

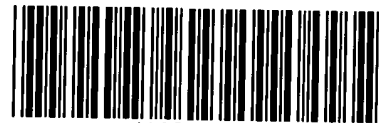
Registered number: 03126277

XL RECORDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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XL RECORDINGS LIMITED

COMPANY INFORMATION

Directors	Martin Mills Richard Russell Paul Redding Ben Beardsworth
Company secretary	Neela Ebbett
Registered number	03126277
Registered office	17/19 Alma Road London SW18 1AA
Independent auditors	SRLV Chartered Accountants & Statutory Auditor 89 New Bond Street London W1S 1DA

XL RECORDINGS LIMITED

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XL RECORDINGS LIMITED

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

Business review

XL Recordings released Adele's '25' on 20 November 2015 and it has continued to have huge commercial success worldwide during 2016. In many markets - including the UK, US, Canada and Australia - '25' became the biggest album seller for a second year. Recent tributes to the success of '25' include Adele winning a further 5 Grammy awards in February 2017, including Album of the Year.

During 2016 XL Recordings took over the prestigious Radiohead catalogue. The band's highly-anticipated 9th studio album, 'A Moon Shaped Pool', was released during the year garnering commercial success and critical acclaim, with a Mercury nomination and two Grammy nominations. Other notable successes of 2016 were Lapsley's 'Long Way Home', Kaytranada's '99.9%' and the Avalanches' 'Wildflower'.

Young Turks Recordings successfully launched Sampha with 'Blood on Me' and 'Timmy's Prayer'.

XL Recordings Group has a portfolio approach to A&R and continues to seek, identify and sign new artists. The group's future is dependent on its ability to achieve success with new acts as well as its ability to continue to exploit successfully its prestigious and growing catalogue.

In 2016 we experienced a further shift to streaming. But the drop off in physical formats has slowed thanks to the resurgent demand for vinyl. We remain committed to promoting our artists through whichever channels music fans choose to listen.

Principal risks and uncertainties

The huge increase in music consumption has been driven by streaming services and the audience these services can capture. However, this has also highlighted the growing discrepancy ('the value gap') between the levels of remuneration returned to rights holders via ad-supported user-generated services versus premium subscription paying services.

The European Commission have indicated that they are preparing to deal with growing concern over rights holders' ability to negotiate fair remuneration, and the problems this poses for legitimate premium services.

The issues outlined above may impact on the long-term business model and underlying profitability, in particular the uncertainty of the effectiveness of European regulatory influence over powerful US technology companies. However, we continue to work hard on behalf of our artists to ensure that the independent sector is heard and represented.

XL Recordings' key focus remains the discovery and promotion of new music, irrespective of format. We believe our labels' independence and artist focussed approach give us a significant advantage. As such we continue to identify and sign new artists. The group's future is dependent on its ability to achieve success with these new artists, and build on and promote our catalogue.

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.

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.

XL RECORDINGS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Financial and non financial key performance indicators

The group uses a number of performance indicators to monitor and manage the business effectively. The key performance indicators for the year ended 31 December 2016, with comparatives for the year ended 31 December 2015, are laid out below.

	2016	2015
Turnover including share of associates and joint ventures	£62,550,030	£81,015,242
Total operating profit	£21,466,611	£28,956,107
Number of releases	11	12

This report was approved by the board on

11 AUG 2017

and signed on its behalf.



Martin Mills
Director

XL RECORDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Principal activity

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

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £17,511,975 (2015 - £22,819,936).

An interim ordinary dividend was paid amounting to £20,000,000 (2015 - £NIL).

Directors

The directors who served during the year were:

Martin Mills
Richard Russell
Paul Redding
Ben Beardsworth

Future developments

The directors are confident that by pursuing the management policies the group will achieve continued successes in the years ahead.

Qualifying third party indemnity provisions

The company maintains insurance policies on behalf of the directors against liability arising from negligence, breach of duty and breach of trust in relation to the company.

Matters covered in the strategic report

The principal risks and uncertainties facing the group and the company and key financial performance indicators have been considered in the group strategic report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditors are aware of that information.

XL RECORDINGS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Auditors

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

This report was approved by the board on

11 AUG 2017

and signed on its behalf.



