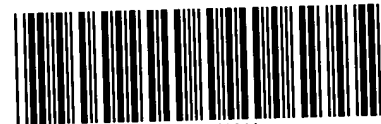


Company No: 03126277

XL RECORDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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XL RECORDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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XL RECORDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Directors

Martin Mills
Richard Russell
Paul Redding
Ben Beardsworth

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 2014

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

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 £13,000,000 (2013: £24,000,000).

Directors

The following directors have held office since 1 January 2014:

Martin Mills
Richard Russell
Paul Redding
Ben Beardsworth

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

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

Events after the balance sheet date

There were no material events after the balance sheet date.

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.

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.

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 5 October 2015 and signed on behalf of the board.



Martin Mills
Director

**XL RECORDINGS LIMITED
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014**

Business review

XL Recordings Group ("the group") continues to seek, identify and sign new artists. During 2014 we had notable successes with Jungle (Jungle) and Lazaretto (Jack White).

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

In 2014 the global music market has seen a huge growth in streaming at the expense of physical sales, and to some extent, downloads. We too have experienced a similar shift to streaming. Nevertheless we remain committed to promoting XL artists through whichever channels music fans choose to listen.

Principal risks and uncertainties

Market dynamics outlined above may impact on the long term business model and underlying profitability, in particular the uncertainty of the effectiveness of regulatory influence over powerful global digital service providers. However we continue to work hard on behalf of our artists to ensure that they and we are 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.

The group relies on the success of a number of key artists and as such continues to identify and sign new artists, and the group's future is dependent on its ability to achieve success with these new artists, as well as its 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 2014, with comparatives for the year ended 31 December 2013, are laid out below.

	2014	2013
	£	£
Turnover including share of associates and joint ventures	26,223,621	37,411,268
Total operating profit	7,020,024	12,240,665
Number of releases	<u>8</u>	<u>8</u>

This report was approved by the board on 5 October 2015 and signed on its behalf.



Martin Mills
Director

XL RECORDINGS LIMITED
STATEMENT OF THE DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2014

Statement of the directors' responsibilities

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 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 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
FOR THE YEAR ENDED 31 DECEMBER 2014

We have audited the financial statements of XL Recordings Limited for the year ended 31 December 2014 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 opinions 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 2014 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 RECORDINGS LIMITED
(CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

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

27 October 2015

89 New Bond Street
London
W1S 1DA

XL RECORDINGS LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
Turnover including share of associates and joint ventures		26,223,621	37,411,268
<i>Less share of turnover of:</i>			
Joint ventures		(3,340)	(4,667)
Associates		<u>(3,167,222)</u>	<u>(1,207,761)</u>
Group turnover	1,2	23,053,059	36,198,840
Cost of sales		<u>(7,676,820)</u>	<u>(13,385,143)</u>
Gross profit		15,376,239	22,813,697
Distribution expenses		(1,974,525)	(3,085,503)
Administrative expenses		<u>(6,348,981)</u>	<u>(7,523,113)</u>
Group operating profit	3	7,052,733	12,205,081
Share of operating (loss) from joint ventures	6	(1,924)	(656)
Share of operating (loss)/profit from associates	6	<u>(30,785)</u>	<u>36,240</u>
Total operating profit		7,020,024	12,240,665
Net finance income	7	<u>74,424</u>	<u>75,985</u>
Profit on ordinary activities before taxation		7,094,448	12,316,650
Tax charge on profit on ordinary activities	8	<u>(1,648,588)</u>	<u>(2,868,381)</u>
Profit on ordinary activities after taxation		5,445,860	9,448,269
Equity minority interests	21	74,233	-
Profit for the financial year	20	<u>5,520,093</u>	<u>9,448,269</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 2014

	2014 £	2013 £
Profit for the financial year	5,520,093	9,448,269
Currency translation difference on foreign currency net investments	2,303	(678)
Repurchase of shares by associate	<u>(129,584)</u>	<u>-</u>
Total recognised gains and losses relating to the year	5,392,812	<u>9,447,591</u>
Prior year adjustment	395,583	
Total recognised gains and losses since last financial statements	<u>5,778,395</u>	

