

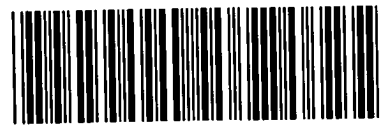
Registered number: 03126277

XL RECORDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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XL RECORDINGS LIMITED

COMPANY INFORMATION

Directors	Martin Mills Richard Russell Paul Redding Ben Beardsworth
Company secretary	Neela Ebbett
Registered number	03126277
Registered office	17/19 Alma Road London SW18 1AA
Independent auditor	SRLV Audit Limited Chartered Accountants & Statutory Auditor Elsley Court 20-22 Great Titchfield Street London W1W 8BE

XL RECORDINGS LIMITED

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XL RECORDINGS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Business review

XL Recordings Group had another successful trading year, consolidating on the success of recent releases which continue to stream well. Most importantly we have been busy finding and developing an exciting roster of new artists and new music across our labels, many already at launch stage.

As streaming and subscriber growth continues apace our music too has enjoyed growth in line with the market. Our entire catalogue has been the beneficiary of this phenomenon, not just recent releases. We're pleased to note the growth in streaming from developing markets and the enormous success of our US business. Revenues from our traditional European territories and Australasia remain strong and are a significant part of our success.

During the year we received the proceeds of the sale of our shares in Spotify. We believe that our artists should share equally in that windfall. So, we accounted 50% of those revenues to our artists, past and present. After allowing for recoupment, 46% was paid out in cash. Certain other companies apparently distributed these revenues based on the artist royalty rate, meaning a far lower percentage irrespective of recoupment.

We are dependent on our ability to achieve success with new acts as much as our ability to continue to exploit globally our prestigious catalogue. To that end we are committed to treating artists fairly and have developed a number of industry-leading policies to reflect that.

Principal risks and uncertainties

Political & economic risks

Revenues from the EU are a critical element of the business. A no-deal Brexit may interrupt our domestic physical supply chain in the short term, and we have built contingencies accordingly. Our global reach and customer base mean that we would be insulated from most of the domestic damage. However, we are not and never have been just about the money. We are gravely concerned that a longer term negative political and economic climate, if we leave the EU, would do irreparable reputational damage by association to our sector's soft power.

XL Recordings Limited has always maintained strong community links with fellow EU-based independents, and we value the effectiveness of collective European regulatory influence over powerful US technology companies. We are concerned with the uncertainty around post-Brexit plans for adopting EU Directives and Regulations that currently serve to protect our IP rights.

We continue to work hard on behalf of our artists to ensure that the independent sector is heard and represented.

Financial risks

The group's principal financial instruments comprise bank balances, trade creditors and trade debtors.

Liquidity risk is managed through maintaining sufficient cash balances.

Price risk is managed through natural diversification of formats and sales channels.

Exchange risk is managed through holding sufficient levels of sterling and foreign currency receipts to service payables in the same respective currency.

Credit risk is managed by closely monitoring customers' outstanding amounts for both time and credit limits.

Interest rate risk is negligible because the group has no external borrowings.

XL RECORDINGS LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 2018, with comparatives for the year ended 31 December 2017, are laid out below.

	2018	2017
Turnover including share of associates and joint ventures	£48,035,883	£52,081,284
Total operating profit	£16,100,217	£10,266,964
Number of releases	6	9

This report was approved by the board on **12 JUL 2019** and signed on its behalf.



Martin Mills
Director

XL RECORDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity

The principal activity of the XL Recordings Group (which includes Young Turks Recordings) 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 profit for the year, after taxation and minority interests, amounted to £12,885,815 (2017 - £8,775,568).

There was no dividend paid during the year (2017 - £20,000,000).

Directors

The directors who served during the year were:

Martin Mills
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 and key financial performance indicators 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 the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the 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 auditor is aware of that information.

XL RECORDINGS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Post balance sheet events

During 2019, dividends totalling £10,000,000 have been declared by the company to its shareholders.

This report was approved by the board on 12 JUL 2019 and signed on its behalf.