Martin Mills
Director

XL RECORDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

XL RECORDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XL RECORDINGS LIMITED

We have audited the financial statements of XL Recordings Limited for the year ended 31 December 2016, set out on pages 8 to 41. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the directors' responsibilities statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Financial Reporting Council'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 group strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 the parent company's affairs as at 31 December 2016 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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with those accounts and such reports have been prepared with applicable legal requirements.

XL RECORDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XL RECORDINGS LIMITED

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report and the directors' report.

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 Voulters (Senior Statutory Auditor)

for and on behalf of

SRLV

Chartered Accountants
Statutory Auditor

89 New Bond Street
London
W1S 1DA

11 AUG 2017

XL RECORDINGS LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £	2015 £ As restated
Turnover	5	58,428,608	76,450,227
Cost of sales		(22,597,668)	(27,858,044)
Gross profit		35,830,940	48,592,183
Distribution costs		(7,221,361)	(10,832,129)
Administrative expenses		(7,131,090)	(8,794,165)
Other operating income	6	84,886	65,268
Operating profit	7	21,563,375	29,031,157
Share of profit of joint ventures		(1,642)	(274)
Income from interests in associated undertakings		(95,122)	(74,776)
Total operating profit		21,466,611	28,956,107
Loss on disposal of investments		(9,288)	-
Interest receivable and similar income	11	540,475	209,091
Interest payable and similar charges	12	(72)	(29)
Profit before tax		21,997,726	29,165,169
Tax on profit	13	(4,455,077)	(6,293,771)
Profit for the year		17,542,649	22,871,398
Profit for the year attributable to:			
Non-controlling interests		30,674	51,462
Owners of the parent		17,511,975	22,819,936
		17,542,649	22,871,398

The notes on pages 16 to 41 form part of these financial statements.

XL RECORDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016	2015
	£	£
		As restated
Profit for the financial year	17,542,649	22,871,398
Other comprehensive income		
Currency translation gain on net investments in foreign operations	143,591	59,197
Other comprehensive income for the year	143,591	59,197
Total comprehensive income for the year	17,686,240	22,930,595
Profit for the year attributable to:		
Non-controlling interest	30,674	51,462
Owners of the parent company	17,511,975	22,819,936
	17,542,649	22,871,398
Total comprehensive income attributable to:		
Non-controlling interest	30,674	51,462
Owners of the parent company	17,655,566	22,879,133
	17,686,240	22,930,595

XL RECORDINGS LIMITED
REGISTERED NUMBER:03126277

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	15	122,851	136,421
Tangible assets	16	3,612,293	3,390,054
Investments	17	-	55,038
		3,735,144	3,581,513
Current assets			
Stocks	18	739,402	768,345
Debtors: amounts falling due after more than one year	19	11,059,289	939,081
Debtors: amounts falling due within one year	19	25,989,582	67,584,446
Cash at bank and in hand	20	5,291,377	2,424,987
		43,079,650	71,716,859
Creditors: amounts falling due within one year	21	(10,899,472)	(37,107,867)
Net current assets		32,180,178	34,608,992
Total assets less current liabilities		35,915,322	38,190,505
Provisions for liabilities			
Deferred taxation	23	(217,824)	(252,807)
Investment in joint ventures	24	(930,356)	(928,714)
		(1,148,180)	(1,181,521)
Net assets		34,767,142	37,008,984

XL RECORDINGS LIMITED
REGISTERED NUMBER:03126277
CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Capital and reserves			
Called up share capital	25	1,000	1,000
Profit and loss account		34,614,865	36,959,299
Equity attributable to owners of the parent company		<u>34,615,865</u>	<u>36,960,299</u>
Non-controlling interests		151,277	48,685
		<u><u>34,767,142</u></u>	<u><u>37,008,984</u></u>

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

11 AUG 2017



Martin Mills
Director

The notes on pages 16 to 41 form part of these financial statements.

