

Registered no. 3126277

XL RECORDINGS LIMITED

**ABBREVIATED FINANCIAL
STATEMENTS**

**YEAR ENDED
31 DECEMBER 2000**



LUBBOCK FINE
Chartered Accountants
Russell Bedford House
City Forum, 250 City Road
London EC1V 2QQ

XL RECORDINGS LIMITED
ABBREVIATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2000

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XL RECORDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Richard Russell
Martin Mills
James Wyllie
Nicholas Worthington

Company secretary

Nigel Bolt

Registered office

17 - 19 Alma Road
London
SW18 1AA

Auditors

Lubbock Fine
Chartered Accountants
& Registered Auditors
Russell Bedford House
City Forum, 250 City Road
London EC1V 2QQ

Bankers

Coutts & Co
440 Strand
London
WC2R 0QS

XL RECORDINGS LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2000

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of the production and sale of compact discs, records and cassettes and the licensing of such operations.

The company traded in line with expectations. The level of gross profit remained stable in relation to the previous year,

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 31 December 2000	At 1 January 2000
Richard Russell	'A' Ordinary	240	240
Martin Mills		-	-
James Wyllie		-	-
Nicholas Worthington		-	-

The interest of the directors in the shares of the parent undertaking at the beginning and end of the year, was as follows:

	2000	1999
Martin Mills	98 'A'	98 'A'
	100 'B'	100 'B'
	2 'C'	2 'C'

Martin Mills also has the following interest in other group companies at the beginning and end of the year:

	No. of shares	
	2000	1999
Beggars Banquet Music Limited	24	24
Beggars Banquet Retail Limited	7,560	7,560
Beggar's Banquet Records Limited	24	24
Mantra Recordings Limited	24	24
Beggars Banquet Limited	24	24

Nicholas Worthington retired as a director on 30 June 2001.

FIXED ASSETS

In the opinion of the directors, the market value of freehold land and buildings was not less than the book value.

The movement in fixed assets is shown in the notes to the financial statements.

XL RECORDINGS LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2000

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

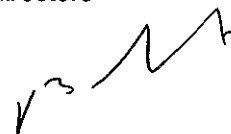
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to re-appoint Lubbock Fine as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the directors

Nigel Bolt
Company Secretary



Approved by the directors on12.3.02.....

XL RECORDINGS LIMITED

AUDITORS' REPORT TO THE COMPANY

PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 5 to 15, together with the financial statements of the company for the year ended 31 December 2000 prepared under Section 226 of the Companies Act 1985.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE 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 section 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and report our opinion to you.

BASIS OF OPINION

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. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

OPINION

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act, and the abbreviated accounts on pages 5 to 15 are properly prepared in accordance with those provisions.


Lubbock Fine
Chartered Accountants
& Registered Auditors

Date: 13/3/02

Russell Bedford House
City Forum, 250 City Road
London EC1V 2QQ

XL RECORDINGS LIMITED**ABBREVIATED PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2000**

	Note	2000 £	1999 £
GROSS PROFIT		4,170,941	4,339,098
Distribution costs		1,352,497	1,242,695
Administrative expenses		<u>2,557,980</u>	<u>1,486,401</u>
OPERATING PROFIT	2	260,464	1,610,002
Interest receivable		-	73,989
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>260,464</u>	<u>1,683,991</u>
Tax on profit on ordinary activities	5	(238,912)	(626,195)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>21,552</u>	<u>1,057,796</u>
Dividends	6	-	1,000,000
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>21,552</u>	<u>57,796</u>
Balance brought forward		<u>2,262,244</u>	<u>2,204,448</u>
Balance carried forward		<u><u>2,283,796</u></u>	<u><u>2,262,244</u></u>

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

The notes on pages 8 to 15 form part of these financial statements.

