

XL RECORDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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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 2019

Business review

XL Recordings Limited had another successful trading year, consolidating on the success of recent releases which continue to stream well.

The prior year results were skewed favourably by an exceptional item, namely the proceeds of the sale of Spotify shares. But like for like we are pleased to note that the growth in sales is consistent across our key territories.

Successful releases included the following which received Grammy nominations:

Best Alternative: Thom Yorke - Anima (XL)
Best Song Written for Visual Media: Thom York, Suspirium (XL)
Best Music Video: FKA Twigs, Cellophane (Young Turks)

We are dependent on our ability to achieve success with new acts as much as our ability to continue to exploit globally our prestigious catalogue. To that end we are committed to treating artists fairly and have developed a number of industry-leading policies to reflect that.

Principal risks and uncertainties

Political & economic uncertainty

Business with our EU suppliers and customers are a critical element of the business. A no-deal Brexit may interrupt our physical supply chain in the short term, and longer term this could threaten the domestic market for vinyl.

There may be an administrative burden placed on artists and agents for touring and promotion when there is no longer free movement of UK citizens in and out of the EU.

We are concerned with the uncertainty around post-Brexit plans for passing legislation like the Copyright Directive passed by the EU last year. We believe such laws are needed in the UK also to protect IP rights.

However, our international customer base and the borderless global streaming market act as a limited hedge against disruptive elements.

Nevertheless, we continue to work hard on behalf of our artists to ensure that the independent sector is heard and represented.

COVID-19

The directors note that the impact of the COVID-19 virus has been to limit promotional activity on new releases for the period of lockdown and will continue to an extent while social distancing measures remain in place.

There will be a financial impact both in terms of reduced sales, but also short term reduced costs from deferring those releases or limited promotional activity.

However, XL Recordings Group has the benefit of a strong back catalogue generating a significant portion of its sales. Whilst we are expecting a slowdown in certain channels - for example physical sales, synchronisation, and performance income - we are expecting streaming to be least affected.

XL RECORDINGS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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.

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 2019, with comparatives for the year ended 31 December 2018, are set out below.

	2019	2018
Turnover including share of associates and joint ventures	£39,003,331	£54,038,891
Turnover excluding share of associates and joint ventures	£32,781,679	£50,922,636
Total operating profit	£5,782,326	£16,100,217
Number of releases	6	6

Directors' statement of compliance with duty to promote the 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 a whole (having regard for its 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 2019.

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 29th July 2020

and signed on its behalf.


Martin Mills (14/29, 2020 14:28 GMT+1)

Martin Mills
Director

XL RECORDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity

The principal activity of the XL Recordings Group 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, amounted to £5,080,433 (2018 - £12,885,815).

An interim ordinary dividend was paid amounting to £10,000,000 (2018 - £NIL). No final dividend has been proposed by the directors (2018 - £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 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 auditors

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.

XL RECORDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Post balance sheet events


On 30 April 2020, XL Recordings Limited acquired 90% of the issued share capital in both Beggars Music Limited and Beggars Catalogues LLP for total consideration of £2,024,997. These companies were previously owned equally by a director of XL Recordings Limited, a director of Beggars Group Limited and a director of both those companies. Following the acquisition, one director of Beggars Group Limited has retained a 10% share in each company.

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 29th July 2020

and signed on its behalf.


Martin Mills (30/07/20, 2020 14:28 GMT+1)

Martin Mills
Director

XL RECORDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 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 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 2019, which comprise the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated statement of cash flows, the consolidated and company statement of changes in equity 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 2019 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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 auditors' 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.

XL RECORDINGS LIMITED

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

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 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.

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

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

XL RECORDINGS LIMITED

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

Use of our report

This report is made solely to the company's members 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 auditors' 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 for our audit work, for this report, or for the opinions we have formed.

