2019 £	2018 £
Called up, allotted and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

In both years, the number of fully authorised shares was 100. The Company has one class of ordinary shares which carry no right to fixed income

10. RESERVES

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

- Accumulated losses - the Company's results to date. The Company has paid no dividends to date.

11. RELATED PARTY TRANSACTIONS

Under the exemptions of FRS 101, related party disclosures are not required for transactions with other group companies by virtue of Kobalt Music Publishing Worldwide Limited being a 100% subsidiary of Kobalt Music Group Limited, for which group financial statements are prepared.

12. ULTIMATE CONTROLLING PARTY

The immediate parent of the Company is Kobalt London Limited and the ultimate controlling party of the Company is Kobalt Music Group Limited Limited, a company registered in the United Kingdom.

The Company's results are included in the consolidated financial statements of Kobalt Music Group Limited, which is the largest and smallest group into which the results are consolidated, and is the largest and smallest undertaking for which group financial statements are prepared and can be obtained from the registered address The River Building, 1 Cousin Lane, London EC4R 3TE

13. EVENTS AFTER THE BALANCE SHEET DATE

There were no material post balance sheet events for the Company.