

Registered no. 3126277

XL RECORDINGS LIMITED

**ABBREVIATED FINANCIAL
STATEMENTS**

**YEAR ENDED
31 DECEMBER 1999**



**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 1999

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XL RECORDINGS LIMITED

ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999

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

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 1999 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: 8/3/01

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

XL RECORDINGS LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 1999

The directors present their report and the financial statements of the company for the year ended 31 December 1999.

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 well in line with expectations. Gross profit increased from the previous year to £4,339,096 (1998 - £4,281,548).

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 recommended the following dividends:

	1999 £	1998 £
Dividends paid on ordinary shares	<u>1,000,000</u>	<u>2,000,000</u>

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 1999	At 1 January 1999
Richard Russell	'A' Ordinary	240	240
Martin Mills		-	-
James Wyllie		-	-
Nicholas Worthington		<u>-</u>	<u>-</u>

Nicholas Worthington was appointed as a director on 24 May 1999.

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

	1999	1998
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:

	1999	No. of shares 1998
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

XL RECORDINGS LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 1999

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.

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 pages 8 and 9 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

Date:6...3...2001

XL RECORDINGS LIMITED**ABBREVIATED PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 1999**

	Note	1999 £	1998 £
GROSS PROFIT		4,339,096	4,281,548
Distribution costs		(1,242,695)	(732,934)
Administrative expenses		(1,486,399)	(1,214,848)
OPERATING PROFIT	2	1,610,002	2,333,766
Interest receivable		73,989	183,399
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,683,991	2,517,165
Tax on profit on ordinary activities	5	(626,195)	(681,816)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,057,796	1,835,349
Dividends	6	(1,000,000)	(2,000,000)
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		57,796	(164,651)
Balance brought forward		2,204,448	2,369,099
BALANCE CARRIED FORWARD		2,262,244	2,204,448

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

The above results are derived from continuing activities.

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

XL RECORDINGS LIMITED**ABBREVIATED BALANCE SHEET****AT 31 DECEMBER 1999**

	Note	1999	1998
		£	£
FIXED ASSETS			
Tangible assets	7	1,309,021	943,840
Investments	8	500	500
		<u>1,309,521</u>	<u>944,340</u>
CURRENT ASSETS			
Stocks	9	34,932	58,430
Debtors	10	2,352,223	1,306,330
Cash at bank and in hand		937,069	1,641,780
		<u>3,324,224</u>	<u>3,006,540</u>
CREDITORS: Amounts falling due within one year	11	<u>(1,350,489)</u>	<u>(1,316,285)</u>
NET CURRENT ASSETS		<u>1,973,735</u>	<u>1,690,255</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,283,256</u>	<u>2,634,595</u>
CREDITORS: Amounts falling due after more than one year	12	<u>(1,020,012)</u>	<u>(380,250)</u>
		<u>2,263,244</u>	<u>2,254,345</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	13	-	(48,897)
		<u>2,263,244</u>	<u>2,205,448</u>
CAPITAL AND RESERVES			
Called up share capital	16	1,000	1,000
Profit and loss account		2,262,244	2,204,448
SHAREHOLDERS' FUNDS	17	<u>2,263,244</u>	<u>2,205,448</u>

These accounts 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 the ...*6th March 2000*... and are signed on their behalf by:



Martin Mills

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

XL RECORDINGS LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 1999

	Note	1999	1998
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	18	650,191	5,529,558
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		73,989	183,399
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		73,989	183,399
TAXATION		(637,360)	(2,178,726)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(436,494)	(861,388)
Receipts from sale of fixed assets		5,201	-
Acquisition of Investments		-	(500)
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(431,293)	(861,888)
EQUITY DIVIDENDS PAID		(1,000,000)	(2,000,000)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(1,344,473)	672,343
FINANCING			
Net inflow/(outflow) from long-term accruals		639,762	(1,047,344)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		639,762	(1,047,344)
DECREASE IN CASH	19	(704,711)	(375,001)

XL RECORDINGS LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999

1. ACCOUNTING POLICIES

Basis of accounting

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

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

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.

XL RECORDINGS LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 1999**

1. ACCOUNTING POLICIES (continued)**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.

2. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	1999	1998
	£	£
Depreciation	58,843	39,074
Loss on disposal of fixed assets	7,269	-
Auditors' remuneration		
- as auditors	7,800	7,800
- for other services	575	-
Net profit on foreign currency translation	<u>(6,833)</u>	<u>(11,329)</u>

3. PARTICULARS OF EMPLOYEES

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

	1999	1998
	No.	No.
Number of administrative staff	5	5
Number of management staff	1	1
	<u>6</u>	<u>6</u>

The aggregate payroll costs of the above were:

	1999	1998
	£	£
Wages and salaries	243,734	221,181
Social security costs	26,326	25,013
	<u>270,060</u>	<u>246,194</u>

XL RECORDINGS LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 1999**

4. DIRECTORS' EMOLUMENTS

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

	1999	1998
	£	£
Emoluments receivable	<u>188,384</u>	<u>100,000</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999	1998
	£	£
In respect of the year:		
Corporation tax based on the results for the year at 30% (1998 - 31%)	156,114	465,982
Group Relief	513,146	259,288
Decrease in deferred tax provision		
Royalties	<u>(48,897)</u>	<u>(35,092)</u>
	620,363	690,178
Adjustment in respect of previous years:		
Corporation tax	<u>5,832</u>	<u>(8,362)</u>
	<u>626,195</u>	<u>681,816</u>

