

Company Registration No. 03373216

Loaded Records Limited

Reports and Financial Statements

31 December 2022

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Loaded Records Limited

Reports and Financial Statements 2022

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Loaded Records Limited

Reports and financial statements 2022

Officers and professional advisers

Directors

Thomas Coesfeld
David D'Urbano
Alistair Norbury

Registered Office

8th Floor
5 Merchant Square
London
United Kingdom
W2 1AS

Independent Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

Loaded Records Limited

Strategic report

The directors present their Strategic report for the year ended 31 December 2022 for Loaded Records Limited (the "Company").

Business review

The Company is a wholly-owned United Kingdom subsidiary of BMG Rights Management (UK) Limited. The Company owns and administers rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use.

Strategy

The Company is part of an international group of companies focused on the management of music rights. The Company will continue to exploit its rights in conjunction with other members of the BMG group.

Key performance indicators

The directors monitor the Company's performance in a number of ways including key performance indicators such as reported revenue, gross profit and operating profit, Earnings Before Interest and Taxes; ("EBIT") and EBITDA (as adjusted for depreciation and amortisation). EBITDA is calculated by adjusting profit before tax for the following items: amortisation, depreciation, finance costs, and finance income. The Company is financed through intercompany funding, such as cash pooling, from its group parent companies and through equity. The Company continues to perform in line with expectations.

Business performance

As shown in the Company's Statement of comprehensive income on page 11, for the year ended 31 December 2022 the Company reported revenues of £2,995,000 (2021: £2,670,000), gross profit of £1,221,000 (2021: £903,000) and profit from operations of £764,000 (2021: £417,000).

EBIT and EBITDA reconciliation:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Profit before taxation	807	416
Adjustment for:		
Finance income	(44)	(1)
Finance cost	1	2
EBIT	764	417
Amortisation of intangible assets	11	17
EBITDA	775	434

The net assets as at 31 December 2022 were £1,376,000 (2021: £721,000).

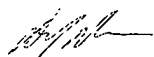
Loaded Records Limited

Strategic report (continued)

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of BMG Rights Management (UK) Limited and its subsidiaries and are not managed separately. Accordingly, the principal risks and uncertainties of BMG Rights Management (UK) Limited, which include those of the Company, are discussed in those financial statements and does not form part of this report. BMG Rights Management (UK) Limited's financial statements are publicly available and can be accessed at Companies House.

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



David D'Urbano
Director
29 February 2024

Registered Office

8th Floor
5 Merchant Square
London
United Kingdom
W2 1AS

Loaded Records Limited

Directors' report

The directors present their Directors' report and audited financial statements for the year ended 31 December 2022 for Loaded Records Limited (the "Company").

Principal activities

The principal activities of the Company during the year ended 31 December 2022 was the production and sale of all forms of recorded music. The Company owns and administers rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use.

Outlook

The directors do not anticipate any significant change in the activities of the Company.

Financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Company's business. The Company's exposure to financial instruments are discussed in the notes to the financial statements under the heading "Financial instruments".

Going concern

The directors have considered the financial resources available along with the future plans for the Company and the support provided by the ultimate parent company, Bertelsmann SE & Co. KGaA, when considering the going concern status of the Company.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in Note 1 to the financial statements.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Jonathan Baker (resigned on 30 June 2023)
Thomas Coesfield
David D'Urbano
Benjamin Katovsky (resigned on 1 March 2022)
Hartwig Masuch (resigned on 30 June 2023)
Alistair Norbury

Dividends

The directors do not recommend a dividend for the year ended 31 December 2022 (2021: £nil).

Political and charitable contributions

The Company made no political or charitable contributions or incurred any political expenditure during the current or prior year.

Loaded Records Limited

Directors' report (continued)

Independent Auditor

Following completion of current year audit, KPMG LLP will step down as the Company's auditor. The directors intend to subsequently appoint Grant Thornton UK LLP as the Company's successor auditor.