Martin Mills
Director

XL RECORDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated 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's financial statements 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 to 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 AUDITOR'S REPORT TO THE MEMBERS OF XL RECORDINGS LIMITED

Opinion

We have audited the financial statements of XL Recordings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018, which comprise the group profit and loss account, the group statement of comprehensive income, the group and company balance sheets, the group statement of cash flows, the group and company statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

XL RECORDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XL RECORDINGS LIMITED

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

XL RECORDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XL RECORDINGS LIMITED

Use of our report

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.



Marc Voulters (Senior Statutory Auditor)

for and on behalf of
SRLV Audit Limited

Chartered Accountants
Statutory Auditor

Elsley Court
20-22 Great Titchfield Street
London
W1W 8BE

16 JUL 2019

XL RECORDINGS LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	5	44,919,941	48,816,837
Cost of sales		(19,020,194)	(22,036,443)
Gross profit		25,899,747	26,780,394
Distribution costs		(3,298,720)	(6,069,924)
Administrative expenses		(6,408,318)	(10,044,984)
Other operating income	6	54,184	91,029
Operating profit	7	16,246,893	10,756,515
Share of gain/(loss) of joint ventures		60	(1,291)
Share of loss of associated undertakings		(146,736)	(488,260)
Total operating profit		16,100,217	10,266,964
Gain on disposal of investments		-	669,222
Interest receivable and similar income	11	449,882	450,881
Interest payable and similar expenses	12	(12,581)	-
Profit before tax		16,537,518	11,387,067
Tax on profit	13	(3,439,350)	(2,117,440)
Profit for the financial year		13,098,168	9,269,627
Profit for the year attributable to:			
Non-controlling interests		212,353	494,059
Owners of the parent		12,885,815	8,775,568
		13,098,168	9,269,627

The notes on pages 16 to 37 form part of these financial statements.

XL RECORDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Profit for the financial year	<u>13,098,168</u>	<u>9,269,627</u>
Other comprehensive income		
Currency translation gain/(loss) on net investments in foreign operations	<u>48,239</u>	<u>(46,582)</u>
Other comprehensive income for the year	<u>48,239</u>	<u>(46,582)</u>
Total comprehensive income for the year	<u><u>13,146,407</u></u>	<u><u>9,223,045</u></u>
Profit for the year attributable to:		
Non-controlling interest	212,353	494,059
Owners of the parent company	<u>12,885,815</u>	<u>8,775,568</u>
	<u><u>13,098,168</u></u>	<u><u>9,269,627</u></u>
Total comprehensive income attributable to:		
Non-controlling interest	212,353	494,059
Owners of the parent company	<u>12,934,054</u>	<u>8,728,986</u>
	<u><u>13,146,407</u></u>	<u><u>9,223,045</u></u>

XL RECORDINGS LIMITED
REGISTERED NUMBER:03126277
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	15	95,715	109,283
Tangible assets	16	3,949,345	3,441,146
Investments	17	95,166	256,277
		<u>4,140,226</u>	<u>3,806,706</u>
Current assets			
Stocks	18	575,433	652,196
Debtors	19	20,864,471	20,424,393
Cash at bank and in hand	20	23,991,061	10,052,988
		<u>45,430,965</u>	<u>31,129,577</u>
Creditors: amounts falling due within one year	21	(11,353,186)	(9,787,099)
Net current assets		<u>34,077,779</u>	<u>21,342,478</u>
Total assets less current liabilities		<u>38,218,005</u>	<u>25,149,184</u>
Provisions for liabilities			
Deferred taxation	23	(111,513)	(189,039)
Investment in joint ventures	24	(931,587)	(931,647)
		<u>(1,043,100)</u>	<u>(1,120,686)</u>
Net assets		<u><u>37,174,905</u></u>	<u><u>24,028,498</u></u>
Capital and reserves			
Called up share capital	25	1,000	1,000
Profit and loss account	26	36,277,905	23,343,851
Equity attributable to owners of the parent company		<u>36,278,905</u>	<u>23,344,851</u>
Non-controlling interests		896,000	683,647
		<u><u>37,174,905</u></u>	<u><u>24,028,498</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 JUL 2019


Martin Mills
 Director

The notes on pages 16 to 37 form part of these financial statements.

