

Registered number: 03126277

XL RECORDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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XL RECORDINGS LIMITED

COMPANY INFORMATION

Directors

Martin Mills
Richard Russell
Paul Redding
Ben Beardsworth

Company secretary

Neela Ebbett

Registered number

03126277

Registered office

17/19 Alma Road
London
SW18 1AA

Independent auditor

SRLV Audit Limited
Chartered Accountants & Statutory Auditor
Elsley Court
20-22 Great Titchfield Street
London
W1W 8BE

XL RECORDINGS LIMITED

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XL RECORDINGS LIMITED

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Business review

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.

We delivered 9 new releases (2021 - 8) with successes including *The Smile – A Light for Attracting Attention* (XL) and *Oliver Sim – Hideous Bastard* (Young).

We continued to boost our catalogue by working with independent retail on vinyl re-issue activity and with our streaming partners on campaigns geared towards a global fanbase. This activity, as well as growth in DSP subscriber numbers, continues to increase catalogue income streams.

The increased costs of energy, raw materials and freight are a growing challenge for our supply chain, but we remain committed to satisfying the huge fanbase for vinyl.

The poor economic outlook in the UK and Europe together with relatively high inflation has continued to bring pressure on marketing, production, and distribution costs as well as on overheads in general. On the other hand, the lion's share of our revenues has a ceiling as subscription retail prices are set by DSPs such as Spotify and Apple. Consequently, label margins have been adversely affected.

We believe that streaming subscriptions have been undervalued and are pleased that the lead set by certain DSPs in increasing prices is being matched by the rest of the market.

We remain committed to treating artists fairly and have developed several industry-leading policies to reflect this which have become a key component in what the company and group represents.

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.

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

Inflation

The risk is that prevailing higher interest rates will have a recessionary impact on consumer demand before a lower baseline inflation is restored.

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 review

We are actively participating in the various IPO working groups to define metadata best practice and create more transparency in the streaming economy 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.

XL RECORDINGS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Financial risks

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

Liquidity risk is managed by maintaining sufficient cash balances.

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

Exchange risk is managed through holding sufficient levels of sterling and dollar 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.

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 2022, with comparatives for the year ended 31 December 2021, are set out below.

	2022	2021
Turnover including share of associates and joint ventures	£63,828,986	£56,875,964
Turnover excluding share of associates and joint ventures	£53,846,627	£47,908,687
Total operating profit	£12,559,189	£14,282,584
Number of releases	9	8

Directors' statement of compliance with duty to promote success of the group

The board of directors consider, both individually and as a board, that they have acted in a manner that, in their opinion, would be most likely to promote the success of the group for the benefit of its members as whole (having regard for the to the stakeholders and matters set out in s172 (1) (a-f) of the Companies Act 2006) in the decisions made during the year ended 31 December 2022.

The directors consider the likely consequences that might result from any decisions made or actions taken on the long-term future of the group and its stakeholders. In doing so, the interests and well-being of the group's employees are key considerations.


The directors continue to monitor and develop relationships with artists, customers and suppliers as a key contributor to the group's ongoing success.

The decisions made and actions undertaken by the directors aim to represent and maintain the group's reputation for appropriate standards of business conduct.

This report was approved by the board on

27 JUL 2023

and signed on its behalf.


Martin Mills (11, 2022 13:30 GMT+1)

Martin Mills
Director

XL RECORDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the audited financial statements for the year ended 31 December 2022.

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.

The group also continued activities in music publishing through the Beggars Music sub-group.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £10,148,792 (2021 - £11,795,021).

Interim ordinary dividends were paid amounting to £10,000,000 (2021 - £NIL). No final dividend has been proposed by the directors (2021 - £NIL) during the year.

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.

XL RECORDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Greenhouse gas emissions, energy consumption and energy efficiency action

	2022	2021
Total energy consumption (kWh)	31,131	25,299
Scope 1 emissions (tCO ₂ e)	3	3
Scope 2 emissions (tCO ₂ e)	2	2
Emissions from combustion of fuel for transport purposes (tCO ₂ e)	-	0.02
Emissions from business travel in rental cars or employee-owned vehicles where XL Group is responsible for purchasing the fuel (tCO ₂ e)	0.47	0.16
Total gross CO ₂ e (tonnes) based on above	6.13	5.09

Intensity Ratio

Intensity ratio (tCO ₂ e / full-time employees)	0.05	0.04
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Total reported emissions increased by 20% between 2021 and 2022.