Directors' confirmations

In the case of each director in office at the date the Director's report is approved, they confirm that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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



David D'Urbano
Director

29 February 2024

Registered Office

8th Floor
5 Merchant Square
London
United Kingdom
W2 1AS

Loaded Records Limited

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Loaded Records Limited

Independent auditor's report to the members of Loaded Records Limited

Opinion

We have audited the financial statements of Loaded Records Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity and Statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Loaded Records Limited

Independent auditor's report to the members of Loaded Records Limited (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of directors and inspection of policy documentation as to the company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud; and
- reading Board minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the limited rationalisations and opportunities to fraudulently recognise revenue.

We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by specific users, those posted including specific words in their descriptions and those made to unrelated accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Loaded Records Limited

Independent auditor's report to the members of Loaded Records Limited (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Loaded Records Limited

Independent auditor's report to the members of Loaded Records Limited (continued)

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



David Arnold (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

29 February 2024

Loaded Records Limited

Statement of comprehensive income for the year ended 31 December 2022

		Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Continuing operations	Note		
Revenue	2	2,995	2,670
Cost of sales		(1,774)	(1,767)
Gross profit		1,221	903
Administrative expenses		(544)	(486)
Other income		87	-
Profit from operations	3	764	417
Finance income	5	44	1
Finance cost	5	(1)	(2)
Profit before taxation		807	416
Taxation	6	(152)	(80)
Profit and total comprehensive income for the year		655	336

The accompanying notes on pages 15 to 27 are an integral part of this Statement of comprehensive income.
All results relate to continuing operations.

Loaded Records Limited

Statement of financial position as at 31 December 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Intangible assets	7	21	26
Total non-current assets		21	26
Current assets			
Trade and other receivables	8	5,151	3,799
Total current assets		5,151	3,799
Total assets		5,172	3,825
Current liabilities			
Trade and other payables	9	3,796	3,104
Total liabilities		3,796	3,104
Net assets		1,376	721
Equity			
Share capital	10	-	-
Retained earnings		1,376	721
Total equity		1,376	721

The accompanying notes on pages 15 to 27 are an integral part of this Statement of financial position.

The financial statements, on pages 11 to 27, of Loaded Records Limited, registered number 03373216, were approved by the Board of Directors on 29 February 2024.

Signed on behalf of the Board of Directors



David D'Urbano

Director

Loaded Records Limited

Statement of changes in equity for the year ended 31 December 2022

	Share capital £'000	Retained earnings £'000	Total equity £'000
As at 1 January 2021	-	385	385
Profit and total comprehensive income for the year	-	336	336
As at 31 December 2021	-	721	721
Profit and total comprehensive income for the year	-	655	655
As at 31 December 2022	-	1,376	1,376

The accompanying notes on pages 15 to 27 are an integral part of this Statement of changes in equity.

Loaded Records Limited

Statement of cash flows For the year ended 31 December 2022

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Cash flows from operating activities		
Profit before taxation	807	416
Adjustment for:		
Provisions	113	55
Amortisation of intangible assets	11	17
Finance income	(44)	(1)
Finance cost	1	2
Operating profit before movements in working capital	888	489
Increase in receivables	(1,477)	(557)
Increase in payables	642	229
Tax paid	(90)	(150)
Cash used in operations	(925)	(478)
Net cash (used in)/generated from operating activities	(37)	11
Cash flows from investing activities		
Acquisition of intangible assets	(6)	(10)
Net cash used in investing activities	(6)	(10)
Finance income	44	1
Finance cost	(1)	(2)
Cash generated from/(used in) financing activities	43	(1)
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-

The accompanying notes on pages 15 to 27 are an integral part of this Statement of cash flows.

Loaded Records Limited

Notes to the financial statements Year ended 31 December 2022

1. Accounting policies

Loaded Records Limited (the "Company") is a private company limited by shares and incorporated in England and Wales. The address of its registered office is 8th Floor, 5 Merchant Square, London, United Kingdom, W2 1AS.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Basis of preparation

The financial statements are presented in pounds sterling, rounded to the nearest thousand. They are prepared on the historical cost basis except for financial instruments which are recognised as per the measurement convention below.

The financial statements have been prepared in accordance with UK – adopted international accounting standards.

