

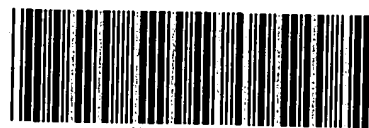
Registered number: 03126277

XL RECORDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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XL RECORDINGS LIMITED

COMPANY INFORMATION

Directors	Martin Mills MBE 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 2015

Business review

XL Recordings has had resounding acclaim with Adele's 25, which was released on 20 November 2015, and became the world's best-selling album of 2015 with 17.4 million copies sold worldwide. 25 has achieved massive commercial success debuting at number one in more than 25 markets and breaking first-week sales records in multiple territories including the UK and US. Adele was nominated for five Brit awards and subsequently won four, in February 2016.

XL Recordings has a portfolio approach to A&R and continues to seek, identify and sign new artists. The company'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 2015 XL has seen huge growth in streaming, with some decline in downloads. Physical format sales have been more resilient than expected, partly due to the resurgence of vinyl across all of our labels, and partly because Adele's '25' was skewed towards the CD format.

The business has adapted to the growth of streaming, with appropriate parallel marketing strategies to support the diversity in formats, channels and territories. We have also invested significantly in our internal systems to help deal with the increasing complexity and exploding volumes. Our business has had to rapidly transform to deal with micropayments generated by digital streaming with an almost zero per transaction value but tens of million lines every month, and multiple data sources requiring cleansing and matching of metadata.

Whichever way fans choose to listen to music, this leaves us well equipped to support and promote our artists.

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 former category unfairly uses 'safe harbour' protection, which was intended to protect passive intermediaries from copyright liability in the early days of the internet.

But safe harbour exceptions are being used for purposes they were not intended for. They are allowing technology companies to build huge businesses on them, which is a major problem for licensed services because they are competing with services that have an inbuilt advantage.

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. We hope to see progress in this area during 2016.

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.

The group's key focus remains the discovery and promotion of new music, irrespective of format. We believe our independence and artist focussed approach give us a significant advantage.

XL RECORDINGS LIMITED

GROUP STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015, with comparatives for the year ended 31 December 2014, are laid out below.

	2015	2014
Turnover including share of associates and joint ventures	£81,069,066	£26,223,621
Total operating profit	£29,016,987	£7,020,023
Number of releases	12	8

This report was approved by the board on 22 September 2016 and signed on its behalf.



Martin Mills MBE
Director

XL RECORDINGS LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the financial statements for the year ended 31 December 2015, which have been prepared in accordance with Financial Reporting Standard 102 for the first time. The directors have assessed the differences between recognition and measurement principles of the regime under which the company previously reported its results and the new standard, concluding that there were no significant adjustments on transition.

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

Profit for the year, after taxation and minority interests, amounted to £22,932,278 (2014 - £5,445,859).

There were no dividends declared or recommended during the year (2014 - £13,000,000).

Directors

The directors who served during the year were:

Martin Mills MBE
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 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 that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that 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.

Post balance sheet events

After the year end, a dividend of £10,000,000 was declared and paid.

XL RECORDINGS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 22 September 2016 and signed on its behalf.



Martin Mills MBE
Director

XL RECORDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 for the group financial statements 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; 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 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 2015, set out on pages 8 to 42. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 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 2015 and of the group's profit or loss 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. 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 Strategic Report and the Directors Report.

XL RECORDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XL RECORDINGS LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Marc Voulters (Senior Statutory Auditor)

for and on behalf of

SRLV

Chartered Accountants
Statutory Auditor

89 New Bond Street
London
W1S 1DA

23 September 2016

XL RECORDINGS LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £	2014 £
Turnover	5	76,504,051	23,053,059
Cost of sales		(27,858,044)	(7,457,344)
Gross profit		48,646,007	15,595,715
Distribution costs		(10,832,129)	(1,981,179)
Administrative expenses		(8,733,285)	(6,561,804)
Other operating income	6	11,444	-
Operating profit	7	29,092,037	7,052,732
Share of losses of joint ventures		(274)	(1,924)
Share of losses of associates		(74,776)	(30,785)
Total operating profit		29,016,987	7,020,023
Interest receivable and similar income	11	209,091	86,435
Interest payable and similar charges	12	(29)	(12,011)
Profit before tax		29,226,049	7,094,447
Tax on profit on ordinary activities	13	(6,293,771)	(1,648,588)
Profit for the year		22,932,278	5,445,859
Profit for the year attributable to:			
Non-controlling interests		51,462	(74,233)
Owners of the parent		22,880,816	5,520,092
		22,932,278	5,445,859

The notes on pages 18 to 42 form part of these financial statements.