XL RECORDINGS LIMITED
GROUP BALANCE SHEET
AS AT 31 DECEMBER 2014

	Notes	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	10		3,562,876		3,617,280
Investments:					
Associated undertakings	11		<u>94,775</u>		<u>204,974</u>
			3,657,651		3,822,254
Current assets					
Stocks	12	150,314		147,964	
Debtors	13	11,865,107		8,619,962	
Cash at bank and in hand		<u>4,403,694</u>		<u>16,879,853</u>	
		16,419,115		25,647,779	
Creditors: amounts falling due within one year	14	<u>(5,089,999)</u>		<u>(6,855,301)</u>	
Net current assets			11,329,116		18,792,478
Total assets less current liabilities			<u>14,986,767</u>		<u>22,614,732</u>
Provisions for liabilities and charges					
<i>Investment in joint ventures:</i>					
Share of gross assets		8,135		10,534	
Share of gross liabilities		<u>(936,487)</u>		<u>(936,912)</u>	
	15		(928,352)		(926,378)
Associated undertakings	15		<u>-</u>		<u>-</u>
Net assets			<u>14,058,415</u>		<u>21,688,354</u>
Capital and reserves					
Called up share capital	18		1,000		1,000
Profit and loss account	19		14,080,166		21,687,354
Total shareholders' funds	20		<u>14,081,166</u>		<u>21,688,354</u>
Equity minority interests	21		(22,751)		-
Total capital employed			<u>14,058,415</u>		<u>21,688,354</u>

Approved by the board of directors and authorised for issue on 5 October 2015.



Martin Mills
Director

Company Registration Number: 03126277

XL RECORDINGS LIMITED
PARENT COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2014

	Notes	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	10		2,902,335		2,982,497
Investments	11		<u>201,892</u>		<u>201,141</u>
			3,104,227		3,183,638
Current assets					
Stocks	12	130,053		147,964	
Debtors	13	11,733,636		8,292,683	
Cash at bank and in hand		<u>4,130,612</u>		<u>16,855,230</u>	
		15,994,301		25,295,877	
Creditors: amounts falling due within one year	14	<u>(4,953,256)</u>		<u>(6,855,214)</u>	
Net current assets			11,041,045		18,440,663
Total assets less current liabilities			<u>14,145,272</u>		<u>21,624,301</u>
Net assets			<u>14,145,272</u>		<u>21,624,301</u>
Capital and reserves					
Called up share capital	18		1,000		1,000
Profit and loss account	19		14,144,272		21,623,302
Shareholders' funds	20		<u>14,145,272</u>		<u>21,624,301</u>

Approved by the board of directors and authorised for issue on 5 October 2015.



Martin Mills
Director

Company Registration Number: 03126277

XL RECORDINGS LIMITED
GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	£	2014 £	£	2013 £
Net cash inflow from operating activities	A		1,766,438		15,245,834
Returns on investments and servicing of finance					
Interest received		86,435		99,721	
Interest paid		<u>(12,011)</u>		<u>(23,736)</u>	
Net cash inflow for returns on investments and servicing of finance			74,424		75,985
Corporation tax paid			(1,203,967)		(5,790,687)
Capital expenditure and financial investment					
Payments to acquire tangible assets		(120,054)		(1,917,285)	
Receipts from the sale of fixed asset		<u>7,000</u>		<u>-</u>	
Net outflow for capital expenditure			(113,054)		(1,917,285)
Equity dividends paid			(13,000,000)		(24,000,000)
Management of liquid resources*					
Cash held on short term deposit		<u>12,613,845</u>		<u>9,914,547</u>	
Net inflow from management of cash liquid resources			12,613,845		9,914,547
Increase / (decrease) in cash in the year	C		<u>137,686</u>		<u>(6,471,606)</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 2014

	2014 £	2013 £	
A. Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	7,052,733	12,205,081	
Depreciation of tangible assets	202,794	118,748	
Profit on disposal of tangible assets	(575)	-	
(Profit) / loss on foreign exchange movements	(31,644)	12,685	
(Increase) / decrease in stock	(2,350)	60,583	
(Increase) / decrease in debtors	(3,243,302)	8,138,806	
Decrease in creditors due within one year	(2,211,218)	(5,290,069)	
Net cash inflow from operating activities	1,766,438	15,245,834	
B. Analysis of net cash	At 1 Jan 2014	Cash flow	At 31 Dec 2014
Net cash:			
Cash at bank and in hand	1,781,243	137,686	1,918,929
Net cash	1,781,243	137,686	1,918,929
C. Reconciliation of net cash flow to movement in the net funds	2014 £	2013 £	
Increase / (decrease) in cash in the year	137,686	(6,471,606)	
Movement in net funds in the year	137,686	(6,471,606)	
Opening net funds	1,781,243	8,252,849	
Closing net funds	1,918,929	1,781,243	

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with 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 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 £5,520,971 (2013 profit : £9,403,217).