Emissions associated with travel and office energy consumption increased slightly from 2021, this is due to the increase in travel for face-to-face meetings as covid restrictions lifted as well as travel into the office.

Methodology

Emissions have been calculated using methodologies aligned with the GHG Protocol Scope 2 Guidance and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Conversion factors are sourced from the UK Government's Company Reporting framework (2022). Location-based energy consumption data (scope 1 and 2) is collected directly from energy suppliers with the exception for energy consumption at Young Space where Beggars contribution for the energy consumption was calculated using a financial control methodology to apportion the Young Recordings consumption and a market-based calculation applied for the associated carbon.

Business travel data is extracted from internal company accounting system, in the form of mileage data for the following categories of vehicle:

- Company cars & fleet vehicles on business use
- Personal cars on business use

In accordance with GHG Protocol guidance, appropriate emissions factors were applied to mileage data for each vehicle to provide a carbon emission figure.

Energy Efficiency Statement

Following the installation of smart meters at our head office to ensure accurate and consistent monitoring of energy consumption the Head of Sustainability undertook energy audits of UK offices. As a response to this we retrofitted the office with energy efficient LED lighting and motion sensors throughout. Detailed information on sustainability can be found on our website.

In 2022, we joined the UN Race to Zero campaign - committing to reducing our internal and supply chain related emissions at a rate aligned with the Paris Agreements goal to limit global warming to 1.5 degrees. This means reducing total emissions by 50% by 2030.

XL RECORDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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 6 April 2023, a resolution was passed to reduce the issued ordinary share capital in Young Space Ltd by a total of 1,000,000 ordinary shares. These shares were previously held by Young Recordings Limited and Young Artists Limited. As part of this transaction, further loans of £1,000,000 were advanced to Young Space Ltd from Young Recordings Limited and Young Artists Limited, a value that was equal to the value of the issued ordinary share capital cancelled. As a result, XL Recordings Limited's direct interest in Young Space Ltd increased 69.23% to 81.81% from that date.


Auditor

Under section 487(2) of the Companies Act 2006, SRLV Audit Limited will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on

27 JUL 2023

and signed on its behalf.


Martin Mills (Director), 2023 20:30 GMT+1

Martin Mills
Director

XL RECORDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022, 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 2022 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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 6, 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 group 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. 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

27 JUL 2023

XL RECORDINGS LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Turnover	5	53,846,627	47,908,687
Cost of sales		(25,795,450)	(20,462,593)
Gross profit		28,051,177	27,446,094
Distribution costs		(2,475,110)	(2,408,887)
Administrative expenses		(13,304,633)	(12,098,210)
Other operating income	6	66,570	65,701
Operating profit	7	12,338,004	13,004,698
Share of (loss)/profit of joint ventures		(70,015)	967,454
Share of profit from associates		291,200	310,432
Total operating profit		12,559,189	14,282,584
Interest receivable and similar income	11	126,511	72,120
Interest payable and similar charges	12	-	(1,749)
Profit before tax		12,685,700	14,352,955
Tax on profit	13	(2,457,379)	(2,551,797)
Profit for the financial year		10,228,321	11,801,158
Profit for the year attributable to:			
Non-controlling interests		79,529	6,137
Owners of the parent		10,148,792	11,795,021
		10,228,321	11,801,158

The notes on pages 19 to 44 form part of these financial statements.

XL RECORDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**


	2022	2021
	£	£
Profit for the financial year	10,228,321	11,801,158
Other comprehensive income		
Currency translation gain/(loss) on net investment in foreign operations	60,135	(10,251)
Minority interest share of net assets on acquisition	1,882,844	-
Equity movement following step acquisition of subsidiary	(118,413)	-
Other comprehensive income for the year	1,824,566	(10,251)
Total comprehensive income for the year	12,052,887	11,790,907
Profit for the year attributable to:		
Non-controlling interest	79,529	6,137
Owners of the parent company	10,148,792	11,795,021
	10,228,321	11,801,158
Total comprehensive income attributable to:		
Non-controlling interest	1,940,869	6,137
Owners of the parent company	10,112,018	11,784,770
	12,052,887	11,790,907

