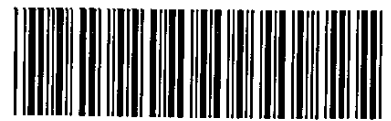


Company No: 3126277

XL RECORDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

FRIDAY



L11FEA97

L35

28/09/2012

#118

COMPANIES HOUSE

XL RECORDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Contents	Page
Directors' report	1
Independent auditor's report	4
Group profit and loss account	5
Group balance sheet	6
Company balance sheet	7
Group cash flow statement	8
Notes forming part of the financial statements	9

XL RECORDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Directors

Martin Mills
Richard Russell

Company number

3126277

Registered Office

17-19 Alma Road
London
SW18 1AA

Auditors

SRLV
89 New Bond Street
London
W1S 1DA

XL RECORDINGS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

Principal activities and business review

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

Business review

Releases during the year included the album "21" by Adele, which achieved phenomenal success worldwide. The next Adele album may not come for some years, and it's impossible to predict its likely sales. We therefore regard this year's figures as exceptional.

Principal risks and uncertainties

The value of the worldwide market for physical sales of recorded music continues to decline whilst digital sales are increasing. It is unclear whether the decline in physical sales will be offset by the increase in digital sales so there is a possibility of a future reduction in turnover, and consequent reduction in profitability.

The group relies on the success of a number of key artists and as such continues to identify and sign new artists. The group's future is dependent on its ability to achieve success with these new artists as well as its ability to continue to exploit its existing growing catalogue successfully.

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

Due to the nature of the financial instruments used by the group, there is no exposure to price risk. The group's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances, the liquidity risk is managed by maintaining sufficient cash balances.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

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 2011, with comparatives for the year ended 31 December 2010, are laid out below.

	2011	2010
	£	£
Turnover including share of associates and joint ventures	112,720,509	22,408,572
Total operating profit	41,673,284	4,116,382
Number of releases	<u>9</u>	<u>12</u>

Future developments

The success of the Adele album "21" will not be repeated in 2012 and consequently there will be falls in both Turnover and Profits. The directors will pursue their management policies and it is anticipated that the group will continue to trade satisfactorily in the ensuing year.

Events after the balance sheet date

No post balance sheet events took place.

Results and dividends

The results for the year are set out on page 5.

An interim ordinary dividend was paid amounting to £17,000,000. The directors do not recommend payment of a final dividend.

XL RECORDINGS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

Directors

The following directors have held office since 1 January 2011

Martin Mills
Richard Russell

Directors' insurance

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

Fixed assets

Changes in fixed assets are shown in the notes to the financial statements. In the opinion of the directors, the market value of interests in land and buildings held as fixed assets at the balance sheet date were in excess of their book value

Charitable donations

During the year the group made the following payments

	2011 £	2010 £
Charitable donations	<u>36,893</u>	<u>1,866</u>

A donation of £25,200 was made to Drop4drop, a non-governmental organisation, whose mission is to alleviate the global water crisis, by giving individuals and businesses the opportunity to offset their water consumption, delivering efficient and accountable clean water projects across the developing world. Another donation of £9,603 was made to Amnesty International, that conducts research and generate action to prevent and end grave abuses of human rights, and to demand justice for those whose rights have been violated around the world. Small donations totalling £2,090 (2010: £1,866) to various other charities were also made.

Auditors

SRLV have expressed their willingness to continue in office as auditors. They are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of the directors' responsibilities

The directors are responsible for preparing the Director's Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom 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 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 company will continue in business.

**XL RECORDINGS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011**

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

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

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, they have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant information and to establish that the company's auditors are aware of that information.

Approved by the board of directors on 27 September 2011 and signed on behalf of the board



Martin Mills
Director

XL RECORDINGS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XL RECORDINGS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2011

We have audited the financial statements of XL Recordings Limited for the year ended 31 December 2011 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 member 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 member as a body, for our audit work, for this report, or the opinion we have formed.

Respective responsibilities of the directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2011 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.