SRLV Audit Limited

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

29th July 2020

XL RECORDINGS LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £	2018 £
Turnover	5	32,781,679	50,922,636
Cost of sales		(14,400,496)	(19,020,194)
Gross profit		18,381,183	31,902,442
Distribution costs		(2,302,267)	(3,298,720)
Administrative expenses		(11,698,636)	(12,411,013)
Exceptional item	2.22	1,492,814	-
Other operating income	6	56,408	54,184
Operating profit	7	5,929,502	16,246,893
Share of (loss)/profit of joint ventures		(200,372)	60
Share of profit/(loss) of associate		53,196	(146,736)
Total operating profit		5,782,326	16,100,217
Interest receivable and similar income	11	192,185	449,882
Interest payable and similar expenses	12	(68)	(12,581)
Profit before tax		5,974,443	16,537,518
Tax on profit	13	(894,010)	(3,439,350)
Profit for the financial year		5,080,433	13,098,168
Profit for the year attributable to:			
Non-controlling interests		-	212,353
Owners of the parent		5,080,433	12,885,815
		5,080,433	13,098,168

The notes on pages 17 to 38 form part of these financial statements.

XL RECORDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

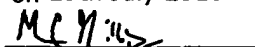
	2019	2018
	£	£
Profit for the financial year	5,080,433	13,098,168
Other comprehensive income		
Currency translation gain on net investments in foreign operations	(25,078)	48,239
Other comprehensive income for the year	(25,078)	48,239
Total comprehensive income for the year	5,055,355	13,146,407
Profit for the year attributable to:		
Non-controlling interest	-	212,353
Owners of the parent company	5,080,433	12,885,815
	5,080,433	13,098,168
Total comprehensive income attributable to:		
Non-controlling interest	-	212,353
Owners of the parent company	5,055,355	12,934,054
	5,055,355	13,146,407

XL RECORDINGS LIMITED
REGISTERED NUMBER:03126277

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	15	(11,187)	95,715
Tangible assets	16	3,884,365	3,949,345
Investments	17	1,757,777	95,166
		<u>5,630,955</u>	<u>4,140,226</u>
Current assets			
Stocks	18	415,090	575,433
Debtors	19	11,514,352	20,864,471
Cash at bank and in hand	20	21,228,771	23,991,061
		<u>33,158,213</u>	<u>45,430,965</u>
Creditors: amounts falling due within one year	21	(6,512,206)	(11,353,186)
Net current assets		<u>26,646,007</u>	<u>34,077,779</u>
Total assets less current liabilities		<u>32,276,962</u>	<u>38,218,005</u>
Provisions for liabilities			
Deferred taxation	23	-	(111,513)
Investment in joint ventures	24	(942,702)	(931,587)
		<u>(942,702)</u>	<u>(1,043,100)</u>
Net assets		<u><u>31,334,260</u></u>	<u><u>37,174,905</u></u>
Capital and reserves			
Called up share capital	25	1,000	1,000
Profit and loss account	26	31,333,260	36,277,905
Equity attributable to owners of the parent company		<u>31,334,260</u>	<u>36,278,905</u>
Non-controlling interests		-	896,000
		<u><u>31,334,260</u></u>	<u><u>37,174,905</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29th July 2020


Martin Mills (29/07/2020 14:28 GMT+1)

Martin Mills
Director


The notes on pages 17 to 38 form part of these financial statements.

XL RECORDINGS LIMITED
REGISTERED NUMBER:03126277

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	16	3,033,994	3,039,640
Investments	17	201,892	201,892
		<u>3,235,886</u>	<u>3,241,532</u>
Current assets			
Stocks	18	415,090	437,076
Debtors	19	11,340,529	19,961,805
Cash at bank and in hand	20	21,138,629	22,135,689
		<u>32,894,248</u>	<u>42,534,570</u>
Creditors: amounts falling due within one year	21	(6,509,919)	(9,850,088)
Net current assets		<u>26,384,329</u>	<u>32,684,482</u>
Total assets less current liabilities		<u>29,620,215</u>	<u>35,926,014</u>
Net assets		<u>29,620,215</u>	<u>35,926,014</u>
Capital and reserves			
Called up share capital	25	1,000	1,000
Profit and loss account	26	29,619,215	35,925,014
		<u>29,620,215</u>	<u>35,926,014</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29th July 2020


 Martin Mills (29/07/2020 14:28 GMT+1)

Martin Mills
 Director

The notes on pages 17 to 38 form part of these financial statements.