XL RECORDINGS LIMITED
REGISTERED NUMBER:03126277

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	16	2,624,013	2,692,233
Investments	17	201,892	201,892
		2,825,905	2,894,125
Current assets			
Stocks	18	432,509	736,932
Debtors: amounts falling due after more than one year	19	11,059,289	939,081
Debtors: amounts falling due within one year	19	27,940,472	70,087,626
Cash at bank and in hand	20	4,937,920	2,170,820
		44,370,190	73,934,459
Creditors: amounts falling due within one year	21	(9,809,374)	(36,438,318)
Net current assets		34,560,816	37,496,141
Total assets less current liabilities		37,386,721	40,390,266
Net assets		37,386,721	40,390,266
Capital and reserves			
Called up share capital	25	1,000	1,000
Profit and loss account		37,385,721	40,389,266
		37,386,721	40,390,266

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

11 AUG 2017



Martin Mills
Director

The notes on pages 16 to 41 form part of these financial statements.

XL RECORDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Profit and loss account (as restated)	Equity attributable to owners of parent company (as restated)	Non- controlling interests	Total equity (as restated)
	£	£	£	£	£
At 1 January 2015	1,000	14,080,166	14,081,166	(22,751)	14,058,415
Comprehensive income for the year					
Profit for the year	-	22,819,936	22,819,936	51,462	22,871,398
Currency translation difference on net investment in foreign operations	-	59,197	59,197	-	59,197
Total comprehensive income for the year	-	22,879,133	22,879,133	51,462	22,930,595
Non-controlling interest share of joint venture and associates share of retained profit	-	-	-	19,974	19,974
At 1 January 2016	1,000	36,959,299	36,960,299	48,685	37,008,984
Comprehensive income for the year					
Profit for the year	-	17,511,975	17,511,975	30,674	17,542,649
Currency translation difference on net investment in foreign operations	-	143,591	143,591	-	143,591
Total comprehensive income for the year	-	17,655,566	17,655,566	30,674	17,686,240
Dividends: Equity capital	-	(20,000,000)	(20,000,000)	-	(20,000,000)
Non-controlling interest share of joint venture and associates share of retained profit	-	-	-	71,918	71,918
At 31 December 2016	1,000	34,614,865	34,615,865	151,277	34,767,142

XL RECORDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2015	1,000	14,144,272	14,145,272
Comprehensive income for the year			
Profit for the year	-	26,244,994	26,244,994
Total comprehensive income for the year	-	26,244,994	26,244,994
At 1 January 2016	1,000	40,389,266	40,390,266
Comprehensive income for the year			
Profit for the year	-	16,996,455	16,996,455
Total comprehensive income for the year	-	16,996,455	16,996,455
Contributions by and distributions to owners			
Dividends: Equity capital	-	(20,000,000)	(20,000,000)
At 31 December 2016	1,000	37,385,721	37,386,721

XL RECORDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	17,542,649	22,871,398
Adjustments for:		
Amortisation of intangible assets	13,569	2,667
Depreciation of tangible assets	191,243	225,932
Loss on dilution of investments in associates	9,288	-
Interest payable and similar charges	72	29
Interest receivable and similar income	(540,475)	(209,091)
Taxation charge	4,455,077	6,293,771
Decrease/(increase) in stocks	28,943	(618,031)
Decrease/(increase) in debtors	44,058,933	(56,962,074)
(Decrease)/increase in creditors	(20,067,114)	27,498,239
Share of operating profit in joint ventures	1,642	274
Share of operating profit in associates	95,122	74,776
Corporation tax paid	(11,861,491)	(1,379,626)
(Profit)/loss on foreign exchange movements	43,846	29,227
Net cash generated from/(used in) operating activities	33,971,304	(2,172,509)
Cash flows from investing activities		
Purchase of tangible fixed assets	(291,191)	(17,201)
Purchase of subsidiary (net of cash acquired)	-	(55,221)
Interest received	46,418	209,091
New loans to associates	(599,873)	(349,319)
Associates loans repaid	223,879	404,908
New loans receivable	(11,512,604)	-
Loans repaid	1,030,102	-
Net cash (used in)/generated from investing activities	(11,103,269)	192,258
Cash flows from financing activities		
Dividends paid	(20,000,000)	-
Interest paid	(72)	(29)
Net cash used in financing activities	(20,000,072)	(29)
Net increase/(decrease) in cash and cash equivalents	2,867,963	(1,980,280)
Cash and cash equivalents at beginning of year	2,423,414	4,403,694
Cash and cash equivalents at the end of year	5,291,377	2,423,414
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,291,377	2,424,987
Bank overdrafts	-	(1,573)
	5,291,377	2,423,414

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information

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

The parent company is a private company limited by shares and is incorporated in England and Wales. The address of its registered office is 17/19 Alma Road, London, SW18 1AA.