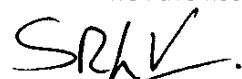
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Marc Vouffers (Senior Statutory Auditor)
For and on behalf of SRLV

Chartered Accountants
Statutory Auditor

28 September 2012

89 New Bond Street
London
W1S 1DA

XL RECORDINGS LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
Turnover including share of associates and joint ventures		112,720,509	22,408,572
<i>Less share of turnover of</i>			
Joint ventures		(6,145)	(8,483)
Associates		<u>(1,017,291)</u>	<u>(1,024,344)</u>
Group turnover	1,2	111,697,073	21,375,745
Cost of sales		<u>(43,960,964)</u>	<u>(8,007,584)</u>
Gross profit		67,736,109	13,368,161
Distribution expenses		(16,514,727)	(3,837,873)
Administrative expenses		(9,948,020)	(5,429,323)
Other operating income		<u>389,496</u>	<u>-</u>
Group operating profit	3	41,662,858	4,100,965
Share of operating profit from joint ventures	6	2,809	3,348
Share of operating loss from associates	6	<u>7,617</u>	<u>12,069</u>
Total operating profit		41,673,284	4,116,382
Net finance income	7	<u>24,887</u>	<u>3,901</u>
Profit on ordinary activities before taxation		41,698,171	4,120,283
Tax charge on profit on ordinary activities	8	<u>(11,065,166)</u>	<u>(1,195,655)</u>
Profit on ordinary activities after taxation		30,633,005	2,924,628
Equity minority interests	20	-	-
Profit for the financial year	21	<u>30,633,005</u>	<u>2,924,628</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

XL RECORDINGS LIMITED
GROUP BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	£	2011 £	£	2010 £
Fixed assets					
Tangible assets	10		1,723,025		1,032,260
Investments					
Associated undertakings	11	189,216	189,216	181,598	181,598
			1,912,241		1,213,858
Current assets					
Stocks	12	524,540		178,920	
Debtors	13	17,584,235		4,929,793	
Cash at bank and in hand		37,082,156		2,543,277	
		55,190,931		7,651,990	
Creditors' amounts falling due within one year	14	(39,569,625)		(4,961,994)	
Net current assets			15,621,306	*	2,689,996
Total assets less current liabilities			17,533,547		3,903,854
Provisions for liabilities and charges			-		(555)
<i>Investment in joint ventures</i>					
Share of gross assets		5,117		7,532	
Share of gross liabilities		(915,470)		(920,642)	
	15		(910,353)		(913,110)
Net assets			16,623,194		2,990,189
Capital and reserves					
Called up share capital	17		1,000		1,000
Profit and loss account	18		16,622,194		2,989,189
Total shareholders' funds			16,623,194		2,990,189

Approved by the board of directors and authorised for issue on 27 September 2012


Martin Mills
Director

Company Registration Number 3126277

XL RECORDINGS LIMITED
COMPANY BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	£	2011 £	£	2010 £
Fixed assets					
Tangible assets	10		1,031,451		1,032,260
Investments	11		<u>201,141</u>		<u>201,141</u>
			1,232,592		1,233,401
Current assets					
Stocks	12	524,540		178,920	
Debtors	13	17,317,686		3,969,160	
Cash at bank		<u>37,081,384</u>		<u>2,542,529</u>	
		54,923,610		6,690,609	
Creditors amounts falling due within one year	14	(39,542,238)		(4,918,255)	
Net current assets			15,381,372		1,772,354
Total assets less current assets			<u>16,613,964</u>		<u>3,005,755</u>
Provision for liabilities			-		(555)
Net assets			<u>16,613,964</u>		<u>3,005,200</u>
Capital and reserves					
Called up share capital	17		1,000		1,000
Profit and loss account	18		16,612,964		3,004,200
Shareholders' funds	19		<u>16,613,964</u>		<u>3,005,200</u>

