

Registered number: 03126277

**XL RECORDINGS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

SATURDAY



\*ABABYGE9\*

A04

13/08/2022

#281

COMPANIES HOUSE

## **XL RECORDINGS LIMITED**

### **COMPANY INFORMATION**

---

<b>Directors</b>	Martin Mills Richard Russell Paul Redding Ben Beardsworth
<b>Company secretary</b>	Neela Ebbett
<b>Registered number</b>	03126277
<b>Registered office</b>	17/19 Alma Road London SW18 1AA
<b>Independent auditor</b>	SRLV Audit Limited Chartered Accountants & Statutory Auditor Elsley Court 20-22 Great Titchfield Street London W1W 8BE

## **XL RECORDINGS LIMITED**

### **CONTENTS**

---

	<b>Page</b>
Group strategic report	<b>1 - 2</b>
Directors' report	<b>3 - 4</b>
Directors' responsibilities statement	<b>5</b>
Independent auditor's report	<b>6 - 9</b>
Consolidated profit and loss account	<b>10</b>
Consolidated statement of comprehensive income	<b>11</b>
Consolidated balance sheet	<b>12</b>
Company balance sheet	<b>13</b>
Consolidated statement of changes in equity	<b>14</b>
Company statement of changes in equity	<b>15</b>
Consolidated statement of cash flows	<b>16</b>
Consolidated analysis of net debt	<b>17</b>
Notes to the financial statements	<b>18 - 42</b>

## **XL RECORDINGS LIMITED**

### **GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

---

#### **Business review**

2021 was a difficult year for promoting new releases, given that many of our acts were unable to travel and perform in-person promotion or tour due to Covid restrictions.

Continued growth in DSP subscriber numbers and relentless demand for vinyl in general, has led to significant growth in catalogue income streams.

#### **Principal risks and uncertainties**

##### ***Brexit***

Business with our EU suppliers and customers is a critical element of the business. Brexit has made our supply routes into Europe more difficult, lengthy, and costly. We do not expect that to improve, and this will have an impact on margins.

Restrictions on free travel to and within Europe for touring artists continues to cause difficulties.

##### ***Inflation***

The poor economic outlook and galloping inflation will also bring pressure on production and promotional costs as well as on overheads in general. The outlook for a weakening pound will make supply side pressures worse.

On the other hand, our international customer base and the borderless global streaming market act as a limited hedge against these disruptive elements and a weaker home currency.

##### ***Legislative changes***

We are concerned with the uncertainty around post-Brexit plans for passing legislation such as the Copyright Directive, approved by the EU in 2019. We believe such laws are needed in the UK to protect IP rights.

We are actively participating in the various IPO working groups and are collaborating with UK Music and with AIM to voice concerns with policy makers. Some of the proposals under discussion, such as Equitable Remuneration, would, we fear, be severely prejudicial to the ability to invest in new music.

##### ***Financial risks***

The group's principal financial instruments comprise bank balances, trade creditors and trade debtors.

Liquidity risk is managed through maintaining sufficient cash balances.

Price risk is managed through natural diversification of formats and sales channels.

Exchange risk is managed through holding sufficient levels of sterling and foreign currency receipts to service payables in the same respective currency.

Credit risk is managed by closely monitoring customers' outstanding amounts for both time and credit limits.

Interest rate risk is negligible because the group has no external borrowings.

**XL RECORDINGS LIMITED**

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

---

**Financial and non financial key performance indicators**

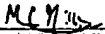
The group uses a number of performance indicators to monitor and manage the business effectively. The key performance indicators for the year ended 31 December 2021, with comparatives for the year ended 31 December 2020, are set out below.

	<b>2021</b>	<b>2020</b>
Turnover including share of associates and joint ventures	£56,875,964	£38,669,617
Turnover excluding share of associates and joint ventures	£47,908,687	£32,564,012
Total operating profit	£14,282,584	£7,375,055
Number of releases	8	6

This report was approved by the board on

**04 AUG 2022**

and signed on its behalf.

  
Martin Mills

**Martin Mills**  
Director

**XL RECORDINGS LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

---

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

**Principal activity**

The principal activity of the XL Recordings Group (which includes Young Recordings) continued to be that of the production and sale of sound recordings in various formats and the licensing of such operations.

**Results and dividends**

The profit for the year, after taxation and minority interests, amounted to £11,795,021 (2020 - £5,952,062).

No interim or final dividend has been proposed by the directors during the year (2020 - £NIL).

**Directors**

The directors who served during the year were:

Martin Mills  
Richard Russell  
Paul Redding  
Ben Beardsworth

**Future developments**

The directors are confident that by pursuing the management policies, the group will achieve continued successes in the years ahead.

**Qualifying third party indemnity provisions**

The company maintains insurance policies on behalf of the directors against liability arising from negligence, breach of duty and breach of trust in relation to the company.

**Matters covered in the group strategic report**

The principal risks and uncertainties facing the group and the company and key financial performance indicators have been considered in the group strategic report.

**Disclosure of information to auditor**

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

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

**Post balance sheet events**

On 24 May 2022, dividends totalling £10,000,000 have been declared by the company to the shareholders.

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

and signed on its behalf.

**Martin Mills**  
Director

## **XL RECORDINGS LIMITED**

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

---

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the audited financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

In preparing these audited financial statements, the directors are required to:

- select suitable accounting policies for the group's financial statements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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



## **XL RECORDINGS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XL RECORDINGS LIMITED**

---

#### **Opinion**

We have audited the financial statements of XL Recordings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021, which comprise the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statement of changes in equity, the consolidated statement of cash flows, the consolidated analysis of net debt and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

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

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

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

## **XL RECORDINGS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XL RECORDINGS LIMITED (CONTINUED)**

---

#### **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 this regard.

#### **Opinion 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 group 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 group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

#### **Responsibilities of directors**

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

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

## **XL RECORDINGS LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XL RECORDINGS LIMITED (CONTINUED)**

---

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

#### *Identifying and assessing potential risks related to irregularities*

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the entity's industry and sector, control environment, business performance and management incentives;
- the results of our specific enquiries of management and those charged with governance about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the potential opportunities and incentives that may exist within the organisation and identified the following areas: the recognition of revenue and provision against artist balances. In response to these risks we undertook detailed revenue and cut-off testing, as well as considering the appropriateness and rationale of provisions against artist balances. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override of controls.