XL RECORDINGS LIMITED
REGISTERED NUMBER:03126277

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	16	3,039,640	2,561,955
Investments	17	201,892	201,892
		<u>3,241,532</u>	<u>2,763,847</u>
Current assets			
Stocks	18	437,076	478,245
Debtors	19	19,961,805	20,150,338
Cash at bank and in hand	20	22,135,689	8,620,317
		<u>42,534,570</u>	<u>29,248,900</u>
Creditors: amounts falling due within one year	21	(9,850,088)	(8,143,250)
Net current assets		<u>32,684,482</u>	<u>21,105,650</u>
Total assets less current liabilities		<u>35,926,014</u>	<u>23,869,497</u>
Net assets		<u><u>35,926,014</u></u>	<u><u>23,869,497</u></u>
Capital and reserves			
Called up share capital	25	1,000	1,000
Profit and loss account	26	35,925,014	23,868,497
		<u>35,926,014</u>	<u>23,869,497</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 JUL 2019



Martin Mills
Director

The notes on pages 16 to 37 form part of these financial statements.

XL RECORDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Profit and loss account £	Equity attributable to owners of parent company £	Non- controlling interests £	Total equity £
At 1 January 2017	1,000	34,614,865	34,615,865	151,277	34,767,142
Comprehensive income for the year					
Profit for the year	-	8,775,568	8,775,568	494,059	9,269,627
Currency translation difference on net investment in foreign operations	-	(46,582)	(46,582)	-	(46,582)
Total comprehensive income for the year	-	8,728,986	8,728,986	494,059	9,223,045
Dividends: Equity capital	-	(20,000,000)	(20,000,000)	-	(20,000,000)
Non-controlling interest share of joint venture and associates share of retained profit	-	-	-	38,311	38,311
At 1 January 2018	1,000	23,343,851	23,344,851	683,647	24,028,498
Comprehensive income for the year					
Profit for the year	-	12,885,815	12,885,815	212,353	13,098,168
Currency translation on difference on net investment in foreign operations	-	48,239	48,239	-	48,239
Total comprehensive income for the year	-	12,934,054	12,934,054	212,353	13,146,407
At 31 December 2018	1,000	36,277,905	36,278,905	896,000	37,174,905

XL RECORDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2017	1,000	37,385,721	37,386,721
Comprehensive income for the year			
Profit for the year	-	6,482,776	6,482,776
Total comprehensive income for the year	-	6,482,776	6,482,776
Distributions to owners			
Dividends: Equity capital	-	(20,000,000)	(20,000,000)
At 1 January 2018	1,000	23,868,497	23,869,497
Comprehensive income for the year			
Profit for the year	-	12,056,517	12,056,517
Total comprehensive income for the year	-	12,056,517	12,056,517
At 31 December 2018	1,000	35,925,014	35,926,014

XL RECORDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit after tax for the financial year	13,098,168	9,269,627
Adjustments for:		
Depreciation of tangible assets	188,766	208,521
Amortisation of intangible assets	13,568	13,568
Loss on disposal of tangible assets	31,788	4,003
Interest payable and similar charges	12,581	-
Interest receivable and similar income	(449,882)	(450,881)
Taxation charge	3,439,350	2,117,440
Decrease in stocks	76,763	87,206
(Increase)/decrease in debtors	(787,340)	14,428,880
Decrease in creditors	(507,888)	(1,728,236)
Gain on dilution of investments in associates	-	(669,220)
Share of operating (loss)/profit in joint ventures	(60)	1,291
Share of operating profit in associates	146,736	488,260
Corporation tax paid	(1,430,468)	(310,628)
Loss on foreign exchange movements	5,354	1,729
Net cash generated from operating activities	13,837,436	23,461,560
Cash flows from investing activities		
Purchase of tangible fixed assets	(671,492)	(126,694)
Interest received	449,882	450,881
New loans receivable	(100,000)	(75,000)
Loans repaid	434,828	1,050,864
Net cash from investing activities	113,218	1,300,051
Cash flows from financing activities		
Dividends paid	-	(20,000,000)
Interest paid	(12,581)	-
Net cash used in financing activities	(12,581)	(20,000,000)
Net increase in cash and cash equivalents	13,938,073	4,761,611
Cash and cash equivalents at beginning of year	10,052,988	5,291,377
Cash and cash equivalents at the end of year	23,991,061	10,052,988
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	23,991,061	10,052,988

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 company limited by shares and is incorporated 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 unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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 group's accounting policies (see note 3).