The preparation of financial statements in conformity with IFRS which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Measurement convention

The financial statements are prepared on the historical cost basis except financial instruments classified as fair value through the profit or loss. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

Going concern

The company meets its day to day working capital requirements from a cash pooling arrangement, together with operational cash flows, and trading intercompany balances within the group headed by Bertelsmann SE & Co. KGaA, the ultimate parent company.

The directors have prepared cash flow forecasts considering the operating nature of the entity, current global economic uncertainty and expectations for the future trading based upon normalising historic trends and applying any business knowledge around future projects, along with the outstanding intercompany payables and intercompany receivables for a period of 12 months from the date of approval of these financial statements. This assessment indicates that the Company will have sufficient funds through funding from its ultimate parent Bertelsmann SE & Co. KGaA and repayment of outstanding balances from fellow subsidiaries to meet its liabilities as they fall due for that period. Those forecasts are dependent on Bertelsmann SE & Co. KGaA not seeking repayment of the amounts currently due to the group and providing additional financial support during that period.

Bertelsmann SE & Co. KGaA has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Given the dependency on the ultimate parent company, the directors have also considered the work carried out by Group management in relation to the Group's going concern assessment focussing on cash flow, liquidity position and the ability of the Group to meet known and potential liabilities and concluded that, the Group has sufficient headroom and will be able to provide support to the company.

Loaded Records Limited

Notes to the financial statements (continued) Year ended 31 December 2022

1. Accounting policies (continued)

Going concern (continued)

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to "Administrative expenses" in the Statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. For some intangible assets, the amortisation method used reflects the expected exploitation pattern of the rights held but will not exceed 15-25 years. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each Statement of financial position date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Music catalogues	15 years
Development expenditure	1.5 – 2 years

Development expenditure is expenditure incurred in creating new product lines for sale.

Intangible assets that have been developed but are sold before the Company has exploited them are expensed in "Cost of sales" at cost.

Impairment excluding inventories and deferred tax assets

The carrying amounts of the Company's assets are reviewed at each Statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of comprehensive income.

Calculation of recoverable amount

The recoverable amount of the Company's receivables earned at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Loaded Records Limited

Notes to the financial statements (continued) Year ended 31 December 2022

1. Accounting policies (continued)

Reversal of impairment

An impairment loss in respect of receivables earned at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the Statement of cash flows.

Trade and other receivables

Trade and other receivables to group companies include the group cash pooling financing facility with the parent company in Germany. The facility earns interest at a margin of 0.175% less the GBP SONIA rate (2021: 0.175% less the ICE LIBOR rate). Trade and other receivables at the Statement of financial position date are stated at amortised cost which approximates to cost less impairment losses.

Investments and other financial assets

The Company measures its financial assets at amortised cost. The Company's financial assets consist of trade receivables.

Financial assets are recognised on the trade date (the date the Company commits to purchase or sell the asset) and derecognised when the rights to receive cash flows from the financial assets have expired or the risks and rewards of ownership of those rights have been transferred to another party.

The Company measures a financial asset at the amount recognised at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between the initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognised in profit and loss. Changes in fair value are recognised in profit and loss when the asset is derecognised or reclassified.

Impairment

The Company assesses the expected credit losses associated with its financial assets carried at amortised cost.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade and other payables

Trade and other payables to group companies include the group cash pooling financing facility with the parent company in Germany. The facility bears interest at a margin of 2.75% above the GBP SONIA rate (2021: 2.75% above the ICE LIBOR rate). Trade and other payables at the Statement of financial position date are stated at amortised costs which approximates to cost less impairment.

Loaded Records Limited

Notes to the financial statements (continued) Year ended 31 December 2022

1. Accounting policies (continued)

Revenue

Revenue is measured at the fair value of the consideration receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and value added tax.

Revenue primarily comprises amounts from royalty licencing. Revenue from royalty licencing can be split into two broad licence types. Licences that provide a "Right to access" and licences that provide a "Right to use".

For "Right to access" licence deals, the performance obligations and the transfer of control to customers is satisfied over the licence period and therefore revenue for these deals is recognised over a period of time.

For "Right to use" licence deals, the performance obligations and the transfer of control to customers is satisfied when the licence is granted and therefore revenue is recognised at that point in time.