We also obtained an understanding of the legal and regulatory frameworks in which the group operates, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

## XL RECORDINGS LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XL RECORDINGS LIMITED (CONTINUED)

#### *Audit response to risks identified*

Our procedures to respond to risks identified, in addition to those noted above, included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of control: testing the appropriateness of journal entries and other adjustments, assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Whilst the procedures above describe the extent to which our procedures are capable of detecting irregularities, including fraud, there are inherent limitations in these audit procedures. The further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, misrepresentation or through collusion. We are not responsible for preventing irregularities, including fraud, or non-compliance with laws and regulations and cannot be expected to detect all irregularities or non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the 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.

  
Marc Voulters (Senior Statutory Auditor)

for and on behalf of  
**SRLV Audit Limited**

Chartered Accountants  
Statutory Auditor

Elsley Court  
20-22 Great Titchfield Street  
London  
W1W 8BE

05 AUG 2022

**XL RECORDINGS LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	5	<b>47,908,687</b>	32,564,012
Cost of sales		<b>(20,462,593)</b>	(13,836,511)
<b>Gross profit</b>		<b>27,446,094</b>	18,727,501
Distribution costs		<b>(2,408,887)</b>	(1,813,820)
Administrative expenses		<b>(12,098,210)</b>	(9,611,450)
Other operating income	6	<b>65,701</b>	55,949
<b>Operating profit</b>	7	<b>13,004,698</b>	7,358,180
Share of profit of joint ventures		<b>967,454</b>	166,412
Share of profit/(loss) from associates		<b>310,432</b>	(149,537)
<b>Total operating profit</b>		<b>14,282,584</b>	7,375,055
Interest receivable and similar income	11	<b>72,120</b>	76,086
Interest payable and similar charges	12	<b>(1,749)</b>	(1,601)
<b>Profit before tax</b>		<b>14,352,955</b>	7,449,540
Tax on profit	13	<b>(2,551,797)</b>	(1,483,148)
<b>Profit for the financial year</b>		<b>11,801,158</b>	5,966,392
<b>Profit for the year attributable to:</b>			
Non-controlling interests		<b>6,137</b>	14,330
Owners of the parent		<b>11,795,021</b>	5,952,062
		<b>11,801,158</b>	5,966,392

The notes on pages 18 to 42 form part of these financial statements.

**XL RECORDINGS LIMITED**

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

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	<b>11,801,158</b>	5,966,392
<b>Other comprehensive income</b>		
Currency translation loss on net investment in foreign operations	<b>(10,251)</b>	(28,275)
Minority interest share of net assets on acquisition	-	1,032
<b>Other comprehensive income for the year</b>	<b>(10,251)</b>	(27,243)
<b>Total comprehensive income for the year</b>	<b>11,790,907</b>	5,939,149
<b>Profit for the year attributable to:</b>		
Non-controlling interest	<b>6,137</b>	14,330
Owners of the parent company	<b>11,795,021</b>	5,952,062
	<b>11,801,158</b>	5,966,392
<b>Total comprehensive income attributable to:</b>		
Non-controlling interest	<b>6,137</b>	14,330
Owners of the parent company	<b>11,784,770</b>	5,924,819
	<b>11,790,907</b>	5,939,149

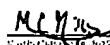
**XL RECORDINGS LIMITED**  
**REGISTERED NUMBER:03126277**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2021**

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Intangible assets	14	1,841,407	1,939,760
Tangible assets	15	3,981,411	3,936,166
Investments	16	3,537,633	1,779,129
		<u>9,360,451</u>	<u>7,655,055</u>
<b>Current assets</b>			
Stocks	17	389,117	431,222
Debtors	18	21,406,495	8,459,250
Cash at bank and in hand	19	33,408,594	30,079,667
		<u>55,204,206</u>	<u>38,970,139</u>
Creditors: amounts falling due within one year	20	(14,450,866)	(8,354,077)
<b>Net current assets</b>		<u>40,753,340</u>	<u>30,616,062</u>
<b>Total assets less current liabilities</b>		<u>50,113,791</u>	<u>38,271,117</u>
<b>Provisions for liabilities</b>			
Deferred taxation	22	(106,940)	(54,769)
Other provisions	23	(942,535)	(942,939)
		<u>(1,049,475)</u>	<u>(997,708)</u>
<b>Net assets</b>		<u><u>49,064,316</u></u>	<u><u>37,273,409</u></u>
<b>Capital and reserves</b>			
Called up share capital	24	1,000	1,000
Profit and loss account	25	49,041,817	37,257,047
<b>Equity attributable to owners of the parent company</b>		<u>49,042,817</u>	<u>37,258,047</u>
Non-controlling interests		21,499	15,362
		<u><u>49,064,316</u></u>	<u><u>37,273,409</u></u>

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

04 AUG 2022

  
Martin Mills 04 AUG 2022 11:44:01

**Martin Mills**  
Director

The notes on pages 18 to 42 form part of these financial statements.