XL RECORDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £	2014 £
Profit for the financial year		<u>22,932,278</u>	<u>5,445,859</u>
Other comprehensive income			
Currency translation difference on foreign currency net investments		(1,683)	2,303
Repurchase of shares by associate		-	(129,584)
Other comprehensive income for the year		<u>(1,683)</u>	<u>(127,281)</u>
Total comprehensive income for the year		<u><u>22,930,595</u></u>	<u><u>5,318,578</u></u>
Profit for the year attributable to:			
Non-controlling interest		51,462	(74,233)
Owners of the parent company		<u>22,880,816</u>	<u>5,520,092</u>
		<u><u>22,932,278</u></u>	<u><u>5,445,859</u></u>
Total comprehensive income attributable to:			
Non-controlling interest		51,462	(74,233)
Owners of the parent company		<u>22,879,133</u>	<u>5,392,811</u>
		<u><u>22,930,595</u></u>	<u><u>5,318,578</u></u>

The notes on pages 18 to 42 form part of these financial statements.

XL RECORDINGS LIMITED
REGISTERED NUMBER:03126277
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	15	136,420	(23,347)
Tangible assets	16	3,390,053	3,562,876
Investments	17	55,038	118,122
		<u>3,581,511</u>	<u>3,657,651</u>
Current assets			
Stocks	18	768,345	150,314
Debtors: amounts falling due after more than one year	19	939,081	913,806
Debtors: amounts falling due within one year	19	67,584,446	10,951,302
Cash at bank and in hand	20	2,424,987	4,403,694
		<u>71,716,859</u>	<u>16,419,116</u>
Creditors: amounts falling due within one year	21	(37,107,865)	(5,090,000)
Net current assets		<u>34,608,994</u>	<u>11,329,116</u>
Total assets less current liabilities		<u>38,190,505</u>	<u>14,986,767</u>
Provisions for liabilities and charges			
Deferred taxation	23	(252,807)	-
Investment in joint ventures:	24		
Share of gross liabilities		(938,684)	(936,487)
Share of gross assets		9,970	8,135
		<u>(1,181,521)</u>	<u>(928,352)</u>
Net assets		<u><u>37,008,984</u></u>	<u><u>14,058,415</u></u>

XL RECORDINGS LIMITED
REGISTERED NUMBER:03126277
CONSOLIDATED BALANCE SHEET (continued)
AS AT 31 DECEMBER 2015

	Note	2015 £	2014 £
Capital and reserves			
Called up share capital	25	1,000	1,000
Profit and loss account		36,959,299	14,080,166
Equity attributable to owners of the parent company		36,960,299	14,081,166
Non-controlling interests		48,685	(22,751)
		37,008,984	14,058,415

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 September 2016.



Martin Mills MBE
Director

The notes on pages 18 to 43 form part of these financial statements.

XL RECORDINGS LIMITED
REGISTERED NUMBER:03126277

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2015

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	16	2,692,233	2,902,335
Investments	17	201,892	201,892
		<u>2,894,125</u>	<u>3,104,227</u>
Current assets			
Stocks	18	736,932	130,053
Debtors: amounts falling due after more than one year	19	939,081	913,806
Debtors: amounts falling due within one year	19	70,087,626	10,819,830
Cash at bank and in hand	20	2,170,820	4,130,612
		<u>73,934,459</u>	<u>15,994,301</u>
Creditors: amounts falling due within one year	21	(36,438,318)	(4,953,256)
Net current assets		<u>37,496,141</u>	<u>11,041,045</u>
Total assets less current liabilities		<u>40,390,266</u>	<u>14,145,272</u>
Net assets		<u><u>40,390,266</u></u>	<u><u>14,145,272</u></u>
Capital and reserves			
Called up share capital	25	1,000	1,000
Profit and loss account		40,389,266	14,144,272
		<u>40,390,266</u>	<u>14,145,272</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 September 2016.



Martin Mills MBE
Director

The notes on pages 18 to 43 form part of these financial statements.