Approved by the board of directors and authorised for issue on 27 September 2012



Martin Mills
Director

Company Registration Number: 3126277

XL RECORDINGS LIMITED
GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	£	2011 £	£	2010 £
Net cash inflow from operating activities	A		56,548,393		4,479,592
Returns on investments and servicing of finance					
Interest received		39,918		4,094	
Interest paid		<u>(15,031)</u>		<u>(193)</u>	
Net cash inflow for returns on investments and servicing of finance			24,887		3,901
Corporation tax paid			(4,260,726)		(545,515)
Capital expenditure and financial investment					
Proceeds from sale of tangible assets		6,000		-	
Payments to acquire tangible assets		<u>(779,675)</u>		<u>(36,661)</u>	
Net outflow for capital expenditure			(773,675)		(36,661)
Equity dividends paid			(17,000,000)		(1,500,000)
Net cash inflow before management of liquid resourcing & financing	C		<u>34,538,879</u>		<u>2,401,317</u>
Increase in cash in the year			<u>34,538,879</u>		<u>2,401,317</u>

XL RECORDINGS LIMITED
NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 £	2010 £	
A Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	41,662,857	4,100,965	
Depreciation of tangible assets	85,267	69,493	
Profit on disposal of tangible assets	(2,357)	-	
Increase in stock	(345,619)	(4,953)	
Increase in debtors	(12,654,443)	(793,783)	
Increase in creditors within one year	27,802,688	1,107,870	
Net cash inflow from operating activities	56,548,393	4,479,592	
B. Analysis of net cash	At 1 Jan 2011	Cash Flow	At 31 Dec 2011
Net cash			
Cash at bank and in hand	2,543,277	34,538,879	37,082,156
Net cash	2,543,277	34,538,879	37,082,156
C Reconciliation of net cash flow to movement in the net cash	2011 £	2010 £	
Increase in cash in the year	34,538,879	2,401,317	
Movement in net cash in the year	34,538,879	2,401,317	
Opening net cash	2,543,277	141,960	
Closing net cash	37,082,156	2,543,277	

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1. Accounting Policies

The financial statements have been prepared under the historical cost convention and in accordance with the applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

Basis of consolidation

The consolidated accounts incorporate the accounts of the company and all group undertakings, together with the group's share of the net assets and results of associated undertakings and joint ventures. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill arising on consolidation is capitalised and written off over ten or twenty years from the year of acquisition.

The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively.

As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group accounts by virtue of Section 408 of the Companies Act 2006. The profit dealt with in the accounts of the parent company was £30,608,764 (2010 profit £2,909,241).

Turnover

Turnover represents the value of goods and services provided to customers during the year and is net of discounts, value added tax and provisions for goods likely to be returned.

Advances to artistes

Advances to artistes, presented within debtors on the balance sheet, represent advances made directly to artistes for recording and other costs incurred on behalf of artistes 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 of future recoupment in respect thereof is unlikely.

Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation and any provision for impairment. Depreciation is calculated as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Land and buildings Freehold	2% on cost per annum
Fixtures, fittings and equipment	20-25% per annum on a reducing balance basis
Motor vehicles	25% per annum on a reducing balance basis

Stock

Stock is valued at the lower cost of net realisable value.

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting Policies (continued)

Taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Company

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Group

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the retranslation of opening net assets are taken directly to reserves. All other translation differences are taken to the profit and loss account.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

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 removed.

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

2. Turnover

The turnover attributable to the principal activities of the group is as follows

	2011 £	2010 £
Rental income	42,790	-
Sales and licensing of sound recordings	108,129,702	18,528,286
Synchronisation and performance income	3,524,581	2,847,459
	<u>111,697,073</u>	<u>21,375,745</u>

Turnover is analysed by geographical markets as follows

UK	30,848,495	6,470,018
Rest of world	80,848,578	14,905,727
	<u>111,697,073</u>	<u>21,375,745</u>

3 Operating Profit

	2011 £	2010 £
Operating profit is stated after charging/(crediting)		
Depreciation	85,267	69,493
Profit on disposal of fixed assets	(2,357)	-
Net loss/(gain) on foreign currency translation	<u>253,914</u>	<u>(16,238)</u>

