

Company No: 03126277

XL RECORDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013



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FOR THE YEAR ENDED 31 DECEMBER 2013

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**XL RECORDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

Directors

Martin Mills
Richard Russell
Paul Redding (appointed 4 December 2013)
Ben Beardsworth (appointed 4 December 2013)

Company number

03126277

Registered Office

17-19 Alma Road
London
SW18 1AA

Auditors

SRLV
89 New Bond Street
London
W1S 1DA

**XL RECORDINGS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors present their annual report and the audited financial statements for the year ended 31 December 2013.

Principal activities

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

Results and dividends

The results for the year are set out on page 7.

An interim ordinary dividend was paid amounting to £24,000,000.

Directors

The following directors have held office since 1 January 2013:

Martin Mills	
Richard Russell	
Paul Redding	(appointed 4 December 2013)
Ben Beardsworth	(appointed 4 December 2013)

Fixed assets

Changes in fixed assets are shown in the notes to the financial statements. In the opinion of the directors, the market value of interests in land and buildings held as fixed assets at the balance sheet date were in excess of their book value.

Future developments

There will not be a further new release by Adele during 2014 and consequently there will be a fall in XL's turnover and profits. Nevertheless the directors are confident that by pursuing management policies as outlined in the Group Strategic Report XL will continue to achieve successes with other artists.

Events after the balance sheet date

Subsequent to the year end, dividends of £12,000,000 were declared and paid.

Directors' insurance

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.

Charitable donations

During the year the group made the following payments:

	2013	2012
	£	£
Charitable donations	<u>100,740</u>	<u>107,000</u>

A donation of £100,000 (2012: £105,000) was made to Kids Company, a charity, who provides practical, emotional and educational support to vulnerable inner-city London children. Small donations totalling £740 (2012: £2,000) to various other charities were also made.

Matters covered in the group strategic report

The principal risks and uncertainties facing the group and the company have been considered in the Group Strategic Report.

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.

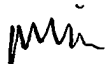
XL RECORDINGS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

Statement of disclosure 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.*

Approved by the board of directors on 30 September 2014 and signed on behalf of the board.



Martin Mills
Director

**XL RECORDINGS LIMITED
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013**

Business review

XL Recordings Limited ("XL") has had continued success with the artist Adele. Back catalogue sales of Adele during 2013 continued to account for a significant proportion of the sales and profit during the period.

XL continues to seek, identify and sign new artists. The company's future is dependent on our ability to achieve success with these new acts as well as our ability to continue to exploit successfully our growing catalogue.

In 2013 the global music market has seen a continued growth in digital services at the expense of physical sales. XL too has experienced a similar shift to download and streaming in recent years. We are adapting the business to transition smoothly through these market dynamics whilst retaining our primary focus on our artists.

Principal risks and uncertainties

Market dynamics outlined above may impact on the long term business model and underlying profitability. Nevertheless XL's key focus remains the discovery and promotion of new music, irrespective of format. We believe our ability to adapt to change together with our artist focussed approach give us a significant advantage.

XL relies on the financial success of a number of key artists. As such we continue to identify and sign new artists, and our future is dependent on our ability to achieve success with these new artists, as well as our ability to continue to exploit our catalogue successfully.

The group's principal financial instruments comprise bank balances, trade creditors and trade debtors. Due to the nature of the financial instruments used by the group, there is no exposure to price risk. The group's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances, the liquidity risk is managed by maintaining sufficient cash balances.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Financial and non financial key performance indicators

The group uses a number of performance indicators to monitor and manage the business effectively. The key performance indicators for the year ended 31 December 2013, with comparatives for the year ended 31 December 2012, are laid out below.

	2013	2012
	£	£
Turnover including share of associates and joint ventures	37,501,750	79,640,905
Total operating profit	12,331,147	25,367,505
Number of releases	<u>8</u>	<u>5</u>

This report was approved by the board on 30 September 2014 and signed on its behalf.