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 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 though 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 2018

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 these products.

Interest income

Interest income is recognised using the effective interest rate method.

2.4 Intangible assets

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	-	10	years

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

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.

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
L/Term leasehold property	- In equal instalments over the period of the lease
Motor vehicles	- 25% straight line
Fixtures and fittings	- 20% straight line
Computer equipment	- 20-33% straight line

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 in the profit and loss account.

2.6 Operating leases: the group as lessee

Rentals paid under operating leases are charged to the consolidated profit and loss account on a straight line basis over the lease term.

2.7 Operating leases: the group as lessor

Rentals income from operating leases is credited to the consolidated profit and loss account on a straight line basis over the term of the relevant lease.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Associates and joint ventures

Associates and joint ventures are held at cost less impairment.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.10 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 the profit or loss.

2.11 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.

2.12 Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.13 Financial instruments

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks 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 debtors and creditors, 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 the 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.

2.14 Creditors

Short term creditors are measured at the transaction price.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.15 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 the 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 the opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.16 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.

2.17 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.

2.18 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 payment 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.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.19 Taxation

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

2.20 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.

2.21 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 2018

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 2018

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 £12,056,517 (2017 - £6,482,776).

5. Analysis of turnover

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

	2018 £	2017 £
Sales and licensing of sound recordings	37,852,302	48,816,837
US earnings	7,067,639	-
	<u>44,919,941</u>	<u>48,816,837</u>

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	10,212,364	10,216,635
Rest of the world	34,707,577	38,600,202
	<u>44,919,941</u>	<u>48,816,837</u>

6. Other operating income

	2018 £	2017 £
Net rents receivable	54,184	61,932
Profit on disposal of tangible assets	-	29,097
	<u>54,184</u>	<u>91,029</u>

7. Operating profit

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

	2018 £	2017 £
Depreciation of tangible fixed assets	218,877	208,521
Amortisation of intangible assets, including goodwill	13,568	13,568
Loss on disposal of fixed assets	31,788	4,003
Exchange differences	(1,007,690)	851,277
Defined contribution pension cost	77,629	41,422
	<u>77,629</u>	<u>41,422</u>

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. Auditor's remuneration

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

9. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Wages and salaries	2,088,384	3,131,363	1,465,959	2,946,904
Social security costs	360,581	398,801	225,004	378,045
Cost of defined contribution scheme	77,629	41,422	50,612	38,414
	<u>2,526,594</u>	<u>3,571,586</u>	<u>1,741,575</u>	<u>3,363,363</u>

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

	2018 No.	2017 No.
Management	4	4
A&R, Marketing and Operations	22	22
	<u>26</u>	<u>26</u>

10. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	562,815	2,148,360
Company contributions to defined contribution pension schemes	8,875	9,500
	<u>571,690</u>	<u>2,157,860</u>

During the year retirement benefits were accruing to 1 director (2017 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £419,021 (2017 - £1,731,995).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2017 - £9,500).

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Interest receivable and similar income

	2018	2017
	£	£
Other interest receivable	449,882	450,881

12. Interest payable and similar expenses

	2018	2017
	£	£
Bank interest payable	867	-
Other interest payable	11,714	-
	12,581	-

13. Taxation

	2018	2017
	£	£
Corporation tax		
Current tax on profits for the year	3,230,112	2,145,950
Adjustments in respect of previous periods	274,360	-
	3,504,472	2,145,950
Double taxation relief	(90,103)	(221,380)
Group taxation relief	-	275
	3,414,369	1,924,845
Foreign tax		
Foreign tax on income for the year	102,507	221,380
	102,507	221,380
Total current tax	3,516,876	2,146,225
Deferred tax		
Origination and reversal of timing differences	(77,526)	(28,785)
Total deferred tax	(77,526)	(28,785)
Taxation on profit on ordinary activities	3,439,350	2,117,440

