Company Registration No. 04018752

KOBALT MUSIC GROUP LIMITED

Annual Report and Consolidated Financial Statements

For the year ended 30 June 2019

KOBALT MUSIC GROUP LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

W Ahdritz
T Bunting
J Fitzherbert-Brockholes
J Ekelund
A Palm
N Khemlani
W Maris
S Grover
A Vukajlovic

COMPANY SECRETARY

T Sansone

REGISTERED OFFICE

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LENDER

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19-20 Berners Street
London
W1T 3NW

AUDITOR

Deloitte LLP
Statutory Auditor
Reading, RG1 3BD
United Kingdom

KOBALT MUSIC GROUP LIMITED

CHIEF EXECUTIVE'S REPORT

The music industry had another good growth year in 2018 with recordings growing by almost 10%[1] while publishing grew by around 7%[2]. We expect continuous growth in the year ahead and are excited to see new emerging markets and services drive further development. This includes Tencent, NetEase, and ByteDance in China, Hungama and JioSaavn in India, and Anghami and Boomplay in Africa.

Next year marks the 20th anniversary of the conception of Kobalt. There is much to be proud of as Kobalt has grown globally and become the most trusted brand in music, representing some of the most iconic and exciting musicians in the world.

In our 2018 fiscal year ended 30 June 2019 (FY18/19), we had another high-growth year with revenue surging over 35% to $543M ($616M gross collections) from $402M ($494M gross collections). It was another great year for our focus on growth overall.

Along with our growth, we have celebrated many achievements, especially in the past five years. Kobalt has reached milestone after milestone: from winning *Music Week*'s Publisher of the Year, to solidifying consistent placement as a top three US publisher according to *Billboard,* to becoming the world's number one neighbouring rights agent, to AWAL helping Lauv achieve over three billion streams. There will continue to be many more.

However, the milestone of which I am most proud is seeing the music industry transform. When we started out, words like transparency, artist-first, technology, app, and portal were all foreign to the music business. Now they are commonplace terms across the industry. This achievement has been 20 years in the making but it's here today and is a key milestone not only for Kobalt but for the future of music.

Kobalt provides, in our opinion, the best global service that maximizes creators' value, and we continue to make investments to globally scale and to start new business units to support creators at the expense of our short-term profit. As we have reached scale in publishing, we will now look at our financial model at maturity.

We have had our challenges, too, both in scaling the company efficiently and in building a world class tech organization to support the significant growth in transaction volumes that we see on a global scale. I am proud to say that today, we have a senior team in product and technology that will take us to the next level and further support our vision for the company. To have reached this point in our company's life cycle is exciting.

FY18/19 progress reporting

Many years of collective effort across our businesses supported our mission and helped us reach this point. Here are some highlights:

- **Kobalt Music Publishing (Including Synch) -** Kobalt's publishing division enjoyed another year of solid progress, growing revenue over 28% to $405M. Kobalt made strides in every repertoire area, from pop to urban to latin to country, establishing itself as a major player. Kobalt was consistently a top three music publisher in terms of chart share in the highly competitive US marketplace for four consecutive quarters. Kobalt has also enjoyed higher market share in most territories such as the UK, Sweden, and Australia. A few highlights of this past year's signings include will.i.am, Norah Jones, Tim James, Lil Pump, Anuel AA, Gunna, and SLOWTHAI. This is a testament to the first class creative team we have assembled over the years, combined with one of the most effective synch teams in the business, and of course Kobalt's unparalleled global collection infrastructure. Kobalt has also consolidated its position in representing some of the most iconic legacy acts by signing catalogs by Michael McDonald, Gregg Allman, DJ Mustard, Bonnie McKee, LunchMoney Lewis, and Blackground Records, and extending agreements for Lindsey Buckingham, Pasek & Paul, Herbie Hancock, Bjork, The Lumineers, Lionel Richie, and Fleet Foxes.
- **AWAL -** Our music recordings division, AWAL, had another record year, reaching revenue of over $110M and growing 86% from the previous year. Our strategy of supporting professional artists at all stages under the unified AWAL brand is working as artists look for new types of partners in the streaming economy. Lauv continued his run as the most successful independent artist in the world, exceeding three billion audio streams, while Rex Orange County and Lil Peep both exceeded 1 billion audio streams. Beyond these artists, the roster continued to grow with some of the most exciting artists and labels including Kim Petras, Steve Lacy, Bruno Major, Cold War Kids, Omar Apollo, Girl in Red, FINNEAS, Glassnote, SideOne Dummy, B Unique, 30th Century Records, and many others. With multiple gold and platinum awards over the past year, 25+ charting records on US radio, eight records in the UK Top 10 sales chart, five songs on the playlist at Radio 1 at one time (more than any other label during that period), and billions upon billions of streams, the successes across the roster proves that AWAL has created a modern music company with the ability to sign,

[1] IFPI

[2] Extrapolation from IFPI

develop, and take artists to the top of the charts while operating at the highest level in the industry. The acquisition in the prior fiscal year of the leading US independent radio promotion company, in2une, also made AWAL the only independent with a full-service radio promotion team.

- **Kobalt Neighbouring Rights (KNR) -** Having previously focused very much on the performer side of the business, the past year has seen KNR expanding its roster and global reach on the label collection side (master owner royalties) with deals concluded with Secretly Canadian, Bright Antenna, Connection Records, Paper Planes, and Good Soldier Records, among others, while also extending the existing deal with Concord. On the performer side, we have continued to grow our roster at a consistent pace and now count Cardi B, Rag 'n' Bone Man, Lauv, Dean Lewis, Yungblud, and The Hunna as our clients. Today, KNR represents 70% of the UK's most played artists in 2018. While the revenue in KNR was down 25% YOY, this was primarily attributable to a large one-off payment from a collective management organization (CMO) we received last year, consisting of payments due from multiple previous years. That was not repeated this year. 2018 also saw the very first neighbouring rights income receipts from streaming services such as Spotify, Deezer, and Google Play, following court rulings in Spain. This type of usage has traditionally not generated neighbouring rights income, however, there is now a chance that other countries will follow. In November 2018, KNR co-founded the industry organisation IAFAR (Independent Alliance for Artists Rights) to advocate for neighbouring rights and work together with other agents and CMOs to resolve the many issues affecting the collection of this income stream around the world, as well as educate the wider music industry about neighbouring rights and how to collect earned income.

- **Kobalt Capital Limited (KCL) -** The two music royalty funds managed by KCL, owned by institutional and private investors and administered by Kobalt, also had another great year. The funds delivered solid returns on historic acquisitions, advances, and new investments. The first fund (launched in 2011) and the second fund (launched 2017) have made investments totaling $1 billion to date.

- **AMRA -** The unique global digital collection society, and a key part of Kobalt that ensures global writers and artists are paid accurately and fairly, grew overall revenue by 46% to $65.6M. This growth is predominantly driven by market growth and accelerated territorial scope, which is the broadest in the industry, as well as by the rapid increase in AMRA’s writer client base during the past 12 months. AMRA’s business model is built to meet the needs of the rapid growth of digital global music consumption and is once again positioned to set new standards for global digital collections among societies. AMRA’s global roll-out has reached all corners of the world outside of the US and includes direct digital collections for China, Brazil, and Japan.