Martin Mills
Director

XL RECORDINGS LIMITED
STATEMENT OF THE DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2013

Statement of the directors' responsibilities

The directors are responsible for preparing the Group Strategic Report, Directors' Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2013

We have audited the financial statements of XL Recordings Limited for the year ended 31 December 2013 which comprise the Group Profit and Loss Account, The Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 the opinion we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 4, 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 Auditing Practices Board'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 of the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

XL RECORDINGS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XL LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2013

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

30 September 2014

89 New Bond Street
London
W1S 1DA

XL RECORDINGS LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £	2012 £
Turnover including share of associates and joint ventures		37,501,750	79,640,905
<i>Less share of turnover of:</i>			
Joint ventures		(4,667)	(6,026)
Associates		<u>(1,207,761)</u>	<u>(1,068,201)</u>
Group turnover	1,2	36,289,322	78,566,678
Cost of sales		<u>(13,385,143)</u>	<u>(38,497,552)</u>
Gross profit		22,904,179	40,069,126
Distribution expenses		(3,085,503)	(7,400,508)
Administrative expenses		<u>(7,523,113)</u>	<u>(7,263,086)</u>
Group operating profit	3	12,295,563	25,405,532
Share of operating profit/(loss) from associates	6	36,240	(20,482)
Share of operating (loss) from joint ventures	6	<u>(656)</u>	<u>(17,545)</u>
Total operating profit		12,331,147	25,367,505
Net finance income	7	<u>75,985</u>	<u>49,927</u>
Profit on ordinary activities before taxation		12,407,132	25,417,432
Tax charge on profit on ordinary activities	8	(2,868,381)	(6,285,382)
Profit for the financial year	20	<u>9,538,751</u>	<u>19,132,050</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

XL RECORDINGS LIMITED
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £	2012 £
Profit for the financial year	9,538,751	19,132,050
Currency translation difference on foreign currency net investments	(678)	(546)
Total recognised gains and losses in the year	<u>9,538,073</u>	<u>19,131,504</u>

XL RECORDINGS LIMITED
GROUP BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	£	2013 £	£	2012 £
Fixed assets					
Tangible assets	10		3,617,280		1,832,106
Investments:					
Associated undertakings	11		<u>204,974</u>		<u>196,617</u>
			3,822,254		2,028,723
Current assets					
Stocks	12	147,964		208,547	
Debtors	13	8,619,962		16,760,209	
Cash at bank and in hand		<u>16,879,853</u>		<u>33,266,006</u>	
		25,647,779		50,234,762	
Creditors: amounts falling due within one year	14	<u>(7,250,884)</u>		<u>(15,555,125)</u>	
Net current assets			18,396,895		34,679,637
Total assets less current liabilities			<u>22,219,149</u>		<u>36,708,360</u>
Provisions for liabilities and charges					
<i>Investment in joint ventures:</i>					
Share of gross assets		10,534		11,093	
Share of gross liabilities		<u>(936,912)</u>		<u>(936,872)</u>	
	15		(926,378)		(925,779)
Associated undertakings	15		-		(27,883)
Net assets			<u>21,292,771</u>		<u>35,754,698</u>
Capital and reserves					
Called up share capital	18		1,000		1,000
Profit and loss account	19		21,291,771		35,753,698
Shareholders' funds	20		<u>21,292,771</u>		<u>35,754,698</u>

Approved by the board of directors and authorised for issue on 30 September 2014



Martin Mills
Director

Company Registration Number: 03126277

XL RECORDINGS LIMITED
PARENT COMPANY BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	£	2013 £	£	2012 £
Fixed assets					
Tangible assets	10		2,982,497		1,175,425
Investments	11		<u>201,141</u>		<u>201,141</u>
			3,183,638		1,376,566
Current assets					
Stocks	12	147,964		208,547	
Debtors	13	8,292,683		16,438,200	
Cash at bank and in hand		<u>16,855,230</u>		<u>33,233,420</u>	
		25,295,877		49,880,167	
Creditors: amounts falling due within one year	14	<u>(7,250,797)</u>		<u>(15,521,715)</u>	
Net current assets			18,045,080		34,358,452
Total assets less current liabilities			<u>21,228,718</u>		<u>35,735,018</u>
Net assets			<u>21,228,718</u>		<u>35,735,018</u>
Capital and reserves					
Called up share capital	18		1,000		1,000
Profit and loss account	19		21,227,718		35,734,018
Shareholders' funds	20		<u>21,228,718</u>		<u>35,735,018</u>