The principal place of business of the company is 1 Codrington Mews, London, W11 2EW.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings together with the group's share of the results of associates and joint ventures made up to 31 December.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where a subsidiary has different accounting policies from the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the group hold a long-term interest and where the group has significant influence. The group considers it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting.

The consolidated financial statements present the results of the group and its own subsidiaries as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated profit and loss account from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available under FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2014.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, excluding rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Physical sales

Revenues from the physical sale of recorded music are recognised on despatch. Where goods are sold on the group's behalf by third party distributors, revenue is recognised when the distributor reports sales to the group.

Digital sales

Revenues relating to digital products are recognised when the products are sold based on reports from digital service providers. Where revenue cannot be reliably estimated for the period, it is recognised on a receipts basis.

Royalties

Royalty income is included on a receivable basis calculated on sales of records arising during each financial year as reported by licencees. Where royalty income cannot be reliably estimated for the period, it is recognised on a receipts basis. Where income is received but not accompanied by sufficient data to attribute to a recognisable project, the income is recognised on subsequent receipt of that data. Royalties payable are charged against relevant income of the same period except where they are paid in advance, carried forward and recognised as an asset where such advances relate to current released and unreleased products and where it is estimated that sufficient future royalties will be earned from recoupment from those products.

Advances received are carried forward and recognised over the expected life of each individual licence.

Interest income

Interest income is recognised using the effective interest rate method.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.4 Intangible assets

Negative goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, negative goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Negative goodwill is amortised on a straight line basis to the profit and loss account over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Negative goodwill	-	10 years
Catalogue	-	5 years

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 2% on a straight line basis
Motor vehicles	- 25% straight line
Fixtures and fittings	- 20% straight line
Computer equipment	- 20-33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

2.6 Operating leases: the group as lessee

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

2.7 Operating leases: the group as lessor

Rentals income from operating leases is credited to the consolidated profit and loss account on a straight line basis over the term of the relevant lease.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Associates and joint ventures

Associates and joint ventures are held at cost less impairment.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.12 Cash

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

In the consolidated statement of cash flows, cash is shown net of bank overdrafts that are repayable on demand and form an integral part of the group's cash management.

2.13 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the balance sheet date.

2.14 Creditors

Short term creditors are measured at the transaction price.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.15 Foreign currency translation

Functional and presentation currency

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

The group financial statements are presented in pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.16 Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

2.17 Dividends

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

2.18 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

2.19 Interest income

Interest income is recognised in the profit and loss account using the effective interest method.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.20 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

2.21 Borrowing costs

All borrowing costs are recognised in the profit and loss account in the year in which they are incurred.

2.22 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.23 Advances to artists

Advances to artists, presented within debtors on the balance sheet, represent advances made direct to artists for recording and other costs made on behalf of artists under contract. These advances, which are only recoverable against future royalties, are charged to the profit and loss account as they are recouped or where the probability for future recoupment in respect thereof is unlikely.

2.24 Deferred income

Deferred income represents non returnable advances on royalties receivable from other record companies. These advances are credited to revenue as the royalty income arises or where the probability of future income in respect thereof is remote.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.25 Restatement of comparatives

Group comparatives have been restated so that foreign exchange differences arising on the translation of certain loans with foreign operations have been recognised in other comprehensive income instead of within the profit and loss account. The impact has been to decrease consolidated profit for the year ended 31 December 2015 by £60,880 and to increase the currency translation difference on net investment in foreign operations within consolidated other comprehensive income by £60,880 for the year ended 31 December 2015. There has been no net effect on the consolidated or the company balance sheet as at 31 December 2015.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In applying the group's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent sensitivity involved in making judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

Assessing indicators of impairment

In assessing whether there have been any indicators of impairment to assets, including goodwill, the directors have considered both external and internal sources of information such as market conditions and experience of recoverability.

Assessing the functional currency

The directors are required to identify the functional currency of the company and each subsidiary undertaking. In making this judgement the directors have considered factors such as currency which mainly influences both sales and cost prices, and the countries whose competitive forces and regulations affect those prices.