Last but not least, I am very proud of Kobalt’s more than 650 employees across the globe, who make up a team dedicated to our vision and who continue to operate at the highest level for the benefit of creators.

Willard Ahdritz
Founder and Chief Executive Officer
Kobalt Music

KOBALT MUSIC GROUP LIMITED

STRATEGIC REPORT

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

The Group's principal activity is the provision of services to the owners and creators of music - there have not been any significant changes in the Group's principal activity in the year under review. The Group head office is in London, with other offices in New York, Los Angeles, Miami, Nashville, Sydney, Stockholm, Berlin, Hong Kong, Netherlands, Switzerland, Canada (branch), France (branch), and Luxembourg.

As shown in the Group's income statement on page 14, the Group's sales have increased by 35.1% over the prior year to $543.4m while gross profit has increased by 34.1%, $17.9m in absolute terms. Total administrative expenses have increased by 27.1% to $109.3m. The loss after tax has increased to $52.8m against the previous year's loss of $42.7m. The Group's on-going losses are the result of a conscious decision to prioritise growth through making strategic investments over short-term profitability; the results are in line with the Group's long-term forecasts.

KEY FINANCIAL PERFORMANCE INDICATORS

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

	2019	2018	Movement	Movement
Revenue	$543,438k	$402,139k	$141,299k	35.1%
Gross profit	$70,401k	$52,507k	$17,894k	34.1%
Gross profit percentage	13.0%	13.1%	-	(0.1)%
Contribution margin*	$34,740k	$25,739k	$9,001k	35.0%
Net (liabilities) /assets	$(41,902)k	$9,207k	$(51,109)k	(555.1)%
Net current assets / (liabilities)	$13,373k	$(59,353)k	$72,726k	122.5%
Cash	$124,949k	$41,536k	$83,413k	200.8%

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

The Group also uses certain non-financial performance indicators including the number of employees. The increase in employee numbers during the year (from an average of 515 to 652) is the result of the Group's rapid growth in activity and investment in the future as discussed in the Chief Executive's Report.

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 unpredictable and as such the level at which this music will generate revenue for the Group in future periods is uncertain.

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

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

In recent years, the Group has increased its sales efforts, particularly in the US which is the world's largest market. 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.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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.

Brexit: Kobalt collects royalties throughout the EU, has operations in several EU countries and recruits from across the EU for roles in the London office. The future relationship between the UK and the EU is likely to have an impact on Kobalt although the exact nature of this relationship remains unclear, although these are not expected to be material. Management is reviewing the Group's activities with a view to mitigating any adverse consequences of Brexit.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Currency risk

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

Credit risk

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

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

Liquidity risk

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

EVENTS SINCE THE END OF THE FINANCIAL YEAR

There were no material events since the end of the financial year.

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:

T Sansone

Company Secretary

30 October 2019

DIRECTORS' REPORT

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, except as noted, were as follows:

W Ahdritz
T Bunting
D Caro (resigned 25 October 2018)
J Ekelund
J Fitzherbert-Brockholes
A Palm
J Tandberg (resigned 21 November 2018)
R Thompson (resigned 19 February 2019)
N Khemlani
W Maris
S Grover (appointed 25 October 2018)
A Vukajlovic (appointed 21 November 2018)

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 year and remain in force at the date of this report.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (30 June 2018 - $nil).

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. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

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 adopted by the European Union 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.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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
- existence of branches.

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.

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 company wide meetings and presentations. Regular meetings are held between local management and employees to allow the free flow of information and ideas.

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

T Sansone

Company Secretary

30 October 2019

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

Report on the audit of the financial statement

Opinion

In our opinion:

- the financial statements of Kobalt Music Group 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 2019 and of the group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and 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 "Reduced Disclosure Framework"; 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:

- the consolidated income statement;
- the consolidated statement of other comprehensive income;
- the consolidated statement of financial position and the parent company balance sheet;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the note to the consolidated statement of cash flows; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. 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

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 group's or the parent 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.

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

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, in doing so, 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.

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.

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 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.

Andrew Evans.

Andrew Evans FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, United Kingdom

31 October 2019

CONSOLIDATED INCOME STATEMENT
For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue	4	543,438	402,139
Cost of sales		(473,037)	(349,632)
Gross profit		**70,401**	**52,507**
Other operating income		4,939	4,592
Administrative expenses		(109,257)	(85,931)
Other operating expenses		(10,572)	(8,638)
Foreign exchange gain (loss)		353	(3,919)
Operating loss	5	**(44,136)**	**(41,389)**
Investment revenues		2,339	2,211
Finance costs	7	(8,274)	(779)
Loss before tax		**(50,071)**	**(39,957)**
Tax	8	(2,757)	(2,739)
Loss for the year from continuing operations		**(52,828)**	**(42,696)**

All operations were continuing operations during the year.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Loss for the year		**(52,828)**	**(42,696)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	24	(3,948)	3,712
Other comprehensive loss for the year, net of tax		**(3,948)**	**3,712**
Total comprehensive loss for the year, net of tax		**(56,776)**	**(38,984)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Note	2019 $'000	2018 $'000
Non-current assets			
Goodwill	10	13,883	14,215
Intangible assets	11	41,210	38,439
Property, plant and equipment	12	12,116	11,632
Investments	14	7,649	7,493
Deferred tax assets	19	594	618
		75,452	**72,397**
Current assets			
Assets held for sale	15	2,483	-
Trade and other receivables	16	345,310	269,694
Cash and bank balances		124,949	41,536
		472,742	**311,230**
Total assets		**548,194**	**383,627**
Current liabilities			
Trade and other payables	17	(10,354)	(8,159)
Borrowings	18	-	(7,737)
Accruals	17	(385,320)	(282,210)
Deferred revenue	17	(63,695)	(72,477)
		(459,369)	**(370,583)**
Non-current liabilities			
Deferred tax liability	19	(3,576)	(3,837)
Borrowings	18	(127,151)	-
		(130,727)	**(3,837)**
Net current assets / (liabilities)		**13,373**	**(59,353)**
Net (liabilities) /assets		**(41,902)**	**9,207**
Equity			
Share capital	22	954	953
Share premium account	23	193,468	193,154
Retranslation reserves	24	(11,018)	(7,070)
Share option reserve		19,866	14,514
Retained earnings		(245,172)	(192,344)
Total (deficit) / equity		**(41,902)**	**9,207**

The financial statements of Kobalt Music Group Limited, registered number 04018752, were approved by the Board of Directors and authorised for issue on 30 October 2019.

