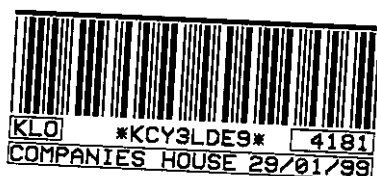


Registered no. 3126277

**XL RECORDINGS LIMITED**

**ABBREVIATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1997**



**LUBBOCK FINE**  
Chartered Accountants  
Russell Bedford House  
City Forum, 250 City Road  
London EC1V 2QQ

# **XL RECORDINGS LIMITED**

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# **XL RECORDINGS LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997**

### **Financial Statements**

The directors present their report and financial statements for the year ended 31 December 1997.

### **Principal Activities**

The principal activities of the company are the production and sale of compact discs, records and cassettes and the licensing of such operations.

### **Review of Business and Future Developments**

The company traded exceptionally well during the year, achieving a gross profit of £9,651,149 (1996:£2,352,618). However this is expected to reduce in the following period, although the directors anticipate that turnover will be greater than in 1996.

### **Results and Dividends**

The results of the year's trading and the financial position of the company are shown in the annexed accounts. Comparative figures relate to the period from 15 November 1995 to 31 December 1996.

The company's profit for the period, after taxation, amounted to £3,961,644 (1996 - £472,455).

The directors also recommend that the interim dividends of £680 per A ordinary share and £680 per B ordinary share paid on 15 April 1997, and of £1,370 per A ordinary share and £1,370 per B ordinary share paid on 12 August 1997 be confirmed.

### **Fixed Assets**

The movement in fixed assets is shown in the notes to the financial statements.

### **Directors' Interests**

The members of the board during the year, together with details of their interests, as defined by the Companies Act 1985, in the shares of the company, are as follows:

Beneficial holding:	31 December 1997		31 December 1996	
	Company	Parent Company	Company	Parent Company
Martin Mills	-	98 'A'	-	100 'A'
	-	100 'B'	-	100 'B'
	-	2 'C'	-	-
James Wyllie	-	-	-	-
Richard Russell	240 'A'	-	240 'A'	-

## **XL RECORDINGS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997 (CONT)**

#### **Directors' Interests (continued)**

Martin Mills also has the following interests in other group companies:

	<b>Number of Ordinary Shares</b>	
	<b>31 December 1997</b>	<b>31 December 1996</b>
Beggar's Banquet Music Limited	24	24
Beggar's Banquet Records Limited	24	24
Beggars Banquet Retail Limited	7,560	7,560
Beggars Banquet Limited	24	24
Mantra Recordings Limited	24	24

#### **Year 2000**

The directors have undertaken a review to assess the potential impact of the Year 2000 'millennium bug' upon the company. The results of this review form the basis of an action plan to ensure that millennium compliance is achieved. During the year the costs incurred by the company in respect of the review, action plan and remedial work were not significant.

#### **Changeover to the Euro**

The directors are considering the implications of the introduction of the Euro. The company is currently taking measures to identify its likely exposure to Euro currency transactions with its customers and suppliers from 1 January 1999.

#### **Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

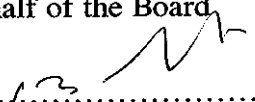
## **XL RECORDINGS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1997 (CONT)**

#### **Auditors**

The auditors, Lubbock Fine, have indicated their willingness to accept re-appointment under Section 385(2) of the Companies Act 1985.

On behalf of the Board

  
.....  
**Nigel Holt** - Secretary

Date: .....29.1.99.....

## **XL RECORDINGS LIMITED**

### **AUDITORS' REPORT TO XL RECORDINGS LIMITED UNDER SECTION 247B OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts set out on pages 5 to 16 together with the financial statements of the company for the year ended 31 December 1997 prepared under section 226 of the Companies Act 1985.

#### **Respective responsibilities of directors and auditors**

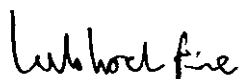
The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

#### **Basis of opinion**

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

#### **Opinion**

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated accounts on pages 5 to 16 are properly prepared in accordance with that provision.



**Lubbock Fine**  
Chartered Accountants  
Registered Auditors

Date: 29.1.99 .....