Approved by the board of directors and authorised for issue on 30 September 2014



Martin Mills
Director

Company Registration Number: 03126277

XL RECORDINGS LIMITED
GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	£	2013 £	£	2012 £ (As restated)
Net cash inflow from operating activities	A		15,245,834		6,332,134
Returns on investments and servicing of finance					
Interest received		99,721		95,260	
Interest paid		<u>(23,736)</u>		<u>(45,333)</u>	
Net cash inflow for returns on investments and servicing of finance			75,985		49,927
Corporation tax paid			(5,790,687)		(9,984,780)
Capital expenditure and financial investment					
Payments to acquire tangible assets		<u>(1,917,285)</u>		<u>(213,431)</u>	
Net outflow for capital expenditure			(1,917,285)		(213,431)
Equity dividends paid			(24,000,000)		-
Management of liquid resources*					
Cash held on short term deposit		<u>9,914,547</u>		<u>(25,013,157)</u>	
Net inflow/(outflow) from management of cash liquid resources			9,914,547		(25,013,157)
Decrease in cash in the year	C		<u>(6,471,606)</u>		<u>(28,829,307)</u>

*Liquid resources comprises cash held in short term deposit accounts

XL RECORDINGS LIMITED
NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £	2012 £
A. Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	12,295,563	25,405,532
Depreciation of tangible assets	118,748	77,004
Loss on disposal of tangible assets	-	1,166
Loss on foreign exchange movements	12,685	25,634
Decrease in stock	60,583	315,993
Decrease in debtors	8,138,806	828,465
Decrease in creditors due within one year	(5,380,551)	(20,321,660)
Net cash inflow from operating activities	15,245,834	6,332,134
B. Analysis of net cash	At 1 Jan 2013 (As restated)	Cash flow At 31 Dec 2013
Net cash:		
Cash at bank and in hand	8,252,849	(6,471,606)
Net cash	8,252,849	1,781,243
C. Reconciliation of net cash flow to movement in the net cash	2013 £	2012 £ (As restated)
Decrease in cash in the year	(6,471,606)	(28,829,307)
Movement in net cash in the year	(6,471,606)	(28,829,307)
Opening net cash	8,252,849	37,082,156
Closing net cash	1,781,243	8,252,849

1. Accounting policies

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

Basis of consolidation

The consolidated accounts incorporate the accounts of the company and all group undertakings, together with the group's share of the net assets and results of associated undertakings and joint ventures. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill arising on consolidation is capitalised and written off over ten or twenty years from the year of acquisition.

The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively.

As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group accounts by virtue of Section 408 of the Companies Act 2006. The profit dealt with in the accounts of the parent company was £9,493,700 (2012 profit: £19,121,054).

Turnover

Turnover represents the value of goods and services provided to customers during the year and is net of discounts, value added tax and provisions for goods likely to be returned.

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.

Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation and any provision for impairment. Depreciation is calculated 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 land and buildings	2% on cost per annum
Fixtures, fittings and equipment	20-25% per annum on a reducing balance basis
Motor vehicles	25% per annum on a reducing balance basis

Stock

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

Taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

Accounting policies (continued)

Foreign currencies

Company:

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.

Group:

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the retranslation of opening net assets are taken directly to reserves. All other translation differences are taken to the profit and loss account.

Investments

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

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.

Pensions

The group makes payments into personal pension plans for certain employees. Contributions payable are charged to the profit and loss account in the year they are payable.

Cash flow statement

The comparative figures in the cash flow statement have been restated to reflect the reclassification of balances totalling £25,013,157 included in cash which do not meet the definition of cash under FRS1 (Revised) Cash Flow Statement and have been reclassified as liquid resources. There is no change to the profit and loss account or balance sheet in the prior period arising from this change.

Restatement of comparative figures

The directors have considered the disclosures in respect of the different classes of business in the financial statements. As a result the comparatives in relation to turnover analysis have been restated to reflect the reclassification of synch and performance income totalling £5,163,408 to sales and licensing of sound recordings which, in the opinion of the directors, is a more appropriate classification.