**XL RECORDINGS LIMITED**  
**REGISTERED NUMBER:03126277**

**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2021**

	Note	2021 £	2020 £
<b>Fixed assets</b>			
Tangible assets	15	3,199,286	3,137,448
Investments	16	2,726,889	2,226,889
		<u>5,926,175</u>	<u>5,364,337</u>
<b>Current assets</b>			
Stocks	17	389,117	431,222
Debtors	18	20,507,832	7,648,538
Cash at bank and in hand	19	32,741,434	29,610,495
		<u>53,638,383</u>	<u>37,690,255</u>
Creditors: amounts falling due within one year	20	(13,388,946)	(7,431,712)
<b>Net current assets</b>		<u>40,249,437</u>	<u>30,258,543</u>
<b>Total assets less current liabilities</b>		<u>46,175,612</u>	<u>35,622,880</u>
<b>Provisions for liabilities</b>			
Deferred taxation	22	(105,911)	(57,874)
<b>Net assets</b>		<u><u>46,069,701</u></u>	<u><u>35,565,006</u></u>
<b>Capital and reserves</b>			
Called up share capital	24	1,000	1,000
Profit and loss account	25	46,068,701	35,564,006
		<u><u>46,069,701</u></u>	<u><u>35,565,006</u></u>

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

04 AUG 2022

  
(Signature of Martin Mills, Director)

**Martin Mills**  
Director

The notes on pages 18 to 42 form part of these financial statements.



**XL RECORDINGS LIMITED**

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

	Called up share capital £	Profit and loss account £	Equity attributable to owners of parent company £	Non- controlling interests £	Total equity £
<b>At 1 January 2020</b>	<b>1,000</b>	<b>31,333,260</b>	<b>31,334,260</b>	<b>-</b>	<b>31,334,260</b>
<b>Comprehensive income for the year</b>					
Profit for the year	-	5,952,062	5,952,062	14,330	5,966,392
Currency translation difference on net investment in foreign operations	-	(28,275)	(28,275)	-	(28,275)
Minority interest on acquisition	-	-	-	1,032	1,032
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>5,923,787</b>	<b>5,923,787</b>	<b>15,362</b>	<b>5,939,149</b>
<b>At 1 January 2021</b>	<b>1,000</b>	<b>37,257,047</b>	<b>37,258,047</b>	<b>15,362</b>	<b>37,273,409</b>
<b>Comprehensive income for the year</b>					
Profit for the year	-	11,795,021	11,795,021	6,137	11,801,158
Currency translation difference on net investment in foreign operations	-	(10,251)	(10,251)	-	(10,251)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>11,784,770</b>	<b>11,784,770</b>	<b>6,137</b>	<b>11,790,907</b>
<b>At 31 December 2021</b>	<b>1,000</b>	<b>49,041,817</b>	<b>49,042,817</b>	<b>21,499</b>	<b>49,064,316</b>

**XL RECORDINGS LIMITED**

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

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
<b>At 1 January 2020</b>	<b>1,000</b>	<b>29,619,215</b>	<b>29,620,215</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	<b>5,944,791</b>	<b>5,944,791</b>
<b>Total comprehensive income for the year</b>	-	<b>5,944,791</b>	<b>5,944,791</b>
<b>At 1 January 2021</b>	<b>1,000</b>	<b>35,564,006</b>	<b>35,565,006</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	<b>10,504,695</b>	<b>10,504,695</b>
<b>Total comprehensive income for the year</b>	-	<b>10,504,695</b>	<b>10,504,695</b>
<b>At 31 December 2021</b>	<b>1,000</b>	<b>46,068,701</b>	<b>46,069,701</b>

**XL RECORDINGS LIMITED**

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

	2021 £	2020 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	11,801,158	5,966,392
<b>Adjustments for:</b>		
Amortisation of intangible assets	98,353	64,758
Depreciation of tangible assets	195,794	173,562
Loss on disposal of tangible assets	258	-
Interest payable and similar charges	1,749	1,601
Interest receivable and similar income	(72,120)	(76,086)
Taxation charge	2,551,797	1,483,148
Decrease/(increase) in stocks	42,105	(16,132)
(Increase)/decrease in debtors	(11,889,144)	2,928,947
Increase in creditors	5,419,783	424,717
Share of operating profit in joint ventures	(967,454)	(166,412)
Share of operating (profit)/loss in associates	(310,432)	149,537
Foreign exchange movements	(6,446)	(1,387)
Corporation tax paid	(1,288,910)	(106,297)
<b>Net cash generated from operating activities</b>	<b>5,576,491</b>	<b>10,826,348</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries, net of cash acquired	-	(1,816,230)
Purchase of shares in associate	(500,000)	-
Purchase of tangible fixed assets	(234,282)	(249,218)
New loans issued	(1,568,553)	-
Interest received	3,567	76,086
Loans repaid	53,453	15,511
<b>Net cash used in investing activities</b>	<b>(2,245,815)</b>	<b>(1,973,851)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(1,749)	(1,601)
<b>Net cash used in financing activities</b>	<b>(1,749)</b>	<b>(1,601)</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,328,927</b>	<b>8,850,896</b>
Cash and cash equivalents at beginning of year	30,079,667	21,228,771
<b>Cash and cash equivalents at the end of year</b>	<b>33,408,594</b>	<b>30,079,667</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	33,408,594	30,079,667
	<b>33,408,594</b>	<b>30,079,667</b>

**XL RECORDINGS LIMITED**

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

---

	<b>At 1 January 2021 £</b>	<b>Cash flows £</b>	<b>At 31 December 2021 £</b>
Cash at bank and in hand	<b>30,079,667</b>	<b>3,328,927</b>	<b>33,408,594</b>
Debt due within 1 year	<b>(25,000)</b>	<b>-</b>	<b>(25,000)</b>
	<b><u>30,054,667</u></b>	<b><u>3,328,927</u></b>	<b><u>33,383,594</u></b>

## **XL RECORDINGS LIMITED**

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

---

#### **1. General information**

The principal activity of the group and company during the year continued to be that of the production and sale of sound recordings in various formats and the licensing of such operations.

The parent company is a private company limited by shares, registered in England and Wales. The address of its registered office is 17/19 Alma Road, London, SW18 1AA. The principal place of business of the company is 1 Codrington Mews, London, W11 2EW.