XL RECORDINGS LIMITED
REGISTERED NUMBER:03126277
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	15	1,743,054	1,841,407
Tangible assets	16	3,982,513	3,981,411
Investments	17	3,203,937	3,537,633
Investment property	18	5,295,896	-
		<u>14,225,400</u>	<u>9,360,451</u>
Current assets			
Stocks	19	570,186	389,117
Debtors	20	30,245,516	21,406,495
Cash at bank and in hand	21	20,991,172	33,408,594
		<u>51,806,874</u>	<u>55,204,206</u>
Creditors: amounts falling due within one year	22	(13,855,121)	(14,450,866)
Net current assets		<u>37,951,753</u>	<u>40,753,340</u>
Total assets less current liabilities		<u>52,177,153</u>	<u>50,113,791</u>
Provisions for liabilities			
Deferred taxation	24	(121,713)	(106,940)
Other provisions	25	(938,237)	(942,535)
		<u>(1,059,950)</u>	<u>(1,049,475)</u>
Net assets		<u><u>51,117,203</u></u>	<u><u>49,064,316</u></u>
Capital and reserves			
Called up share capital	26	1,000	1,000
Profit and loss account	27	49,153,835	49,041,817
Equity attributable to owners of the parent company		<u>49,154,835</u>	<u>49,042,817</u>
Non-controlling interests		<u>1,962,368</u>	<u>21,499</u>
		<u><u>51,117,203</u></u>	<u><u>49,064,316</u></u>

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

27 JUL 2023


Martin Mills (No. 7, 2023 15:50 GMT+1)

Martin Mills
Director

The notes on pages 19 to 44 form part of these financial statements.


XL RECORDINGS LIMITED
REGISTERED NUMBER:03126277

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	16	3,121,534	3,199,286
Investments	17	6,845,302	2,726,889
		<u>9,966,836</u>	<u>5,926,175</u>
Current assets			
Stocks	19	570,186	389,117
Debtors	20	26,572,359	20,507,832
Cash at bank and in hand	21	18,401,799	32,741,434
		<u>45,544,344</u>	<u>53,638,383</u>
Creditors: amounts falling due within one year	22	(9,849,117)	(13,388,946)
Net current assets		<u>35,695,227</u>	<u>40,249,437</u>
Total assets less current liabilities		<u>45,662,063</u>	<u>46,175,612</u>
Provisions for liabilities			
Deferred taxation	24	(120,331)	(105,911)
Net assets		<u>45,541,732</u>	<u>46,069,701</u>
Capital and reserves			
Called up share capital	26	1,000	1,000
Profit and loss account	27	45,540,732	46,068,701
		<u>45,541,732</u>	<u>46,069,701</u>

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

27 JUL 2023


Martin Mills (ICD 17, 2023 15:20 GMT+3)

Martin Mills
Director

The notes on pages 19 to 44 form part of these financial statements.

XL RECORDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £	Profit and loss account £	Equity attributable to owners of parent company £	Non- controlling interests £	Total equity £
At 1 January 2021	1,000	37,257,047	37,258,047	15,362	37,273,409
Comprehensive income for the year					
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)
Other comprehensive income for the year	-	(10,251)	(10,251)	-	(10,251)
Total comprehensive income for the year	-	11,784,770	11,784,770	6,137	11,790,907
At 1 January 2022	1,000	49,041,817	49,042,817	21,499	49,064,316
Comprehensive income for the year					
Profit for the year	-	10,148,792	10,148,792	79,529	10,228,321
Currency translation difference on net investment in foreign operations	-	60,135	60,135	-	60,135
Minority interest on acquisition	-	-	-	1,882,844	1,882,844
Step-acquisition of subsidiary (note 17)	-	(96,909)	(96,909)	(21,504)	(118,413)
Other comprehensive income for the year	-	(36,774)	(36,774)	1,861,340	1,824,566
Total comprehensive income for the year	-	10,112,018	10,112,018	1,940,869	12,052,887
Contributions by and distributions to owners					
Dividends: Equity capital	-	(10,000,000)	(10,000,000)	-	(10,000,000)
Total transactions with owners	-	(10,000,000)	(10,000,000)	-	(10,000,000)
At 31 December 2022	1,000	49,153,835	49,154,835	1,962,368	51,117,203

