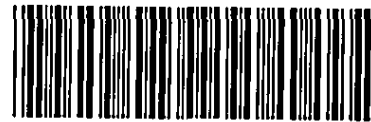


Company Registration No. 3126277 (England and Wales)

XL RECORDINGS LIMITED
ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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XL RECORDINGS LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Auditors' report	3
Abbreviated profit and loss account	4
Abbreviated balance sheet	5
Cash flow statement	6
Notes to the cash flow statement	7
Notes to the abbreviated accounts	8 - 16

XL RECORDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report and financial statements for the year ended 31 December 2008.

Principal activities and review of the business

The principal activity of the company during the year was that of the production and sale of sound recordings and the licensing of such operations.

Financial review

Turnover has increased compared to the prior year and was in line with expectations.

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 profitability.

The company relies on the success of a number of key artists and as such continues to identify and sign new artists. The company'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 company's principal financial instruments comprise bank balances, bank overdrafts, trade creditors and trade debtors.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company'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 a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest.

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.

Results and dividends

The results for the year are set out on page 4.

An interim ordinary dividend was paid amounting to £2,000,000. The directors do not recommend payment of a final dividend.

Market value of land and buildings

In the opinion of the directors the market value of land and buildings exceeds the current net book value.

Future developments

The directors will pursue their management policies and it is anticipated that there will be an effective response to the challenges of the ensuing year.

Directors

The following directors have held office since 1 January 2008:

Richard Russell
Martin Mills

XL RECORDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

Charitable donations	2008 £	2007 £
During the year the company made the following payments:		
Charitable donations	14,000	-

Charitable donations - The recipients, amounts and purpose of the charitable donations are as follows:
Keep A Child Alive UK £14,000, a charity for children who have been orphaned by AIDS.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Sedley Richard Laurence Voulters be reappointed as auditors of the company will be put to the Annual General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing 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 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). The financial statements are required by law to 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. 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 auditors

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

On behalf of the board



Martin Mills

Director

28 October 2009

XL RECORDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO XL RECORDINGS LIMITED UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 4 to 16, together with the financial statements of XL Recordings Limited for the year ended 31 December 2008 prepared under section 226 of the Companies Act 1985.

This report is made solely to the company in accordance with section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an auditors' report on abbreviated accounts 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, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated accounts have been properly prepared in accordance with that provision.



Sedley Richard Laurence Voulters

Chartered Accountants
Registered Auditor

29 October 2009

1 Conduit Street
London
W1S 2XA

XL RECORDINGS LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £	2007 £
Gross profit		10,658,812	8,233,143
Distribution costs		(4,779,157)	(3,626,661)
Administrative expenses		(4,821,979)	(4,367,914)
Operating profit	2	1,057,676	238,568
Other interest receivable and similar income		45,164	9,635
Interest payable and similar charges	4	(26,358)	(48,825)
Profit on ordinary activities before taxation		1,076,482	199,378
Tax on profit on ordinary activities	5	(326,445)	(57,062)
Profit for the year	14	750,037	142,316

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

ABBREVIATED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	2008 £	£	2007 £	£
Fixed assets					
Tangible assets	7	1,078,611		1,038,884	
Investments	8	200,500		500	
		<u>1,279,111</u>		<u>1,039,384</u>	
Current assets					
Stocks	9	186,751		225,439	
Debtors	10	2,387,182		2,855,216	
Cash at bank and in hand		766,713		-	
		<u>3,340,646</u>		<u>3,080,655</u>	
Creditors: amounts falling due within one year	11	<u>(4,626,811)</u>		<u>(2,877,128)</u>	
Net current (liabilities)/assets		<u>(1,286,165)</u>		<u>203,527</u>	
Total assets less current liabilities		<u>(7,054)</u>		<u>1,242,911</u>	
Provisions for liabilities	12	<u>(555)</u>		<u>(555)</u>	
		<u>(7,609)</u>		<u>1,242,356</u>	
Capital and reserves					
Called up share capital	13	1,000		1,000	
Profit and loss account	14	(8,609)		1,241,356	
Shareholders' funds	15	<u>(7,609)</u>		<u>1,242,356</u>	