Revenue from royalty licensing is recognised in accordance with IFRS 15. According to IFRS 15, revenue from royalties shall be recognised when it is probable that the economic benefits associated with the transaction will flow to the Company, the amount of the revenue can be measured reliably, and it is highly probable the revenue will not be reversed. The revenue is recognised only when performance obligations are satisfied.

Master record royalties

Record royalties derived from the exploitation of the Company's master record rights are included on a receivable and/or due basis calculated on sales of records arising during each accounting period as reported by licensees. Based on the matching principle, royalties payable are accrued at the time the revenue is recognised.

Where the Company receives advances which are recoupable from future sales or profits, or are otherwise conditional on continued performance of duties by the Company, these are recorded as liabilities. Revenue is recognised as it is earned.

Advance payments to artists are carried forward within other receivables where they relate to proven artists and where it is estimated that sufficient future income will be recouped against those advance payments. Advance payments should be written off if these are not covered by future income. In case of unproven contract the advance payments should be immediately written off.

Net financing costs

Net financing costs comprise interest payable and interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Loaded Records Limited

Notes to the financial statements (continued) Year ended 31 December 2022

1. Accounting policies (continued)

Taxation

Tax for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the Statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, underlying assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances.

Advances

Recorded artist advances provisions were made during the year based on a recoupment profile calculation used by the Company and across other affiliated companies. The recoupment profile calculation is a mechanical calculation that has been applied across all our artist advances. The calculation has been derived through a number of variables such as age of advances, historical activity, future sale projections and extrapolated average recoupment rates over deal term. The carrying amount of artist advances is included within other receivables.

New standards, amendments and interpretations

No other new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2022, have had a material impact on the Company.

Loaded Records Limited

Notes to the financial statements (continued) Year ended 31 December 2022

2. Revenue

An analysis of the Company's revenue is as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Geographical market		
United Kingdom	1,406	1,684
Europe	502	393
North America	766	475
Other	321	118
	<u>2,995</u>	<u>2,670</u>

The operations of the Company take place wholly in the United Kingdom. Revenue was derived from the principal activity conducted within the United Kingdom. All assets used by the Company are held in the United Kingdom.

An analysis of the timing of revenue recognition is as follows:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Revenue recognised over time	1,626	1,500
Revenue recognised at a point in time	1,369	1,170
	<u>2,995</u>	<u>2,670</u>

The following table provides information about contract assets and contract liabilities from contracts with customers

	2022 £'000	2021 £'000
Contract assets	163	128
Contract liabilities	-	-

The contract assets primarily relate to the Company's right to consideration for the provision of music licences.

The contract liabilities primarily relate to the advance consideration received from customers for music licences.

The amount of £nil included in contract liabilities as at 31 December 2021 has been recognised as revenue in 2022 (2021: £nil).

Loaded Records Limited

Notes to the financial statements (continued) Year ended 31 December 2022

3. Profit from operations

Profit from operations is stated after charging/(crediting):

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Amortisation of intangible assets	11	17
Provisions	113	55
Management fees	423	370
Net foreign exchange (gain)/loss	(5)	6

The audit fee of £6,000 (2021: £6,000) was borne by BMG Rights Management Services (UK) Limited.

4. Employee costs and directors' emoluments

The number of staff employed by the Company is nil (2021: nil), therefore no costs were incurred in the year (2021: £nil). Employee costs and directors emoluments were borne by affiliate company BMG Rights Management Services (UK) Limited and costs were recharged to the Company as part of management fees. Refer to Note 12 for the directors emoluments borne by BMG Rights Management Services (UK) Limited for the current and prior year.

5. Finance income/(cost)

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Finance income	44	1
Finance cost	(1)	(2)

Finance income and finance cost represents interest received and charged from the parent company and other related parties in respect of cash pooling and loan facilities provided.

6. Taxation

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Current taxation		
UK corporation tax – current year	153	79
UK corporation tax – prior year	(1)	1
Foreign tax	25	13
Double tax relief	(25)	(13)
Total current tax charge	152	80
Total tax charge	152	80

The tax assessed for both years differs from the standard effective rate of corporation tax in the UK for the year ended 31 December 2022 of 19% (2021: 19%). The differences are explained below:

Loaded Records Limited

Notes to the financial statements (continued) Year ended 31 December 2022

6. Taxation (continued)

Tax reconciliation

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Profit before taxation	807	416
Tax at 19% (2022: 19%)	153	79
Effects of: UK corporation tax – prior year	(1)	1
Total tax charge	152	80

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. Therefore this is the rate that has been put into effect in the current year.