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

4. Information regarding employees

	2011 No	2010 No
Average number of persons employed (including directors)		
Management	3	3
Administration	13	13
	<u>16</u>	<u>16</u>

The aggregate payroll costs of the above were:

Staff costs during the year		
Wages and salaries	1,772,383	1,248,559
Social security costs	222,221	147,991
	<u>1,994,604</u>	<u>1,396,550</u>

5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2011 £	2010 £
Emoluments	<u>411,930</u>	<u>660,203</u>
Emoluments of highest paid director:		
Emoluments	<u>411,930</u>	<u>660,203</u>

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 £	2010 £
6. Share of profits from other fixed asset investments		
Net share of operating profit of associates	7,617	12,069
Net share of operating profit of joint ventures	2,809	3,348
	<u>10,426</u>	<u>15,417</u>

The share of the operating profits/(losses) of the associates relates to Rough Trade Retail Group Limited – £7,617 The share of the operating profits/(losses) in joint ventures relates to Mowax Labels Limited – £2,809

	2011 £	2010 £
7. Finance income (net)		
Interest receivable and similar income		
Interest receivable – bank interest	39,918	4,094
Interest payable and similar charges		
Interest payable on bank borrowing	(230)	(193)
Other similar charges payable	(14,801)	-
	<u>24,887</u>	<u>3,901</u>

	2011 £	2010 £
8. Tax charge on profit on ordinary activities		
(a) Analysis of charge in period		
<i>Current taxation</i>		
UK corporation tax for the year	11,067,718	1,195,625
Adjustment in respect of prior years	533	-
Double taxation relief	(149,163)	(32,528)
	<u>10,919,088</u>	<u>1,163,097</u>
Foreign tax for current period	146,581	32,528
Share of joint ventures' tax	52	30
Total current tax charge on profit on ordinary activities	<u>11,065,721</u>	<u>1,195,655</u>
<i>Deferred tax</i>		
Deferred tax charge/credit current year	(555)	-
Total current tax charge on profit on ordinary activities	<u>11,065,166</u>	<u>1,195,655</u>

(b) Factors affecting tax charge for period

The actual tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation

Profit on ordinary activities before tax	<u>41,698,170</u>	<u>4,120,278</u>
Profit on ordinary activities before tax charge multiplied by standard rate of UK corporation tax of 26.50% (2010 - 28%)	<u>11,050,015</u>	<u>1,153,678</u>
<i>Factors affecting charge for the period</i>		
Expenses not deductible for tax purposes	27,640	45,889
Depreciation add back	19,467	19,458
Capital allowances	(20,344)	(18,563)
Tax losses utilised	(641)	(929)
Other tax adjustments	(10,416)	(3,878)
	<u>15,706</u>	<u>41,977</u>
Current tax charge	<u>11,065,721</u>	<u>1,195,655</u>

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

8. Tax charge on profit on ordinary activities (continued)

(c) Factors that may affect future tax charges

A deferred tax asset for the group has not been recognised in respect of a provision against related party balances as well as trading losses carried forward as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £534,722 (2010 £535,508). The asset would be recovered through repayment or write off of the loan and if there are sufficient profits from the same trade in the same company in future years against which the losses can be used.

9. Dividends

The following dividends have been paid in respect of the year

	2011 £	2010 £
Dividends paid on ordinary equity shares of £17,000 (2010 £1,500) per share	17,000,000	1,500,000