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 2014

1. 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.

The group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Prior year adjustment

During the year ended 31 December 2014, the directors amended the accounting policy in respect of the recognition of revenue from one licensee royalty stream to an accruals basis which, in the opinion of the directors, is a more appropriate reflection of the underlying terms of the licence. Comparative figures have been restated accordingly. The effect of this change is to increase turnover recognised in the prior year by £395,583, to decrease deferred income brought forward by £395,583 and to increase the value of reserves brought forward by the same amount.

2. Turnover

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

	2014 £	2013 £
Rental income	51,049	48,399
Sales and licensing of sound recordings	23,002,010	36,141,441
	<u>23,053,059</u>	<u>36,189,840</u>

Turnover is analysed by geographical markets as follows:

UK	5,144,564	8,238,457
Rest of world	17,908,495	27,951,383
	<u>23,053,059</u>	<u>36,189,840</u>

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

3. Group operating profit

	2014	2013
	£	£
Group operating profit is stated after charging		
Depreciation	193,791	118,748
Gain on disposal of fixed assets	(575)	-
Net (gain) / loss on foreign currency translation	<u>(54,750)</u>	<u>90,089</u>

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

4. Information regarding employees

	2014	2013
	No	No
Average number of persons employed (including directors)		
Management	4	3
A&R, Marketing and Operations	14	14
	<u>18</u>	<u>17</u>

The aggregate payroll costs of the above were:

Staff costs during the year

Wages and salaries	1,178,369	1,872,255
Social security costs	148,128	245,140
Other pension costs	16,127	-
	<u>1,342,624</u>	<u>2,117,395</u>

5. Directors' emoluments

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

	2014	2013
	£	£
Emoluments	660,952	410,574
Company pension contributions to defined contribution pension schemes	6,000	-
	<u>666,952</u>	<u>410,574</u>

During the year retirement benefits were accruing to 1 director (2013 - nil) in respect of defined contribution pension schemes

Emoluments of highest paid director:

Emoluments	405,759	410,574
Company pension contributions to defined contribution pension schemes	-	-
	<u>405,759</u>	<u>410,574</u>

6. Share of profits from other fixed asset investments

	2014	2013
	£	£
Net share of operating (loss)/profit of associates	(30,785)	36,240
Net share of operating loss of joint ventures	(1,924)	(656)
	<u>(32,709)</u>	<u>35,584</u>

The share of the operating loss of the associates relates to the consolidated losses of Rough Trade Retail Group Limited group - £30,785. The share of the operating losses in joint ventures relates to Mowax Labels Limited - £1,924.

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

7. Finance income (net)	2014 £	2013 £
Interest receivable and similar income		
Interest receivable – bank interest	86,435	99,721
Interest payable and similar charges		
Other similar charges payable	(12,011)	(23,736)
	<u>74,424</u>	<u>75,985</u>

8. Tax charge on profit on ordinary activities	2014 £	2013 £
(a) Analysis of charge in period		
<i>Current taxation</i>		
UK corporation tax for the year	1,632,799	2,863,290
Double taxation relief	(66,499)	(112,316)
Group relief	476	-
	<u>1,566,776</u>	<u>2,750,974</u>
Foreign tax for current period	81,762	117,465
Share of joint ventures' tax	50	(58)
Total current tax charge on profit on ordinary activities	<u>1,648,588</u>	<u>2,868,381</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>7,094,448</u>	<u>12,316,650</u>
Profit on ordinary activities before tax charge multiplied by standard rate of UK corporation tax of 21.5% (2013 – 23.25%)	<u>1,525,306</u>	<u>2,863,621</u>
<i>Factors affecting charge for the period</i>		
Expenses not deductible for tax purposes	15,754	17,814
Depreciation add back	41,665	25,625
Capital allowances	(24,341)	(57,192)
Other tax adjustments	1,679	(23,689)
Foreign tax	3,283	-
Prior period adjustment	85,242	42,202
	<u>123,282</u>	<u>4,760</u>
Current tax charge	<u>1,648,588</u>	<u>2,868,381</u>

9. Dividends

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

	2014 £	2013 £
Dividends paid on ordinary equity shares of £13,000 (2013: £24,000) per share	<u>13,000,000</u>	<u>24,000,000</u>