7. Intangible assets

	Music Catalogues £'000	Development expenditure £'000	Total 7£'000
Cost			
At 1 January 2021	367	24	391
Additions	-	10	10
At 31 December 2021	367	34	401
Additions	-	6	6
At 31 December 2022	367	40	407
Accumulated amortisation			
At 1 January 2021	349	9	358
Charge for the year	2	15	17
At 31 December 2020	351	24	375
Charge for the year	2	9	11
At 31 December 2022	353	33	386
Net book amount			
At 31 December 2022	14	7	21
At 31 December 2021	16	10	26
At 31 December 2020	18	15	33

The amortisation charge is recognised in the Statement of comprehensive income under the line "Administrative expenses".

Loaded Records Limited

Notes to the financial statements (continued) Year ended 31 December 2022

8. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	38	68
Other receivables	505	667
Trade and other receivables from group companies	4,411	3,019
Prepayments and accrued income	197	45
	<u>5,151</u>	<u>3,799</u>

Amounts due from group undertakings were receivable on demand, unsecured and due interest at the GBP SONIA rate less a margin of 0.175% (2021: ICE LIBOR rate less a margin of 0.175%).

As at 31 December 2022, artist and writer advances are recorded at net carrying value in other receivables post adjusting the provisions of £2,830,000 (2021: £2,716,000).

9. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	3,495	2,915
Trade and other payables to group companies	274	189
Other	27	-
	<u>3,796</u>	<u>3,104</u>

Amounts due to group undertakings were repayable on demand, unsecured and due interest at the GBP SONIA rate plus a margin of 2.75% (2021: ICE LIBOR rate plus a margin of 2.75%).

10. Share capital

	2022 £'000	2021 £'000
Authorised:		
100 (2021: 100) ordinary shares of £1 each	-	-
Issued and fully paid:		
100 (2021: 100) ordinary shares of £1 each	-	-

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Loaded Records Limited

Notes to the financial statements (continued) Year ended 31 December 2022

11. Financial instruments

Exposure to credit, liquidity interest rate and currency risks arises in the normal course of the Company's business.

(a) Fair values of financial instruments

Trade receivables

The fair value of trade receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the Statement of financial position date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the Statement of financial position date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the Statement of financial position date.

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the Statement of financial position date.

Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the Statement of financial position are as follows:

	2022		2021	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Trade receivables	38	38	68	68
Trade and other receivables from group companies	4,411	4,411	3,019	3,019
Trade payables	(3,495)	(3,495)	(2,915)	(2,915)
Trade and other payables to group companies	(274)	(274)	(189)	(189)
	<u>680</u>	<u>680</u>	<u>(17)</u>	<u>(17)</u>
Unrecognised losses		<u>-</u>		<u>-</u>

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. This risk is mitigated as balances are spread across multiple parties.

The Company's principal financial assets are bank balances and trade receivables which represent the Company's maximum exposure to credit risk in relation to financial assets. The Company bears the bad debt risk on all debtors. The Company's management make assessments on new customers before work is earned out, based on their knowledge of the industry and the customer's acceptance of imposed credit terms.

Loaded Records Limited

Notes to the financial statements (continued) Year ended 31 December 2022

11. Financial instruments (continued)

(b) Credit risk (continued)

The amounts presented in the Statement of financial position are net of allowances for doubtful receivables after taking into consideration the amount of balances covered by the Company's credit insurance policy. These have been estimated by the Company's management based on prior experience and their assessment of the current economic environment.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the Statement of financial position date was £38,000 (2021: £68,000), being the total of the carrying amount of trade receivables, shown in the fair values of financial instruments table above.