XL RECORDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Profit and loss account £	Equity attributable to owners of parent company £	Non- controlling interests £	Total equity £
At 1 January 2018	1,000	23,343,851	23,344,851	683,647	24,028,498
Comprehensive income for the year					
Profit for the year	-	12,885,815	12,885,815	212,353	13,098,168
Currency translation difference on net investment in foreign operations	-	48,239	48,239	-	48,239
Total comprehensive income for the year	-	12,934,054	12,934,054	212,353	13,146,407
At 1 January 2019	1,000	36,277,905	36,278,905	896,000	37,174,905
Comprehensive income for the year					
Profit for the year	-	5,080,433	5,080,433	(896,000)	4,184,433
Currency translation on difference on net investment in foreign operations	-	(25,078)	(25,078)	-	(25,078)
Total comprehensive income for the year	-	5,055,355	5,055,355	(896,000)	4,159,355
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 2019	1,000	31,333,260	31,334,260	-	31,334,260

XL RECORDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2018	1,000	23,868,497	23,869,497
Comprehensive income for the year			
Profit for the year	-	12,056,517	12,056,517
Total comprehensive income for the year	-	12,056,517	12,056,517
At 1 January 2019	1,000	35,925,014	35,926,014
Comprehensive income for the year			
Profit for the year	-	3,694,201	3,694,201
Total comprehensive income for the year	-	3,694,201	3,694,201
Contributions by and distributions to owners			
Dividends: Equity capital	-	(10,000,000)	(10,000,000)
Total transactions with owners	-	(10,000,000)	(10,000,000)
At 31 December 2019	1,000	29,619,215	29,620,215

XL RECORDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018
	£	£
Cash flows from operating activities		
Profit for the financial year	5,080,433	13,098,168
Adjustments for:		
Amortisation of intangible assets	-	13,568
Depreciation of tangible assets	164,748	188,766
Loss on disposal of tangible assets	1,851	31,788
Interest paid	68	12,581
Interest received	(192,185)	(449,882)
Taxation charge	894,010	3,439,350
Decrease in stocks	21,986	76,763
Decrease/(increase) in debtors	8,008,140	(787,340)
Increase/(decrease) in creditors	569,182	(507,888)
Share of operating loss/(profit) in joint ventures	200,372	(60)
Share of operating (profit)/loss in associates	(53,196)	146,736
Corporation tax paid	(4,273,638)	(1,430,468)
Gain on disposal of investments	299,979	-
(Profit)/loss on foreign exchange movements	(480)	5,354
Share of net assets on recognition of joint venture	(1,793,543)	-
Net cash generated from operating activities	8,927,727	13,837,436
Cash flows from investing activities		
Purchase of tangible fixed assets	(136,346)	(671,492)
Interest received	192,185	449,882
Decrease in cash on disposal of subsidiary	(1,823,035)	-
New loans receivable	-	(100,000)
Loans repaid	77,247	434,828
Net cash (used in)/generated from investing activities	(1,689,949)	113,218
Cash flows from financing activities		
Dividends paid	(10,000,000)	-
Interest paid	(68)	(12,581)
Net cash used in financing activities	(10,000,068)	(12,581)
Net (decrease)/increase in cash and cash equivalents	(2,762,290)	13,938,073
Cash and cash equivalents at beginning of year	23,991,061	10,052,988
Cash and cash equivalents at the end of year	21,228,771	23,991,061
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	21,228,771	23,991,061
	21,228,771	23,991,061

XL RECORDINGS LIMITED**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	At 1 January 2019 £	Cash flows £	Acquisition and disposal of subsidiaries £	At 31 December 2019 £
Cash at bank and in hand	23,991,061	(939,255)	(1,823,035)	21,228,771
	23,991,061	(939,255)	(1,823,035)	21,228,771

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 and is incorporated 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.

In the comparative, certain income and costs have been reclassified to be shown gross. There is no impact on operating profit, taxation or retained earnings.