XL RECORDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital	Profit and loss account	Equity attributable to owners of parent company	Non- controlling interests	Total equity
	£	£	£	£	£
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	-	22,880,816	22,880,816	51,462	22,932,278
Currency translation difference on foreign currency net investments	-	(1,683)	(1,683)	-	(1,683)
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 31 December 2015	1,000	36,959,299	36,960,299	48,685	37,008,984

XL RECORDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Called up share capital	Profit and loss account	Equity attributable to owners of parent company	Non- controlling interests	Total equity
	£	£	£	£	£
At 1 January 2014 (as previously reported)	1,000	21,291,771	21,292,771	-	21,292,771
Prior year adjustment	-	395,584	395,584	-	395,584
At 1 January 2014 (as restated)	1,000	21,687,355	21,688,355	-	21,688,355
Comprehensive income for the year					
Profit for the year	-	5,520,092	5,520,092	(74,233)	5,445,859
Currency translation difference on foreign currency net investments	-	2,303	2,303	-	2,303
Repurchase of shares by associate	-	(129,584)	(129,584)		(129,584)
Other comprehensive income for the year	-	(127,281)	(127,281)	-	(127,281)
Total comprehensive income for the year	-	5,392,811	5,392,811	(74,233)	5,318,578
Dividends: Equity capital	-	(13,000,000)	(13,000,000)	-	(13,000,000)
Non-controlling interest share of joint venture and associates share of retained profit	-	-	-	51,482	51,482
Total transactions with owners	-	(13,000,000)	(13,000,000)	51,482	(12,948,518)
At 31 December 2014	1,000	14,080,166	14,081,166	(22,751)	14,058,415

The notes on pages 18 to 42 form part of these financial statements.

XL RECORDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Share capital	Retained earnings	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
	-	26,244,994	26,244,994
Total comprehensive income for the year			
	-	26,244,994	26,244,994
At 31 December 2015	1,000	40,389,266	40,390,266

The notes on pages 18 to 43 form part of these financial statements.

XL RECORDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2014 (as previously reported)	1,000	21,227,719	21,228,719
Prior year adjustment	-	395,584	395,584
At 1 January 2014 (as restated)	1,000	21,623,303	21,624,303
Comprehensive income for the year			
Profit for the year	-	5,520,969	5,520,969
Total comprehensive income for the year	-	5,520,969	5,520,969
Contributions by and distributions to owners			
Dividends: Equity capital	-	(13,000,000)	(13,000,000)
Total transactions with owners	-	(13,000,000)	(13,000,000)
At 31 December 2014	1,000	14,144,272	14,145,272

The notes on pages 18 to 42 form part of these financial statements.

XL RECORDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015	2014
	£	£
Cash flows from operating activities		
Profit for the financial year	22,932,278	5,445,859
Adjustments for:		
Amortisation of intangible assets	2,667	-
Depreciation of tangible assets	225,932	202,794
Loss on disposal of tangible assets	-	(575)
Increase in stocks	(618,031)	(2,350)
Interest payable	29	12,011
Interest receivable	(209,091)	(86,435)
Taxation	6,293,771	1,648,588
Increase in debtors	(56,962,074)	(1,621,719)
Increase in creditors	27,498,239	(2,211,218)
Share of operating profit in joint ventures	274	1,924
Share of operating profit in associates	74,776	30,785
Corporation tax paid	(1,379,626)	(1,203,967)
Profit on foreign exchange movements	(31,653)	(31,643)
Net cash (consumed in)/generated from operating activities	(2,172,509)	2,184,054
Cash flows from investing activities		
Purchase of tangible fixed assets	(17,201)	(120,054)
Sale of tangible fixed assets	-	7,000
Purchase of subsidiary (net of cash acquired)	(55,221)	-
Interest received	209,091	86,435
New loans to associates	(349,319)	(2,058,832)
Loans repaid by associates	404,908	437,249
Net cash from investing activities	192,258	(1,648,202)
Cash flows from financing activities		
Dividends paid	-	(13,000,000)
Interest paid	(29)	(12,011)
Net cash used in financing activities	(29)	(13,012,011)
Net decrease in cash and cash equivalents	(1,980,280)	(12,476,159)
Cash and cash equivalents at beginning of year	4,403,694	16,879,853
Cash and cash equivalents at the end of year	2,423,414	4,403,694
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,424,987	4,403,694
Bank overdrafts	(1,573)	-
	2,423,414	4,403,694

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 limited company and is registered 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.