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

10. Fixed assets

	Freehold property £	Fixtures & fittings £	Motor vehicles £	Total £
Group				
Cost or Valuation				
At 1 January 2014	3,604,975	606,524	77,430	4,288,929
Foreign exchange	36,102	37	-	36,139
Additions	-	79,939	40,115	120,054
Disposals	-	-	(44,430)	(44,430)
At 31 December 2014	<u>3,641,077</u>	<u>686,500</u>	<u>73,115</u>	<u>4,400,692</u>
Depreciation				
At 1 January 2014	379,939	239,558	52,152	671,649
Foreign exchange	1,341	37	-	1,378
Charge for year	94,737	92,545	15,512	202,794
Disposals	-	-	(38,005)	(38,005)
At 31 December 2014	<u>476,017</u>	<u>332,140</u>	<u>29,659</u>	<u>837,816</u>
Net book value				
At 31 December 2014	<u>3,165,060</u>	<u>354,360</u>	<u>43,456</u>	<u>3,562,876</u>
At 31 December 2013	<u>3,225,036</u>	<u>366,966</u>	<u>25,278</u>	<u>3,617,280</u>
Company				
Cost				
At 1 January 2014	2,945,694	605,857	77,430	3,628,981
Additions	-	79,939	40,115	120,054
Disposals	-	-	(44,430)	(44,430)
At 31 December 2014	<u>2,945,694</u>	<u>685,796</u>	<u>73,115</u>	<u>3,704,605</u>
Depreciation				
At 1 January 2014	355,441	238,891	52,152	646,484
Charge for year	85,735	92,544	15,512	193,791
Disposals	-	-	(38,005)	(38,005)
At 31 December 2014	<u>441,176</u>	<u>331,435</u>	<u>29,659</u>	<u>802,270</u>
Net book value				
At 31 December 2014	<u>2,504,518</u>	<u>354,361</u>	<u>43,456</u>	<u>2,902,335</u>
At 31 December 2013	<u>2,590,253</u>	<u>366,966</u>	<u>25,278</u>	<u>2,982,497</u>

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

11. Investments

	Associates
	£
Group	
Cost	
At 1 January 2014	204,974
Change in value (see below)	(110,199)
At 31 December 2014	<u>94,775</u>
Net book value	
At 31 December 2014	<u>94,755</u>
At 31 December 2013	<u>204,974</u>

The shares of associates and joint ventures are split into associates in a net asset position of £94,775 and associates and joint ventures in a net liabilities position of £928,352 (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 2014	204,974	(926,378)	(721,404)
Share of retained profit/(loss) for the year	19,225	(1,924)	17,301
Reduction in value from the repurchase of shares	(105,264)	-	(105,264)
Foreign currency translation movements	(813)	-	(813)
	<u>118,122</u>	<u>(928,352)</u>	<u>(810,230)</u>
Goodwill			
At 1 January 2014	-	-	-
Additions	(24,320)	-	(24,320)
Amortisation	973	-	973
At 31 December 2014	<u>(23,347)</u>	<u>-</u>	<u>(23,347)</u>
Net book value			
At 31 December 2014	<u>94,775</u>	<u>(928,352)</u>	<u>(833,577)</u>
At 31 December 2013	<u>204,974</u>	<u>(926,378)</u>	<u>(721,404)</u>

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

	2014	2013
	£	£
Current assets	8,135	10,534
Liabilities due within one year	<u>(936,487)</u>	<u>(936,912)</u>

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

11. Investments (continued)

Additional disclosures are given in respect of Mowax Labels Limited and Rough Trade Retail Limited's group which exceed certain thresholds under Financial Reporting Standard 9 "Associates and Joint Ventures".

	Mowax Labels Limited	Rough Trade Retail Limited
	£	£
Turnover	3,340	1,619,456
Loss before tax	(1,924)	(12,851)
Taxation	(50)	-
Loss after tax	(1,974)	(12,851)
Fixed assets	-	1,129,481
Current assets	8,135	1,057,626
Share of gross assets	8,135	2,187,107
Liabilities due within one year	(936,487)	(1,859,406)
Liabilities due in more than one year	-	(37,189)
Share of gross liabilities	(936,487)	(1,896,595)
Share of net assets	(928,352)	290,512

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 2014.

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%
Young Turks Recordings Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	75%

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 2014.