#### **2. Accounting policies**

##### **2.1 Basis of preparation of financial statements**

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

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

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements.

The following principal accounting policies have been applied:

## **XL RECORDINGS LIMITED**

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

---

#### **2. Accounting policies (continued)**

##### **2.2 Basis of consolidation**

The group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings together with the group's share of the results of associates and joint ventures made up to 31 December.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where a subsidiary has different accounting policies from the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the group hold a long-term interest and where the group has significant influence. The group considers it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting.

A joint venture is an entity, being neither a subsidiary nor an associate, in which the group has entered into a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The group considers it has joint control where it has contractually agreed sharing of control of an arrangement. The results of joint ventures are accounted for using the equity method of accounting.

The consolidated financial statements present the results of the group and its own subsidiaries as though they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

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

In accordance with the transitional exemption available under FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2014.

## **XL RECORDINGS LIMITED**

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

---

#### **2. Accounting policies (continued)**

##### **2.3 Revenue**

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

##### **Physical sales**

Revenues from the physical sale of recorded music are recognised on despatch. Where goods are sold on the group's behalf by third party distributors, revenue is recognised when the distributor reports sales to the group.

##### **Digital sales**

Revenues relating to digital products are recognised when the products are sold based on reports from digital service providers. Where revenue cannot be reliably estimated for the period, it is recognised on a receipts basis.

##### **Royalties**

Royalty income is included on a receivable basis calculated on sales of records arising during each financial year as reported by licencees. Where royalty income cannot be reliably estimated for the period, it is recognised on a receipts basis. Where income is received but not accompanied by sufficient data to attribute to a recognisable project, the income is recognised on subsequent receipt of that data. Royalties payable are charged against relevant income of the same period except where they are paid in advance, carried forward and recognised as an asset where such advances relate to current released and unreleased products and where it is estimated that sufficient future royalties will be earned from recoupment from these products.

##### **Interest income**

Interest income is recognised using the effective interest rate method.

## **XL RECORDINGS LIMITED**

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

---

#### **2. Accounting policies (continued)**

##### **2.4 Foreign currency translation**

###### **Functional and presentation currency**

The company's functional and presentational currency is pound sterling.

###### **Transactions and balances**

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

##### **2.5 Finance costs**

Finance costs are charged to the consolidated profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

##### **2.6 Pensions**

###### **Defined contribution pension plan**

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

The contributions are recognised as an expense in the consolidated profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.



## **XL RECORDINGS LIMITED**

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

---

#### **2. Accounting policies (continued)**

##### **2.7 Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

## **XL RECORDINGS LIMITED**

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

---

#### **2. Accounting policies (continued)**

##### **2.8 Intangible assets**

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

##### **Goodwill**

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

##### **Other intangible assets**

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

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

The estimated useful lives range as follows:

Goodwill	-	20	years
Negative goodwill	-	10	years
Catalogue	-	10	years

##### **2.9 Tangible fixed assets**

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

At each reporting date, the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

## **XL RECORDINGS LIMITED**

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

---

#### **2. Accounting policies (continued)**

##### **2.9 Tangible fixed assets (continued)**

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

Depreciation is provided on the following basis:

Freehold property	- 2% on a straight line basis
L/Term leasehold property	- In equal instalments over the period of the lease
Motor vehicles	- 25% straight line
Fixtures and fittings	- 20% straight line
Computer equipment	- 20-33% straight line

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

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

##### **2.10 Operating leases: the group as lessee**

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

##### **2.11 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

##### **2.12 Associates and joint ventures**

Associates and joint ventures are held at cost less impairment.

##### **2.13 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the consolidated profit and loss account.

##### **2.14 Debtors**

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### **2.15 Cash**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

## **XL RECORDINGS LIMITED**

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

---

#### **2. Accounting policies (continued)**

##### **2.16 Financial instruments**

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other debtors and creditors, loans from other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the balance sheet date.

##### **2.17 Creditors**

Short term creditors are measured at the transaction price.

##### **2.18 Advances to artists**

Advances to artists, presented within debtors on the balance sheet, represent advances made direct to artists for recording and other costs made on behalf of artists under contract. These advances, which are only recoverable against future royalties, are charged to the profit and loss account as they are recouped or where the probability for future recoupment in respect thereof is unlikely.

##### **2.19 Deferred income**

Deferred income represents non-returnable advances on royalties receivable from other record companies. These advances are credited to revenue as the royalty income arises or where the probability of future income in respect thereof is remote.

## **XL RECORDINGS LIMITED**

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

---

#### **3. Judgements in applying accounting policies and key sources of estimation uncertainty**

In applying the group's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent sensitivity involved in making judgements, estimates and assumptions, the actual results and outcomes may differ.

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

#### **Critical judgements in applying the company's accounting policies**

##### ***Assessing indicators of impairment***

In assessing whether there have been any indicators of impairment to assets, including goodwill, the directors have considered both external and internal sources of information such as market conditions and experience of recoverability.

##### ***Assessing the functional currency***

The directors are required to identify the functional currency of the company and each subsidiary undertaking. In making this judgement the directors have considered factors such as currency which mainly influences both sales and cost prices, and the countries whose competitive forces and regulations affect those prices.

#### **Key accounting estimates and assumptions**

##### ***Recoverability of receivables, including advances to artists***

The group establishes a provision for receivables that are estimated not to be recoverable or recoupable. When assessing recoverability the directors consider factors such as the aging of the receivables, past experience of recoverability, and the credit profile of the debtor. When assessing if artist balances are recoupable the directors consider factors such as the current and likely future sales performance.

##### ***Determining residual values useful economic lives of property, plant and equipment***

The group depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value, management aim to assess the amount that the group would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life.

##### ***Provisions against slow moving inventory***

The group establishes a provision for slow moving inventory. When determining the provision, the directors consider factors such as the amount of the inventory holding and subsequent sales.