XL RECORDINGS LIMITED
ABBREVIATED BALANCE SHEET
31 DECEMBER 2000

	Note	£	2000 £	£	1999 £
FIXED ASSETS					
Tangible assets	7		1,321,185		1,309,021
Investments	8		200,500		500
			<u>1,521,685</u>		<u>1,309,521</u>
CURRENT ASSETS					
Stocks	9	23,261		34,932	
Debtors	10	4,914,322		2,352,223	
Cash at bank and in hand		78,412		937,069	
		<u>5,015,995</u>		<u>3,324,224</u>	
CREDITORS: Amounts falling due within one year	11	<u>(2,444,823)</u>		<u>(1,350,489)</u>	
NET CURRENT ASSETS			<u>2,571,172</u>		<u>1,973,735</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,092,857</u>		<u>3,283,256</u>
CREDITORS: Amounts falling due after more than one year	12		<u>(1,589,061)</u>		<u>(1,020,012)</u>
			<u>2,503,796</u>		<u>2,263,244</u>
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	13		<u>(219,000)</u>		-
			<u>2,284,796</u>		<u>2,263,244</u>
CAPITAL AND RESERVES					
Called-up equity share capital	17		1,000		1,000
Profit and loss account			<u>2,283,796</u>		<u>2,262,244</u>
SHAREHOLDERS' FUNDS	18		<u>2,284,796</u>		<u>2,263,244</u>

These financial statements have been prepared in accordance with the special provisions for medium-sized companies under Part VII of the Companies Act 1985.

These financial statements were approved by the directors on the12.13.02....., and are signed on their behalf by:

Director



The notes on pages 8 to 15 form part of these financial statements.

XL RECORDINGS LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2000

	Note	£	2000 £	£	1999 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	19		(2,230,933)		650,191
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		-		73,989	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			-		73,989
TAXATION			(47,412)		(637,360)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Payments to acquire tangible fixed assets		(124,070)		(436,494)	
Receipts from sale of fixed assets		30,801		5,201	
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			(93,269)		(431,293)
ACQUISITIONS AND DISPOSALS					
Acquire investments in participating interests		(200,000)		-	
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS			(200,000)		-
EQUITY DIVIDENDS PAID			-		(1,000,000)
CASH OUTFLOW BEFORE FINANCING			(2,571,614)		(1,344,473)
FINANCING					
Net inflow from long-term accruals		569,049		639,762	
NET CASH INFLOW FROM FINANCING			569,049		639,762
DECREASE IN CASH	20		(2,002,565)		(704,711)

XL RECORDINGS LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

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

Stocks

Stocks are valued at the lower of cost and net realisable value.

Operating lease agreements

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

Foreign currencies

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.

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.

Advances to artistes

Advances to artistes represent advances made direct to artistes for recording and other costs made on behalf of artistes under contract. These advances, which are only recoverable against future royalties, are charged to revenue as they are recouped or where the probability of future recoupment in respect thereof is unlikely.

Joint venture

Entities in which the company holds an interest on a long term basis, and are jointly controlled by the company and one or more other parties under a contractual arrangement, are treated as joint ventures and are accounted for using the gross equity method.

XL RECORDINGS LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2000****2. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):

	2000	1999
	£	£
Depreciation	75,950	58,843
Loss on disposal of fixed assets	5,155	7,269
Auditors' remuneration		
- as auditors	7,800	7,800
- for other services	-	575
Net profit on foreign currency translation	(6,058)	(6,833)
Exceptional items	<u>600,000</u>	<u>-</u>

The exceptional item relates to a bad debt provision of £600,000 made during the year against the balance due from the joint venture company, Mowax Labels Limited.

3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2000	1999
	No.	No.
Number of administrative staff	6	5
Number of management staff	<u>2</u>	<u>1</u>
	<u>8</u>	<u>6</u>

The aggregate payroll costs of the above were:

	2000	1999
	£	£
Wages and salaries	283,822	243,734
Social security costs	<u>36,719</u>	<u>26,326</u>
	<u>320,541</u>	<u>270,060</u>

4. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2000	1999
	£	£
Emoluments receivable	<u>206,475</u>	<u>188,384</u>

Emoluments of highest paid director:

	2000	1999
	£	£
Total emoluments (excluding pension contributions):	<u>121,297</u>	<u>136,043</u>

XL RECORDINGS LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2000****5. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2000 £	1999 £
Corporation Tax based on the results for the year at 30% (1999 - 30%)	-	156,114
Group Relief	-	513,146
Withholding tax	47,412	-
Increase/(Decrease) in deferred tax provision (Note 13):		
Royalties	219,000	(48,897)
	<u>266,412</u>	<u>620,363</u>
Adjustment in respect of previous years:		
Corporation Tax	(27,500)	5,832
	<u>238,912</u>	<u>626,195</u>

6. DIVIDENDS

No dividend has been recommended for the year ended 31 December 2000.