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

2. Turnover

The turnover attributable to the principal activities of the group is as follows:

	2013 £	2012 £ (as restated)
Rental income	48,399	49,404
Sales and licensing of sound recordings	36,240,923	78,517,274
	<u>36,289,322</u>	<u>78,566,678</u>

Turnover is analysed by geographical markets as follows:

UK	8,238,457	8,966,965
Rest of world	28,050,865	69,599,713
	<u>36,289,322</u>	<u>78,566,678</u>

3. Group operating profit

	2013 £	2012 £
Group operating profit is stated after charging		
Depreciation	118,748	77,004
Loss on disposal of fixed assets	-	1,166
Net loss on foreign currency translation	<u>90,089</u>	<u>277,373</u>

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

4. Information regarding employees

	2013 No	2012 No
Average number of persons employed (including directors)		
Management	3	3
Administration	14	13
	<u>17</u>	<u>16</u>

The aggregate payroll costs of the above were:

Staff costs during the year		
Wages and salaries	1,872,255	1,013,218
Social security costs	245,140	128,127
Other pension costs	-	497
	<u>2,117,395</u>	<u>1,141,842</u>

5. Directors' emoluments

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

	2013 £	2012 £
Emoluments	<u>410,574</u>	<u>411,402</u>

Emoluments of highest paid director:

Emoluments	<u>410,574</u>	<u>411,402</u>
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XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £	2012 £
6. Share of profits from other fixed asset investments		
Net share of operating profit/(loss) of associates	36,240	(20,482)
Net share of operating (loss)/profit of joint ventures	(656)	(17,545)
	<u>35,584</u>	<u>(38,027)</u>

The share of the operating profit of the associates relates to profit in Rough Trade Retail Group Limited – £22,600 and profit in Rough Trade Retail LLC – £13,640. The share of the operating losses in joint ventures relates to Mowax Labels Limited – £656.

	2013 £	2012 £
7. Finance income (net)		
Interest receivable and similar income		
Interest receivable – bank interest	99,721	95,260
Interest payable and similar charges		
Other similar charges payable	(23,736)	(45,333)
	<u>75,985</u>	<u>49,927</u>

	2013 £	2012 £
8. Tax charge on profit on ordinary activities		
(a) Analysis of charge in period		
<i>Current taxation</i>		
UK corporation tax for the year	2,863,290	6,282,827
Double taxation relief	<u>(112,316)</u>	<u>(165,821)</u>
	2,750,974	6,117,006
Foreign tax for current period	117,465	170,495
Share of joint ventures' tax	<u>(58)</u>	<u>(2,119)</u>
Total current tax charge on profit on ordinary activities	<u>2,868,381</u>	<u>6,285,382</u>

(b) Factors affecting tax charge for period

The actual tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation:

Profit on ordinary activities before tax	<u>12,407,132</u>	<u>25,417,432</u>
Profit on ordinary activities before tax charge multiplied by standard rate of UK corporation tax of 23.25% (2012 – 24.50%)	<u>2,905,823</u>	<u>6,233,096</u>
<i>Factors affecting charge for the period</i>		
Expenses not deductible for tax purposes	17,814	56,991
Depreciation add back	25,625	16,732
Capital allowances	(57,192)	(11,982)
Other tax adjustments	(23,689)	(9,455)
	<u>(37,442)</u>	<u>52,286</u>
Current tax charge	<u>2,868,381</u>	<u>6,285,382</u>

(c) Factors that may affect future tax charges

A deferred tax asset for the group has not been recognised in respect of a provision against related party balances as well as trading losses carried forward as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £488,850 (2012: £484,428). The asset would be recovered through repayment or write off of the loan and if there are sufficient profits from the same trade in the same company in future years against which the losses can be used.

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

9. Dividends

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

	2013 £	2012 £
Dividends paid on ordinary equity shares of £24,000 (2012:£nil) per share	<u>24,000,000</u>	<u>-</u>