XL RECORDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2021	1,000	35,564,006	35,565,006
Comprehensive income for the year			
Profit for the year	-	<u>10,504,695</u>	<u>10,504,695</u>
Total comprehensive income for the year	<u>-</u>	<u>10,504,695</u>	<u>10,504,695</u>
At 1 January 2022	1,000	46,068,701	46,069,701
Comprehensive income for the year			
Profit for the year	-	<u>9,472,031</u>	<u>9,472,031</u>
Total comprehensive income for the year	<u>-</u>	<u>9,472,031</u>	<u>9,472,031</u>
Contributions by and distributions to owners			
Dividends: Equity capital	-	<u>(10,000,000)</u>	<u>(10,000,000)</u>
Total transactions with owners	<u>-</u>	<u>(10,000,000)</u>	<u>(10,000,000)</u>
At 31 December 2022	<u><u>1,000</u></u>	<u><u>45,540,732</u></u>	<u><u>45,541,732</u></u>

XL RECORDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022 £	2021 £
Cash flows from operating activities		
Profit for the financial year	10,228,321	11,801,158
Adjustments for:		
Amortisation of intangible assets	98,353	98,353
Depreciation of tangible assets	190,282	195,794
Loss on disposal of tangible assets	-	258
Interest payable and similar charges	-	1,749
Interest receivable and similar income	(126,510)	(72,120)
Taxation charge	2,457,379	2,551,797
(Increase)/decrease in stocks	(181,069)	42,105
Increase in debtors	(9,939,438)	(11,889,144)
(Decrease)/increase in creditors	(488,850)	5,419,783
Share of operating loss/(profit) in joint ventures	70,015	(967,454)
Share of operating profit in associates	(291,200)	(310,432)
Corporation tax paid	(3,837,122)	(1,288,910)
Foreign exchange movements	(73,119)	(6,446)
Net cash (used in)/generated from operating activities	(1,892,958)	5,576,491
Cash flows from investing activities		
Purchase of tangible fixed assets	(101,756)	(234,282)
Purchase of share in associates	-	(500,000)
Interest received	26,455	3,567
Acquisition of subsidiary, net of cash acquired	30,926	-
Step acquisition of subsidiary	(118,413)	-
Loans repaid	138,324	53,453
New loans issued	(500,000)	(1,568,553)
Net cash used in investing activities	(524,464)	(2,245,815)
Cash flows from financing activities		
Dividends paid	(10,000,000)	-
Interest paid	-	(1,749)
Net cash used in financing activities	(10,000,000)	(1,749)
Net (decrease)/increase in cash and cash equivalents	(12,417,422)	3,328,927
Cash and cash equivalents at beginning of year	33,408,594	30,079,667
Cash and cash equivalents at the end of year	20,991,172	33,408,594
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	20,991,172	33,408,594
	20,991,172	33,408,594

XL RECORDINGS LIMITED**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	At 1 January 2022 £	Cash flows £	Acquisition of subsidiary £	At 31 December 2022 £
Cash at bank and in hand	33,408,594	(14,448,348)	2,030,926	20,991,172
Debt due within 1 year	(25,000)	-	-	(25,000)
	<u>33,383,594</u>	<u>(14,448,348)</u>	<u>2,030,926</u>	<u>20,966,172</u>

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 group also continued activities in music publishing through the Beggars Music sub-group.

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 2022

2. Accounting policies (continued)

2.2 Basis of consolidation

The group's 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 2022

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 2022

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 2022

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 2022

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 2022

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 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.13 Associates and joint ventures

Associates and joint ventures are held at cost less impairment.

2.14 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.

2.15 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.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.16 Cash

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

2.17 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 banks and 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.

2.18 Creditors

Short-term creditors are measured at the transaction price.

2.19 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.

2.20 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.

2.21 Dividends

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

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022****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 £9,472,031 (2021 - £10,504,695).