W Ahdritz

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2019

	ISSUED SHARE CAPITAL	SHARE PREMIUM	SHARE OPTION RESERVE	RETAINED EARNINGS	RETRANS-LATION RESERVES	TOTAL EQUITY
Note	22	23			24	
	$'000	$'000	$'000	$'000	$'000	$'000
1 July 2017	**925**	**179,161**	**9,595**	**(149,276)**	**(10,782)**	**29,623**
Loss for the period	-	-	-	(42,696)	-	(42,696)
Other comprehensive income	-	-	-	-	3,712	3,712
Total comprehensive loss	**-**	**-**	**-**	**(42,696)**	**3,712**	**(38,984)**
Issue of shares	28	13,993	-	-	-	14,021
Share-based payment transactions (note 9)	-	-	5,072	-	-	5,072
Share options waived for consideration	-	-	(153)	-	-	(153)
Share repurchase from retained earnings	-	-	-	(372)	-	(372)
Balance at 30 June 2018	**953**	**193,154**	**14,514**	**(192,344)**	**(7,070)**	**9,207**
Loss for the period	-	-	-	(52,828)	-	(52,828)
Other comprehensive income	-	-	-	-	(3,948)	(3,948)
Total comprehensive loss	**-**	**-**	**-**	**(52,828)**	**(3,948)**	**(56,776)**
Issue of shares	1	314	-	-	-	315
Share-based payment transactions (note 9)	-	-	5,388	-	-	5,388
Foreign exchange differences	-	-	(36)	-	-	(36)
30 June 2019	**954**	**193,468**	**19,866**	**(245,172)**	**(11,018)**	**(41,902)**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Net cash from operating activities		**(11,419)**	**(4,927)**
Investing activities			
Purchases of property, plant and equipment	12	(3,165)	(11,226)
Purchases of intangible assets	11	(9,745)	(8,512)
Acquisition of subsidiary net of cash taken on		-	(2,418)
Purchase of assets held for sale	15	(2,980)	-
Disposal of assets held for sale	15	497	-
Investments in third parties	14	10	(2,160)
Dividend received from investment	14	320	305
Net cash used in investing activities		**(15,063)**	**(24,011)**
Financing activities			
Proceeds on issue of shares		315	14,021
Repurchase of own shares		-	(372)
Consideration paid for waiving of options		-	(153)
Loans drawn		125,000	10,000
Loans repaid		(10,000)	-
Transaction costs related to loans and borrowings		(3,445)	(2,263)
Net cash from financing activities		**111,870**	**21,233**
Net increase / (decrease) in cash and cash equivalents		**85,388**	**(7,705)**
Cash and cash equivalents at beginning of year		**41,536**	**48,445**
Effect of foreign exchange rate changes		(1,975)	796
Cash and cash equivalents at end of year		**124,949**	**41,536**

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Loss for the year		**(52,828)**	**(42,696)**
Adjustments for:			
Finance costs	7	8,274	779
Income tax expense	8	2,757	2,739
Depreciation of property, plant and equipment	12	2,742	2,795
Amortisation of intangible assets	11	5,845	4,292
Fair value gain in investment	14	(756)	-
Share-based payment expense	9	5,388	5,072
Operating cash flows before movements in working capital		**(28,578)**	**(27,019)**
Increase in receivables	16	(75,616)	(75,038)
Increase in payables	17	96,523	100,484
Reversal of timing differences giving rise to a deferred tax liability		(154)	164
Cash utilised from operations		**(7,825)**	**(1,409)**
Income taxes paid	8	(2,757)	(2,739)
Interest paid	7	(837)	(779)
Net cash from operating activities		**(11,419)**	**(4,927)**

1. CORPORATE INFORMATION

Kobalt Music Group Limited and its subsidiaries (collectively, the Group) 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 consolidated financial statements of the Group for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 30 October 2019. Kobalt Music Group Limited (the Company) is a limited company incorporated and domiciled in England. The registered office is located at 1 Cousin Lane, London, EC4R 3TE.

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 financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

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;

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

Where goodwill has been allocated to a cash-generating unit (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, with the exception of Neighbouring Rights.

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) (2018 – from financial assets at 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 (2018 - 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.

Royalty advances

Advances in respect of royalties payable, which are non-refundable but recoupable, comprise advances to clients under contract. All royalty advances are included in other debtors. Specific provisions are made against these advances where the outstanding advance at the balance sheet date exceeds future expected royalty earnings. The IFRS 9 requirement to consider expected economic losses has been considered when concluding on the provisions applied in this reporting period.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement and valuation processes

The investments outlined in note 14 of the Group's assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset (or a liability), the Group uses market-observable data to the extent it is available.

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs (continued)

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.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

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.

Going concern

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 in place as at 30 June 2019 with a maturity of 2023.

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 2021and beyond, including forecasting debt covenant compliance, 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), together with the term loan in place. In addition to the above forecasts, as the majority of the Group's forecast advances are discretionary, if required the Group could reduce outbound advances to preserve cash and it is also confident it could raise additional debt or equity if required.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, Investments in Equity Instruments continue to be measured at fair value through profit and loss, Trade and Other Receivables, including client advance balances, 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 it's Trade Receivables. Given the Group's historical low level of bad debt losses, this has had a minimal impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of initial application of IFRS 9 'Financial Instruments' (continued)

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.

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 starting on or after
IFRS 16	Leases	1 January 2019

IFRS 16 requires the recognition of all lease assets and liabilities by lessees on the balance sheet and is effective for the Group's year ending 30 June 2020. The Group will be required to recognise a right-of-use asset and related liability for the majority of their operating leases and show depreciation of leased assets and interest on lease liabilities separately in the Consolidated Income Statement. The Group anticipates that the impact will be an increase in the loss before tax in the year of approximately $2million when comparing to the current accounting for operating leases. On transition to IFRS 16, preliminary assessments show the Group expects to recognise right-of-use assets and lease liabilities of approximately $35million.

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.

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 method adopted in making this measurement of the 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 $14.2 million (2018: $9.2 million).

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 recoverable value significantly exceeds its value as recorded in the accounts.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit at a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was $13.9 million (2018: $14.2 million).

The goodwill arises from the acquisition of subsidiaries which were purchased in order to accelerate the Group's growth. The goodwill arising on these acquisitions has been attached to the cash generating unit which most closely corresponds to the acquired entity given the nature of its business. Approved forecasts for these cash generating units are then used to determine whether there is any impairment.

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.

4. SEGMENT INFORMATION

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

- the Publishing (including Kobalt Capital) segment, which administers music publishing rights on behalf of clients and provides asset management services;
- the AWAL segment, which distributes and licenses music recordings;
- the Neighbouring Rights segment, which collects neighbouring rights income on behalf of clients; 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 profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

4. SEGMENT INFORMATION (continued)

Classes of business	Publishing (Incl. Kobalt Capital) 2019 $'000	AWAL 2019 $'000	Neighbouring rights 2019 $'000	AMRA 2019 $'000	Other/ corporate 2019 $'000	Eliminations 2019 $'000	Consolidated 2019 $'000
Gross Collection / Fees	**415,461**	**111,503**	**69,052**	**65,600**	**-**	**(45,172)**	**616,444**
Revenue							
External sales to third parties	365,566	106,159	6,113	65,600	-	-	543,438
Inter-segment sales	39,724	5,344	104	-	-	(45,172)	-
Total revenue	**405,290**	**111,503**	**6,217**	**65,600**	**-**	**(45,172)**	**543,438**
Contribution Margin*	**26,762**	**3,296**	**4,038**	**2,541**	**(1,897)**	**-**	**34,740**
Onboarding Service Cost							(3,918)
Sales / Marketing Cost							(26,124)
Corporate Activity Cost							(26,333)
Adjusted EBITDA							**(21,635)**
Depreciation and amortisation							(8,587)
Provisions and write-offs							(4,386)
Exchange rate gain							353
Finance cost							(8,274)
Other expenses							(2,154)
Share based payments							(5,388)
Loss before tax							**(50,071)**
Total assets	**2,249,335**	**297,607**	**152,035**	**100,757**	**704,022**	**(2,955,562)**	**548,194**
Total liabilities	**(2,329,041)**	**(393,512)**	**(155,577)**	**(125,959)**	**(512,317)**	**2,926,310**	**(590,096)**