6. DIVIDENDS

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

	1999	1998
	£	£
Dividends paid on equity shares	<u>1,000,000</u>	<u>2,000,000</u>

XL RECORDINGS LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999

7. TANGIBLE FIXED ASSETS

	Land and buildings £	Fixtures, fittings and equipment £	Motor Vehicles £	Total £
Cost				
At 1 January 1999	847,230	51,734	111,956	1,010,920
Additions	262,543	147,561	26,390	436,494
Disposals	-	-	(21,001)	(21,001)
At 31 December 1999	<u>1,109,773</u>	<u>199,295</u>	<u>117,345</u>	<u>1,426,413</u>
Depreciation				
At 1 January 1999	8,463	25,243	33,374	67,080
Charge for the year	17,577	24,059	17,207	58,843
On disposals	-	-	(8,531)	(8,531)
At 31 December 1999	<u>26,040</u>	<u>49,302</u>	<u>42,050</u>	<u>117,392</u>
Net Book Value				
At 31 December 1999	<u>1,083,733</u>	<u>149,993</u>	<u>75,295</u>	<u>1,309,021</u>
At 31 December 1998	<u>838,767</u>	<u>26,491</u>	<u>78,582</u>	<u>943,840</u>

8. INVESTMENTS

Joint Venture

COST

At 1 January 1999 and 31 December 1999

£
500

NET BOOK VALUE

At 31 December 1999

500

At 31 December 1998

500

XL RECORDINGS LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999

8. INVESTMENTS (continued)

Name	Nature of business	Country of registration	Shares held, class / percentage
Mowax Labels Limited	Record label	England and Wales	500 ordinary (50%)
		Aggregate amount of capital and reserves	Profit (loss) for the year
		1999 £	1998 £
		(609,952)	(57,383)
		1999 £	1998 £
		(552,569)	(58,383)

The company's share in the joint venture for the year was:-

	£	£
Share of turnover		<u>332,590</u>
Share of loss before tax	(328,305)	
Taxation	<u>50,520</u>	
Loss after tax		<u>(277,785)</u>
Share of assets		
Fixed assets	9,039	
Current assets	<u>183,202</u>	
		192,241
Share of liabilities		
Due within one year	(441,919)	
Due after one year	<u>(55,298)</u>	
		<u>(497,217)</u>
Share of net liabilities		<u>(304,976)</u>

9. STOCKS

	1999 £	1998 £
Finished goods and goods for resale	<u>34,932</u>	<u>58,430</u>

XL RECORDINGS LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 1999****10. DEBTORS**

	1999	1998
	£	£
Trade debtors	838,815	260,678
Amounts owed by group undertakings	61,062	167,217
Corporation tax repayable	31,121	68,853
Other debtors	734,027	258,047
Prepayments and accrued income	687,198	551,535
	<u>2,352,223</u>	<u>1,306,330</u>

Included within prepayments and accrued income are amounts advanced to artistes totalling £685,155 (1998 - £551,248).

11. CREDITORS: Amounts falling due within one year

	1999	1998
	£	£
Trade creditors	847,786	1,064,796
Other taxation and social security	18,049	-
Other creditors	33,620	6,895
Accruals and deferred income	451,034	244,594
	<u>1,350,489</u>	<u>1,316,285</u>

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

	1999	1998
	£	£
Other creditors:		
Accruals and deferred income	<u>1,020,012</u>	<u>380,250</u>

13. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	1999	1998
	£	£
Provision brought forward	48,897	83,989
Decrease in provision	(48,897)	(35,092)
Provision carried forward	<u>-</u>	<u>48,897</u>

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

	1999	1998
	£	£
Royalties	<u>-</u>	<u>48,897</u>

XL RECORDINGS LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 1999****14. CONTINGENCIES**

The company has given its bankers a composite cross guarantee dated 5 May 1998 over the facilities of the following companies:

Beggars Group Limited
 Beggar's 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 21 August 1989, 18 December 1996 and 5 May 1998 over all the company's assets, incorporating a specific charge over book debts.

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

	1999 £	1998 £
240 A Ordinary shares of £1 each	240	240
760 B Ordinary shares of £1 each	760	760
	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	1999		1998	
	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>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Profit for the financial year	1,057,796	1,835,349
Dividends	(1,000,000)	(2,000,000)
	<u>57,796</u>	<u>(164,651)</u>
Opening shareholders' equity funds	2,205,448	2,370,099
Closing shareholders' equity funds	<u>2,263,244</u>	<u>2,205,448</u>

XL RECORDINGS LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1999

**18. RECONCILIATION OF OPERATING PROFIT TO
NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1999 £	1998 £
Operating profit	1,610,002	2,333,766
Depreciation	58,843	39,074
Loss on disposal of fixed assets	7,269	-
Decrease in stocks	23,498	56,299
(Increase)/Decrease in debtors	(1,083,625)	2,555,951
Increase in creditors	34,204	544,468
Net cash inflow from operating activities	<u>650,191</u>	<u>5,529,558</u>

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

	1999 £	1998 £
Decrease in cash in the period	(704,711)	(375,001)
Net cash (inflow)/outflow from long-term accruals	<u>(639,762)</u>	<u>1,047,344</u>
	(1,344,473)	672,343
Change in net debt	(1,344,473)	672,343
Net funds at 1 January 1999	1,261,530	589,187
Net debt at 31 December 1999	<u>(82,943)</u>	<u>1,261,530</u>

20. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 1999 £	Cash flows £	At 31 Dec 1999 £
Net cash:			
Cash in hand and at bank	1,641,780	(704,711)	937,069
Debt due after 1 year	(380,250)	(639,762)	(1,020,012)
Net debt	<u>1,261,530</u>	<u>(1,344,473)</u>	<u>(82,943)</u>

21. 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.