	2000 £	1999 £
Dividend paid on ordinary shares	-	<u>1,000,000</u>

7. TANGIBLE FIXED ASSETS

	Land and buildings £	Fixtures, fittings and equipment £	Motor Vehicles £	Total £
COST				
At 1 January 2000	1,109,773	199,295	117,345	1,426,413
Additions	40,000	14,840	69,230	124,070
Disposals	-	-	(86,007)	(86,007)
At 31 December 2000	<u>1,149,773</u>	<u>214,135</u>	<u>100,568</u>	<u>1,464,476</u>
DEPRECIATION				
At 1 January 2000	26,040	49,302	42,050	117,392
Charge for the year	22,441	32,356	21,153	75,950
On disposals	-	-	(50,051)	(50,051)
At 31 December 2000	<u>48,481</u>	<u>81,658</u>	<u>13,152</u>	<u>143,291</u>
NET BOOK VALUE				
At 31 December 2000	<u>1,101,292</u>	<u>132,477</u>	<u>87,416</u>	<u>1,321,185</u>
At 31 December 1999	<u>1,083,733</u>	<u>149,993</u>	<u>75,295</u>	<u>1,309,021</u>

XL RECORDINGS LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

8. INVESTMENTS

	Joint Venture	Participating interest	Total
	£	£	£
COST			
At 1 January 2000	500	-	500
Additions	-	200,000	200,000
At 31 December 2000	<u>500</u>	<u>200,000</u>	<u>200,500</u>
NET BOOK VALUE			
At 31 December 2000	<u>500</u>	<u>200,000</u>	<u>200,500</u>
At 31 December 1999	<u>500</u>	<u>-</u>	<u>500</u>

Name	Nature of business	Country of registration	Shares held, class / percentage
Mowax Labels Limited	Record label	England and Wales	500 ordinary (50%)
Twisted Nerve Records Limited	Record label	England and Wales	104 ordinary (25.49%)

	Aggregate amount of capital and reserves		Profit (loss) for the year	
	2000	1999	2000	1999
	£	£	£	£
Mowax Labels Limited	<u>(1,435,281)</u>	<u>(609,952)</u>	<u>(825,329)</u>	<u>(552,569)</u>

XL RECORDINGS LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2000****8. INVESTMENTS (continued)**

The company's share in Mowax Labels Limited for the year was:-

	£	£
Share of turnover		<u>351,182</u>
Share of loss before tax	(462,730)	
Taxation	<u>50,065</u>	
Loss after tax		<u>(412,665)</u>
Share of assets		
Fixed assets	9,175	
Current assets	<u>134,373</u>	
		143,548
Share of liabilities		
Due within one year	(811,114)	
Due after one year	<u>(50,074)</u>	
		<u>(861,188)</u>
Share of net liabilities		<u>(717,640)</u>

	Aggregate amount of capital and reserves		Profit (loss) for the year	
	2000	1999	2000	1999
	£	£	£	£
Twisted Nerve Records Limited	<u>(40,113)</u>	<u>(8,750)</u>	<u>(48,563)</u>	<u>(8,748)</u>

The results stated above for Twisted Nerve Records Limited relate to the years ended 30 April 1999 and 2000. The results for the year ended 30 April 2001 are not yet available.

9. STOCKS

	2000	1999
	£	£
Finished goods and goods for resale	<u>23,261</u>	<u>34,932</u>

10. DEBTORS

	2000	1999
	£	£
Trade debtors	1,290,190	838,815
Amounts owed by group undertakings	147,871	61,062
Corporation Tax repayable	58,621	31,121
Amounts due from joint venture	1,015,386	662,431
Other debtors	77,562	71,596
Prepayments and accrued income	<u>2,324,692</u>	<u>687,198</u>
	<u>4,914,322</u>	<u>2,352,223</u>

Included within prepayments and accrued income are amounts advanced to artistes totalling £2,289,328 (1999 - £685,155).