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 2019

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 of associates 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.

2.3 Going concern

The directors note that the impact of the COVID-19 virus has been to limit promotional activity on new releases for the period of lockdown and will continue to an extent while social distancing measures remain in place. There will be a financial impact both in terms of reduced sales and reduced costs from either deferring those releases or reducing promotional activity. However, the company has the benefit of a strong back catalogue generating a significant portion of its sales. Whilst we are expecting a slowdown in some channels across the group (such as physical, synchronisation and performance income), the streaming business is expected to be largely unaffected. At the year end and as at the date of signature of the financial statements, the parent company and group's activities remain positive and the group have strong cash reserves.

On this basis, the directors are satisfied that the parent company and group will be able to satisfy its financial obligations for at least 12 months from the date of signature of the financial statements, which have been prepared on the going concern basis.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.4 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.

2.5 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 its 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.

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:

Negative goodwill	-	10	years
Catalogue	-	10	years

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.6 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.

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 the profit or loss account.

2.7 Operating leases: the group as lessee

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

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Associates and joint ventures

Associates and joint ventures are held at cost less impairment.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.10 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 profit or loss.

2.11 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.

2.12 Cash

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

2.13 Financial instruments

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans to related parties and investments in ordinary shares.

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.

2.14 Creditors

Short term creditors are measured at the transaction price.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.15 Foreign currency translation

Functional and presentation currency

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

The group financial statements are presented in 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 the 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 the profit and loss account.

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 the opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.16 Finance costs

Finance costs are charged to the 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.

2.17 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.

2.18 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 profit or loss 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 2019

2. Accounting policies (continued)

2.19 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 that:

- 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.

2.20 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.

2.21 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.

2.22 Exceptional items

With effect from 1 January 2019, Young Turks Recordings Limited ceased to be a subsidiary of XL Recordings Limited and became a joint venture. A loss on disposal as a subsidiary was recognised of £299,979 and a profit on acquisition as a joint venture was recognised of £1,792,793.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019

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 £3,694,201 (2018 - £12,056,517).

5. Analysis of turnover

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

	2019 £	2018 £
Sales and licensing of sound recordings	23,955,013	37,852,302
US distributed sales	8,826,666	13,070,334
	32,781,679	50,922,636

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	7,226,120	10,212,364
Rest of the world	25,555,559	40,710,272
	32,781,679	50,922,636

6. Other operating income

	2019 £	2018 £
Net rents receivable	56,408	54,184
	56,408	54,184

7. Operating profit

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

	2019 £	2018 £
Depreciation of tangible fixed assets	164,748	218,877
Amortisation of intangible assets, including goodwill	(2,432)	13,568
Loss on disposal of fixed assets	-	31,788
Exchange differences	780,110	(1,007,690)
Defined contribution pension cost	86,047	77,629

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Wages and salaries	2,425,423	2,088,384	2,425,423	1,465,959
Social security costs	279,325	360,581	279,325	225,004
Cost of defined contribution scheme	86,047	77,629	86,047	50,612
	<u>2,790,795</u>	<u>2,526,594</u>	<u>2,790,795</u>	<u>1,741,575</u>

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

	2019 No.	2018 No.
Management	4	4
A&R, Marketing and Operations	22	22
	<u>26</u>	<u>26</u>

10. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	1,716,470	562,815
Company contributions to defined contribution pension schemes	9,837	8,875
	<u>1,726,307</u>	<u>571,690</u>

During the year retirement benefits were accruing to 1 director (2018 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £1,295,630 (2018 - £419,021).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,837 (2018 - £NIL).