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	16,537,518	11,387,067
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	3,142,128	2,192,010
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	50,417	(34,949)
Movement in unprovided deferred tax	(55,339)	(818)
Adjustment in respect of previous periods withholding tax	274,360	-
Non-taxable (expense)/income	27,784	(34,586)
Difference in tax rates	-	(2,487)
Other differences	-	(1,730)
Total tax charge for the year	3,439,350	2,117,440

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:

	2018 £	2017 £
Dividends paid on ordinary equity shares	-	20,000,000

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Intangible assets

Group

	Catalogue £	Negative goodwill £	Total £
Cost			
At 1 January 2018	160,002	(24,320)	135,682
At 31 December 2018	160,002	(24,320)	135,682
Amortisation			
At 1 January 2018	34,668	(8,269)	26,399
Charge for the year	16,000	(2,432)	13,568
At 31 December 2018	50,668	(10,701)	39,967
Net book value			
At 31 December 2018	109,334	(13,619)	95,715
At 31 December 2017	125,334	(16,051)	109,283

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Tangible fixed assets

Group

	Freehold property £	L/Term Leasehold Property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation						
At 1 January 2018	3,872,412	-	114,323	669,675	94,423	4,750,833
Additions	-	620,135	10,665	2,941	37,751	671,492
Disposals	-	-	-	(22,407)	(2,735)	(25,142)
Exchange adjustments	60,629	-	-	1,841	199	62,669
At 31 December 2018	<u>3,933,041</u>	<u>620,135</u>	<u>124,988</u>	<u>652,050</u>	<u>129,638</u>	<u>5,459,852</u>
Depreciation						
At 1 January 2018	690,649	-	22,403	560,707	35,928	1,309,687
Charge for the year	78,807	5,168	51,414	58,893	24,595	218,877
Disposals	-	-	-	(22,357)	(1,108)	(23,465)
Exchange adjustments	4,758	-	-	520	130	5,408
At 31 December 2018	<u>774,214</u>	<u>5,168</u>	<u>73,817</u>	<u>597,763</u>	<u>59,545</u>	<u>1,510,507</u>
Net book value						
At 31 December 2018	<u>3,158,827</u>	<u>614,967</u>	<u>51,171</u>	<u>54,287</u>	<u>70,093</u>	<u>3,949,345</u>
At 31 December 2017	<u>3,181,763</u>	<u>-</u>	<u>91,920</u>	<u>108,968</u>	<u>58,495</u>	<u>3,441,146</u>

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Tangible fixed assets (continued)

Company

	Freehold property £	L/Term Leasehold Property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost						
At 1 January 2018	2,945,694	-	114,323	641,539	85,584	3,787,140
Additions	-	620,135	10,665	2,941	34,482	668,223
Disposals	-	-	-	(22,317)	(2,693)	(25,010)
At 31 December 2018	<u>2,945,694</u>	<u>620,135</u>	<u>124,988</u>	<u>622,163</u>	<u>117,373</u>	<u>4,430,353</u>
Depreciation						
At 1 January 2018	617,917	-	22,403	552,748	32,117	1,225,185
Charge for the year	58,108	5,168	51,414	52,866	21,365	188,921
Disposals	-	-	-	(22,317)	(1,076)	(23,393)
At 31 December 2018	<u>676,025</u>	<u>5,168</u>	<u>73,817</u>	<u>583,297</u>	<u>52,406</u>	<u>1,390,713</u>
Net book value						
At 31 December 2018	<u>2,269,669</u>	<u>614,967</u>	<u>51,171</u>	<u>38,866</u>	<u>64,967</u>	<u>3,039,640</u>
At 31 December 2017	<u>2,327,777</u>	<u>-</u>	<u>91,920</u>	<u>88,791</u>	<u>53,467</u>	<u>2,561,955</u>

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

17. Fixed asset investments

Group

	Investments in associates £
Cost	
At 1 January 2018	256,277
Share of loss	(161,111)
At 31 December 2018	<u>95,166</u>
Net book value	
At 31 December 2018	<u>95,166</u>
At 31 December 2017	<u>256,277</u>

Company

	Investments in subsidiary companies £	Investments in associates £	Total £
Cost			
At 1 January 2018	1,392	200,500	201,892
At 31 December 2018	<u>1,392</u>	<u>200,500</u>	<u>201,892</u>
Net book value			
At 31 December 2018	<u>1,392</u>	<u>200,500</u>	<u>201,892</u>
At 31 December 2017	<u>1,392</u>	<u>200,500</u>	<u>201,892</u>