10. Fixed assets

	Freehold property £	Fixtures & fittings £	Motor vehicles £	Total £
Group				
Cost or Valuation				
At 1 January 2013	2,005,267	330,932	74,430	2,410,629
Foreign exchange	(13,695)	(14)	-	(13,709)
Additions	1,613,403	300,882	3,000	1,917,285
Disposals	-	(25,276)	-	(25,276)
At 31 December 2013	<u>3,604,975</u>	<u>606,524</u>	<u>77,430</u>	<u>4,288,929</u>
Depreciation				
At 1 January 2013	345,090	188,707	44,726	578,523
Foreign exchange	(332)	(14)	-	(346)
Charge for year	35,181	76,141	7,426	118,748
Disposals	-	(25,276)	-	(25,276)
At 31 December 2013	<u>379,939</u>	<u>239,558</u>	<u>52,152</u>	<u>671,649</u>
Net book value				
At 31 December 2013	<u>3,225,036</u>	<u>366,966</u>	<u>25,278</u>	<u>3,617,280</u>
At 31 December 2012	<u>1,660,177</u>	<u>142,225</u>	<u>29,704</u>	<u>1,832,106</u>
Company				
Cost				
At 1 January 2013	1,332,291	330,251	74,430	1,736,972
Additions	1,613,403	300,882	3,000	1,917,285
Disposals	-	(25,276)	-	(25,276)
At 31 December 2013	<u>2,945,694</u>	<u>605,857</u>	<u>77,430</u>	<u>3,628,981</u>
Depreciation				
At 1 January 2013	328,795	188,026	44,726	561,547
Charge for year	26,646	76,141	7,426	110,213
Disposals	-	(25,276)	-	(25,276)
At 31 December 2013	<u>355,441</u>	<u>238,891</u>	<u>52,152</u>	<u>646,484</u>
Net book value				
At 31 December 2013	<u>2,590,253</u>	<u>366,966</u>	<u>25,278</u>	<u>2,982,497</u>
At 31 December 2012	<u>1,003,496</u>	<u>142,225</u>	<u>29,704</u>	<u>1,175,425</u>

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

11. Investments

	Associates
	£
Group Cost	
At 1 January 2013	196,617
Change in value	8,357
At 31 December 2013	<u>204,974</u>
Net book value	
At 31 December 2013	<u>204,974</u>
At 31 December 2012	<u>196,617</u>

The shares of associates and joint ventures are split into associates in a net asset position of £204,974 and associates and joint ventures in a net liabilities position of £926,378 (note 15).

The following table shows the total associates and joint venture position:

	Associates	Joint ventures	Total
	£	£	£
Group associates and joint ventures			
Share of net assets/(liabilities)			
At 1 January 2013	168,734	(925,779)	(757,045)
Share of retained profit/(loss) for the year	36,240	(599)	35,641
	<u>204,974</u>	<u>(926,378)</u>	<u>(721,404)</u>
Net book value			
At 31 December 2013	<u>204,974</u>	<u>(926,378)</u>	<u>(721,404)</u>
At 31 December 2012	<u>168,734</u>	<u>(925,779)</u>	<u>(757,045)</u>

The following information is given in respect of the group's share of all joint ventures:

	2013	2012
	£	£
Current assets	10,534	11,093
Liabilities due within one year	<u>(936,912)</u>	<u>(936,872)</u>

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

11. Investments (continued)

Subsidiaries

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 2013.

Name	Nature of business	Country of incorporation	Class of shares held	% of shares held
XL Recordings Inc.	Property holding company	United States of America	Ordinary	100%

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 to 31 December 2013.

Mowax Labels Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	50%
Rough Trade Retail Group Limited	Retailing of music records and related merchandise	England and Wales	Ordinary	35%
The Album Club Limited	Ceased trading	England and Wales	Ordinary	35% <i>Indirect</i>
Rough Trade Limited	Ceased trading	England and Wales	Ordinary	35% <i>Indirect</i>
Rough Trade Retail (USA) Holdings	Holding company	United States of America	Ordinary	35% <i>Indirect</i>
Rough Trade Retail LLC	Property holding company	United States of America	Ordinary	22.8% <i>Indirect</i>

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 2013. The consolidated accounts include figures for the period ended 31 December 2013.

Company	Subsidiary companies	Associated undertakings and joint ventures	Total
	£	£	£
Cost			
At 1 January 2013 and 31 December 2013	641	200,500	201,141
Net book value			
At 31 December 2013	641	200,500	201,141
At 31 December 2012	641	200,500	201,141

12. Stocks

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Finished goods for resale	147,964	208,547	147,964	208,547

There is no material difference between the balance sheet value of the stocks and their replacement cost.

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

13. Debtors

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Trade debtors	47,913	73,906	34,508	73,906
Amounts owed by subsidiary undertakings	-	-	631,831	629,934
Amounts owed by associated undertakings and joint ventures	1,593,111	1,049,944	654,461	111,294
Corporation tax	2,996	4,438	-	-
Other debtors	6,486,191	15,261,969	6,486,191	15,253,114
Prepayments and accrued income	489,751	369,952	485,692	369,952
	<u>8,619,962</u>	<u>16,760,209</u>	<u>8,292,683</u>	<u>16,438,200</u>