# XL RECORDINGS LIMITED

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

### 4. Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit after tax of the parent company for the year was £10,504,695 (2020 - £5,944,791).

### 5. Analysis of turnover

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

	2021 £	2020 £
Sales and licensing of sound recordings	29,157,915	23,189,434
Music publishing sales	2,201,913	904,259
US distributed sales	16,548,859	8,470,319
	<u>47,908,687</u>	<u>32,564,012</u>

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	10,338,388	8,092,913
Rest of the world	37,570,299	24,471,099
	<u>47,908,687</u>	<u>32,564,012</u>

### 6. Other operating income

	2021 £	2020 £
Other operating income	7,660	-
Net rents receivable	58,041	55,949
	<u>65,701</u>	<u>55,949</u>

### 7. Operating profit

The operating profit is stated after charging/(crediting):

	2021 £	2020 £
Depreciation of tangible fixed assets	199,052	173,562
Amortisation of intangible assets, including goodwill	98,353	64,758
Exchange differences	(588,655)	(192,954)
Defined contribution pension cost	110,108	111,575
	<u></u>	<u></u>

**XL RECORDINGS LIMITED**

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

**8. Auditor's remuneration**

The audit and tax fees have been borne by a related company in both the current and previous year.

**9. Employees**

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

	<b>Group 2021 £</b>	<b>Group 2020 £</b>	<b>Company 2021 £</b>	<b>Company 2020 £</b>
Wages and salaries	<b>1,913,520</b>	1,732,286	<b>1,913,520</b>	1,732,286
Social security costs	<b>233,434</b>	215,367	<b>233,434</b>	215,367
Cost of defined contribution scheme	<b>110,108</b>	111,575	<b>110,108</b>	111,575
	<b><u>2,257,062</u></b>	<u>2,059,228</u>	<b><u>2,257,062</u></b>	<u>2,059,228</u>

Staff costs have been recharged by the company to other group companies in respect of services its staff provide to those companies.

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

	<b>2021 No.</b>	<b>2020 No.</b>
Management	<b>10</b>	9
A&R, Marketing and Operations	<b>25</b>	25
	<b><u>35</u></b>	<u>34</u>

**10. Directors' remuneration**

	<b>2021 £</b>	<b>2020 £</b>
Directors' emoluments	<b>982,759</b>	980,706
Group contributions to defined contribution pension schemes	<b>11,547</b>	11,802
	<b><u>994,306</u></b>	<u>992,508</u>

During the year retirement benefits were accruing to 1 director (2020 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £568,999 (2020 - £561,130).

The value of the group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £11,547 (2020 - £11,802).

**XL RECORDINGS LIMITED**

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

**11. Interest receivable and similar income**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Other interest receivable	<b>72,120</b>	76,086

**12. Interest payable and similar charges**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Bank interest payable	<b>1,749</b>	1,601

**13. Taxation**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Corporation tax</b>		
Current tax on profits for the year	<b>2,511,180</b>	1,409,596
	<b>2,511,180</b>	1,409,596
Double taxation relief	<b>(43,460)</b>	(92,338)
Group taxation relief	-	1,455
	<b>2,467,720</b>	1,318,713
<b>Foreign tax</b>		
Foreign tax on income for the year	<b>31,906</b>	120,950
	<b>31,906</b>	120,950
<b>Total current tax</b>	<b>2,499,626</b>	1,439,663
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>52,171</b>	43,485
<b>Total deferred tax</b>	<b>52,171</b>	43,485
<b>Taxation on profit on ordinary activities</b>	<b>2,551,797</b>	1,483,148



# XL RECORDINGS LIMITED

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

### 13. Taxation (continued)

#### Factors affecting tax charge for the year

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

	2021 £	2020 £
Profit on ordinary activities before tax	<b>14,352,955</b>	7,449,540
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	<b>2,727,061</b>	1,415,413
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>33,745</b>	57,433
Remeasurement of deferred tax for changes in tax rates	<b>17,764</b>	-
Non-taxable income	<b>(243,260)</b>	(23,720)
Movement in unprovided deferred tax	<b>16,487</b>	(23,851)
Deferred tax recognised	-	57,873
<b>Total tax charge for the year</b>	<b>2,551,797</b>	1,483,148

#### Factors that may affect future tax charges

There were no factors that may affect future tax charges.

**XL RECORDINGS LIMITED**

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

**14. Intangible assets**

**Group**

	<b>Goodwill £</b>	<b>Negative goodwill £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2021	<u>2,015,705</u>	<u>(24,320)</u>	<u>1,991,385</u>
At 31 December 2021	<u>2,015,705</u>	<u>(24,320)</u>	<u>1,991,385</u>
<b>Amortisation</b>			
At 1 January 2021	67,190	(15,565)	51,625
Charge for the year	<u>100,785</u>	<u>(2,432)</u>	<u>98,353</u>
At 31 December 2021	<u>167,975</u>	<u>(17,997)</u>	<u>149,978</u>
<b>Net book value</b>			
At 31 December 2021	<u>1,847,730</u>	<u>(6,323)</u>	<u>1,841,407</u>
At 31 December 2020	<u>1,948,515</u>	<u>(8,755)</u>	<u>1,939,760</u>