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

# **XL RECORDINGS LIMITED**

## **ABBREVIATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997**

	Note	1997 £	1996 £
<b>GROSS PROFIT</b>		9,651,149	2,352,618
Net operating expenses	2	(3,968,325)	(1,488,514)
<b>OPERATING PROFIT</b>	3	5,682,824	864,104
Other interest receivable and similar income		102,158	6,981
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		5,784,982	871,085
Tax on profit on ordinary activities	5	(1,823,338)	(398,630)
<b>PROFIT FOR THE FINANCIAL YEAR/PERIOD</b>		3,961,644	472,455
Dividends	6	(2,050,000)	(15,000)
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR/PERIOD</b>		1,911,644	457,455
Retained profit brought forward		457,455	-
<b>RETAINED PROFIT CARRIED FORWARD</b>		2,369,099	457,455

The company's turnover and expenses all relate to continuing operations.

There are no recognised gains or losses other than the profit for the financial year shown above.

# XL RECORDINGS LIMITED

## ABBREVIATED BALANCE SHEET AT 31 DECEMBER 1997

	Note	1997 £	1996 £
<b>FIXED ASSETS</b>			
Tangible assets	7	121,526	60,071
<b>CURRENT ASSETS</b>			
Stocks	8	114,729	79,479
Debtors	9	3,793,428	2,476,759
Cash at bank and in hand		2,016,781	230,000
		<u>5,924,938</u>	<u>2,786,238</u>
<b>CREDITORS</b>			
Amounts falling due within one year	10	<u>(2,164,782)</u>	<u>(1,716,661)</u>
<b>NET CURRENT ASSETS</b>		3,760,156	1,069,577
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,881,682</u>	<u>1,129,648</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	11	(1,427,594)	(671,193)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	12	(83,989)	-
<b>NET ASSETS</b>		<u><u>2,370,099</u></u>	<u><u>458,455</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	1,000	1,000
Profit and loss account		<u>2,369,099</u>	<u>457,455</u>
<b>SHAREHOLDERS' FUNDS</b>	14	<u><u>2,370,099</u></u>	<u><u>458,455</u></u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

On behalf of the Board

  
 .....  
 Martin Mills - Director

Date: ..... 29.1.99 .....



# XL RECORDINGS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1997

	Note	1997 £	1996 £
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	17	4,558,474	250,504
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		102,158	6,981
		<u>102,158</u>	<u>6,981</u>
		102,158	6,981
<b>TAXATION</b>		(733,482)	(11,531)
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire fixed assets		(109,347)	(18,726)
Receipts from sales of fixed assets		26,250	9,500
		<u>(83,097)</u>	<u>(9,226)</u>
<b>EQUITY DIVIDENDS PAID</b>		(2,050,000)	(15,000)
		<u>1,794,053</u>	<u>221,728</u>
<b>FINANCING</b>			
Issue of shares		-	1,000
		<u>-</u>	<u>1,000</u>
<b>INCREASE IN CASH</b>	18	<u><u>1,794,053</u></u>	<u><u>222,728</u></u>

# **XL RECORDINGS LIMITED**

## **NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997**

### **1. ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous period.

#### **Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention.

The effect of events relating to the year ended 31 December 1997 which occurred before the date of approval of the financial statements by the Board of Directors, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 31 December 1997 and of the results for the year ended on that date.

#### **Deferred income**

Deferred income represents non-returnable advances on royalties receivable from other record companies. These advances are credited to revenue as the royalty income arises or where the probability of future income in respect thereof is remote.

#### **Advances to artistes**

Advances to artistes represent advances made direct to artistes for recording and other costs made on behalf of artistes under contract. These advances, which are only recoverable against future royalties, are charged to revenue as they are recouped or where the probability of future recoupment in respect thereof is unlikely.

#### **Depreciation**

Depreciation has been provided to write off tangible fixed assets over their estimated useful lives based on written down values at the following rates:

Fixtures, fittings and equipment	- 20% and 25% per annum of cost
Motor vehicles	- 25% per annum of cost

#### **Stocks**

Stock is valued on an average cost basis at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### **Deferred Taxation**

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounting purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may crystallise.

#### **Foreign Exchange**

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction.

Balances at the year end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.

## **XL RECORDINGS LIMITED**

### **NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997**

#### **Leasing**

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

#### **Comparative figures**

Comparative figures relate to the period 15 November 1995 to 31 December 1996.