Key accounting estimates and assumptions

Recoverability of receivables, including advances to artists

The group establishes a provision for receivables that are estimated not to be recoverable or recoupable. When assessing recoverability the directors consider factors such as the aging of the receivables, past experience of recoverability, and the credit profile of the debtor. When assessing if artist balances are recoupable the directors consider factors such as the current and likely future sales performance.

Determining residual values useful economic lives of property, plant and equipment

The group depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value, management aim to assess the amount that the group would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life.

Provisions against slow moving inventory

The group establishes a provision for slow moving inventory. When determining the provision, the directors consider factors such as the amount of the inventory holding and subsequent sales.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

4. Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit after tax of the parent company for the year was £16,996,455 (2015 - £26,244,994).

5. Analysis of turnover

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

	2016 £	2015 £
Sales and licensing of sound recordings	58,428,608	76,450,227
	58,428,608	76,450,227

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	14,388,764	24,418,029
Rest of the world	44,039,844	52,032,198
	58,428,608	76,450,227

6. Other operating income

	2016 £	2015 £
Net rents receivable	58,885	53,824
Insurance claims receivable	26,001	11,444

7. Operating profit

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

	2016 £	2015 £
Depreciation of tangible fixed assets	191,243	225,932
Amortisation of intangible assets, including goodwill	13,570	287,047
Exchange differences	(2,380,854)	(345,848)
Defined contribution pension cost	228,554	59,344

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

8. Auditors' remuneration

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

9. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	3,004,426	2,443,585
Social security costs	385,615	332,691
Cost of defined contribution scheme	228,554	59,344
	3,618,595	2,835,620

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

	2016 No.	2015 No.
Management	4	4
A&R, Marketing and Operations	21	20
	25	24

10. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	2,157,481	1,131,712
Company contributions to defined contribution pension schemes	204,824	39,125
	2,362,305	1,170,837

During the year retirement benefits were accruing to 1 director (2015 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £1,763,416 (2015 - £725,026).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £204,824 (2015 - £39,125).

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. Interest receivable and similar income

	2016 £	2015 £
Other interest receivable	540,475	209,091

12. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	72	29

13. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	4,489,687	6,040,890
	4,489,687	6,040,890
Double taxation relief	(273,514)	(160,495)
Group taxation relief	373	74
	4,216,546	5,880,469
Foreign tax		
Foreign tax on income for the year	273,514	160,495
	273,514	160,495
Total current tax	4,490,060	6,040,964
Deferred tax		
Origination and reversal of timing differences	(34,983)	252,807
Total deferred tax	(34,983)	252,807
Taxation on profit on ordinary activities	4,455,077	6,293,771

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	21,997,726	29,165,169
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	4,399,545	5,905,947
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	37,808	185,615
Movement in unprovided deferred tax	5,523	30,237
Adjustments to tax charge in respect of prior periods	-	255,967
Non-taxable income	21,210	(58,618)
Difference in tax rates	(9,009)	(43,171)
Other differences leading to an increase (decrease) in the tax charge	-	(4,537)
Group relief	-	(74)
Foreign tax	-	22,405
Total tax charge for the year	4,455,077	6,293,771

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

14. Dividends

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

	2016 £	2015 £
Dividends paid on ordinary equity shares	20,000,000	-

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

15. Intangible assets

Group

	Trademarks £	Negative goodwill £	Total £
Cost			
At 1 January 2016	160,002	(24,320)	135,682
At 31 December 2016	160,002	(24,320)	135,682
Amortisation			
At 1 January 2016	2,667	(3,406)	(739)
Charge for the year	16,001	(2,431)	13,570
At 31 December 2016	18,668	(5,837)	12,831
Net book value			
At 31 December 2016	141,334	(18,483)	122,851
At 31 December 2015	157,335	(20,914)	136,421

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

16. Tangible fixed assets

Group

	Freehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2016	3,678,880	73,115	618,743	84,994	4,455,732
Additions	157,852	32,450	62,862	38,027	291,191
Disposals	-	-	(19,815)	(27,333)	(47,148)
Exchange adjustments	123,617	-	149	-	123,766
At 31 December 2016	3,960,349	105,565	661,939	95,688	4,823,541
Depreciation					
At 1 January 2016	536,825	50,766	414,081	64,006	1,065,678
Charge for the year	79,216	14,879	84,211	12,937	191,243
Disposals	-	-	(19,815)	(27,333)	(47,148)
Exchange adjustments	1,326	-	149	-	1,475
At 31 December 2016	617,367	65,645	478,626	49,610	1,211,248
Net book value					
At 31 December 2016	3,342,982	39,920	183,313	46,078	3,612,293
At 31 December 2015	3,142,055	22,349	204,662	20,988	3,390,054