14. Creditors: amounts falling due within one year

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Trade creditors	4,483,754	10,127,775	4,483,754	10,127,775
Other tax and social security	426,315	-	426,315	-
Corporation tax	1,351,509	4,275,199	1,351,509	4,275,199
Directors' current accounts	11,010	2,510	11,010	2,510
Other creditors	570,603	979,353	570,516	945,943
Accruals and deferred income	407,693	170,288	407,693	170,288
	<u>7,250,884</u>	<u>15,555,125</u>	<u>7,250,797</u>	<u>15,521,715</u>

15. Provisions for liabilities and charges

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Share of net liabilities of associates	-	27,883	-	-
Share of net liabilities of joint ventures	926,378	925,779	-	-
Provision carried forward	<u>926,378</u>	<u>953,662</u>	<u>-</u>	<u>-</u>

See note 11 for movements on the provision for share of liabilities of joint ventures.

16. Transactions with directors

Dividends to directors

The following director was paid dividends during the year as outlined in the table below:

	2013 £	2012 £
Richard Russell	12,000,000	-
	<u>12,000,000</u>	<u>-</u>

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

17. Related party transactions

At the year end, the company utilised the exemption contained in FRS8 – Related Party Disclosures not to disclose any transactions with entities which were part of the XL Recordings Limited Group.

During the year, the company paid amounts in respect of general overhead charges to its shareholder, Beggars Group Limited, of £1,679,326 (2012: £1,673,222).

At the balance sheet date, the company was owed £6,480,009 (2012: £11,778,954) by Beggars Group Limited in respect of working capital loans.

At the balance sheet date, the company was owed £1,872,837 (2012: £1,872,995) by Mowax Labels Limited, a joint venture of XL Recordings Limited, in respect of working capital loans. A provision of £1,877,300 (2012 - £1,877,300) was made against these loans.

Costs of £1,020 (2012: £720) were incurred in the normal course of business with Rough Trade Retail Group Limited, an associated company, and no trade balances were due to or from the company at the year end. At the balance sheet date Rough Trade Retail Group Limited owed the company £75,600 (2012: £115,600) in respect of working capital loans.

At the balance sheet date, the company was owed £583,323 (2012: £583,323) in respect of working capital loans to Rough Trade Retail LLC.

At the year end there was a sum of £11,010 (2012: £2,510) due to the director, Richard Russell, in respect of unpaid remuneration.

18. Share capital

	2013 No	2013 £	2012 No	2012 £
Company				
Allotted, called up and fully paid:				
Ordinary 'A' shares of £1.00 each	240	240	240	240
Ordinary 'B' shares of £1.00 each	240	240	240	240
Deferred shares of £1.00 each	520	520	520	520
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

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

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

19. Reserves

	Profit and loss account
	£
Group	
Balance at 1 January 2013	35,753,698
Currency translation difference on foreign currency net investments	(678)
Retained profit for the year	9,538,751
Dividends paid	(24,000,000)
Balance at 31 December 2013	<u>21,291,771</u>
	Profit and loss account
	£
Company	
Balance at 1 January 2013	35,734,018
Profit for the year	9,493,700
Dividends paid	(24,000,000)
Balance at 31 December 2013	<u>21,227,718</u>

20. Reconciliation of movement in shareholders' funds

	2013 £	2012 £
Group		
Equity shareholders' funds		
Profit for the financial year	9,538,751	19,132,050
Dividends	(24,000,000)	-
Net (depletion)/addition to shareholders' funds	(14,461,249)	19,132,050
Opening shareholders' funds	35,754,698	16,623,194
Currency translation difference on foreign currency net investments	(678)	(546)
Closing shareholders' funds	<u>21,292,771</u>	<u>35,754,698</u>
	2013 £	2012 £
Company		
Profit for the financial year	9,493,700	19,121,054
Dividends	(24,000,000)	-
Net (depletion)/addition to shareholders' funds	(14,506,300)	19,121,054
Opening shareholders' funds	35,735,018	16,613,964
Closing shareholders' funds	<u>21,228,718</u>	<u>35,735,018</u>

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

21. Pension commitments

The company makes payments into personal pension plans for certain employees. The pension cost charge represents contributions payable by the company to these personal pension plans.

Contributions paid by the company for the year amounted to £nil (2012: £497). There were no contributions payable at the year end (2012: £nil).

22. Events after the balance sheet date

Dividends of £12,000,000 were paid post year end.

23. 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.