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	54%
The Album Club Limited	Ceased trading	England and Wales	Ordinary	54% <i>Indirect</i>
Rough Trade Limited	Ceased trading	England and Wales	Ordinary	54% <i>Indirect</i>
Rough Trade Retail (USA) Holdings	Holding company	United States of America	Ordinary	54% <i>Indirect</i>
Rough Trade Retail LLC	Property holding company	United States of America	Ordinary	35% <i>Indirect</i>
Rise Bristol Ltd	Retail sale of music	England and Wales	Ordinary	36% <i>Indirect</i>

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

11. Investments (continued)

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 2014. The accounting reference date for Rise Bristol Ltd is 28 February and the latest financial statements are for the year ended 28 February 2014. The accounting reference date for all other subsidiaries, joint ventures and associates is 31 December. The consolidated accounts include figures for the period ended 31 December 2014.

During the year, the proportion of shares held by the company in Rough Trade Retail Group Limited increased from 35% to 54%. The share of 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.

Company	Subsidiary companies £	Associated undertakings and joint ventures £	Total £
Cost			
At 1 January 2014	641	200,500	201,141
Additions	751	-	751
At 31 December 2014	<u>1,392</u>	<u>200,500</u>	<u>201,892</u>
Net book value			
At 31 December 2014	<u>1,392</u>	<u>200,500</u>	<u>201,892</u>
At 31 December 2013	<u>641</u>	<u>200,500</u>	<u>201,141</u>

12. Stocks

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Finished goods for resale	<u>150,314</u>	<u>147,964</u>	<u>130,053</u>	<u>147,964</u>

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

13. Debtors

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Trade debtors	99,855	47,913	54,706	34,508
Amounts owed by subsidiary undertakings	-	-	1,097,688	631,831
Amounts owed by associated undertakings and joint ventures	2,555,294	1,593,111	1,616,644	654,461
Corporation tax	4,340	2,996	-	-
Other debtors	7,842,569	6,486,191	7,601,550	6,486,191
Prepayments and accrued income	1,363,049	489,751	1,363,048	485,692
	<u>11,865,107</u>	<u>8,619,962</u>	<u>11,733,636</u>	<u>8,292,683</u>

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

14. Creditors: amounts falling due within one year

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade creditors	2,283,462	4,483,754	2,155,842	4,483,754
Other tax and social security	237,332	426,315	237,332	426,315
Corporation tax	1,797,424	1,351,509	1,797,424	1,351,509
Directors' current accounts	2,510	11,010	2,510	11,010
Other creditors	655,636	582,713	646,698	582,626
Accruals and deferred income	113,635	-	113,450	-
	<u>5,089,999</u>	<u>6,855,301</u>	<u>4,953,256</u>	<u>6,855,214</u>

15. Provisions for liabilities and charges

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Share of net liabilities of associates	-	-	-	-
Share of net liabilities of joint ventures	<u>928,352</u>	<u>926,378</u>	<u>-</u>	<u>-</u>
Provision carried forward	<u>928,352</u>	<u>926,378</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:

	2014	2013
	£	£
Richard Russell	6,500,000	12,000,000
	<u>6,500,000</u>	<u>12,000,000</u>

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

17. Related party transactions

The company has taken advantage of the exemption in FRS8 "Related party disclosures" whereby it has not disclosed transactions with group companies, which have been eliminated on consolidation. The company has also taken advantage of the exemption available in FRS8 "Related party disclosures" whereby it has not disclosed transactions with any wholly owned subsidiary undertaking of the 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 £1,655,535 (2013: £1,679,326) and £275,426 (2013: £nil) respectively.

During the year, the company and Young Turks Recordings Limited paid amounts in respect of general overhead charges to Beggars UK Limited of £616,876 (2013: £680,303) and £175,186 (2013: £nil) respectively. Beggars UK Limited is a subsidiary of Beggars Group Limited.

At the balance sheet date, the company was owed £7,584,021 (2013: £6,480,009) by Beggars Group Limited in respect of working capital loans. At the balance sheet date, Young Turks Recordings Limited was owed £91,894 (2013: £nil) by Beggars Group Limited in respect of working capital loans.

At the balance sheet date, the company was owed £1,872,837 (2013: £1,872,837) by Mowax Labels Limited in respect of working capital loans. A provision of £1,877,300 (2013: £1,877,300) was made against these loans. Mowax Labels Limited is a joint venture of XL Recordings Limited.

Costs of £nil (2013: £1,020) were incurred in the normal course of business with Rough Trade Retail Group Limited, 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 £420,969 (2013: £75,600) in respect of loans. Interest of 4% per annum is charged on the loan. Rough Trade Retail Group Limited is an associated company.