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

17. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
XL Recordings, Inc. ^{2,3}	Property holding company	Ordinary	100%
Young Turks Recordings Limited ^{1,4}	Production and exploitation of sound recordings	Ordinary	75%

Country of incorporation

¹ England and Wales

² United States of America

Registered office

³ 134 Grand Street, New York, NY 10013, United States of America

⁴ 17/19 Alma Road, London, SW18 1AA

After the year end, Young Turks Recordings Limited became a joint venture undertaking following the conversion and redesignation of 501 of the ordinary shares held by the company into deferred shares with no voting, dividend or capital distribution rights.

Associates

The following were associates of the company:

Name	Principal activity	Class of shares	Holding
Rough Trade Retail Group Limited ^{1,3}	Retailing of music records and related merchandise	Ordinary	37%
Rough Trade Retail (USA) Holdings, Inc ^{2,4}	Holding company	Ordinary	37%
Rough Trade Retail, LLC (indirect) ^{2,4}	Retail sale of music	Ordinary	24%
Rise Bristol Ltd (indirect) ^{1,5}	Retail sale of music	Ordinary	37%

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

17. Fixed asset investments (continued)

Joint ventures

The following were joint ventures of the company:

Name	Principal activity	Class of share	Holding
Mowax Labels Limited ^{1,6}	Production and exploitation of sound recordings	Ordinary	50%

Country of incorporation

¹ England and Wales

² United States of America

Registered office

³ 10 Cheyne Walk, Northampton, Northamptonshire, NN1 5PT

⁴ North 9th Street, Brooklyn, NY 11249, United States of America

⁵ 5 Broad Street, Nottingham, England, NG1 3AJ

⁶ 17/19 Alma Road, London, SW18 1AA

18. Stocks

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Finished goods and goods for resale	<u>575,433</u>	<u>652,196</u>	<u>437,076</u>	<u>478,245</u>

XL RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

19. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Due after more than one year				
Amounts owed by joint ventures and associated undertakings	579,667	848,914	579,667	848,914
Other debtors	2,167,996	2,001,780	2,167,996	2,001,780
	2,747,663	2,850,694	2,747,663	2,850,694
Due within one year				
Trade debtors	33,953	111,092	17,238	64,212
Amounts owed by group undertakings	-	-	2,056,114	1,148,743
Amounts owed by joint ventures and associated undertakings	1,110,187	1,112,913	150,292	197,093
Other debtors	16,502,551	16,349,694	14,657,398	15,889,596
Prepayments and accrued income	470,117	-	333,100	-
	20,864,471	20,424,393	19,961,805	20,150,338

20. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash at bank and in hand	23,991,061	10,052,988	22,135,689	8,620,317

21. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade creditors	350,721	384,105	176,958	210,663
Corporation tax	2,862,520	790,021	2,661,943	234,209
Other taxation and social security	1,118,113	938,555	1,118,113	938,555
Other creditors	734,951	689,930	684,381	657,005
Accruals and deferred income	6,286,881	6,984,488	5,208,693	6,102,818
	11,353,186	9,787,099	9,850,088	8,143,250

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

22. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial assets				
Financial assets measured at fair value through profit or loss	23,991,061	10,052,988	22,135,689	8,620,317
Financial assets that are debt instruments measured at amortised cost	20,394,354	20,424,393	19,628,705	20,150,338
	<u>44,385,415</u>	<u>30,477,381</u>	<u>41,764,394</u>	<u>28,770,655</u>
Financial liabilities				
Financial liabilities measured at amortised cost	7,372,553	8,058,688	6,070,032	6,970,836

Financial assets measured at fair value through profit or loss comprise cash.

Financial assets measured at amortised cost comprise trade debtors, amounts owed by subsidiary undertakings, amounts owed by associated undertakings and joint ventures, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owing to subsidiary undertakings, amounts owing to associated undertakings and joint ventures, other creditors and accruals.