XL RECORDINGS LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2000****11. CREDITORS: Amounts falling due within one year**

	2000	1999
	£	£
Bank loans and overdrafts	1,143,908	-
Trade creditors	1,054,276	847,786
Other taxation and social security	106,082	18,049
Other creditors	9,024	33,620
Accruals and deferred income	131,533	451,034
	<u>2,444,823</u>	<u>1,350,489</u>

12. CREDITORS: Amounts falling due after more than one year

	2000	1999
	£	£
Other creditors:		
Accruals and deferred income	<u>1,589,061</u>	<u>1,020,012</u>

13. DEFERRED TAXATION

	2000	1999
	£	£
The movement in the deferred taxation provision during the year was:		
Provision brought forward	-	48,897
Increase/(decrease) in provision	<u>219,000</u>	<u>(48,897)</u>
Provision carried forward	<u>219,000</u>	<u>-</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2000	1999
	£	£
Royalties	<u>219,000</u>	<u>-</u>

14. CONTINGENCIES

The company has given its bankers a composite cross guarantee dated 8 February 2000 over the facilities of the following companies:

Beggars Group Limited
Beggars Banquet Records Limited
Mantra Recordings Limited
Beggars Banquet Limited
Beggars Banquet Retail Limited
Too Pure Limited
Wiiiija Records Limited

Any liability arising from the composite cross guarantee is secured by mortgage debentures dated 18 December 1996 and 13 June 2000 over all the company's assets, incorporating a specific charge over book debts.

XL RECORDINGS LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2000****15. TRANSACTIONS WITH THE DIRECTORS**

a) A proportion of turnover was generated through a distribution company, in which Martin Mills is a director. The transactions in the year together with the associated costs were as follows:

Vital Distribution Limited

	2000	1999
	£	£
Turnover	3,591,704	2,722,235
Costs	<u>229,296</u>	<u>176,540</u>

Martin Mills has a 9% interest in Vital Distribution Limited via his shareholdings in companies which own shares in Vital Distribution Limited.

All transactions were at arms length and at prevailing market prices.

At the year end £1,052,311 (1999 - 385,033) was due from Vital Distribution Limited.

b) Included in other debtors at the balance sheet date is £52,114 due from Hero Music Limited, a company in which Richard Russell, a director of XL Recordings Limited is a shareholder.

The loan is unsecured, interest free and repayable on demand.

17. SHARE CAPITAL**Authorised share capital:**

	2000	1999
	£	£
240 A Ordinary shares of £1.00 each	240	240
760 B Ordinary shares of £1.00 each	760	760
	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	2000		1999	
	No.	£	No.	£
A Ordinary shares	240	240	240	240
B Ordinary shares	760	760	760	760
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000	1999
	£	£
Profit for the financial year	21,552	1,057,796
Dividends	-	(1,000,000)
	<u>21,552</u>	<u>57,796</u>
Opening shareholders' equity funds	2,263,244	2,205,448
Closing shareholders' equity funds	<u>2,284,796</u>	<u>2,263,244</u>

XL RECORDINGS LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2000****19. RECONCILIATION OF OPERATING PROFIT TO
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	2000 £	1999 £
Operating profit	260,464	1,610,002
Depreciation	75,950	58,843
Loss on disposal of fixed assets	5,155	7,269
Decrease in stocks	11,671	23,498
Increase in debtors	(2,534,599)	(1,083,625)
(Decrease)/Increase in creditors	(49,574)	34,204
Net cash (outflow)/inflow from operating activities	<u>(2,230,933)</u>	<u>650,191</u>

20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£	2000 £	£	1999 £
Decrease in cash in the period	(2,002,565)		(704,711)	
Net cash inflow from long-term accruals	<u>(569,049)</u>		<u>(639,762)</u>	
		(2,571,614)		(1,344,473)
Change in net debt		(2,571,614)		(1,344,473)
Net debt at 1 January 2000		(82,943)		1,261,530
Net debt at 31 December 2000		<u>(2,654,557)</u>		<u>(82,943)</u>

21. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2000 £	Cash flows £	At 31 Dec 2000 £
Net cash:			
Cash in hand and at bank	937,069	(858,657)	78,412
Overdrafts	-	(1,143,908)	(1,143,908)
	<u>937,069</u>	<u>(2,002,565)</u>	<u>(1,065,496)</u>
Debt:			
Debt due after 1 year	(1,020,012)	(569,049)	(1,589,061)
Net debt	<u>(82,943)</u>	<u>(2,571,614)</u>	<u>(2,654,557)</u>

22. ULTIMATE PARENT COMPANY

The ultimate parent company is Beggars Group Limited, a company registered in England and Wales. A copy of the group accounts can be obtained from the company's registered office.