5. Analysis of turnover

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

	2022 £	2021 £
Sales and licensing of sound recordings	29,001,346	29,157,915
Music publishing sales	5,484,296	2,201,913
US distributed sales	19,360,985	16,548,859
	<u>53,846,627</u>	<u>47,908,687</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	9,038,512	8,747,138
Rest of the world	44,808,115	39,161,549
	<u>53,846,627</u>	<u>47,908,687</u>

6. Other operating income

	2022 £	2021 £
Other operating income	6,350	7,660
Net rents receivable	60,220	58,041
	<u>66,570</u>	<u>65,701</u>

7. Operating profit

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

	2022 £	2021 £
Depreciation of tangible fixed assets	190,282	199,052
Amortisation of intangible assets, including goodwill	98,353	98,353
Exchange differences	(2,660,010)	(588,655)
Defined contribution pension cost	124,656	110,108

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Wages and salaries	2,553,859	1,913,520	2,553,859	1,913,520
Social security costs	354,898	233,434	354,898	233,434
Cost of defined contribution scheme	124,656	110,108	124,656	110,108
	<u>3,033,413</u>	<u>2,257,062</u>	<u>3,033,413</u>	<u>2,257,062</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:

	2022 No.	2021 No.
Management	10	10
A&R, Marketing and Operations	28	25
	<u>38</u>	<u>35</u>

10. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	1,651,306	982,759
Group contributions to defined contribution pension schemes	15,897	11,547
	<u>1,667,203</u>	<u>994,306</u>

During the year retirement benefits were accruing to 1 director (2021 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £1,267,224 (2021 - £568,999).

The value of the group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £15,897 (2021 - £11,547).

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Interest receivable and similar income

	2022	2021
	£	£
Other interest receivable	126,511	72,120

12. Interest payable and similar charges

	2022	2021
	£	£
Bank interest payable	-	1,749

13. Taxation

	2022	2021
	£	£
Corporation tax		
Current tax on profits for the year	2,403,857	2,511,180
	2,403,857	2,511,180
Double taxation relief	(51,677)	(43,460)
	2,352,180	2,467,720
Foreign tax		
Foreign tax on income for the year	90,426	31,906
	90,426	31,906
Total current tax	2,442,606	2,499,626
Deferred tax		
Origination and reversal of timing differences	14,773	52,171
Total deferred tax	14,773	52,171
Taxation on profit on ordinary activities	2,457,379	2,551,797

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	12,685,700	14,352,955
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	2,410,283	2,727,061
Effects of:		
Expenses not deductible for tax purposes	114,380	33,745
Remeasurement of deferred tax for changes in tax rates	12,496	17,764
Non-taxable income	(42,486)	(243,260)
Movement in unprovided deferred tax	(37,294)	16,487
Total tax charge for the year	2,457,379	2,551,797

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

14. Dividends

The following dividends have been paid in respect of the year:

	2022 £	2021 £
Dividends paid	10,000,000	-

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

15. Intangible assets

Group

	Goodwill	Negative	Total
	£	goodwill	£
		£	£
Cost			
At 1 January 2022	<u>2,015,705</u>	<u>(24,320)</u>	<u>1,991,385</u>
At 31 December 2022	<u>2,015,705</u>	<u>(24,320)</u>	<u>1,991,385</u>
Amortisation			
At 1 January 2022	<u>167,975</u>	<u>(17,997)</u>	<u>149,978</u>
Charge for the year	<u>100,785</u>	<u>(2,432)</u>	<u>98,353</u>
At 31 December 2022	<u>268,760</u>	<u>(20,429)</u>	<u>248,331</u>
Net book value			
At 31 December 2022	<u>1,746,945</u>	<u>(3,891)</u>	<u>1,743,054</u>
At 31 December 2021	<u>1,847,730</u>	<u>(6,323)</u>	<u>1,841,407</u>

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Tangible fixed assets

Group

	Freehold property £	L/Term Leasehold Property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost						
At 1 January 2022	4,175,491	620,135	136,184	532,994	239,656	5,704,460
Additions	-	-	-	51,719	50,037	101,756
Disposals	-	-	-	(1,845)	(15,408)	(17,253)
Exchange adjustments	106,917	-	-	3,237	522	110,676
At 31 December 2022	4,282,408	620,135	136,184	586,105	274,807	5,899,639
Depreciation						
At 1 January 2022	1,005,096	42,376	63,350	475,571	136,656	1,723,049
Charge for the year	85,894	12,403	23,634	21,991	46,360	190,282
Disposals	-	-	-	(1,845)	(15,408)	(17,253)
Exchange adjustments	17,357	-	-	3,204	487	21,048
At 31 December 2022	1,108,347	54,779	86,984	498,921	168,095	1,917,126
Net book value						
At 31 December 2022	3,174,061	565,356	49,200	87,184	106,712	3,982,513
At 31 December 2021	3,170,395	577,759	72,834	57,423	103,000	3,981,411