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

16. Tangible fixed assets (continued)

Company

	Freehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2016	2,945,694	73,115	618,002	83,576	3,720,387
Additions	-	32,450	34,216	31,827	98,493
Disposals	-	-	(18,924)	(27,333)	(46,257)
At 31 December 2016	<u>2,945,694</u>	<u>105,565</u>	<u>633,294</u>	<u>88,070</u>	<u>3,772,623</u>
Depreciation					
At 1 January 2016	500,090	50,766	413,339	63,959	1,028,154
Charge for the year	58,914	14,879	81,368	11,552	166,713
Disposals	-	-	(18,924)	(27,333)	(46,257)
At 31 December 2016	<u>559,004</u>	<u>65,645</u>	<u>475,783</u>	<u>48,178</u>	<u>1,148,610</u>
Net book value					
At 31 December 2016	<u>2,386,690</u>	<u>39,920</u>	<u>157,511</u>	<u>39,892</u>	<u>2,624,013</u>
At 31 December 2015	<u>2,445,604</u>	<u>22,349</u>	<u>204,663</u>	<u>19,617</u>	<u>2,692,233</u>

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

17. Fixed asset investments

Group

	Investments in associates £
Cost	
At 1 January 2016	55,038
Share of loss	(55,038)
At 31 December 2016	-
At 31 December 2015	55,038

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
XL Recordings Inc. *	Ordinary	100 %	Property holding company
Young Turks Recordings Limited **	Ordinary	75 %	Production and exploitation of sound recordings

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Young Turks Limited ***	Ordinary	75 %	Production and exploitation of sound recordings

Registered office

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

** - 17/19 Alma Road, London, SW18 1AA

*** - 5th Floor, 89 New Bond Street, London, W1S 1DA

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

17. Fixed asset investments (continued)

Participating interests

Joint ventures

Name	Class of shares	Holding	Principal activity
Mowax Labels Limited*	Ordinary	50%	Production and exploitation of sound recordings

Associates

Name	Class of shares	Holding	Principal activity
Rough Trade Retail Group Limited**	Ordinary	52%	Retailing of music records and related merchandise
The Album Club Limited (indirect)***	Ordinary	52%	Dormant
Rough Trade Limited (indirect)***	Ordinary	52%	Dormant
Rough Trade Retail (USA) Holdings****	Ordinary	52%	Holding company
Rough Trade Retail LLC (indirect)****	Ordinary	34%	Property holding company
Rise Bristol Ltd (indirect)*****	Ordinary	52%	Retail sale of music

Registered office

* - 17/19 Alma Road, London, SW18 1AA

** - 10 Cheyne Walk, Northampton, Northamptonshire, NN1 5PT

*** - 130 Talbot Road, London, W11 1JA

**** - 64 North 9th Street, Brooklyn, NY 11249, United States of America

***** - 5 Broad Street, Nottingham, England, NG1 3AJ

The accounting reference date for Rough Trade Retail Group Limited, Rise Bristol, The Album Club Limited and Rough Trade Limited is 31 March and the latest financial statements are for the period ended 31 March 2016. The accounting reference period for all other subsidiaries, joint ventures and associates is 31 December. The consolidated accounts include figures for the period ended 31 December 2016.

During the year, the proportion of shares held by the company in Rough Trade Retail Group Limited decreased from 54% to 52%. As the share of voting rights is less than 50%, the company does not exercise control over Rough Trade Retail Group Limited, which is included in the consolidated financial statements as an associate.