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

4. SEGMENT INFORMATION (continued)

Classes of business	Publishing (Incl. Kobalt Capital) 2018 $'000	AWAL 2018 $'000	Neighbouring rights 2018 $'000	AMRA 2018 $'000	Other/ corporate 2018 $'000	Eliminations 2018 $'000	Consolidated 2018 $'000
Gross Collection / Fees	**325,719**	**59,914**	**91,252**	**44,829**	**-**	**(27,734)**	**493,980**
Revenue							
External sales to third parties	291,690	57,289	8,331	44,829	-	-	402,139
Inter-segment sales	25,109	2,625	-	-	-	(27,734)	-
Total revenue	**316,799**	**59,914**	**8,331**	**44,829**	**-**	**(27,734)**	**402,139**
Contribution Margin*	**20,423**	**635**	**6,665**	**627**	**(2,611)**	**-**	**25,739**
Onboarding Service Cost							(2,910)
Sales / Marketing Cost							(18,203)
Corporate Activity Cost							(19,965)
Adjusted EBITDA							**(15,339)**
Depreciation and amortisation							(7,086)
Provisions and write-offs							(473)
Exchange rate loss							(3,919)
Finance cost							(914)
Other expenses							(7,154)
Share based payments							(5,072)
Loss before tax							**(39,957)**
Total assets	**2,207,905**	**213,455**	**163,490**	**59,230**	**571,650**	**(2,832,103)**	**383,627**
Total liabilities	**(2,288,003)**	**(294,678)**	**(168,496)**	**(79,889)**	**(345,495)**	**2,802,141**	**(374,420)**

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

4. 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:

	2019 $'000	2018 $'000
United Kingdom	65,437	52,587
Rest of Europe	187,782	138,924
North America	235,251	167,581
Rest of World	54,968	43,047
Total revenue	543,438	402,139

5. OPERATING LOSS

Has been arrived at after (crediting) / charging:

	Note	2019 $'000	2018 $'000
Net foreign exchange (gain) / losses		(353)	3,919
Depreciation of property, plant and equipment	12	2,742	2,795
Amortisation of internally-generated intangible assets included in other operating expenses	11	5,845	2,362
Staff costs	6	75,580	55,836
Fees payable to the Company's auditor for the audit of the			
Group's annual financial statements		336	304
Subsidiaries' annual financial statements		69	58
Other non-audit services:			
Taxation compliance services		211	161
Other taxation advisory services		435	906
Other assurance services		-	58
Corporate finance advisory services		438	568

6. STAFF COSTS

The average monthly number of employees (including executive directors) was:

	2019 Number	2018 Number
Publishing client services and administration	109	91
Synchronisation and creative	82	71
AWAL	107	56
Neighbouring Rights	34	29
AMRA	20	16
Tech and Product	139	119
Corporate and Other	161	133
	652	515

	2019 $'000	2018 $'000
Pre-capitalisation staff costs:		
Wages and salaries	61,617	45,821
Employer pension contributions	2,637	624
Social security contributions and similar taxes	5,938	4,319
Share-based payment charges	5,388	5,072
	75,580	55,836

7. FINANCE COSTS

	2019 $'000	2018 $'000
Interest expense on financial liabilities measured at amortised cost	8,274	779
	8,274	779

8. INCOME TAX

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

	2019 $'000	2018 $'000
Current income tax		
United Kingdom corporation tax based on the loss for the year at 19% (2018 : 19%)	-	-
Non-reclaimable withholding tax on royalty payments received	2,477	2,741
Tax paid in overseas jurisdictions	434	162
Total current tax	2,911	2,903
Deferred taxation		
Origination and reversal of timing differences	(154)	(164)
Tax on loss on ordinary activities	**2,757**	**2,739**

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 and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2019 $'000	2018 $'000
Loss on ordinary activities before tax	(50,071)	(39,957)
Tax on loss on ordinary activities at standard rate	(9,513)	(7,592)
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	2,709	1,147
Income not taxable for tax purposes	(293)	(404)
Depreciation in excess of capital allowances	(401)	735
Tax losses carried forward	7,377	7,550
Net non-reclaimable withholding tax on royalty payments received	2,477	2,741
Different tax rates used in overseas jurisdictions	(790)	(1,497)
Movement in short term timing differences	1,366	59
Losses utilised	(175)	-
Total actual amount of current tax	**2,757**	**2,739**

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 $39.0 million (2018: $30.7 million) of which $594k (2018: $618k) has been recognized as a deferred tax asset. The deferred tax asset has been recognized in entities which have tax losses carried forward and are expected to be fully recovered within the next two years. The change in recognized deferred tax asset in the year is due to exchange rate movements.

9. SHARE-BASED PAYMENTS

Equity-settled share options

The Company provides incentives in the form of share options to many employees of the Group as well as a small number of key suppliers. Options are exercisable at a price equal to or greater than the latest issued or traded price of the Company's shares on the date of grant. The vesting period is up to four years. If the options remain unexercised after a period of between five and ten years from the date of grant the options expire. Some options are forfeited if the employee leaves the Group.

Details of the share options outstanding during the year are as follows:

	2019		2018	
	Number of share options	**Weighted average exercise price (in £)**	**Number of share options**	**Weighted average exercise price (in £)**
Outstanding at beginning of year	1,856,534	29.31	972,609	20.42
Granted during the year	47,750	46.46	895,731	38.00
Forfeited during the year	(13,307)	25.18	(9,403)	23.00
Exercised during the year	(22,076)	11.35	(1,395)	23.00
Expired during the year	(21,881)	29.01	(1,008)	10.00
Other movements during the year	42,360	23.00	-	-
Outstanding at the end of the year	1,889,380		1,856,534	
Exercisable at the end of the year	1,325,334		1,039,265	

The weighted average share price at exercise was £38.81 (2018: £41.82).

At 30 June 2019, outstanding options had an exercise price of £10.00 to £49.00 (2018 £2.50 to £49.00) and a weighted average remaining contractual life of 6.2 years (2018: 7.2 years).

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

Year ended 30 June	**2019**	**2018**
Weighted average share price at grant (based on FTSE All Share movement)	£38.81	£41.82
Weighted average exercise price	£45.32	£37.64
Expected volatility	25%	25%
Weighted average expected life	10.00	10.00
Weighted average risk-free rate	1.39%	1.44%
Expected dividend yield	-	-

Expected volatility was estimated by considering comparable companies and historical volatility of the Group's share price over the previous five years.

The Group recognised total expenses of $5.4 million related to equity-settled share-based payment transactions in the year ended 30 June 2019 (2018: $5.1m).