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Tangible fixed assets (continued)

Company

	Freehold property £	L/Term Leasehold Property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost						
At 1 January 2022	3,247,409	620,135	136,184	503,774	231,381	4,738,883
Additions	-	-	-	40,099	47,122	87,221
Disposals	-	-	-	-	(9,335)	(9,335)
At 31 December 2022	<u>3,247,409</u>	<u>620,135</u>	<u>136,184</u>	<u>543,873</u>	<u>269,168</u>	<u>4,816,769</u>
Depreciation						
At 1 January 2022	854,432	42,376	63,350	446,749	132,690	1,539,597
Charge for the year	64,197	12,403	23,634	21,358	43,381	164,973
Disposals	-	-	-	-	(9,335)	(9,335)
At 31 December 2022	<u>918,629</u>	<u>54,779</u>	<u>86,984</u>	<u>468,107</u>	<u>166,736</u>	<u>1,695,235</u>
Net book value						
At 31 December 2022	<u>2,328,780</u>	<u>565,356</u>	<u>49,200</u>	<u>75,766</u>	<u>102,432</u>	<u>3,121,534</u>
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>

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

17. Fixed asset investments

Group

	Investments in associates £	Investment in joint ventures £	Total £
Cost			
At 1 January 2022	799,647	2,737,986	3,537,633
Step acquisition to subsidiary	(500,000)	-	(500,000)
Foreign exchange movement	(50,583)	-	(50,583)
Share of profit	291,200	(74,313)	216,887
At 31 December 2022	540,264	2,663,673	3,203,937
Net book value			
At 31 December 2022	540,264	2,663,673	3,203,937
At 31 December 2021	799,647	2,737,986	3,537,633

The share of assets of joint ventures in a net asset position is £2,663,673 and joint ventures in a net liabilities position is £938,237 (note 25). In 2022 and 2021, the share of net assets arose on the holding in Young Recordings Limited.

Company

	Investments in subsidiary companies £	Investments in associates £	Investment in joint ventures £	Total £
Cost				
At 1 January 2022	2,025,638	700,000	1,251	2,726,889
Additions	4,118,413	-	-	4,118,413
Step acquisition to subsidiary	500,000	(500,000)	-	-
At 31 December 2022	6,644,051	200,000	1,251	6,845,302
Net book value				
At 31 December 2022	6,644,051	200,000	1,251	6,845,302
At 31 December 2021	2,025,638	700,000	1,251	2,726,889

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

17. 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. ¹	Property holding company	United States of America	Ordinary	100%
Beggars Music Limited ²	Music publishing	England and Wales	Ordinary	90%
Beggars Catalogues LLP ²	Music publishing	England and Wales	Members interest	90%
4AD Songs Limited (indirect) ³	Music publishing	England and Wales	Ordinary	68%
Young Music Publishing Limited (indirect) ³	Music publishing	England and Wales	Ordinary	93%
Young Space Ltd ⁴	Investment property company	England and Wales	Ordinary	69%

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

Registered office

¹ 134 Grand Street, New York, NY 10013, United States of America

² Elsley Court, 20-22 Great Titchfield Street, London, W1W 8BE

³ 17/19 Alma Road, London, SW18 1AA

⁴ Rear of 85-87 Southgate Road, London, N1 3JS

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

17. 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 ¹	Production and exploitation of sound recordings	England and Wales	Ordinary	50%
Mowax Labels Limited ¹	Production and exploitation of sound recordings	England and Wales	Ordinary	50%
Rough Trade Retail Holdings Limited ²	Holding company	England and Wales	Ordinary	37%
Rough Trade Retail (UK) Limited (indirect) ²	Retailing of music records and related merchandise	United States of America	Ordinary	37%
Rough Trade Retail (USA) Holdings, Inc. (indirect) ³	Holding company	United States of America	Ordinary	24%
Rough Trade Retail LLC (indirect) ³	Retail sale of music	United States of America	Ordinary	37%
Rise Bristol Ltd (indirect) ⁴	Retail sale of music	England and Wales	Ordinary	37%

On 3 August 2022, XL Recordings Limited acquired 25% of the issued share capital in Young Music Publishing Limited for consideration of £118,413 from another shareholder. As a result, XL Recordings Limited now holds an effective interest in that company of 92.5% due to the acquisition in the year and the initial 67.5% indirect interest previously held through its 90% holding of both Beggars Music Limited and Beggars Catalogues LLP, who together own 75% of that company.