#### **2. NET OPERATING EXPENSES**

	<b>1997</b> £	<b>1996</b> £
Distribution costs	2,810,450	787,017
Administrative expenses	1,157,875	701,497
	<u>3,968,325</u>	<u>1,488,514</u>

#### **3. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):

	<b>1997</b> £	<b>1996</b> £
Directors' emoluments	137,590	79,837
Hire of equipment - operating leases	522	613
Hire of other assets - operating leases	10,000	10,000
Loss (profit) on the sale of fixed assets	7,085	(1,056)
Depreciation and amortisation of owned assets	14,556	17,203
Auditors' remuneration	7,500	10,000
Foreign exchange loss	18,741	294
	<u></u>	<u></u>

## **XL RECORDINGS LIMITED**

### **NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997**

#### **4. STAFF COSTS**

The average number of persons employed by the company, including directors, during the year was as follows:

	<b>1997 Number</b>	<b>1996 Number</b>
Management	1	1
Sales and administration	5	5
	<u>6</u>	<u>6</u>

The aggregate payroll costs of these persons were as follows:

	<b>1997 £</b>	<b>1996 £</b>
Wages and salaries	210,234	161,330
Social security	25,335	12,127
	<u>235,569</u>	<u>173,457</u>

#### **5. TAXATION ON ORDINARY ACTIVITIES**

	<b>1997 £</b>	<b>1996 £</b>
<b>Current year</b>		
Corporation tax at 31 % (1996 - 33 %)	1,606,741	398,630
Deferred tax at 31 %	83,989	-
Group relief	110,441	-
	<u>1,801,171</u>	<u>398,630</u>
<b>Prior year</b>		
Corporation tax under provided	22,167	-
	<u>1,823,338</u>	<u>398,630</u>

# XL RECORDINGS LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

### 6. DIVIDENDS

	1997 £	1996 £
On A ordinary shares Interim dividends paid	492,000	15,000
On B ordinary shares Interim dividends paid	1,558,000	-
	<u>2,050,000</u>	<u>15,000</u>

### 7. TANGIBLE FIXED ASSETS

	Fixtures fittings and equipment £	Motor vehicles £	Total £
<b>Cost</b>			
At 1 January 1997	42,512	46,745	89,257
Additions	1,914	107,433	109,347
Disposals	(2,327)	(46,745)	(49,072)
At 31 December 1997	<u>42,099</u>	<u>107,433</u>	<u>149,532</u>
<b>Depreciation</b>			
At 1 January 1997	14,147	15,039	29,186
Charge for the year	6,243	8,314	14,557
Elimination on disposals	(698)	(15,039)	(15,737)
At 31 December 1997	<u>19,692</u>	<u>8,314</u>	<u>28,006</u>
<b>Net book value</b>			
At 31 December 1997	<u>22,407</u>	<u>99,119</u>	<u>121,526</u>
At 31 December 1996	<u>28,365</u>	<u>31,706</u>	<u>60,071</u>

### 8. STOCKS

	1997 £	1996 £
Finished goods and goods for resale	<u>114,729</u>	<u>79,479</u>

## **XL RECORDINGS LIMITED**

### **NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997**

#### **9. DEBTORS**

##### **Receivable within one year:**

	<b>1997</b> £	<b>1996</b> £
Trade debtors	725,901	1,540,007
Amounts owed by group undertakings	1,188,652	630,876
Other debtors	464,376	5,060
Prepayments and accrued income	1,414,499	300,816
	<u>3,793,428</u>	<u>2,476,759</u>

Included within prepayments and accrued income are amounts advanced to artistes totalling £1,414,499 (1996 - £300,816).

#### **10. CREDITORS - AMOUNTS DUE WITHIN ONE YEAR**

	<b>1997</b> £	<b>1996</b> £
Bank loans and overdrafts	-	7,272
Trade creditors	635,553	375,116
Amounts owed to group undertakings	-	641,431
Social security and other taxes	-	272,876
Other creditors	6,634	999
Corporation tax payable	1,392,965	387,099
Accruals and deferred income	129,630	31,868
	<u>2,164,782</u>	<u>1,716,661</u>

#### **11. CREDITORS - AMOUNTS DUE AFTER ONE YEAR**

	<b>1997</b> £	<b>1996</b> £
Accruals and deferred income	<u>1,427,594</u>	<u>671,193</u>