Financial assets and impairment losses

The ageing of trade receivables at the Statement of financial position date was:

	Gross trade receivables £'000	2022 Doubtful debt provision £'000	Net trade receivables £'000	Gross trade receivables £'000	2021 Doubtful debt provision £'000	Net trade receivables £'000
Not past due	39	(1)	38	70	(2)	68

Impairment of financial assets

The Company has trade receivables for royalty licensing that is subject to the expected credit loss model.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables and contract assets

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Liquidity is managed by the group via the cash pooling facility.

The Company's financial liabilities are shown in Note 9. All amounts are repayable within contracted terms.

(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

Market risk - Foreign currency risk

A proportion of sales and purchases are invoiced in foreign currency and the Company bears the foreign currency risk on these debtors and creditors. The Company does not take out forward contracts on currency.

Loaded Records Limited

Notes to the financial statements (continued) Year ended 31 December 2022

11. Financial instruments (continued)

(d) Market risk (continued)

Sensitivity analysis — Foreign currency risk

A sensitivity analysis was not performed because the Company converts foreign currency bank balances into pounds sterling regularly and therefore exposure to foreign currency risk is minimal.

Market risk – interest rate risk

The Company utilises a group cash pooling facility, on which interest is charged at variable rates, based on the GBP SONIA rate plus a margin of 2.75% (2021: ICE LIBOR rate plus a margin of 2.75%). The Company's exposure to interest rate risk arises from the fluctuations in the rate of interest charged on cash and cash equivalent balances payable as impacted on by the changes in the GBP SONIA rate (2021: ICE LIBOR rate).

Sensitivity analysis – interest rate risk

A change of one percent in interest rates at the Statement of financial position date would have increased the Company's profit by the amounts shown below. This calculation assumes that the change occurred at the Statement of financial position date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remains constant and considers the effect of financial instruments with variable interest rates.

At the year end it is estimated that an increase of one percent in the 3 month GBP SONIA market rate would increase the Company's profit before taxation by approximately £40,000 (2021: £25,000 using the 3 month ICE LIBOR rate).

(e) Capital risk management

The Company manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

12. Related parties

Identity of related parties

The Company's ultimate parent company and group is the international media company Bertelsmann SE & Co. KGaA. The Company had a related party relationship in the year with subsidiaries of Bertelsmann SE & Co. KGaA, and with its directors and executive officers.

Related party transactions

During the year the Company entered into the following transactions with related parties. The transactions were priced on an arm's length basis.

Loaded Records Limited

Notes to the financial statements (continued) Year ended 31 December 2022

12. Related parties (continued)

	Sales/(purchases) of goods		Trade balance receivable/(payable)	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
BMG Rights Management (UK) Limited	1,059	1,244	4,229	2,631
BMG Rights Management (France) SARL	43	189	2	189
BMG Rights Management GmbH	28	84	22	75
BMG Rights Management (US) LLC	191	121	22	5
BMG Rights Management (Benelux) B.V	6	3	1	-
BMG Rights Management (Scandinavia) AB	471	4	1	1
BMG Rights Management and Administration (Spain), S.L.U.	51	6	50	-
BMG Rights Management (Australia) Pty	23	30	9	23
BMG Rights Management Services (UK) Limited	(423)	(370)	(250)	(186)
BMG Rights Management (Italy) S.R.L	50	81	40	-
BMG Rights Management Brasil Ltda.	1	88	-	87
BMG Rights Management (Europe) GmbH	111	19	11	5
Bertelsmann SE & Co	-	(1)	-	-
Total	1,611	1,498	4,137	2,830

During the year the Company incurred a total of £32,000 (2021: £25,000) in relation to costs associated with key management personnel who are determined to be the Directors of the Company. These costs are imbedded in the management recharge from BMG Rights Management Services (UK) Limited.

13. Dividends paid

The dividends paid in during the year ended 31 December 2022 and 31 December 2021 were £nil and £nil respectively.

14. Ultimate parent company and controlling party

The immediate parent company is BMG Rights Management (UK) Limited, a company incorporated in the United Kingdom. The ultimate parent company is Bertelsmann SE & Co. KGaA.

The results of the Company are included in the consolidated financial statements of Bertelsmann SE & Co. KGaA which is registered at Carl-Bertelsmann-Strasse 270, 33311 Gütersloh, Germany. These consolidated financial statements are publicly available.

No other group financial statements include the results of the Company.