10. GOODWILL AND IMPAIRMENT

GROUP	Goodwill $'000
Cost	
At 1 July 2018	15,096
Additions in year	-
Foreign exchange rate movements	(353)
At 30 June 2019	**14,743**
Accumulated impairment losses	
At 1 July 2018	881
Impairment in year	-
Foreign exchange rate movements	(21)
At 30 June 2019	**860**
Net book value	
At 30 June 2018	14,215
At 30 June 2019	13,883

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 at 30 June 2019, before impairment consideration:

	2019 $'000	2018 $'000	2017 $'000
Publishing	1,349	1,365	1,371
AWAL	4,227	4,271	1,267
AMRA	699	699	699
Neighbouring Rights	8,468	8,761	8,296
	14,743	15,096	11,633

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 15% per annum. For the purposes of impairment testing, cash flows beyond that five-year period have been extrapolated without assuming further growth.

For the Publishing, AWAL and AMRA cash-generating unit, the directors estimate that a decrease from the historic three-year average growth rates of ~20%, ~80% and 40% respectively to nil would still result in significant headroom from an impairment charge. Management are forecasting growth above this.

For the Neighbouring Rights cash-generating unit, the directors estimate that a decrease from the historic three year average growth rate of ~50% to around 4% would reduce the headroom in the cash-generating unit to nil but would not result in an impairment charge. Management are forecasting growth above this.

11. OTHER INTANGIBLE ASSETS

GROUP	Client contracts $'000	Software licences $'000	Development costs $'000	Publishing assets $'000	Total assets $'000
Cost					
At 1 July 2017	26,538	2,279	13,019	139	41,975
Additions – internally generated	-	-	5,937	369	6,306
Additions – external third party	-	2,204	-	-	2,204
Additions – acquisition subsidiaries	-	-	-	3	3
Foreign exchange rate movements	1,401	32	189	-	1,622
At 30 June 2018	**27,939**	**4,515**	**19,145**	**511**	**52,110**
Additions – internally generated	-	-	7,339	772	8,111
Additions – external third party	-	379	1,255	-	1,634
Transfer within categories	-	(1,338)	1,338	-	-
Foreign exchange rate movements	(753)	(120)	(800)	(15)	(1,688)
At 30 June 2019	**27,186**	**3,436**	**28,277**	**1,268**	**60,167**
Amortisation					
At 1 July 2017	796	854	7,538	139	9,327
Amortisation charge	1,062	868	2,362	-	4,292
Foreign exchange rate movements	-	-	52	-	52
At 30 June 2018	**1,858**	**1,722**	**9,952**	**139**	**13,671**
Amortisation charge	1,061	621	4,118	45	5,845
Transfer within categories	-	(475)	475	-	-
Foreign exchange rate movements	-	(94)	(464)	(1)	(559)
At 30 June 2019	**2,919**	**1,774**	**14,081**	**183**	**18,957**
Net book value					
At 1 July 2017	25,742	1,425	5,481	-	32,648
At 30 June 2018	26,081	2,793	9,193	372	38,439
At 30 June 2019	24,267	1,662	14,196	1,085	41,210

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, 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 five 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.

Total net development costs of $14,196k are held by KTech Services Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2019

12. PROPERTY, PLANT AND EQUIPMENT

GROUP	Office equipment and fixtures $'000	Computer equipment $'000	Total $'000
Cost			
At 1 July 2018	3,227	4,996	8,223
Additions	10,032	1,194	11,226
Disposals	(1,258)	(721)	(1,979)
Foreign exchange movements	10	58	68
At 30 June 2018	**12,011**	**5,527**	**17,538**
Additions	2,493	672	3,165
Disposals	-	-	-
Foreign exchange movements	(327)	(161)	(488)
At 30 June 2019	**14,177**	**6,038**	**20,215**
Accumulated depreciation			
At 1 July 2017	2,044	2,942	4,986
Depreciation	1,639	1,156	2,795
Depreciation on disposals	(1,185)	(717)	(1,902)
Foreign exchange movements	(90)	117	27
At 30 June 2018	**2,408**	**3,498**	**5,906**
Depreciation	1,475	1,267	2,742
Depreciation on disposals	-	-	-
Foreign exchange movements	(428)	(121)	(549)
At 30 June 2019	**3,455**	**4,644**	**8,099**
Net book value			
At 1 July 2017	1,183	2,054	3,237
At 30 June 2018	9,603	2,029	11,632
At 30 June 2019	10,722	1,394	12,116

13. SUBSIDIARIES

The Group consists of a parent company, Kobalt Music Group 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. See below for details:

Name	Address	Place of incorporation and operation	Principal activity
AWAL Digital Limited	(a)	UK	Distribution and licencing of digital music content
KMG Germany GmbH	(b)	Germany	Music publishing
Kobalt America Holdings, Inc	(c)	USA	Holding company
Kobalt Capital America, Inc	(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
AWAL Recordings Licensing Ltd (formerly Kobalt Music Recordings Licensing Limited)	(a)	UK	Distribution and licensing of music recordings
AWAL Recordings America Inc (formerly Kobalt Music Recordings America Inc)	(c)	USA	Distribution and licensing of music recordings
AWAL Recordings Limited (formerly Kobalt Music Recordings Limited)	(a)	UK	Distribution and licensing of music recordings
AWAL Recordings Licensing America, Inc. (formerly Kobalt Music Recordings Licensing America, Inc)	(c)	USA	Distribution and licensing of music recordings
Kobalt Music Administration Limited	(a)	UK	Music publishing
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	(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 Services II Limited	(a)	UK	Music publishing
Kobalt Music Rights Agency Limited (formerly Rights Agency Limited)	(a)	UK	Collection of neighbouring rights
Kobalt Neighbouring Rights Limited	(a)	UK	Collection of neighbouring rights
Kojam Music Limited	(a)	UK	Music publishing
Kobalt Music Publishing Malaysia Limited (formerly Kollector Limited)	(a)	UK	Music Publishing
Kobalt Music Publishing Worldwide Limited (formerly Kobalt STIM Aggregated Rights Limited)	(a)	UK	Music publishing
Kobalt 2015 Limited	(a)	UK	Music publishing
Kobalt Music Netherlands BV	(h)	Netherlands	Music publishing
Kobalt Music Netherlands Publishing B.V., (Formerly Fintage Publishing B.V)	(h)	Netherlands	Music publishing

13. SUBSIDIARIES (continued)

Name	Address	Place of incorporation and operation	Principal activity
Kobalt Music Netherlands International B.V., (Formerly Fintage Music International B.V.)	(h)	Netherlands	Music publishing
Kobalt Music Netherlands Publishing Australia B.V., (Formerly Fintage Publishing Australia B.V.)	(h)	Netherlands	Music publishing
Kobalt Music Netherlands Publishing Italiana B.V., (Formerly Fintage Publishing Italiana B.V)	(h)	Netherlands	Music publishing
Kobalt Music Netherlands Direct B.V., (Formerly Fintage Direct B.V.)	(h)	Netherlands	Music publishing
Kobalt Music Netherlands Artists B.V., (Formerly Fintage Artists B.V.)	(h)	Netherlands	Collection of neighbouring rights
Kobalt Music Netherlands OH Records B.V., (Formerly Onehill Records B.V.)	(h)	Netherlands	Collection of neighbouring rights
Ktech Services Limited	(a)	UK	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 AMRA Aktiebolah	(g)	Sweden	Society service provision
In2une, Inc.	(c)	USA	Recordings service provision
Kobalt Capital Luxembourg Sarl	(f)	Luxembourg	Provision of investment advice