11. Interest receivable and similar income

	2019 £	2018 £
Other interest receivable	<u>192,185</u>	<u>449,882</u>

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. Interest payable and similar expenses

	2019	2018
	£	£
Bank interest payable	68	867
Other interest payable	-	11,714
	68	12,581

13. Taxation

	2019	2018
	£	£
Corporation tax		
Current tax on profits for the year	890,826	3,230,112
Adjustments in respect of previous periods	-	274,360
	890,826	3,504,472
Double taxation relief	(73,047)	(90,103)
Group taxation relief	2,336	-
	820,115	3,414,369
Foreign tax		
Foreign tax on income for the year	73,895	102,507
	73,895	102,507
Total current tax	894,010	3,516,876
Deferred tax		
Origination and reversal of timing differences	-	(77,526)
Total deferred tax	-	(77,526)
Taxation on profit on ordinary activities	894,010	3,439,350

XL RECORDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****13. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	5,974,443	16,537,518
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	1,135,144	3,142,128
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	88,778	50,417
Movement in unprovided deferred tax	(17,244)	(55,339)
Adjustment in respect of previous periods withholding tax	-	274,360
Non-taxable (expense)/income	(312,668)	27,784
Total tax charge for the year	894,010	3,439,350

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:

	2019 £	2018 £
Dividends paid on ordinary equity shares	10,000,000	-

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

15. Intangible assets

Group

	Catalogue £	Negative goodwill £	Total £
At 1 January 2019	160,002	(24,320)	135,682
Disposals	(160,002)	-	(160,002)
At 31 December 2019	-	(24,320)	(24,320)
At 1 January 2019	50,668	(10,701)	39,967
Charge for the year	-	(2,432)	(2,432)
On disposals	(50,668)	-	(50,668)
At 31 December 2019	-	(13,133)	(13,133)
Net book value			
At 31 December 2019	-	(11,187)	(11,187)
At 31 December 2018	109,334	(13,619)	95,715

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. Tangible fixed assets

Group

	Freehold property £	L/Term Leasehold Property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost						
At 1 January 2019	3,933,041	620,135	124,988	652,050	129,638	5,459,852
Additions	-	-	24,971	83,534	27,841	136,346
Disposals	-	-	(43,115)	(21,610)	(13,710)	(78,435)
Exchange adjustments	(32,444)	-	-	(982)	(105)	(33,531)
At 31 December 2019	3,900,597	620,135	106,844	712,992	143,664	5,484,232
Depreciation						
At 1 January 2019	774,214	5,168	73,817	597,763	59,545	1,510,507
Charge for the year	78,126	12,403	20,989	23,456	29,774	164,748
Disposals	-	-	(43,115)	(21,610)	(6,860)	(71,585)
Exchange adjustments	(3,226)	-	-	(476)	(101)	(3,803)
At 31 December 2019	849,114	17,571	51,691	599,133	82,358	1,599,867
Net book value						
At 31 December 2019	3,051,483	602,564	55,153	113,859	61,306	3,884,365
At 31 December 2018	3,158,827	614,967	51,171	54,287	70,093	3,949,345

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

16. Tangible fixed assets (continued)

Company

	Freehold property £	L/Term Leasehold Property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost						
At 1 January 2019	2,945,694	620,135	124,988	622,163	117,373	4,430,353
Additions	-	-	24,971	83,534	26,277	134,782
Disposals	-	-	(43,115)	(21,610)	(4,648)	(69,373)
At 31 December 2019	<u>2,945,694</u>	<u>620,135</u>	<u>106,844</u>	<u>684,087</u>	<u>139,002</u>	<u>4,495,762</u>
Depreciation						
At 1 January 2019	676,025	5,168	73,817	583,297	52,406	1,390,713
Charge for the year	58,108	12,403	20,989	17,643	29,434	138,577
Disposals	-	-	(43,115)	(21,610)	(2,797)	(67,522)
At 31 December 2019	<u>734,133</u>	<u>17,571</u>	<u>51,691</u>	<u>579,330</u>	<u>79,043</u>	<u>1,461,768</u>
Net book value						
At 31 December 2019	<u>2,211,561</u>	<u>602,564</u>	<u>55,153</u>	<u>104,757</u>	<u>59,959</u>	<u>3,033,994</u>
At 31 December 2018	<u>2,269,669</u>	<u>614,967</u>	<u>51,171</u>	<u>38,866</u>	<u>64,967</u>	<u>3,039,640</u>

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

17. Fixed asset investments

Group

	Investments in associates £	Investment in joint ventures £	Total £
Cost			
At 1 January 2019	95,166	-	95,166
Additions	-	1,794,294	1,794,294
Share of profit	58,324	(190,007)	(131,683)
At 31 December 2019	153,490	1,604,287	1,757,777
Net book value			
At 31 December 2019	153,490	1,604,287	1,757,777
At 31 December 2018	95,166	-	95,166

The share of assets of joint ventures in a net asset position is £1,604,287 and joint ventures in a net liabilities position is £942,702 (note 24). In 2019, the share of net assets arose on the holding in Young Turks Recordings Limited.