On 1 January 2022, XL Recordings Limited converted £1,500,000 of loans due from Young Space Ltd into further issued ordinary share capital in that company at £1 per share. The company previously held 500,000 of the issued ordinary share capital in Young Space Ltd and following the conversion of loans, this increased to 2,000,000 ordinary shares at £1 per share. On the same day, the company acquired a further 2,000,000 of the issued ordinary share capital in Young Space from Beggars Group Limited for consideration of £2,000,000, being equal to their par value. This was part of a larger transaction that resulted in XL Recordings Limited increasing its direct shareholding to 69.23% of the issued ordinary share capital in that company.

Registered office

¹ 17/19 Alma Road, London, SW18 1AA

² 10 Cheyne Walk, Northampton, Northamptonshire, NN1 5PT

³ North 9th Street, NY 11249, United States of America

⁴ 5 Broad Street, Nottingham, England, NG1 3AJ

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. Investment property

Group

**Freehold
investment
property
£**

Valuation

At 1 January 2022

-

On acquisition of subsidiary

5,295,896

At 31 December 2022

5,295,896

The investment property was valued on an open market basis as at 31 December 2022 by an external valuer who is appropriately qualified to value property of this type.

19. Stocks

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Finished goods and goods for resale	570,186	389,117	570,186	389,117

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

20. Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Due after more than one year				
Amounts owed by joint ventures and associated undertakings	721,895	611,229	695,542	584,876
	721,895	611,229	695,542	584,876
Due within one year				
Trade debtors	235,147	304,130	233,432	256,181
Amounts owed by group undertakings	-	-	1,251,301	775,071
Amounts owed by joint ventures and associated undertakings	1,516,581	3,124,271	586,784	2,414,787
Other debtors	27,708,720	17,347,498	23,798,274	16,465,898
Prepayments and accrued income	63,173	19,367	7,026	11,019
	30,245,516	21,406,495	26,572,359	20,507,832

21. Cash and cash equivalents

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Cash at bank and in hand	20,991,172	33,408,594	18,401,799	32,741,434

22. Creditors: amounts falling due within one year

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade creditors	2,152,450	876,827	225,359	215,235
Amounts owed to group undertakings	1,250,000	-	-	-
Corporation tax	420,597	1,815,113	263,417	1,793,417
Other taxation and social security	842,170	2,125,535	836,203	2,118,651
Other creditors	808,799	713,388	304,841	376,488
Accruals and deferred income	8,381,105	8,920,003	8,219,297	8,885,155
	13,855,121	14,450,866	9,849,117	13,388,946

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

23. Financial instruments

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Financial assets				
Financial assets measured at fair value through profit or loss	20,991,172	33,408,594	18,401,799	32,741,434

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

24. Deferred taxation

Group

	2022 £	2021 £
At beginning of year	106,940	54,769
Profit and loss account movement	14,773	52,171
At end of year	121,713	106,940

Company

	2022 £	2021 £
At beginning of year	105,911	57,874
Profit and loss account movement	14,420	48,037
At end of year	120,331	105,911

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Fixed asset timing differences	121,713	106,940	120,331	105,911

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

25. Provisions

Group

	Share of liabilities £	Share of assets £	Total £
At 1 January 2022	955,141	(12,606)	942,535
Charged to profit or loss	(7,144)	2,846	(4,298)
At 31 December 2022	947,997	(9,760)	938,237

In 2022 and 2021, the share of net liabilities arose on the holding in Mowax Labels Limited.

26. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
240 ordinary A shares of £1 each	240	240
240 ordinary B shares of £1 each	240	240
520 deferred shares of £1 each	520	520
	1,000	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.

27. Reserves

Profit and loss account

This reserve is the accumulated retained profit.

28. 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 £124,656 (2021 - £110,108). There were no contributions payable at the year end (2021 - £NIL).

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

29. Business combinations

On 1 January 2022, the company acquired a further 4,000,000 of the voting shares in Young Space Ltd, taking its total direct interest to a controlling share of 69.23%. See note 17 for further details on the structure of this acquisition. Young Space Ltd is registered in England and Wales and holds an investment property.