**XL RECORDINGS LIMITED**

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

**15. Tangible fixed assets**

**Group**

	<b>Freehold property £</b>	<b>L/Term Leasehold Property £</b>	<b>Motor vehicles £</b>	<b>Fixtures and fittings £</b>	<b>Computer equipment £</b>	<b>Total £</b>
<b>Cost</b>						
At 1 January 2021	3,866,628	620,135	106,844	934,389	162,672	5,690,668
Additions	121,476	-	69,564	27,772	15,470	234,282
Disposals	-	-	(40,224)	(170,591)	(18,089)	(228,904)
Transfers between classes	179,259	-	-	(258,822)	79,563	-
Exchange adjustments	8,128	-	-	246	40	8,414
At 31 December 2021	<u>4,175,491</u>	<u>620,135</u>	<u>136,184</u>	<u>532,994</u>	<u>239,656</u>	<u>5,704,460</u>
<b>Depreciation</b>						
At 1 January 2021	922,319	29,973	78,402	620,847	102,961	1,754,502
Charge for the year	81,628	12,403	25,172	25,098	51,493	195,794
Disposals	-	-	(40,224)	(170,591)	(17,831)	(228,646)
Exchange adjustments	1,149	-	-	217	33	1,399
At 31 December 2021	<u>1,005,096</u>	<u>42,376</u>	<u>63,350</u>	<u>475,571</u>	<u>136,656</u>	<u>1,723,049</u>
<b>Net book value</b>						
At 31 December 2021	<u>3,170,395</u>	<u>577,759</u>	<u>72,834</u>	<u>57,423</u>	<u>103,000</u>	<u>3,981,411</u>
At 31 December 2020	<u>2,944,309</u>	<u>590,162</u>	<u>28,442</u>	<u>313,542</u>	<u>59,711</u>	<u>3,936,166</u>

**XL RECORDINGS LIMITED**

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

**15. Tangible fixed assets (continued)**

**Company**

	<b>Freehold property £</b>	<b>L/Term Leasehold Property £</b>	<b>Motor vehicles £</b>	<b>Fixtures and fittings £</b>	<b>Computer equipment £</b>	<b>Total £</b>
<b>Cost</b>						
At 1 January 2021	2,946,674	620,135	106,844	905,415	154,750	4,733,818
Additions	121,476	-	69,564	27,772	11,611	230,423
Disposals	-	-	(40,224)	(170,591)	(14,544)	(225,359)
Transfers between classes	179,259	-	-	(258,822)	79,563	-
At 31 December 2021	<u>3,247,409</u>	<u>620,135</u>	<u>136,184</u>	<u>503,774</u>	<u>231,380</u>	<u>4,738,882</u>
<b>Depreciation</b>						
At 1 January 2021	792,260	29,973	78,402	595,911	99,824	1,596,370
Charge for the year	62,172	12,403	25,172	21,429	47,151	168,327
Disposals	-	-	(40,224)	(170,591)	(14,286)	(225,101)
At 31 December 2021	<u>854,432</u>	<u>42,376</u>	<u>63,350</u>	<u>446,749</u>	<u>132,689</u>	<u>1,539,596</u>
<b>Net book value</b>						
At 31 December 2021	<u>2,392,977</u>	<u>577,759</u>	<u>72,834</u>	<u>57,025</u>	<u>98,691</u>	<u>3,199,286</u>
At 31 December 2020	<u>2,154,414</u>	<u>590,162</u>	<u>28,442</u>	<u>309,504</u>	<u>54,926</u>	<u>3,137,448</u>

**XL RECORDINGS LIMITED**

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

**16. Fixed asset investments**

**Group**

	<b>Investments in associates £</b>	<b>Investment in joint ventures £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2021	8,193	1,770,936	1,779,129
Additions	500,000	-	500,000
Foreign exchange movement	(18,978)	-	(18,978)
Share of profit	310,432	967,050	1,277,482
At 31 December 2021	<u>799,647</u>	<u>2,737,986</u>	<u>3,537,633</u>
<b>Net book value</b>			
At 31 December 2021	<u>799,647</u>	<u>2,737,986</u>	<u>3,537,633</u>
At 31 December 2020	<u>8,193</u>	<u>1,770,936</u>	<u>1,779,129</u>

The share of assets of joint ventures in a net asset position is £2,737,986 and joint ventures in a net liabilities position is £942,535 (note 23). In 2021 and 2020, the share of net assets arose on the holding in Young Recordings Limited.

**Company**

	<b>Investments in subsidiary companies £</b>	<b>Investments in associates £</b>	<b>Investment in joint ventures £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 January 2021	2,025,638	200,000	1,251	2,226,889
Additions	-	500,000	-	500,000
At 31 December 2021	<u>2,025,638</u>	<u>700,000</u>	<u>1,251</u>	<u>2,726,889</u>
<b>Net book value</b>				
At 31 December 2021	<u>2,025,638</u>	<u>700,000</u>	<u>1,251</u>	<u>2,726,889</u>
At 31 December 2020	<u>2,025,638</u>	<u>200,000</u>	<u>1,251</u>	<u>2,226,889</u>

## XL RECORDINGS LIMITED

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

---

#### 16. Fixed asset investments (continued)

##### Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Country of incorporation	Class of shares	Holding
XL Recordings, Inc. <sup>1</sup>	Property holding company	United States of America	Ordinary	100%
Beggars Music Limited <sup>2</sup>	Music publishing	England and Wales	Ordinary	90%
Beggars Catalogues LLP <sup>2</sup>	Music publishing	England and Wales	Members interest	90%
4AD Songs Limited (indirect) <sup>3</sup>	Music publishing	England and Wales	Ordinary	68%
Young Music Publishing Limited (indirect) <sup>3</sup>	Music publishing	England and Wales	Ordinary	68%

The results of the above companies are included in the consolidated financial statements.