Information on the impact of first-time adoption of FRS 102 is given in note 33.

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 2015

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 2015

2. Accounting policies (continued)

2.4 Intangible assets

Negative goodwill

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 2015

2. Accounting policies (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 (previously 25% per annum on a reducing balance basis)
Fixtures and fittings	- 20% straight line (previously 20-25% per annum on a reducing balance basis)
Computer equipment	- 20-33% straight line (previously 25-33% per annum on a reducing balance basis)

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 within 'other operating income' in the profit and loss account.

During the year, the directors reviewed the basis of depreciation in relation to tangible fixed assets. The basis of depreciation for fixtures and fittings was amended from 20-25% per annum on a reducing balance basis. The basis of depreciation for motor vehicles was amended from 25% per annum on a reducing balance basis. The basis of depreciation for computer equipment was amended from 20-33% per annum on a reducing balance basis. It is the opinion of the directors that this is a more appropriate basis of estimation. There is no material effect on the financial statements arising from this change.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 Associates and joint ventures

Associates and joint ventures are held at cost less impairment.

2.8 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.

2.9 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 2015

2. Accounting policies (continued)

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

2.11 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like 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.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2. Accounting policies (continued)

2.13 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.

2.14 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.

2.15 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.

2.16 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 payments 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.

2.17 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 2015

2. Accounting policies (continued)

2.18 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.

2.19 Borrowing costs

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

2.20 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a change 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.

2.21 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.

2.22 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 2015**

2. Accounting policies (continued)

2.23 Restatement of comparatives

Within the comparative figures, certain costs have been reclassified. The net impact has been a decrease in cost of sales of £219,476, an increase in distribution costs of £6,654 and an increase in administrative expenses of £212,822. The directors are of the opinion that this a more appropriate way to present the expenses. There has been no net effect on the profit for 2014 or the balance sheet as at 31 December 2014.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015**

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 £26,244,994 (2014 - £5,520,969).

5. Analysis of turnover

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

	2015 £	2014 £
Sales and licensing of sound recordings	76,450,227	23,002,010
Rental income	53,824	51,049
	76,504,051	23,053,059

Analysis of turnover by country of destination:

	2015 £	2014 £
United Kingdom	24,471,853	5,144,564
Rest of the world	52,032,198	17,908,495
	76,504,051	23,053,059

6. Other operating income

	2015 £	2014 £
Insurance claims receivable	11,444	-
	11,444	-

7. Operating profit

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

	2015 £	2014 £
Depreciation of tangible fixed assets	225,932	202,794
Amortisation of intangible assets, including goodwill	234	973
Exchange differences	(406,728)	(55,505)
Defined contribution pension cost	59,344	16,826

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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:

	2015	2014
	£	£
Wages and salaries	2,419,816	1,280,709
Social security costs	332,691	161,161
Cost of defined contribution scheme	59,344	16,826
	<u>2,811,851</u>	<u>1,458,696</u>

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

	2015	2014
	No.	No.
Management	4	4
A&R, Marketing and Operations	14	14
	<u>18</u>	<u>18</u>

10. Directors' remuneration

	2015	2014
	£	£
Directors' emoluments	1,131,712	639,068
Company contributions to defined contribution pension schemes	39,125	6,500
	<u>1,170,837</u>	<u>645,568</u>

During the year retirement benefits were accruing to 1 director (2014 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £725,026 (2014 - £405,759).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £39,125 (2014 - £nil).

11. Interest receivable

	2015	2014
	£	£
Other interest receivable	209,091	86,435
	<u>209,091</u>	<u>86,435</u>

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

12. Interest payable and similar charges

	2015	2014
	£	£
Bank interest payable	4	182
Other interest payable	25	11,829
	29	12,011

13. Taxation

	2015	2014
	£	£
Corporation tax		
Current tax on profits for the year	6,040,890	1,632,799
	6,040,890	1,632,799
Double taxation relief	(160,495)	(66,499)
Group taxation relief	74	476
	5,880,469	1,566,776
Foreign tax		
Foreign tax on income for the year	160,495	81,812
	160,495	81,812
Total current tax	6,040,964	1,648,588
Deferred tax		
Origination and reversal of timing differences	252,807	-
Total deferred tax	252,807	-
Taxation on profit on ordinary activities	6,293,771	1,648,588