Company

	Investments in subsidiary companies £	Investments in associates £	Investment in joint ventures £	Total £
Cost				
At 1 January 2019	1,392	200,000	500	201,892
Additions	-	-	751	751
Disposals	(751)	-	-	(751)
At 31 December 2019	641	200,000	1,251	201,892
Net book value				
At 31 December 2019	641	200,000	1,251	201,892
At 31 December 2018	1,392	200,000	500	201,892

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

17. Fixed asset investments (continued)

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Principal activity	Country of incorporation	Class of shares	Holding
XL Recordings, Inc.	Property holding company	United States of America	Ordinary	100%

The results of XL Recordings, Inc. are included in the consolidated financial statements. The address of its registered office is 134 Grand Street, New York, NY 10013, United States of America.

Associates and joint ventures

The following were associates / joint ventures of the company:

Name	Principal activity	Country of incorporation	Class of shares	Holding
Young Turks 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 (UK) Limited 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	37%
Rough Trade Retail LLC (indirect) ³	Retail sale of music	United States of America	Ordinary	24%
Rise Bristol Limited (indirect) ⁴	Retail sale of music	England and Wales	Ordinary	37%

Young Turks Recordings Limited became a joint venture with effect from 1 January 2019, when 501 ordinary shares held by XL Recordings Limited were converted into 501 deferred shares, which do not carry a right to dividend, repayment of capital or voting entitlement. As a result of the conversion of these shares, XL Recordings Limited ceased to be able to exercise control over Young Turks Recordings Limited and the investment has been classified as a joint venture.

Subsequent to the the year end, Rough Trade Retail Group Limited changed its name to Rough Trade Retail (UK) Limited.

Subsequent to the year end, the Rough Trade Retail (UK) Limited group underwent a group restructuring whereby a new holding company, Rough Trade Retail Holdings Limited, was incorporated and became the ultimate parent undertaking of the group. XL Recording Limited's ordinary shares transferred from Rough Trade Retail (UK) Limited to Rough Trade Retail Holding Limited as part of the restructuring.

Registered office

¹17/19 Alma Road, London, SW18 1AA

²10 Cheyne Walk, Northampton, Northamptonshire, NN1 5PT

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

⁴5 Broad Street, Nottingham, England, NG1 3AJ

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. Stocks

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Finished goods and goods for resale	415,090	575,433	415,090	437,076

19. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Due after more than one year				
Amounts owed by joint ventures and associated undertakings	551,001	579,667	551,001	579,667
Other debtors	-	2,167,996	-	2,167,996
	551,001	2,747,663	551,001	2,747,663
Due within one year				
Trade debtors	29,519	33,953	8,708	17,238
Amounts owed by group undertakings	-	-	780,099	2,056,114
Amounts owed by joint ventures and associated undertakings	1,526,259	1,110,187	594,291	150,292
Other debtors	8,689,888	16,502,551	8,689,888	14,657,398
Prepayments and accrued income	-	470,117	-	333,100
Tax recoverable	717,685	-	716,542	-
	11,514,352	20,864,471	11,340,529	19,961,805

20. Cash and cash equivalents

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	21,228,771	23,991,061	21,138,629	22,135,689

21. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade creditors	491,836	350,721	489,549	176,958
Corporation tax	-	2,862,520	-	2,661,943
Other taxation and social security	964,531	1,118,113	964,531	1,118,113
Other creditors	222,322	734,951	222,322	684,381
Accruals and deferred income	4,833,517	6,286,881	4,833,517	5,208,693
	6,512,206	11,353,186	6,509,919	9,850,088