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

Approved by the Board and authorised for issue on 28 October 2009



Martin Mills
Director

Company Registration No. 3126277

XL RECORDINGS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	£	2008 £	£	2007 £
Net cash inflow/(outflow) from operating activities		4,359,894		(1,804,323)
Returns on investments and servicing of finance				
Interest received	45,164		9,635	
Interest paid	(26,358)		(48,825)	
Net cash inflow/(outflow) for returns on investments and servicing of finance		18,806		(39,190)
Taxation		(155,613)		(12,115)
Capital expenditure and financial investment				
Payments to acquire tangible assets	(121,872)		(11,716)	
Payments to acquire investments	(200,000)		-	
Receipts from sales of tangible assets	11,600		-	
Net cash outflow for capital expenditure		(310,272)		(11,716)
Equity dividends paid		(2,000,000)		-
Net cash inflow/(outflow) before management of liquid resources and financing		1,912,815		(1,867,344)
Increase/(decrease) in cash in the year		1,912,815		(1,867,344)

XL RECORDINGS LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	2008	2007
		£	£
	Operating profit	1,057,676	238,568
	Depreciation of tangible assets	61,324	49,420
	Loss on disposal of tangible assets	9,219	2,481
	Decrease/(increase) in stocks	38,688	(109,455)
	Decrease/(increase) in debtors	468,034	(1,279,634)
	Increase/(decrease) in creditors within one year	2,724,953	(705,703)
	Net cash inflow/(outflow) from operating activities	4,359,894	(1,804,323)

2	Analysis of net funds/(debt)	1 January 2008	Cash flow	Other non-cash changes	31 December 2008
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	-	766,713	-	766,713
	Bank overdrafts	(1,146,102)	1,146,102	-	-
		(1,146,102)	1,912,815	-	766,713
	Bank deposits	-	-	-	-
	Net (debt)/funds	(1,146,102)	1,912,815	-	766,713

3	Reconciliation of net cash flow to movement in net funds/(debt)	2008	2007
		£	£
	Increase/(decrease) in cash in the year	1,912,815	(1,867,344)
	Movement in net funds/(debt) in the year	1,912,815	(1,867,344)
	Opening net (debt)/funds	(1,146,102)	721,242
	Closing net funds/(debt)	766,713	(1,146,102)

XL RECORDINGS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover for sale of physical stock represents the invoiced value of goods and services provided to customers and is net of discounts, value added tax and provisions for goods likely to be returned. Turnover for other income represents amounts reported to the company in statements received during the year.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

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

1.5 Investments

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

1.6 Stock

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

1.7 Deferred taxation

The accounting policy in respect of deferred tax reflects the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes, calculated at the rates at which it is expected that tax will arise. The deferred tax balance has not been discounted.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.9 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a medium-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

XL RECORDINGS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

1 Accounting policies

(continued)

1.10 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.

1.11 Advances to artists

Advances to artists 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 of future recoupment in respect thereof is unlikely.

2 Operating profit

2008

2007

£

£

Operating profit is stated after charging:

Depreciation of tangible assets

61,324

49,420

Loss on disposal of tangible assets

9,219

2,481

and after crediting:

Profit on foreign exchange transactions

(91,131)

(2,859)

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

3 Investment income

2008

2007

£

£

Other interest

45,164

9,635

4 Interest payable

2008

2007

£

£

On bank loans and overdrafts

26,358

47,520

Other interest

-

1,305

26,358

48,825

XL RECORDINGS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

5	Taxation	2008 £	2007 £
	Domestic current year tax		
	U.K. corporation tax	326,445	56,613
	Adjustment for prior years	-	449
	Double tax relief	(2,687)	(12,176)
		<u>323,758</u>	<u>44,886</u>
	Foreign corporation tax		
	Foreign corporation tax	2,687	12,176
		<u>326,445</u>	<u>57,062</u>
	Current tax charge	<u>326,445</u>	<u>57,062</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>1,076,482</u>	<u>199,378</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.50% (2007 - 19.75%)	<u>306,797</u>	<u>39,377</u>
	Effects of:		
	Non deductible expenses	32,169	13,488
	Depreciation add back	17,477	9,761
	Capital allowances in excess of depreciation	(23,571)	(6,013)
	Adjustments to previous periods	-	449
	Small company relief	(6,427)	-
		<u>19,648</u>	<u>17,685</u>
	Current tax charge	<u>326,445</u>	<u>57,062</u>
6	Dividends	2008 £	2007 £
	Ordinary interim paid	<u>2,000,000</u>	<u>-</u>

XL RECORDINGS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

7 Tangible fixed assets

	Land and buildings Freehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost				
At 1 January 2008	1,167,291	279,167	67,139	1,513,597
Additions	-	54,027	44,429	98,456
Disposals	-	(12,748)	(39,750)	(52,498)
At 31 December 2008	1,167,291	320,446	71,818	1,559,555
Depreciation				
At 1 January 2008	211,791	203,663	35,845	451,299
On disposals	-	(9,178)	(22,501)	(31,679)
Charge for the year	23,346	25,274	12,704	61,324
At 31 December 2008	235,137	219,759	26,048	480,944
Net book value				
At 31 December 2008	932,154	100,687	45,770	1,078,611
At 31 December 2007	955,500	52,090	31,294	1,038,884