10 Fixed Assets

	Freehold and leasehold property £	Fixtures & fittings £	Motor vehicles £	Total £
Group				
Cost or Valuation				
At 1 January 2011	1,167,291	254,640	71,819	1,493,750
Additions	702,672	47,003	30,000	779,675
Disposals	-	(9,628)	(18,654)	(28,282)
At 31 December 2011	1,869,963	292,015	83,165	2,245,143
Depreciation				
At 1 January 2011	281,828	133,589	46,073	461,490
Charge for year	34,444	39,490	11,333	85,267
Disposals	-	(9,628)	(15,011)	(24,639)
At 31 December 2011	316,272	163,451	42,395	522,118
Net book value				
At 31 December 2011	1,553,691	128,564	40,770	1,723,025
At 31 December 2010	885,463	121,051	25,746	1,032,260
Company				
Cost or Valuation				
At 1 January 2011	1,167,291	254,640	71,819	1,493,750
Additions	-	46,295	30,000	76,295
Disposals	-	(9,628)	(18,654)	(28,282)
At 31 December 2011	1,167,291	291,307	83,165	1,541,763
Depreciation				
At 1 January 2011	281,828	133,589	46,073	461,490
Charge for year	23,346	38,782	11,333	73,461
Disposals	-	(9,628)	(15,011)	(24,639)
At 31 December 2011	305,174	162,743	42,395	510,312
Net book value				
At 31 December 2011	862,117	128,564	40,770	1,031,451
At 31 December 2010	885,463	121,051	25,746	1,032,260

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

11. Investments

	Associates	Total
	£	£
Group Cost		
At 1 January 2011	181,598	181,598
Change in value	7,618	7,618
At 31 December 2011	<u>189,216</u>	<u>189,216</u>
Net book value		
At 31 December 2011	<u>189,216</u>	<u>189,216</u>
At 31 December 2010	<u>181,598</u>	<u>181,598</u>

	Associates	Joint ventures	Total
	£	£	£
Group associates and joint ventures			
Share of net assets/(liabilities)/cost			
At 1 January 2011	181,598	(913,110)	(731,512)
Share of retained profit for the year	7,618	2,757	10,375
	<u>189,216</u>	<u>(910,353)</u>	<u>(721,137)</u>
Net book value			
At 31 December 2011	<u>189,216</u>	<u>(910,353)</u>	<u>(721,137)</u>
At 31 December 2010	<u>181,598</u>	<u>(913,110)</u>	<u>(731,512)</u>

The following information is given in respect of the group's share of all joint ventures

	2011	2010
	£	£
Current assets	5,117	7,532
Liabilities due within one year	(915,470)	(920,642)

Subsidiaries

The company owns more than 50% of the issued share capital of the following companies which have been consolidated for the year to 31 December 2011

Name	Nature of business	Country of incorporation	Class of shares held	% of shares held
XL Recordings Inc	Property holding company	United States of America	Ordinary	100%
Associates and joint ventures				
Mowax Labels Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	50%
Rough Trade Retail Group Limited	Retailing of music records and related merchandise	England and Wales	Ordinary	35%
The Album Club Limited	Sales & Distribution of music goods	England and Wales	Ordinary	35%
Rough Trade Limited	Ceased Trading	England and Wales	Ordinary	35% <i>Indirect</i>

The accounting reference date for Rough Trade Retail Group Limited, The Album Club Limited and Rough Trade Limited is 31 March and the latest financial statements are for the year ended 31 March 2012. The consolidated accounts include figures for the period ended 31 December 2011.

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

11. Investments (continued)

	Subsidiary companies	Associated undertakings and joint ventures	Total
Company	£	£	£
Cost			
At 1 January 2011 and 31 December 2011	641	200,500	201,141
Net book value			
At 31 December 2011	641	200,500	201,141
At 31 December 2010	641	200,500	201,141

12. Stocks

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Finished goods for resale	524,540	178,920	524,540	178,920

There is no material difference between the balance sheet value of the stocks and their replacement cost

13. Debtors

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Trade debtors	177,835	412,147	177,835	412,147
Amounts owed by subsidiary undertakings	-	-	658,905	-
Amounts owed by associated undertakings and joint ventures	996,400	980,952	79,400	63,952
Other debtors	15,993,267	2,784,174	15,989,085	2,784,173
Prepayments and accrued income	416,733	752,520	412,461	708,888
	<u>17,584,235</u>	<u>4,929,793</u>	<u>17,317,686</u>	<u>3,969,160</u>