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

17. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £	Investments in associates £	Total £
Cost			
At 1 January 2016	1,392	200,500	201,892
At 31 December 2016	1,392	200,500	201,892
Net book value			
At 31 December 2016	1,392	200,500	201,892
At 31 December 2015	1,392	200,500	201,892

18. Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Finished goods and goods for resale	739,402	768,345	432,509	736,932

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

19. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Due after more than one year				
Amounts owed by joint ventures and associated undertakings	1,036,838	939,081	1,036,838	939,081
Other debtors	10,022,451	-	10,022,451	-
	11,059,289	939,081	11,059,289	939,081
	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Due within one year				
Trade debtors	444,822	373,473	404,954	287,175
Amounts owed by group undertakings	-	-	4,222,153	5,341,610
Amounts owed by joint ventures and associated undertakings	1,862,080	1,650,628	1,003,824	711,978
Other debtors	22,390,317	65,178,889	21,037,545	63,408,124
Prepayments and accrued income	57,538	376,880	51,640	338,739
Tax recoverable	1,234,825	4,576	1,220,356	-
	25,989,582	67,584,446	27,940,472	70,087,626

20. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	5,291,377	2,424,987	4,937,920	2,170,820
Less: bank overdrafts	-	(1,573)	-	(1,573)
	5,291,377	2,423,414	4,937,920	2,169,247

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank overdrafts	-	1,573	-	1,573
Trade creditors	930,538	345,177	423,125	185,736
Corporation tax	174,158	6,315,343	-	6,315,343
Other taxation and social security	602,232	9,698,955	546,654	9,587,561
Other creditors	1,372,069	4,042,726	1,351,660	3,998,010
Accruals and deferred income	7,820,475	16,704,092	7,487,935	16,350,095
	10,899,472	37,107,866	9,809,374	36,438,318

22. Financial instruments

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	41,079,672	70,937,237	42,697,472	73,195,325
Financial liabilities				
Financial liabilities measured at amortised cost	(10,123,247)	(30,792,686)	(9,263,070)	(30,123,326)

Financial assets measured at amortised cost comprise cash, trade debtors, amounts owed by subsidiary undertakings, amounts owed by associated undertakings and joint ventures, corporation tax recoverable, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise bank overdrafts, trade creditors, amounts owing to subsidiary undertakings, amounts owing to associated undertakings and joint ventures, other tax and social security, other creditors and accruals.

23. Deferred taxation

Group

	2016 £	2015 £
At beginning of year	252,807	-
Profit and loss account movement	(34,983)	252,807
At end of year	217,824	252,807

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

23. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	Group 2016 £	Group 2015 £
Fixed asset timing differences	217,824	252,807
	217,824	252,807

24. Investment in joint ventures

Group

	Share of liabilities £	Share of assets £	Total £
At 1 January 2016	938,684	(9,970)	928,714
Charged to profit or loss	(4,209)	5,851	1,642
At 31 December 2016	934,475	(4,119)	930,356

In 2016 and 2015, the overall share of net liabilities has arisen on the holding in Mowax Labels Limited.

25. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
240 Ordinary A shares of £1 each	240	240
240 Ordinary B shares of £1 each	240	240
520 Deferred shares of £1 each	520	520
	1,000	1,000

The 'A' shares and 'B' shares rank pari passu and are entitled to share equally in any dividend or other distribution declared by the company. The deferred shares do not carry a right to dividend, repayment of capital or voting entitlement.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

26. Pension commitments

The group makes payments into personal pension plans and operates a defined contribution pension scheme. The pension cost charge represents contributions payable by the group to the personal pension plans and defined contribution pension scheme.

Contributions paid by the group for the year amounted to £228,553 (2015 - £59,344). There were no contributions payable at the year end (2015 - £NIL).

27. Commitments under operating leases

At 31 December 2016 the group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £
Not later than 1 year	11,375	19,500
Later than 1 year and not later than 5 years	-	11,375
	11,375	30,875

28. Transactions with directors

Richard Russell was paid a dividend during the year of £10,000,000 (2015 - £NIL).

During the prior year, an interest free loan of £178,328 was made to Richard Russell. During the year, repayments of £174,311 (2015 - £NIL) were made.

A balance of £4,017 (2015 - £178,328) was due to the company at the year end.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

29. Related party transactions

Group

During the year, the company and Young Turks Recordings Limited paid amounts in respect of general overhead charges to its shareholder, Beggars Group Limited, of £2,141,134 (2015 - £2,214,473) and £509,327 (2015 - £361,222) respectively.

During the year, the company and Young Turks Recordings Limited paid amounts in respect of general overhead charges to Beggars UK Limited of £704,145 (2015 - £710,487) and £185,939 (2015 - £139,748) respectively. Beggars UK Limited is a subsidiary of Beggars Group Limited.