At the balance sheet date, the company was owed £355,224 (2013: £nil) in respect of loans to Rise Bristol Ltd. Interest of 4% per annum is charged on the loan. During the year, net purchases of £252 (2013: £nil) were made by Young Turks Recordings Limited from Rise Bristol Ltd. At the balance sheet date, Young Turks Recordings Limited owed £252 (2013: £nil) to Rise Bristol Ltd. Rise Bristol Ltd is an associated company.

At the balance sheet date, the company was owed £845,390 (2013: £583,323) 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.

During the year, commission was paid to Remote Control Records Pty totalling £74,336 (2013: £209,698) and £10,007 (2013: £nil) from the company and Young Turks Recordings Limited respectively. Remote Control Records Pty is a joint venture of Beggars Group Limited.

During the year, Beggars UK Limited, Beggars Group Digital Limited and Beggars Group Media Limited, which are all subsidiaries of Beggars Group Limited, operated in a central accounting role for XL Recordings Limited and Young Turks Recordings Limited. Export 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:

	2014		2013	
	Turnover	Costs	Turnover	Costs
	£	£	£	£
Beggars UK Limited:				
XL Recordings Limited	4,298,552	3,377,942	8,156,915	5,528,322
Young Turks Recordings Limited	518,568	462,251	-	-
Beggars Group Digital Limited:				
XL Recordings Limited	7,608,968	90,013	10,404,878	262,993
Young Turks Recordings Limited	651,744	4,828	-	-
Beggars Group Media Limited:				
XL Recordings Limited	4,520,756	86,757	6,805,239	201,214
Young Turks Recordings Limited	108,318	10,756	-	-

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

17. Related party transactions (continued)

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

	2014		2013	
	Royalties £	Overhead £	Royalties £	Overhead £
XL Recordings Limited	1,317,070	49,212	3,341,875	45,673
Young Turks Recordings Limited	124,217	2,759	-	-

At the year end there was a sum of £2,510 (2013: £11,010) due to the director, Richard Russell, in respect of unpaid remuneration.

18. Share capital

	2014 No	2014 £	2013 No	2013 £
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
	1,000	1,000	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.

19. Reserves

	Profit and loss account £
Group	
Balance at 1 January 2014 (as previously stated)	21,291,771
Prior year adjustment	395,583
Balance at 1 January 2014 (as restated)	21,687,354
Retained profit for the year	5,520,093
Currency translation difference on foreign currency net investments	2,303
Dividends paid	(13,000,000)
Repurchase of shares by associate	(129,584)
Balance at 31 December 2014	14,080,166
	Profit and loss account £
Company	
Balance at 1 January 2014 (as previously stated)	21,227,718
Prior year adjustment	395,583
Balance at 1 January 2014 (as restated)	21,623,301
Profit for the year	5,520,971
Dividends paid	(13,000,000)
Balance at 31 December 2014	14,144,272

XL RECORDINGS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

20. Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Group		
Equity shareholders' funds		
Opening shareholders' funds (as previously stated)	21,292,771	35,754,698
Prior year adjustment	<u>395,583</u>	<u>486,065</u>
Opening shareholders' funds (as restated)	21,688,354	36,240,763
Profit for the financial year	5,520,093	9,448,269
Currency translation difference on foreign currency net investments	2,303	(678)
Dividends	(13,000,000)	(24,000,000)
Repurchase of shares by associate	(129,584)	-
Closing shareholders' funds	<u>14,081,166</u>	<u>21,688,354</u>
Company		
	2014 £	2013 £
Opening shareholders' funds (as previously stated)	21,228,718	35,735,019
Prior year adjustment	<u>395,583</u>	<u>486,065</u>
Opening shareholders' funds (as restated)	21,624,301	36,221,084
Profit for the financial year	5,520,971	9,403,217
Dividends	(13,000,000)	(24,000,000)
Closing shareholders' funds	<u>14,145,272</u>	<u>21,624,301</u>

21. Equity minority interests

	2014 £
At 1 January 2014	-
Issue of shares	500
Share of retained losses for the year	(74,233)
Non controlling interest share of associates share of retained profits	50,982
At 31 December 2014	<u>(22,751)</u>

22. Pension commitments

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

Contributions paid by the company for the year amounted to £16,826 (2013: £nil). There were no contributions payable at the year end (2013: £nil).

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.