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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22. Financial instruments

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Financial assets				
Financial assets measured at fair value through profit or loss	21,228,771	23,991,061	21,138,629	22,135,689
Financial assets that are debt instruments measured at amortised cost	10,796,667	20,394,354	10,623,987	19,628,705
	32,025,438	44,385,415	31,762,616	41,764,394
Financial liabilities				
Financial liabilities measured at amortised cost	5,547,675	(7,372,553)	5,545,388	6,070,382

Financial assets measured at fair value through profit or loss comprise cash.

Financial assets measured at amortised cost comprise trade debtors, amounts owed by subsidiary 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 subsidiary undertakings, amounts owing to associated undertakings and joint ventures, other creditors and accruals.

23. Deferred taxation

Group

	2019 £	2018 £
At beginning of year	(111,513)	(189,039)
Profit and loss account movement	-	77,526
Disposal of subsidiary	111,513	-
At end of year	-	(111,513)

The deferred taxation balance is made up as follows:

	Group 2019 £	Group 2018 £
Fixed asset timing differences	-	(111,513)
	-	(111,513)

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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24. Provisions for liabilities

Group

	Share of liabilities £	Share of assets £	Total £
At 1 January 2019	934,672	(3,085)	931,587
Charged to profit or loss	22,557	(11,442)	11,115
At 31 December 2019	957,229	(14,527)	942,702

In 2019 and 2018, the share of net liabilities arose on the holding in Mowax Labels Limited.

25. Share capital

	2019 £	2018 £
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.

26. Reserves

Profit and loss account

This reserve is the accumulated retained profit.

27. 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 £86,047 (2018 - £77,629). There were no contributions payable at the year end (2018 - £NIL).

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

28. Transactions with directors

Richard Russell was paid a dividend during the year of £5,000,000 (2018 - £NIL).

29. Related party transactions

Group

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 £2,184,107 (2018 - £2,061,034).

During the year, the company paid amounts in respect of general overhead charges to Beggars UK Limited of £593,751 (2018 - £552,665). 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:

	2019 Turnover £	2019 Costs £	2018 Turnover £	2018 Costs £
XL Recordings Limited:				
Beggars UK Limited	3,945,329	2,639,694	4,120,118	3,150,578
Beggars Group Digital Limited	16,995,006	125,762	21,149,382	343,555
Beggars Group Media Limited	5,269,351	279,507	6,867,711	311,874

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

29. Related party transactions (continued)

During the year, net distribution income was paid by Beggars Group (USA), Inc. in respect of US sales less actual cost of sales and overheads to the company of £4,757,239 (2018 - £5,339,700).

During the year, commission was paid to Remote Control Records Pty Limited totalling £57,578 (2018 - £156,696) 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 £6,769,132 (2018 - £12,281,907) by Beggars Group Limited in respect of working capital loans.

During the year, XL Recordings (USA) Inc. received rental income of £56,408 (2018 - £54,184) from Beggars Group (USA) Inc, a wholly owned subsidiary of Beggars Group Limited.

During the year, the company had net trade transactions of £754,593 (2018 - £860,542) in the normal course of business with Young Turks Recordings Limited. At the balance sheet date, the company was owed £494,917 (2018 - £1,249,510) by Young Turks Recordings Limited in respect of working capital loans. Young Turks Recordings Limited is a joint venture of XL Recordings Limited.

At the balance sheet date, the company was owed £1,861,051 (2018 - £1,863,735) by Mowax Labels Limited in respect of working capital loans. A provision of £1,863,387 (2018 - £1,863,735) was made against these loans. Mowax Labels Limited is a joint venture of XL Recordings Limited.

At the balance sheet date, Rough Trade Retail (UK) Limited owed the company £55,973 (2018 - £103,000) in respect of loans. Interest of 4% per annum was charged on the loan. Rough Trade Retail Group Limited is an associated company.

At the balance sheet date, the company was owed £596,739 (2018 - £626,959) 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.

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.

30. 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.