Acquisition of Young Space Ltd

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value adjustments £	Fair value £
Fixed assets			
Tangible	5,593,998	(298,102)	5,295,896
	<u>5,593,998</u>	<u>(298,102)</u>	<u>5,295,896</u>
Current assets			
Debtors	141,266	202,378	343,644
Cash at bank and in hand	280,926	1,750,000	2,030,926
Total assets	<u>6,016,190</u>	<u>1,654,276</u>	<u>7,670,466</u>
Creditors			
Due within one year	(3,084,964)	1,797,342	(1,287,622)
Total identifiable net assets	<u>2,931,226</u>	<u>3,451,618</u>	<u>6,382,844</u>
Non-controlling interests			(1,882,844)
Total purchase consideration			<u>4,500,000</u>

Satisfied by:

	£
Cash	2,000,000
Conversion of loans owed from entity	2,000,000
Initial prior year payment for associate interest	500,000
Total purchase consideration	<u>4,500,000</u>

The results of Young Space Ltd since acquisition are as follows:

	Current period since acquisition £
Turnover	-
Profit for the period since acquisition	<u>13,760</u>

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

30. 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 £2,398,188 (2021 - £2,256,066).

During the year, the company paid amounts in respect of general overhead charges to Beggars UK Limited of £773,067 (2021 - £644,338). 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:

	2022 Turnover £	2022 Costs £	2021 Turnover £	2021 Costs £
XL Recordings Limited:				
Beggars UK Limited	6,416,301	3,655,019	7,040,473	4,439,000
Beggars Group Digital Limited	25,930,287	260,791	23,649,996	358,290
Beggars Group Media Limited	4,470,132	321,923	4,288,523	416,894

During the year, net amounts were paid by Beggars Group (USA), Inc. in respect of US sales less a contribution for overheads to the company of £12,085,059 (2021 - £11,082,283).

During the year, commission was paid to Remote Control Records Pty Limited totalling £174,868 (2021 - £171,301) from the company. Remote Control Records Pty Limited is a joint venture of Beggars Group Limited.

During the year, the company had net trade transactions of £7,178,464 (2021 - £11,198,160) with Beggars Group Limited, a 50% shareholder. At the balance sheet date, the company was owed £21,935,989 (2021 - £14,757,525) by Beggars Group Limited in respect of working capital loans.

During the year, XL Recordings (USA) Inc. received rental income of £58,632 (2020 - £52,367) from Beggars Group (USA) Inc, a wholly owned subsidiary of Beggars Group Limited.

During the year, loans were repaid of £138,324 (2021 - £53,453) by Beggars Music Limited, a subsidiary undertaking. Other net movements amounted to £29,032 (2021 - £2,967). At the balance sheet date, the company was owed £377,035 (2021 - £486,328)

At the balance sheet date, the company owed £2,357 (2021 - £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 £151,280 (2021 - £171,277) in the normal course of business with Young Recordings Limited. At the balance sheet date, the company was owed £798,125 (2021 - £646,845) by Young Recordings Limited in respect of working capital loans. Young Recordings Limited is a joint venture of XL Recordings Limited.

During the year, the company had net trade transactions of £1 (2021 - £NIL) in the normal course of business with Mowax Labels Limited. At the balance sheet date, the company was owed £1,859,594 (2021 - £1,859,595) by Mowax Labels Limited in respect of working capital loans. A provision of £1,859,594 (2021 - £1,859,415) 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 2022

30. Related party transactions (continued)

At the balance sheet date, Rough Trade Retail (UK) Limited owed the company £53,749 (2021 - £51,645) in respect of loans. Interest of 4% per annum was charged on the loan. Rough Trade Retail (UK) Limited is an associated company.

During the year, there were net movements relating to interest of \$52,391 (2021 - \$49,347) in respect of loans to Rough Trade Retail LLC. Interest of 6% per annum is charged on the loan. At the balance sheet date the company was owed \$901,815 (2021 - \$849,424).

As part of the agreement whereby XL Recordings Limited acquired the issued ordinary share capital Beggars Group Limited held in Young Space Ltd (see note 17), the full £1,500,000 loan initially advanced to that company in the prior year was converted into equity. At the balance sheet date, the company was owed £NIL (2021 - £1,523,671) from Young Space Ltd. Interest of 3% per annum had been charged on the loan but this interest of £23,671 was waived when the loans were converted into equity.

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.

31. 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.