##### Registered office

<sup>1</sup> 134 Grand Street, New York, NY 10013, United States of America

<sup>2</sup> Elsley Court, 20-22 Great Titchfield Street, London, W1W 8BE

<sup>3</sup> 17/19 Alma Road, London, SW18 1AA

## XL RECORDINGS LIMITED

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

#### 16. Fixed asset investments (continued)

##### Associates and joint ventures

The following were associates of the company:

Name	Principal activity	Country of incorporation	Class of shares	Holding
Young Recordings Limited <sup>1</sup>	Production and exploitation of sound recordings	England and Wales	Ordinary	50%
Mowax Labels Limited <sup>1</sup>	Production and exploitation of sound recordings	England and Wales	Ordinary	50%
Rough Trade Retail Holdings Limited <sup>2</sup>	Holding company	England and Wales	Ordinary	37%
Rough Trade Retail (UK) Limited (indirect) <sup>2</sup>	Retailing of music records and related merchandise	United States of America	Ordinary	37%
Rough Trade Retail (USA) Holdings, Inc. (indirect) <sup>3</sup>	Holding company	United States of America	Ordinary	37%
Rough Trade Retail LLC (indirect) <sup>3</sup>	Retail sale of music	United States of America	Ordinary	24%
Rise Bristol Ltd (indirect) <sup>4</sup>	Retail sale of music	England and Wales	Ordinary	37%
Young Space Ltd (indirect) <sup>5</sup>	Production and exploitation of sound recordings	England and Wales	Ordinary	16.67%

On 31 March 2021, Young Recordings Limited changed its name from Young Turks Recordings Limited.

On 8 April 2021, Young Music Publishing Limited changed its name from Young Turks Publishing Limited.

On 18 June 2021, XL Recordings Limited was transferred 166 of the issued ordinary share capital in Young Space Ltd (formerly Young HQ Limited) for consideration equal to the nominal value. On the same day, the company was issued 499,834 new ordinary shares of £1 each in Young Space Ltd. This was part of a larger share issue involving other group companies that resulted in the company maintaining its 16.67% direct shareholding in that company.

##### Registered office

<sup>1</sup> 17/19 Alma Road, London, SW18 1AA

<sup>2</sup> 10 Cheyne Walk, Northampton, Northamptonshire, NN1 5PT

<sup>3</sup> North 9th Street, NY 11249, United States of America

<sup>4</sup> 5 Broad Street, Nottingham, England, NG1 3AJ

<sup>5</sup> Elsey Court, 20-22 Great Titchfield Street, London, W1W 8BE

#### 17. Stocks

	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
Finished goods and goods for resale	<b>389,117</b>	431,222	<b>389,117</b>	431,222

**XL RECORDINGS LIMITED**

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

**18. Debtors**

	<b>Group 2021 £</b>	<b>Group 2020 £</b>	<b>Company 2021 £</b>	<b>Company 2020 £</b>
<b>Due after more than one year</b>				
Amounts owed by joint ventures and associated undertakings	<b>611,229</b>	569,579	<b>584,876</b>	543,513
	<b>611,229</b>	569,579	<b>584,876</b>	543,513
<b>Due within one year</b>				
Trade debtors	<b>304,130</b>	504,841	<b>256,181</b>	195,956
Amounts owed by group undertakings	-	-	<b>775,071</b>	1,288,107
Amounts owed by joint ventures and associated undertakings	<b>3,124,271</b>	1,784,527	<b>2,414,787</b>	565,463
Other debtors	<b>17,347,498</b>	5,479,837	<b>16,465,898</b>	4,939,402
Prepayments and accrued income	<b>19,367</b>	120,466	<b>11,019</b>	116,097
	<b>21,406,495</b>	8,459,250	<b>20,507,832</b>	7,648,538

**19. Cash and cash equivalents**

	<b>Group 2021 £</b>	<b>Group 2020 £</b>	<b>Company 2021 £</b>	<b>Company 2020 £</b>
Cash at bank and in hand	<b>33,408,594</b>	30,079,667	<b>32,741,434</b>	29,610,495

**20. Creditors: amounts falling due within one year**

	<b>Group 2021 £</b>	<b>Group 2020 £</b>	<b>Company 2021 £</b>	<b>Company 2020 £</b>
Trade creditors	<b>876,827</b>	862,472	<b>215,235</b>	219,209
Corporation tax	<b>1,815,113</b>	601,292	<b>1,793,417</b>	594,130
Other taxation and social security	<b>2,125,535</b>	725,704	<b>2,118,651</b>	763,374
Other creditors	<b>713,388</b>	473,364	<b>376,488</b>	215,070
Accruals and deferred income	<b>8,920,003</b>	5,691,245	<b>8,885,155</b>	5,639,929
	<b>14,450,866</b>	8,354,077	<b>13,388,946</b>	7,431,712



**XL RECORDINGS LIMITED**

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

**21. Financial instruments**

	<b>Group 2021 £</b>	<b>Group 2020 £</b>	<b>Company 2021 £</b>	<b>Company 2020 £</b>
<b>Financial assets</b>				
Financial assets measured at fair value through profit or loss	<b>33,408,594</b>	30,079,667	<b>32,741,434</b>	29,610,495
Financial assets that are debt instruments measured at amortised cost	<b>21,387,128</b>	8,338,784	<b>20,496,813</b>	7,532,441
	<b>54,795,722</b>	38,418,451	<b>53,238,247</b>	37,142,936
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	<b>(10,510,218)</b>	(7,027,222)	<b>(9,476,878)</b>	(6,074,208)

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings, amounts owed by associated undertakings and joint ventures, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owing to associated undertakings and joint ventures, other creditors and accruals.

**22. Deferred taxation**

**Group**

	<b>2021 £</b>	<b>2020 £</b>
At beginning of year	<b>54,769</b>	-
Profit and loss account movement	<b>52,171</b>	54,769
<b>At end of year</b>	<b>106,940</b>	54,769

**XL RECORDINGS LIMITED**

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

**22. Deferred taxation (continued)**

**Company**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
At beginning of year	<b>57,874</b>	-
Profit and loss account movement	<b>48,037</b>	57,874
<b>At end of year</b>	<b>105,911</b>	57,874

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Fixed asset timing differences	<b>106,940</b>	57,074	<b>105,911</b>	57,874
Tax losses carried forward	-	(2,305)	-	-
	<b>106,940</b>	54,769	<b>105,911</b>	57,874

**23. Provisions**

**Group**

	<b>Share of</b>	<b>Share of</b>	<b>Total</b>
	<b>liabilities</b>	<b>assets</b>	<b>£</b>
	<b>£</b>	<b>£</b>	
At 1 January 2021	<b>957,224</b>	<b>(14,285)</b>	<b>942,939</b>
Charged to profit or loss	<b>(2,083)</b>	<b>1,679</b>	<b>(404)</b>
<b>At 31 December 2021</b>	<b>955,141</b>	<b>(12,606)</b>	<b>942,535</b>

In 2021 and 2020, the share of net liabilities arose on the holding in Mowax Labels Limited.