14. Creditors, amounts falling due within one year

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Trade creditors	19,107,359	1,542,848	19,107,359	1,542,848
Amounts owing to subsidiary undertakings	-	-	-	641
Amounts owing to participating interests	4,404	1,780	4,404	1,780
Other taxation and social security	2,901,700	127,748	2,901,700	127,748
Corporation taxation	7,968,040	1,163,097	7,968,040	1,163,097
Directors' current accounts	2,500	2,000	2,500	2,000
Other creditors	8,438,111	696,402	8,410,724	652,022
Accruals and deferred income	1,147,511	1,428,119	1,147,511	1,428,119
	<u>39,569,625</u>	<u>4,961,994</u>	<u>39,542,238</u>	<u>4,918,255</u>

Security

The company's bankers hold a mortgage debenture over the assets of the company

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

15. Provisions for liabilities and charges

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Share of net liabilities of joint ventures	910,353	913,110	-	-
Provision carried forward	<u>910,353</u>	<u>913,110</u>	<u>-</u>	<u>-</u>

See note 11 for movements on the provision for share of liabilities of joint ventures

16. Related party transactions

Dividends to Directors

The following directors were paid dividends during the year as outlined in the table below

	2011	2010
	£	£
Richard Russell	8,500,000	750,000
	<u>8,500,000</u>	<u>750,000</u>

During the year, the company paid amounts in respect of general overhead charges to its shareholder, Beggars Group Limited, of £2,113,500 (2010 £1,799,500)

At the balance sheet date the company was due from Beggars Group Limited £15,985,333 (2010 £2,779,689) in respect of working capital loans

At the balance sheet date the company was owed £1,829,596 (2010 £1,832,220) by Mowax Labels Limited, a joint venture of XL Recordings Limited, in respect of working capital loans against which a provision of £1,829,596 (2010 - £1,832,220) was made

Costs of £nil (2010 £5,280) were incurred in the normal course of business with Rough Trade Retail Group Limited, an associated company, and no trade balances were due to or from the company at the year end. At the balance sheet date Rough Trade Retail Group Limited owed the company £79,400 (2010 £63,900) in respect of working capital loans

17. Share capital

	2011	2011	2010	2010
	No	£	No	£
Company				
Allotted, called up and fully paid:				
Ordinary 'A' shares of £1 00 each	240	240	240	240
Ordinary 'B' shares of £1 00 each	240	240	240	240
Deferred shares of £1 00 each	520	520	520	520
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

The 'A' shares and 'B' shares rank par 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.

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

18 Reserves

	Profit and loss account
	£
Group	
Balance at 1 January 2011	2,989,189
Retained profit for the year	30,633,005
Dividends paid	(17,000,000)
Balance at 31 December 2011	<u>16,622,194</u>
	Profit and loss account
	£
Company	
Balance at 1 January 2011	3,004,200
Profit for the year	30,608,764
Dividends paid	(17,000,000)
Balance at 31 December 2011	<u>16,612,964</u>

19. Reconciliation of movement in shareholders' funds

	2011 £	2010 £
Group		
Equity shareholders' funds		
Profit for the financial year	30,633,005	2,924,628
Dividends	<u>(17,000,000)</u>	<u>(1,500,000)</u>
Net addition to shareholders' funds	13,633,005	1,424,628
Opening shareholders' funds	2,989,189	1,564,561
Total shareholders' funds	<u>16,622,194</u>	<u>2,989,189</u>
	2011 £	2010 £
Company		
Profit for the financial year	30,608,764	2,909,241
Dividends	<u>(17,000,000)</u>	<u>(1,500,000)</u>
Net Addition to shareholders' funds	13,608,764	1,409,241
Opening shareholders' funds	3,005,200	1,595,959
Total shareholders' funds	<u>16,613,964</u>	<u>3,005,200</u>

20. Controlling party

The parent of the smallest and largest group for which group accounts are prepared of which the company is a member is Beggars Group Limited, a company incorporated in Great Britain and registered in England and Wales. The immediate and ultimate parent company is Beggars Group Limited. A copy of the group financial statements may be obtained from the company's registered office.

The group is owned 50% by Beggars Group 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.