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2014 - higher than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	29,226,049	7,094,446
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%)	5,918,275	1,525,306
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	72,362	15,754
Capital allowances for year in excess of depreciation	30,376	17,324
Fixed asset differences	70,549	-
Adjustments to tax charge in respect of prior periods	255,967	85,242
Non-taxable income	(774,393)	-
Deferred tax not recognised	30,237	-
Group adjustments	715,775	-
Difference in tax rates	(43,171)	-
Other differences leading to a (decrease)/increase in the tax charge	(4,537)	1,679
Group relief	(74)	-
Foreign tax	22,405	3,283
Total tax charge for the year	6,293,771	1,648,588

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:

	2015 £	2014 £
Dividends paid on ordinary equity shares £nil (2014: £13,000) per share	-	13,000,000
	-	13,000,000

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

15. Intangible assets

Group

	Trademarks £	Negative goodwill £	Total £
Cost			
At 1 January 2015	-	(24,320)	(24,320)
Additions	160,002	-	160,002
At 31 December 2015	<u>160,002</u>	<u>(24,320)</u>	<u>135,682</u>
Amortisation			
At 1 January 2015	-	(973)	(973)
Charge for the year	2,667	(2,432)	235
At 31 December 2015	<u>2,667</u>	<u>(3,405)</u>	<u>(738)</u>
Net book value			
At 31 December 2015	<u>157,335</u>	<u>(20,915)</u>	<u>136,420</u>
At 31 December 2014	<u>-</u>	<u>(23,347)</u>	<u>(23,347)</u>

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

16. Tangible fixed assets

Group

	Freehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2015	3,641,077	73,115	613,080	73,418	4,400,690
Additions	-	-	5,625	11,576	17,201
Exchange adjustments	37,803	-	38	-	37,841
At 31 December 2015	3,678,880	73,115	618,743	84,994	4,455,732
Depreciation					
At 1 January 2015	476,017	29,660	295,795	36,342	837,814
Charge for the period	58,914	21,106	118,248	27,664	225,932
Exchange adjustments	1,894	-	38	-	1,932
At 31 December 2015	536,825	50,766	414,081	64,006	1,065,678
Net book value					
At 31 December 2015	3,142,055	22,349	204,662	20,988	3,390,054
At 31 December 2014	3,165,060	43,455	317,285	37,076	3,562,876

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

16. Tangible fixed assets (continued)

Company

	Freehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2015	2,945,694	73,115	612,377	73,418	3,704,604
Additions	-	-	5,625	10,158	15,783
At 31 December 2015	2,945,694	73,115	618,002	83,576	3,720,387
Depreciation					
At 1 January 2015	441,176	29,660	295,091	36,342	802,269
Charge for the period	58,914	21,106	118,248	27,617	225,885
At 31 December 2015	500,090	50,766	413,339	63,959	1,028,154
At 31 December 2015	2,445,604	22,349	204,663	19,617	2,692,233
At 31 December 2014	2,504,518	43,455	317,286	37,076	2,902,335

17. Fixed asset investments

Group

	Investments in associates £
Cost	
At 1 January 2015	118,122
Share of loss	(63,084)
At 31 December 2015	55,038
Net book value	
At 31 December 2015	55,038
At 31 December 2014	118,122

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

17. Fixed asset investments (continued)

Subsidiary undertakings

The company owns more than 50% of the issued share capital of the following companies which have been consolidated for the year to 31 December 2015.

Name	Country of incorporation	Class of shares	Holding	Principal activity
XL Recordings Inc.	United States of America	Ordinary	100%	Property holding company
Young Turks Recordings Limited	England and Wales	Ordinary	75%	Production and exploitation of sound recordings
Young Turks Limited (indirect)	England and Wales	Ordinary	75%	Production and exploitation of sound recordings

Participating interests

Associates and joint ventures

The company owns more than 20% of the issued share capital of the following companies which have been accounted for as associates and joint ventures for the year ended 31 December 2015

Name	Country of incorporation	Class of shares	Holding	Principal activity
Mowax Labels Limited	England and Wales	Ordinary	50%	Production and exploitation of sound recordings
Rough Trade Retail Group Limited	England and Wales	Ordinary	54%	Retailing of music records and related merchandise
The Album Club Limited (indirect)	England and Wales	Ordinary	54%	Dormant
Rough Trade Limited (indirect)	England and Wales	Ordinary	54%	Dormant
Rough Trade Retail (USA) Holdings (indirect)	United States of America	Ordinary	54%	Holding company
Rough Trade Retail LLC (indirect)	United States of America	Ordinary	35%	Property holding company
Rise Bristol Ltd (indirect)	England and Wales	Ordinary	36%	Retail sale of music

The accounting reference date for Rough Trade Retail Group Limited, The Album Club Limited and Rough Trade Limited is 31 March and the latest financial statements are for the year ended 31 March 2015. The accounting reference date for Rise Bristol Ltd is 28 February and the latest financial statements are for the year ended 28 February 2015. 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 2015.