**XL RECORDINGS LIMITED**

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

**24. Share capital**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
240 ordinary A shares of £1 each	<b>240</b>	240
240 ordinary B shares of £1 each	<b>240</b>	240
520 deferred shares of £1 each	<b>520</b>	520
	<b>1,000</b>	1,000

The 'A' shares and 'B' shares rank pari passu and are entitled to share equally in any dividend or other distribution declared by the company. The deferred shares do not carry a right to dividend, repayment of capital or voting entitlement.

**25. Reserves**

**Profit and loss account**

This reserve is the accumulated retained profit.

**26. Pension commitments**

The group makes payments into personal pension plans and operates a defined contribution pension scheme. The pension cost charge represents contributions payable by the group to the personal pension plans and defined contribution pension scheme.

Contributions paid by the group for the year amounted to £110,108 (2020 - £111,575). There were no contributions payable at the year end (2020 - £NIL).

## XL RECORDINGS LIMITED

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

#### 27. Related party transactions

XL Recordings Limited is a joint venture of Beggars Group Limited. During the year, the company paid amounts in respect of general overhead charges to Beggars Group Limited of £2,256,066 (2020 - £2,345,518).

During the year, the company paid amounts in respect of general overhead charges to Beggars UK Limited of £644,338 (2020 - £579,650). Beggars UK Limited is a subsidiary of Beggars Group Limited.

During the year, Beggars UK Limited, Beggars Group Digital Limited and Beggars Group Media Limited, which are subsidiaries of Beggars Group Limited, operated in a central processing role for XL Recordings Limited. Sales and production costs were passed through Beggars UK Limited, Beggars Group Digital Limited and Beggars Group Media Limited and transferred out at the year end as detailed below:

	2021 Turnover £	2021 Costs £	2020 Turnover £	2020 Costs £
<b>XL Recordings Limited:</b>				
Beggars UK Limited	7,040,473	4,439,900	3,643,241	2,217,350
Beggars Group Digital Limited	23,649,996	358,290	17,791,319	318,147
Beggars Group Media Limited	4,288,523	416,894	4,026,561	474,880

During the year, royalties were paid by Beggars Group (USA), Inc. in respect of US sales less a contribution for overheads to the company of £11,082,283 (2020 - £4,991,918).

During the year, commission was paid to Remote Control Records Pty Limited totalling £171,301 (2020 - £178,263) from the company. Remote Control Records Pty Limited is a joint venture of Beggars Group Limited.

At the balance sheet date, the company was owed £14,757,525 (2020 - £3,559,365) by Beggars Group Limited in respect of working capital loans.

During the year, XL Recordings (USA) Inc. received rental income of £52,367 (2020 - £55,949) from Beggars Group (USA) Inc, a wholly owned subsidiary of Beggars Group Limited.

During the prior year, XL Recordings Limited acquired 90% of the issued ordinary share capital in Beggars Music Limited. During the year, loans of £50,487 were repaid by Beggars Music Limited, a subsidiary undertaking, and at the balance sheet date, the company was owed £486,328 (2020 - £536,815).

During the prior year, XL Recordings Limited acquired 90% of the member interests in Beggars Catalogues LLP.

During the year, the company had net trade transactions of £NIL (2020 - £2,357) with 4AD Songs Limited, a subsidiary of Beggars Music Limited. At the balance sheet date, the company owed £2,357 (2020 - £2,357) to 4AD Songs Limited in respect of working capital loans. These amounts are interest free and repayable on demand.

During the year, the company had net trade transactions of £171,277 (2020 - £19,349) in the normal course of business with Young Recordings Limited. At the balance sheet date, the company was owed £646,845 (2020 - £475,568) by Young Recordings Limited in respect of working capital loans. Young Recordings Limited is a joint venture of XL Recordings Limited.

At the balance sheet date, the company was owed £1,859,595 (2020 - £1,859,595) by Mowax Labels Limited in respect of working capital loans. A provision of £1,859,415 (2020 - £1,859,595) was made against these loans. Mowax Labels Limited is a joint venture of XL Recordings Limited.

## **XL RECORDINGS LIMITED**

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

---

#### **27. Related party transactions (continued)**

At the balance sheet date, Rough Trade Retail (UK) Limited owed the company £51,645 (2020 - £49,624) in respect of loans. Interest of 4% per annum was charged on the loan. Rough Trade Retail (UK) Limited is an associated company.

At the balance sheet date, the company was owed £629,329 (2020 - £587,577) in respect of loans to Rough Trade Retail LLC. Interest of 6% per annum is charged on the loan. Rough Trade Retail LLC is an associated company.

As part of the agreement, whereby XL acquired 16.67% of the issued share capital in Young Space Ltd (see note 16), the company also advanced a loan of £1,500,000 to that company. At the balance sheet date, the company was owed £1,523,671 (2020 - £NIL) in respect of loans to Young Space Limited. Interest of 3% per annum is charged on the loan. Young Space Limited is an associated company.

Other than as disclosed within directors' remuneration in note 10, there was no remuneration in relation to key management personnel in the current or prior year.

#### **Company**

Other than the transactions disclosed above, the company's related party transactions with wholly owned subsidiaries have not been disclosed in accordance with Section 33 of FRS 102.

#### **28. Controlling party**

The company is owned 50% by Beggars Group Limited and 50% by Richard Russell. Beggars Group Limited is controlled by Martin Mills. The directors do not consider that any of these parties is the ultimate controlling party and consider that control of the group is shared.