XL RECORDINGS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

8 Fixed asset investments

	Shares in participating interests £
Cost	
At 1 January 2008	500
Additions	200,000
At 31 December 2008	200,500
Net book value	
At 31 December 2008	200,500
At 31 December 2007	500

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Participating interests			
Mowax Labels Limited	England & Wales	Ordinary	50.00
The Album Club Limited **	England & Wales	Ordinary	37.00
Rough Trade Retail Group Limited	England & Wales	Ordinary	37.00
Rough Trade Limited *	England & Wales	Ordinary	37.00

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

		Capital and reserves 2008 £	Profit/(loss) for the year 2008 £
	Principal activity		
Mowax Labels Limited	Record label	(1,847,458)	9,378
The Album Club Limited **	Sale & distribution of music goods	(167,549)	(5,074)
Rough Trade Retail Group Limited	Holding company	500,700	-
Rough Trade Limited *	Retailing of music records and related merchandise	(428,679)	(19,768)

* Held indirectly.

** Held indirectly. The latest financial statements are in respect of the year ended 31 March 2009.

XL RECORDINGS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

9	Stocks	2008 £	2007 £
	Finished goods and goods for resale	186,751	225,439

10	Debtors	2008 £	2007 £
	Trade debtors	510,688	1,571,343
	Amounts owed by participating interests	50,000	-
	Other debtors	589,599	271,523
	Prepayments and accrued income	1,236,895	1,012,350
		2,387,182	2,855,216

Amounts falling due after more than one year and included in the debtors above are:

	2008 £	2007 £
Other debtors	-	100,000

11	Creditors: amounts falling due within one year	2008 £	2007 £
	Bank loans and overdrafts	-	1,146,102
	Trade creditors	758,709	64,256
	Amounts owed to participating interests	4,976	593
	Corporation tax	218,225	47,393
	Other taxes and social security costs	-	169,898
	Other creditors	1,991,220	1,161,023
	Accruals and deferred income	1,653,681	287,863
		4,626,811	2,877,128

The overdraft is secured by fixed charges over the company's assets and intellectual property.

XL RECORDINGS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

12 Provisions for liabilities

	Deferred tax liability £
Balance at 1 January 2008 & at 31 December 2008	<u>555</u>

The deferred tax liability is made up as follows:

	2008 £	2007 £
Accelerated capital allowances	<u>555</u>	<u>555</u>

13 Share capital

	2008 £	2007 £
Authorised		
240 A ordinary shares of £1 each	240	240
240 B ordinary shares of £1 each	240	240
520 Deferred shares of £1 each	520	520
	<u>1,000</u>	<u>1,000</u>
 Allotted, called up and fully paid		
240 A ordinary shares of £1 each	240	240
240 B ordinary shares of £1 each	240	240
520 Deferred shares of £1 each	520	520
	<u>1,000</u>	<u>1,000</u>

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.

XL RECORDINGS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

14 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2008	1,241,354
Profit for the year	750,037
Dividends paid	(2,000,000)
Balance at 31 December 2008	(8,609)

15 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Profit for the financial year	750,037	142,316
Dividends	(2,000,000)	-
Net (depletion in)/addition to shareholders' funds	(1,249,963)	142,316
Opening shareholders' funds	1,242,356	1,100,040
Closing shareholders' funds	(7,609)	1,242,356

16 Contingent liabilities

The company has given its bankers a composite cross guarantee dated 16 June 2006 over the £3m overdraft facility, which exists across the following companies:

Beggars Group Limited
 Beggars Group Digital Limited
 Beggars UK Limited
 Beggars Banquet Records Limited
 XL Recordings Limited
 Mantra Recordings Limited
 Too Pure Limited
 Wiiiija Records Limited
 4AD Limited
 Playlouderecordings Limited

Any liability arising from the composite cross guarantee is secured by individual mortgage debentures over the assets and intellectual property of each of the parties to the guarantee.

The current group cash and overdraft position as at 31 December 2008 and 31 December 2007 is disclosed within the Beggars Group Limited consolidated financial statements.

XL RECORDINGS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

17 Directors' emoluments	2008 £	2007 £
Emoluments for qualifying services	365,945	364,402

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	365,945	364,402
------------------------------------	---------	---------

18 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2008 Number	2007 Number
Administrative staff	13	10
Management staff	2	2
	15	12

Employment costs

	2008 £	2007 £
Wages and salaries	792,817	646,670
Social security costs	90,906	74,573
	883,723	721,243