During the year, Beggars UK Limited, Beggars Group Digital Limited and Beggars Group Media Limited, which are subsidiaries of Beggars Group Limited, operated in a central processing role for XL Recordings Limited and Young Turks Recordings Limited. Sales and production costs were passed through Beggars UK Limited, Beggars Group Digital Limited and Beggars Group Media Limited and transferred out at the year end as detailed below:

	2016 Turnover £	2016 Costs £	2015 Turnover £	2015 Costs £
Beggars UK Limited:				
XL Recordings Limited	12,419,510	8,094,008	48,031,717	15,477,068
Young Turks Recordings Limited	577,804	530,609	1,042,154	817,312
Beggars Group Digital Limited:				
XL Recordings Limited	22,667,018	31,106	15,567,638	411,096
Young Turks Recordings Limited	2,901,168	(19,166)	2,378,399	62,701
Beggars Group Media Limited:				
XL Recordings Limited	7,154,293	(115,006)	4,625,500	4,904
Young Turks Recordings Limited	678,612	(8,414)	530,402	919

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

29. Related party transactions (continued)

During the year, royalties were paid by Beggars Group (USA) Inc. in respect of US sales, to the following companies, who in turn made a contribution to that company's overheads:

	2016 Turnover £	2016 Costs £	2015 Turnover £	2015 Costs £
XL Recordings Limited	4,177,877	899,991	1,275,677	30,151
Young Turks Recordings Limited	1,028,187	91,611	401,516	9,174

During the year, commission was paid to Remote Control Records Pty Limited totalling £289,135 (2015 - £364,469) and £27,186 (2015 - £12,825) from the company and Young Turks Recordings Limited respectively. Remote Control Records Pty Limited is a joint venture of Beggars Group Limited.

At the balance sheet date, the company was owed £19,827,798 (2015 - £63,073,418) by Beggars Group Limited in respect of working capital loans. At the balance sheet date, Young Turks Recordings Limited was owed £1,035,155 (2015 - £1,684,134) by Beggars Group Limited in respect of working capital loans.

During the year, XL Recordings (USA) Inc. received rental income of £58,320 (2015 - £48,648) from Beggars Group (USA) Inc, a wholly owned subsidiary of Beggars Group Limited.

At the balance sheet date, the company was owed £1,863,715 (2015 - £1,863,777) by Mowax Labels Limited in respect of working capital loans. A provision of £1,863,704 (2015 - £1,877,300) was made against these loans. Mowax Labels Limited is a joint venture of XL Recordings Limited.

At the balance sheet date, the company was owed £348,617 (2015 - £235,448) in respect of loans to Rise Bristol Ltd. Interest of 4% per annum is charged on the loan.

At the balance sheet date, Rough Trade Retail Group Limited owed the company £490,803 (2015 - £500,342) in respect of loans. Interest of 4% per annum is charged on the loan. Rough Trade Retail Group Limited is an associated company.

A provision of £NIL (2015 - £50,532) was made against the balance due from Rough Trade Retail Group Limited.

At the balance sheet date, the company was owed £1,338,236 (2015 - £1,036,877) in respect of loans to Rough Trade Retail LLC. Interest of 6% per annum is charged on the loan. Rough Trade Retail LLC is an associated company.

A provision of £137,005 (2015 - £156,142) was made against the balance due from Rough Trade Retail LLC in the year.

Other than as disclosed within directors' remuneration in note 10, there was no remuneration in relation to key management personnel in the current or prior year.

Company

Other than the transactions disclosed above, the company's related party transactions with wholly owned subsidiaries have not been disclosed in accordance with Section 33 of FRS 102.

During the year, the company had net trade transactions of £1,258,616 (2015: £376,504) in the normal course of business with Young Turks Recordings Limited.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

29. Related party transactions (continued)

During the prior year, the company sold a catalogue and unrecouped balances for certain artists to Young Turks Recordings Limited for £4,403,762.

At the year end, Young Turks Recordings Limited owed the company £3,390,283 (2015 - £4,648,899).

30. Controlling party

The company is owned 50% by Beggars Group Limited and 50% by Richard Russell. Beggars Group Limited is controlled by Martin Mills. The directors do not consider that any of these parties is the ultimate controlling party and consider that control of the group is shared.