# XL RECORDINGS LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

### 12. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
Provided for the year	83,989
Balance at 31 December 1997	<u>83,989</u>

The amount provided and the potential liability for deferred taxation is as follows:

	Provided £	1997 Potential £	Provided £	1996 Potential £
The accumulated excess of capital allowances over corresponding depreciation	(282)	(282)	-	-
Arising on net royalty timing differences	84,271	84,271	-	-
	<u>83,989</u>	<u>83,989</u>	<u>-</u>	<u>-</u>

### 13. SHARE CAPITAL

	1997 £	1996 £
Authorised		
240 A ordinary shares of £1 each	240	760
760 B ordinary shares of £1 each	760	240
	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
240 A ordinary shares of £1 each	240	240
760 B ordinary shares of £1 each	760	760
	<u>1,000</u>	<u>1,000</u>

## **XL RECORDINGS LIMITED**

### **NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997**

#### **14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>1997</b> <b>£</b>	<b>1996</b> <b>£</b>
Profit for the financial year/period	3,961,644	472,455
Dividends	(2,050,000)	(15,000)
Net addition to shareholders' funds	<u>1,911,644</u>	<u>457,455</u>
New share capital subscribed	-	1,000
Net addition to shareholders' funds	<u>1,911,644</u>	<u>458,455</u>
Opening shareholders' funds	458,455	-
Closing shareholders' funds	<u><u>2,370,099</u></u>	<u><u>458,455</u></u>

#### **15. CONTINGENT LIABILITIES**

The company has given its bankers a composite guarantee over the facilities of the following companies:

Beggars Banquet Group Limited  
Beggars Banquet Records Limited  
Mantra Recordings Limited  
Beggars Banquet Limited  
Beggars Banquet Retail Limited

Any liability arising from the composite guarantee is secured by a mortgage debenture dated 18 December 1996 over all the company's assets, incorporating a specific charge over book debts.



## **XL RECORDINGS LIMITED**

### **NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997**

#### **16. RELATED PARTY TRANSACTIONS**

a) During the year Beggars Banquet Limited, a group company, operated in a central production and distribution role for the company. Export sales and production costs were passed through Beggars Banquet Limited and were transferred out to the company at the year end thus:

	1997 £	1996 £
Turnover	1,648,478	821,915
Cost of sales	2,049,209	1,236,042
Balance owed to Beggars Banquet Limited at 31 December 1997	<u>5,408</u>	<u>411,431</u>

b) During the year the company paid management charges as listed below to fellow group companies:

	1997 £	1996 £
Beggars Banquet Group Limited	442,275	303,500
Beggars Banquet Limited	252,150	75,000
	<u>694,425</u>	<u>378,500</u>

c) In addition at the balance sheet date £1,188,652 (1996 - £630,876 ) was due from Beggars Banquet Group Limited.

#### **17. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	1997 £	1996 £
Operating profit	5,682,824	864,104
Depreciation charge	14,557	17,203
Loss/(profit) on sale of fixed assets	7,085	(1,056)
Increase in stocks	(35,250)	(79,479)
Increase in debtors	(1,316,669)	(2,476,759)
Increase in creditors	205,927	1,926,491
Net cash inflow/outflow from operating activities	<u>4,558,474</u>	<u>250,504</u>

## **XL RECORDINGS LIMITED**

### **NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997**

#### **18. ANALYSIS OF NET FUNDS**

	<b>1996</b> £	<b>Cash flow</b> £	<b>1997</b> £
Cash at bank and in hand	230,000	1,786,781	2,016,781
Overdraft	(7,272)	7,272	-
<b>Total</b>	<u>222,728</u>	<u>1,794,053</u>	<u>2,016,781</u>

#### **19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	<b>1997</b> £	<b>1996</b> £
Increase in cash in the year	1,794,053	222,728
Movement in net funds in the year	<u>1,794,053</u>	<u>222,728</u>
Net funds at 1 January 1997	222,728	-
<b>Net funds at 31 December 1997</b>	<u><u>2,016,781</u></u>	<u><u>222,728</u></u>

#### **20. PARENT UNDERTAKING**

The ultimate parent company is Beggars Banquet Group Limited, (formerly Beggar's Banquet Communications Limited), a company registered in England and Wales. A copy of the group financial statements may be obtained from The Registrar, Companies House.