23. Deferred taxation

Group

	2018 £	2017 £
At beginning of year	(189,039)	(217,824)
Profit and loss account movement	77,526	28,785
At end of year	<u>(111,513)</u>	<u>(189,039)</u>

The provision for deferred taxation is made up as follows:

	Group 2018 £	Group 2017 £
Fixed asset timing differences	(111,513)	(189,039)
	<u>(111,513)</u>	<u>(189,039)</u>

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

24. Investment in joint ventures

Group

	Share of liabilities £	Share of assets £	Total £
At 1 January 2018	933,968	(2,321)	931,647
Charged to profit or loss	704	(764)	(60)
At 31 December 2018	934,672	(3,085)	931,587

In 2018 and 2017, the overall share of net liabilities has arisen on the holding in Mowax Labels Limited.

25. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
240 Ordinary A shares of £1 each	240	240
240 Ordinary B shares of £1 each	240	240
520 Deferred 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.

27. 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 group for the year amounted to £77,629 (2017 - £41,422). There were no contributions payable at the year end (2017 - £NIL).

28. Commitments under operating leases

The group and the company had no commitments under the non-cancellable operating leases as at the balance sheet date.

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

29. Transactions with directors

Richard Russell was paid a dividend during the year of £NIL (2017 - £10,000,000).

30. Related party transactions

Group

XL Recordings Limited is a joint venture of Beggars Group Limited. During the year, the company and Young Turks Recordings Limited paid amounts in respect of general overhead charges to Beggars Group Limited, of £2,061,034 (2017 - £2,181,364) and £599,096 (2017 - £629,836) respectively.

During the year, the company and Young Turks Recordings Limited paid amounts in respect of general overhead charges to Beggars UK Limited of £552,665 (2017 - £656,691) and £173,257 (2017 - £234,607) 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:

	2018 Turnover £	2018 Costs £	2017 Turnover £	2017 Costs £
Beggars UK Limited:				
XL Recordings Limited	4,120,118	3,150,578	8,972,516	4,247,208
Young Turks Recordings Limited	1,187,302	883,596	2,329,142	1,422,444
Beggars Group Digital Limited:				
XL Recordings Limited	21,149,382	343,555	17,710,510	704,162
Young Turks Recordings Limited	4,703,948	82,839	5,183,883	205,828
Beggars Group Media Limited:				
XL Recordings Limited	6,867,711	311,874	6,546,889	524,366
Young Turks Recordings Limited	1,100,601	62,509	807,014	44,088
	7,968,312	374,383	7,353,903	568,454

XL RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

30. Related party transactions (continued)

During the year, royalties were paid by Beggars Group (USA), Inc. in respect of US sales less a contribution for overheads to the company of £5,339,700 (2017 - £2,453,496). Royalties of £1,727,938 (2017 - £1,306,727) were paid to Young Turks Recordings Limited.

During the year, commission was paid to Remote Control Records Pty Limited totalling £156,696 (2017 - £250,281) and £26,058 (2017 - £56,326) 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 £12,281,907 (2017 - £11,405,849) by Beggars Group Limited in respect of working capital loans. At the balance sheet date, Young Turks Recordings Limited was owed £1,576,822 (2017 - £289,650) by Beggars Group Limited in respect of working capital loans.

During the year, XL Recordings (USA) Inc. received rental income of £54,184 (2017 - £53,266) from Beggars Group (USA) Inc, a wholly owned subsidiary of Beggars Group Limited.

At the balance sheet date, the company was owed £1,863,735 (2017 - £1,863,440) by Mowax Labels Limited in respect of working capital loans. A provision of £1,863,735 (2017 - £1,863,715) was made against these loans. Mowax Labels Limited is a joint venture of XL Recordings Limited.

At the balance sheet date, Rough Trade Retail Group Limited owed the company £103,000 (2017 - £NIL) in respect of loans. Interest of 4% per annum was charged on the loan. Rough Trade Retail Group Limited is an associated company.

At the balance sheet date, the company was owed £626,959 (2017 - £1,201,792) 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 £NIL (2017 - £155,510) 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 year.

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 £860,542 (2017 - £2,997,199) in the normal course of business with Young Turks Recordings Limited.

At the year end, Young Turks Recordings Limited owed the company £1,249,510 (2017 - £388,968).

31. 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.