**Directly held by Kobalt Music Group Limited*

(a) 1 Cousin Lane, London EC4R 3TE, United Kingdom
(b) Oberwallstrasse 1, 10117, Berlin, Germany
(c) 2 Gansevoort St., 6th 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) Fleminggatan 61NB PL2, 112 32 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14. INVESTMENTS

	Group investments $'000
Fair value	
At 1 July 2017	5,601
Investment in third parties	2,160
Fair value reduction from dividend received	(305)
Foreign exchange movements	37
At 30 June 2018	**7,493**
Investment in third parties	660
Repayment of Investment	(670)
Fair value reduction from dividend received	(320)
Fair value adjustment	756
Foreign exchange movements	(270)
At 30 June 2019	**7,649**

The Group holds a strategic, non-controlling interest of less than 3% in Kobalt Music Royalties SCA SICAV-SIF and less than 1% in KMR Music Royalties II SCSp.

15. ASSETS HELD FOR SALE

	2019 $'000	2018 $'000
Purchases during year of assets held for sale	2,980	-
Less: assets sold during year	(497)	-
Total assets held for sale	2,483	-

16. TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Other receivables	181,319	140,871
Less: provision for impairment of advances	(11,175)	(7,684)
Other receivables net	170,144	133,187
Prepayments	3,641	2,093
Accrued income	171,525	134,414
Total trade and other receivables	345,310	269,694

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.

16. TRADE AND OTHER RECEIVABLES (continued)

	Provision $'000
Movement in allowance for doubtful debts:	
At 1 July 2017	(7,152)
Charged to consolidated statement of comprehensive income during the period	(532)
At 30 June 2018	**(7,684)**
Charged to consolidated statement of comprehensive income during the period	(3,491)
At 30 June 2019	**(11,175)**

17. TRADE AND OTHER PAYABLES

As at 30 June 2019 the Group has contractual obligations to make future advances which are either of an unconditional nature (with a known timing and amount) or conditional on a future event. Unconditional obligations are all due by 31 December 2020 and for a total of $12.2 million and have not been recognised (2018 - $1.5 million all due by 31 December 2018).

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

	2019 $'000	2018 $'000
Trade creditors	2,506	1,427
Social security and other taxes	4,304	2,246
Accruals	385,320	282,210
Deferred revenue	63,695	72,477
Other creditors	3,544	4,486
Total trade and other payables	459,369	362,846

18. LOANS AND BORROWING

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

	2019 $'000	2018 $'000
Secured borrowing at amortised cost		
Term loan / Bank loan	125,000	10,000
Accrued loan interest	6,611	-
Capitalised debt costs	(4,460)	(2,263)
Total borrowings	127,151	7,737
Amount due for settlement within 12 months	-	10,000

All borrowings are in US dollars.

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

The Group has a $125 million term loan. The loan is secured against materially all of the Group assets, including pledging the equity of all entities with the exception of Kobalt Music Group Limited and Kobalt Music Royalties II Sarl. As at year end the value outstanding was $131.6 million.

19. DEFERRED TAX

Deferred Tax Asset

	$'000
At 30 June 2017	609
Exchange rate movements	9
At 30 June 2018	**618**
Exchange rate movements	(24)
At 30 June 2019	**594**

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

	GROUP	
	2019	**2018**
	$'000	**$'000**
Trading losses	594	618

Deferred Tax Liability

	$'000
At 30 June 2017	(3,800)
Exchange rate movements	(201)
Reversal of timing difference	164
At 30 June 2018	**(3,837)**
Exchange rate movements	107
Reversal of timing differences	154
At 30 June 2019	**(3,576)**

The deferred tax liability relates to the client contracts in note 11.

20. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	**2018**
	$'000	**$'000**
Lease payments under operating leases recognised as an expense in the year	7,295	5,794
	7,295	5,794

	2019	**2018**
	$'000	**$'000**
Not later than one year	6,933	6,700
Later than one year and not later than five years	21,470	21,599
Later than five years	23,242	24,613
	51,645	52,912

20. OPERATING LEASE COMMITMENTS (continued)

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of six years and rentals are fixed for an average of four years with an option to extend for a further one year at the then prevailing market rate.

The Company as a Lessor

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

	2019 $'000	2018 $'000
Not later than one year	454	442
Later than one year but not later than five years	103	557
Later than five years	-	-
	557	999

21. 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 fiancial 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 responisibilty of monitoring financial risk manangement to a separate sub-committee of the Board.

The Group currently does not use 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 17 for further details.

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.

Foreign currency risk

The Group presentational currency is USD and operates in the United Kingdom 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:

21. FINANCIAL INSTRUMENTS (continued)

Currency	30 June 2019	30 June 2018
	$'000	$'000
United States Dollar	78,493	21,018
Great British Pound	18,277	8,531
Euro	13,790	8,518
Swedish Krona	6,716	1,883
Swiss Franc	1,765	330
Canadian Dollar	2,590	106
Australian Dollar	2,902	755
Hong Kong Dollar	279	141
Chinese Yuan	5	151
Japanese Yen	132	6

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. An FCA regulated subsidiary of the Group, KCL, is subject to externally imposed capital requirements. The required amount is £42k ($53k) as of 30 June 2019 which is immaterial to the Group.

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 date (that is, unobservable inputs).

22. SHARE CAPITAL

Issued and fully paid:

	2019	2018
	$'000	$'000
6,409,492 (2018 - 6,387,416) ordinary shares of £0.05 each	542	541
931,102 (2018 – 931,102) BA ordinary shares of £0.005 each	6	6
315,341 (2018 - 315,341) BC ordinary shares of £0.005 each	2	2
112,000 (2018 - 112,000) BD ordinary shares of £0.005 each	1	1
77,750 (2018 - 77,750) BG ordinary shares of £0.005 each	1	1
530,684 (2018 - 530,684) A preference shares of £0.05 each	38	38
62,500 (2018 - 62,500) B preference shares of £0.05 each	4	4
1,377,981 (2018 – 1,377,981) C preference shares of £0.10 each	185	185
1,354,984 (2018 – 1,140,686) D preference shares of £0.10 each	175	175
	954	953

During the year, share capital was increased by £1k ($1k) by the issue of 22,076 ordinary shares.

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

Date	Type of share	No. of shares
7 Sept 2018 to 27 March 2019	Ordinary shares of £0.05	22,076

There were no shares repurchased for cash during the year.