The company holds 54% of the share capital of Rough Trade Retail Group Limited. The share of the voting rights held by the company is less than 50% and therefore the company does not exercise control over Rough Trade Retail Group Limited, and this is included in the consolidated accounts as an associate.

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

17. Fixed asset investments (continued)

Company

	Investments in subsidiary companies	Investments in associates	Total
	£	£	£
Cost or valuation			
At 1 January 2015	1,392	200,500	201,892
At 31 December 2015	1,392	200,500	201,892
Net book value			
At 31 December 2015	1,392	200,500	201,892
At 31 December 2014	1,392	200,500	201,892

18. Stocks

	Group 2015	Group 2014	Company 2015	Company 2014
	£	£	£	£
Finished goods and goods for resale	768,345	150,314	736,932	130,053
	768,345	150,314	736,932	130,053

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

19. Debtors

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Due after more than one year				
Amounts owed by joint ventures and associated undertakings	939,081	913,806	939,081	913,806
	939,081	913,806	939,081	913,806
	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Due within one year				
Trade debtors	373,473	99,855	287,175	54,706
Amounts owed by group undertakings	-	-	5,341,610	1,097,688
Amounts owed by joint ventures and associated undertakings	1,650,628	1,641,489	711,978	702,838
Other debtors	65,178,889	9,205,618	63,408,124	8,964,598
Prepayments and accrued income	376,880	-	338,739	-
Tax recoverable	4,576	4,340	-	-
	67,584,446	10,951,302	70,087,626	10,819,830

20. Cash and cash equivalents

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Cash at bank and in hand	2,424,987	4,403,694	2,170,820	4,130,612
Less: bank overdrafts	(1,573)	-	(1,573)	-
	2,423,414	4,403,694	2,169,247	4,130,612

21. Creditors: Amounts falling due within one year

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Bank overdrafts	1,573	-	1,573	-
Trade creditors	345,177	2,283,462	185,736	2,155,842
Corporation tax	6,315,343	1,797,424	6,315,343	1,797,424
Taxation and social security	9,698,955	237,332	9,587,561	237,332
Other creditors	4,042,725	658,147	3,998,010	649,208
Accruals and deferred income	16,704,092	113,635	16,350,095	113,450
	37,107,865	5,090,000	36,438,318	4,953,256

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

22. Financial instruments

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	70,937,236	16,264,460	73,195,325	15,864,249
	70,937,236	16,264,460	73,195,325	15,864,249
Financial liabilities				
Financial liabilities measured at amortised cost	(30,792,686)	(3,290,063)	(30,123,326)	(3,153,319)
	(30,792,686)	(3,290,063)	(30,123,326)	(3,153,319)

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	2015 £
Charged to the profit or loss	252,807
At end of year	252,807

The deferred taxation balance is made up as follows:

	Group 2015 £
Accelerated capital allowances	252,807
	252,807

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

24. Provisions for liabilities and charges

Group

	Share of liabilities £	Share of assets £	Total £
At 1 January 2015	936,487	(8,135)	928,352
Charged to the profit or loss	2,197	(1,835)	362
At 31 December 2015	938,684	(9,970)	928,714

In 2015 and 2014, the share of net liabilities has arisen on the holding in Mowax Labels Limited.

25. Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
240 Ordinary A Shares shares of £1 each	240	240
240 Ordinary B Shares shares of £1 each	240	240
520 Deferred Shares 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.

26. Reserves

Profit and loss account

This reserve is the accumulated retained profit.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

27. Business combinations

Acquisition of Young Turks Limited

On 9 November 2015, Young Turks Recordings Limited acquired all of the issued share capital of Young Turks Limited.