22. SHARE CAPITAL (continued)

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	Full	Subject to the preferred dividend rights attaching to the Series D preferred shares and the series C preferred shares, full rights to participate in distribution of dividends	Subject to the rights of the Series A preferred shares, Series B preferred shares, Series C preferred shares and Series D preferred shares, full rights to participate in capital distributions; (d) the shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder	
Ordinary - BA	20 Ordinary BA shares have the same voting rights as 1 Ordinary share	Subject to the preferred dividend rights attaching to the Series D preferred shares and the Series C preferred shares, Ordinary BA shareholders have the right to participate in distribution of dividends payable to that share class	Subject to the rights of the Series A preferred shares, Series B preferred shares, Series C preferred shares and Series D preferred shares, Ordinary BA shareholders have the right to participate in capital distributions, such distributions to be reduced by the threshold value of £6.00 per Ordinary BA share; (d) the shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder	
Ordinary - BB	20 Ordinary BB shares have the same voting rights as 1 Ordinary share	Subject to the preferred dividend rights attaching to the Series D preferred shares and the Series C preferred shares, Ordinary BB shareholders have the right to participate in distribution of dividends payable to that share class	Subject to the rights of the Series A preferred shares, Series B preferred shares, Series C preferred shares and Series D preferred shares, Ordinary BB shareholders have the right to participate in capital distributions, such distributions to be reduced by the threshold value of £7.50 per Ordinary BB share; (d) the shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder	

22. SHARE CAPITAL (continued)

Share class	Voting rights	Dividends rights	Capital distribution rights	Other
Ordinary – BC	20 Ordinary BC shares have the same voting rights as 1 Ordinary share	Subject to the preferred dividend rights attaching to the Series D preferred shares and the Series C preferred shares, Ordinary BC shareholders have the right to participate in distribution of dividends payable to that share class	Subject to the rights of the Series A preferred shares, Series B preferred shares, Series C preferred shares and Series D preferred shares, Ordinary BC shareholders have the right to participate in capital distributions, such distributions to be reduced by the threshold value of £10.00 per Ordinary BC share; (d) the shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder	
Ordinary - BD	20 ordinary BD shares have the same voting rights as 1 Ordinary share	Subject to the preferred dividend rights attaching to the Series D preferred shares and the Series C preferred shares, Ordinary BD shareholders have the right to participate in distribution of dividends payable to that share class	Subject to the rights of the Series A preferred shares, Series B preferred shares, Series C preferred shares and Series D preferred shares, Ordinary BD shareholders have the right to participate in capital distributions, such distributions to be reduced by the threshold value of £20.00 per Ordinary BD share; (d) the shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder	
Ordinary - BG	20 ordinary BG shares have the same voting rights as 1 Ordinary share	Subject to the preferred dividend rights attaching to the Series D preferred shares and the Series C preferred shares, Ordinary BG shareholders have the right to participate in distribution of dividends payable to that share class	Subject to the rights of the Series A preferred shares, Series B preferred shares, Series C preferred shares and Series D preferred shares, Ordinary BG shareholders have the right to participate in capital distributions, such distributions to be reduced by the threshold value of £17.50 per Ordinary BG share	The shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder

22. SHARE CAPITAL (continued)

Share class	**Voting rights**	**Dividends rights**	**Capital distribution rights**	**Other**
Series A Preferred	Full voting rights on an as converted basis into Ordinary shares	Subject to the preferred dividend rights attaching to the Series D preferred shares and the Series C preferred shares, full rights to participate in distribution of dividends	Subject to the rights of the Series D preferred shares and the Series C preferred shares, prior right to participate up to £12.00 per Series A preferred share in capital distributions, pari passu with right of Series B preferred shares to participate up to £20.00 per Series B preferred share, where the amount receivable per ordinary share, series a preferred share and Series B preferred share would otherwise be less than £20.00 per share	Convertible into Ordinary shares at any time and automatically on a listing; The shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder
Series B Preferred	Full voting rights on an as converted basis into Ordinary shares	Subject to the preferred dividend rights attaching to the Series D preferred shares and the Series C preferred shares, full rights to participate in distribution of dividends	Subject to the rights of the Series D preferred shares and the Series C preferred shares, prior right to participate up to £20.00 per Series B preferred share in capital distributions, pari passu with right of Series A preferred shares to participate up to £12.00 per Series A preferred Share, where the amount receivable per ordinary share, Series A preferred share and Series B preferred share would otherwise be less than £20.00 per share	Convertible into Ordinary shares at any time and automatically on a listing; The shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder
Series C Preferred	Full voting rights on an as converted basis into Ordinary shares	Subject to the preferred dividend rights attaching to the Series D preferred shares, prior right to receive dividend equal to the greater of 8% of the applicable Series C lp amount and the ordinary share dividend the holders would receive on an as converted basis	Subject to the prior rights of the Series D preferred shares, prior right (prior to the holders of Series A preferred shares, Series B preferred shares, Ordinary shares and B shares) to receive up to the Series C lp amount per Series C preferred share held on a capital distribution, otherwise right to receive same amount per share as holders of ordinary shares	Convertible into Ordinary shares at any time and automatically on a listing; The shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder

22. SHARE CAPITAL (continued)

Share class	Voting rights	Dividends rights	Capital distribution rights	Other
Series D Preferred	Full voting rights on an as converted basis into Ordinary shares	Prior right to receive dividend equal to the greater of 8% of the applicable Series D lp amount and the ordinary share dividend the holders would receive on an as converted basis	Prior right (prior to the holders of Series A preferred shares, Series B preferred shares, Series C preferred shares, Ordinary shares and B shares) to receive up to 1.25 times the Series D lp amount per Series D preferred share held on a capital distribution, otherwise right to receive same amount per share as holders of Ordinary shares	Convertible into Ordinary shares at any time and automatically on a listing; The shares are not to be redeemed nor are they liable to be redeemed at the option of the company or the shareholder

23. SHARE PREMIUM

	$'000
Balance at 1 July 2017	179,161
Premium arising on issue of equity share	13,993
Balance at 30 June 2018	**193,154**
Premium arising on issue of equity shares	314
Balance at 30 June 2019	**193,468**

24. RESERVES

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

- share capital: nominal value of share capital issued;
- share premium: Amount subscribed for share capital in excess of nominal value;
- share option reserve: the cost to the Group of share options, less any consideration paid for the lapse of options;
- retained earnings: the company's results to date. The company has paid no dividends to date; and
- 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.

25. ACQUISITION OF SUBSIDIARY

In the prior year (1 June 2018) the Group acquired 100% of the share capital of In2une, Inc. for total consideration of $3.3m. The net assets on acquisition were $0.3m, resulting in goodwill of $3.0m. In2une contributed $0.1m revenue, and $0.1m profit post acquisition in the year to 30 June 2018.

26. 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.

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

	2019 $'000	2018 $'000
Key management personnel compensation		
Wages and salaries	10,897	8,229
Employer pension contributions	128	11
Share-based payment charges	4,532	3,685
	15,557	11,925

Directors' remuneration	2019 $'000	2017 $'000
Directors' emoluments	4,272	3,708
Shared-based payment charges	2,052	2,189
Company contributions to money purchase pension schemes	21	3
	6,345	5,900

The number of directors who:	Number	Number
Are members of money purchase pension schemes	2	-
Exercised options over shares in the Company	-	-

Emoluments of the highest paid director are as follows:

	2019 $'000	2018 $'000
Director's emoluments	2,889	2,507
Employer pension contributions	-	-
Share-based payment charges	2,021	2,062
	4,910	4,569

The highest paid director did not exercise options during the year (2018 – none).