	Book value £	Fair value adjustment £	Fair value £
Intangible	-	160,002	160,002
	-	160,002	160,002
Debtors	448,396	-	448,396
Cash at bank and in hand	397,465	-	397,465
Total assets	845,861	160,002	1,005,863
Due within one year	(77,267)	-	(77,267)
Fair value of net assets	768,594	160,002	928,596
Goodwill	160,002	(160,002)	-
Total purchase consideration	928,596	-	928,596
Purchase consideration settled in cash, as above	452,686	-	452,686
Cash and cash equivalents in subsidiary acquired	(397,465)	-	(397,465)
Cash outflow on acquisition	55,221	-	55,221

The results of Young Turks Limited since its acquisition are as follows:

	Current period since acquisition 2015 £
Loss for the period	(3,287)

28. 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 company for the year amounted to £59,344 (2014: £16,826). There were no contributions payable at the year end (2014: £nil).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

29. Transactions with directors

Richard Russell was paid a dividend during the year of £nil (2014: £6,500,000).

During the year, an interest free loan of £178,328 was made to Richard Russell. A balance of £178,328 (2014: £nil) was due to the company at the year end.

30. 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 £2,214,473 (2014: £1,655,535) and £361,222 (2014: £275,426) respectively.

During the year, the company and Young Turks Recordings Limited paid amounts in respect of general overhead charges to Beggars UK Limited of £710,487 (2014: £616,876) and £139,748 (2014: £175,186) 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:

	2015 Turnover £	2015 Costs £	2014 Turnover £	2014 Costs £
Beggars UK Limited:				
XL Recordings Limited	48,031,717	15,477,068	4,298,552	3,377,942
Young Turks Recordings Limited	1,042,154	817,312	518,568	462,251
Beggars Group Digital Limited:				
XL Recordings Limited	15,567,638	411,096	7,608,968	90,013
Young Turks Recordings Limited	2,378,399	62,701	651,744	4,828
Beggars Group Media Limited:				
XL Recordings Limited	4,625,500	4,904	4,520,756	86,756
Young Turks Recordings Limited	530,402	919	108,318	10,756

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:

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 Turnover £	2015 Costs £	2014 Turnover £	2014 Costs £
XL Recordings Limited	1,275,677	30,151	1,317,070	49,212
Young Turks Recordings Limited	401,516	9,174	124,217	2,759

During the year, commission was paid to Remote Control Records Pty Limited totalling £364,469 (2014: £74,336) and £12,825 (2014: £10,007) 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 £63,073,418 (2014: £7,584,021) by Beggars Group Limited in respect of working capital loans. At the balance sheet date, Young Turks Recordings Limited was owed £1,684,134 (2014: £91,894) by Beggars Group Limited in respect of working capital loans.

During the year, XL Recordings (USA) Inc. received rental income of £48,648 (2014: £51,049) from Beggars Group (USA) Inc. Beggars Group (USA) Inc. is a wholly owned subsidiary of Beggars Group Limited.

At the balance sheet date, the company was owed £1,863,777 (2014: £1,872,837) by Mowax Labels Limited in respect of working capital loans. A provision of £1,877,300 (2014 - £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 £235,448 (2014: £355,224) in respect of loans to Rise Bristol Ltd. Interest of 4% per annum is charged on the loan. During the year, net purchases of £nil (2014: £252) were made by Young Turks Recordings Limited from Rise Bristol Ltd. At the balance sheet date, Young Turks Recordings Limited owed £nil (2014: £nil) to Rise Bristol Ltd. Rise Bristol Ltd is an associated company.

At the balance sheet date, Rough Trade Retail Group Limited owed the company £500,342 (2014: £420,969) 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 £50,532 (2014: £nil) was made against the balance due from Rough Trade Retail Group Limited.

At the balance sheet date, the company was owed £1,036,877 (2014: £845,390) 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 £156,142 (2014: £nil) 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 period.

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 £376,504 (2014: £469,533) in the normal course of business with Young Turks Recordings Limited.

During the year, the company sold a catalogue and unrecouped balances for certain artists to Young Turks Recordings Limited for £4,403,762 (2014: £nil). At the year end, Young Turks Recordings Limited owed the company £4,648,899 (2014: £465,857).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

31. Post balance sheet events

After the year end, a dividend of £10,000,000 was declared and paid.

32. 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.

33. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different from the recognition and measurement principles set out under FRS 102. As a result, the transition to the new reporting regime has not impacted on equity or profit or loss and therefore no reconciliation between previously reported results and the 2014 comparative information has been presented.