Included in Directors' emoluments is $0.3M for loss of office (2018 – nil).

Kobalt Music Group Limited is the ultimate controlling party of the Group. No single individual or entity controls Kobalt Music Group Limited.

27. POST BALANCE SHEET EVENTS

There were no material post balance sheet events.

COMPANY BALANCE SHEET
As at 30 June 2019

	Notes	2019 $'000	2018 $'000
Non-current assets			
Property, plant and equipment	31	8,247	8,816
Other Intangible Assets	32	1,424	1,918
Investments	29	27,433	28,507
		37,104	**39,241**
Current assets			
Trade and other receivables	30	487,843	499,337
Cash and bank balances		556	-
Total assets		**525,503**	**538,578**
Current liabilities			
Trade and other payables	33	(330,764)	(330,605)
Borrowings		-	(7,737)
Accruals		(4,167)	(2,028)
		(334,931)	**(340,370)**
Net current assets		**153,468**	**158,967**
Net assets		**190,572**	**198,208**
Equity			
Share capital	34	954	953
Share premium account	34	193,468	193,154
Share option reserve	35	19,866	14,514
Retranslation reserves		(24,663)	(17,259)
Retained earnings		947	6,846
Total equity		**190,572**	**198,208**

The company reported a loss for the financial year ended 30 June 2019 of ($5.9m) (2018: $0.3m profit).

The financial statements of Kobalt Music Group Limited, registered number 04018752, were approved by the Board of Directors and authorised for issue on 30 October 2019.

W Ahdritz

Director

COMPANY STATEMENT OF CHANGES IN EQUITY
As at 30 June 2019

Equity attributable to equity holders of the Company

	Share capital	Share premium account	Share option reserve	Retransla-tion reserve	Retained earnings	Total equity
Note	**34**	**34**				
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2017	**925**	**179,161**	**9,595**	**(20,767)**	**6,938**	**175,852**
Profit for the year	-	-	-	-	280	280
Other comprehensive loss for the year	-	-	-	(3,508)	-	(3,508)
Total comprehensive income for the year	**-**	**-**	**-**	**(3,508)**	**280**	**3,788**
Issue of share capital	28	13,993	-	-	-	14,021
Share-based payment transactions (note 9)	-	-	5,072	-	-	5,072
Share options waived for consideration	-	-	(153)		-	(153)
Share repurchase from retained earnings	-	-	-	-	(372)	(372)
Balance at 30 June 2018	**953**	**193,154**	**14,514**	**(17,259)**	**6,846**	**198,208**
Loss for the year	-	-	-	-	(5,899)	(5,899)
Other comprehensive income for the year	-	-	-	(7,404)		(7,404)
Total comprehensive income for the year	**-**	**-**	**-**	**(7,404)**	**(5,899)**	**(13,303)**
Issue of share capital	1	314	-	-	-	315
Share-based payment transactions (note 9)	-	-	5,388	-	-	5,388
Foreign exchange differences	-	-	(36)	-	-	(36)
Balance at 30 June 2019	**954**	**193,468**	**19,866**	**(24,663)**	**947**	**190,572**

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 30 June 2019

28. 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.

Investment in subsidiaries

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

29. INVESTMENTS

COMPANY	Investment in subsidiary undertakings $'000	Investments in non-Group companies $'000	Total $'000
Cost			
At 1 July 2018	28,507	-	28,507
Foreign exchange	(781)	-	(781)
Transfers to Group Entity	(293)	-	(293)
At 30 June 2019	27,433	-	27,433

For details on investment in subsidiaries, refer to note 13 to the consolidated financial statements.

30. TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	477,433	489,778
Other debtors	8,442	8,468
Prepayments	1,968	1,091
	487,843	499,337

Amounts repayable from subsidiaries are short term, unsecured, and carry interest of 5 per cent (2017: 5 per cent) per annum charged on the outstanding loan balances.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 30 June 2019

31. PROPERTY PLANT AND EQUIPMENT

	Office equipment and fixtures $'000	Computer equipment $'000	Total $'000
Cost			
At 1 July 2017	**1,476**	**3,931**	**5,407**
Additions	7,710	795	8,505
Disposals	(1,083)	(721)	(1,804)
Foreign exchange movements	21	57	78
At 30 June 2018	**8,124**	**4,062**	**12,186**
Additions	879	434	1,313
Disposals	-	-	-
Foreign exchange movements	(318)	(162)	(480)
At 30 June 2019	**8,685**	**4,334**	**13,019**
Accumulated depreciation and Impairment			
At 1 July 2017	**979**	**2,164**	**3,143**
Depreciation	1,084	959	2,043
Depreciation on disposals	(1,083)	(717)	(1,800)
Foreign exchange movements	(12)	(4)	(16)
At 30 June 2018	**968**	**2,402**	**3,370**
Depreciation	952	998	1,950
Depreciation on disposals	-	-	-
Foreign exchange movements	(426)	(122)	(548)
At 30 June 2019	**1,494**	**3,278**	**4,772**
Net book value			
At 1 July 2017	497	1,767	2,264
At 30 June 2018	7,156	1,660	8,816
At 30 June 2019	7,191	1,056	8,247

32. INTANGIBLE ASSETS

	Software licences $'000	Development costs $'000	Total assets $'000
Cost			
At 1 July 2017	2,266	13,019	15,285
Additions – internally generated	-	2,406	2,406
Additions – external third party	1,869	-	1,869
Disposals to other Group entities	(1,038)	(15,615)	(16,653)
Foreign exchange rate movements	(10)	190	180
At 30 June 2018	**3,087**	**-**	**3,087**
Additions – external third party	171	-	171
Foreign exchange rate movements	(121)	-	(121)
At 30 June 2019	**3,137**	**-**	**3,137**
Amortisation			
At 1 July 2017	854	7,538	8,392
Amortisation charge	675	987	1,662
Disposals to other Group entities	(394)	(8,649)	(9,043)
Foreign exchange rate movements	34	124	158
At 30 June 2018	**1,169**	**-**	**1,169**
Amortisation charge	603	-	603
Foreign exchange rate movements	(59)	-	(59)
At 30 June 2019	**1,713**	**-**	**1,713**
Net book value			
At 1 July 2017	1,412	5,481	6,893
At 30 June 2018	1,918	-	1,918
At 30 June 2019	1,424	-	1,424

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

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 five years.

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 30 June 2019

33. TRADE AND OTHER PAYABLES

	2019 $'000	2018 $'000
Amounts falling due within one year:		
Amounts owed to Group undertakings	330,275	326,936
Trade creditors	489	380
Other creditors	-	3,289
	330,764	330,605

Amounts repayable to subsidiaries are short term, unsecured, and carry interest of 5 per cent (2018: 5 per cent) per annum charged on the outstanding loan balances.

34. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

The movements on these items are disclosed in notes 22 and 23 to the consolidated financial statements.

35. SHARE OPTION RESERVE

The movements in the reserve are disclosed in the company statement of changes in equity on page 17.