

Registered no. 3126277

**XL RECORDINGS LIMITED**

**ABBREVIATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 1996**

**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 AND ADVISERS**

### **Directors**

Richard Russell  
Martin Mills  
James Wyllie

### **Secretary**

Nigel Bolt

### **Registered Office**

17 - 19 Alma Road  
London SW18 1AA

### **Registered Number**

3126277 (England and Wales)

### **Auditors**

Lubbock Fine  
Chartered Accountants  
Russell Bedford House  
City Forum  
250 City Road  
London EC1V 2QQ

### **Bankers**

Coutts & Co  
440 The Strand  
London WC1R 0Q5

## **XL RECORDINGS LIMITED**

### **DIRECTORS' REPORT FOR THE PERIOD FROM 15 NOVEMBER 1995 TO 31 DECEMBER 1996**

#### **Financial Statements**

The directors present their report and financial statements for the period ended 31 December 1996.

#### **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 the period and future developments**

The company was incorporated as Speed 5198 Limited on 15 November 1995 and was renamed firstly as Hero Music Limited on 15 December 1996 and subsequently as XL Recordings Limited on 1 April 1996 when it commenced trading.

The company traded very well during this, its first period, achieving a turnover of £4,877,802. The directors anticipate a further increase in turnover in the following period.

#### **Results and Dividends**

The results of the year's trading, the financial position of the company and the transfer to reserves are shown in the annexed accounts.

The company's profit for the period, after taxation, amounted to £472,455.

The directors also recommend that the interim dividend of £62.50 pence per A ordinary share paid on 19 July 1996 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 period, together with details of their interests, as defined by the Companies Act 1985, in the shares of the company, are as follows:

<b>Beneficial holding:</b>	<b>31 December 1996</b>		<b>15 November 1995</b>	
	<b>Company</b>	<b>Parent Company</b>	<b>Company</b>	<b>Parent Company</b>
Richard Russell	240 'A'	-	240 'A'	-
Martin Mills	-	100 'A' 100 'B'	-	100 'A' 100 'B'
James Wyllie	-	-	-	-

Richard Russell was appointed as a director of the company on 21 November 1995. Martin Mills and James Wyllie were appointed as directors of the company on 1 April 1996.

## **XL RECORDINGS LIMITED**

### **DIRECTORS' REPORT FOR THE PERIOD FROM 15 NOVEMBER 1995 TO 31 DECEMBER 1996**

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

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

	<b>Number of Ordinary Shares</b>	
	<b>31 December 1996</b>	<b>15 November 1995</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	99

#### **Auditors**

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

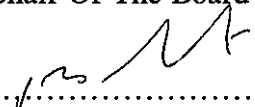
#### **Statement of Directors' Responsibilities**

The directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss, total recognised gains or losses and cash flows of the company for that period.

The directors confirm that appropriate accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made, in the preparation of the financial statements for the period ended 31 December 1996. The directors also confirm that the financial statements have been prepared on a going concern basis and that applicable accounting standards have been followed.

The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities.

On Behalf Of The Board

  
.....  
**Nigel Bolt** - Secretary

Date .....11.12.97.....

## **XL RECORDINGS LIMITED**

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

We have examined the abbreviated accounts on pages 5 to 14 together with the financial statements of XL Recordings Limited prepared under section 226 of the Companies Act 1985 for the period ended 31 December 1996.

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

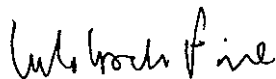
The directors are responsible for preparing the abbreviated accounts in accordance with Schedule 48 to the Companies Act 1985 as modified by section 246A. It is our responsibility to form an independent opinion as to the company's entitlement to deliver abbreviated accounts and whether the abbreviated accounts have been properly prepared.

#### **Basis of opinion**

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

#### **Opinion**

In our opinion the company is entitled under sections 246 and 247 of the Companies Act 1985 to deliver abbreviated accounts prepared in accordance with Section 247B of that Act, in respect of the period ended 31 December 1996 and the abbreviated accounts on pages 5 to 14 have been properly prepared in accordance with Schedule 4 to the Companies Act 1985 as modified by Section 246A.



**Lubbock Fine**  
Chartered Accountants  
Registered Auditors

Date: 11.12.1997.....

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

## **XL RECORDINGS LIMITED**

### **ABBREVIATED PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 1996**

	<b>Note</b>	<b>1996 £</b>
<b>GROSS PROFIT</b>		2,352,618
Net operating expenses	2	(1,488,514)
<b>OPERATING PROFIT</b>	3	<u>864,104</u>
Other interest receivable and similar income		<u>6,981</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		871,085
Tax on profit on ordinary activities	5	<u>(398,630)</u>
<b>PROFIT FOR THE FINANCIAL PERIOD</b>		<u>472,455</u>
Dividends	6	<u>(15,000)</u>
<b>RETAINED PROFIT FOR THE FINANCIAL PERIOD</b>		<u><u>457,455</u></u>

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 period shown above.


# XL RECORDINGS LIMITED

## BALANCE SHEET AT 31 DECEMBER 1996

	Note	1996 £
<b>Fixed Assets</b>		
Tangible assets	7	60,071
<b>Current Assets</b>		
Stocks	8	79,479
Debtors	9	2,246,759
Cash at bank and in hand		230,000
		<u>2,556,238</u>
<b>Creditors</b>		
Amounts falling due within one year	10	<u>(1,486,661)</u>
<b>Net Current Assets</b>		1,069,577
<b>Total Assets Less Current Liabilities</b>		<u>1,129,648</u>
<b>Creditors</b>		
Amounts falling due after more than one year	11	(671,193)
<b>Net Assets</b>		<u><u>458,455</u></u>
<b>Capital And Reserves</b>		
Called up share capital	12	1,000
Profit and loss account		457,455
<b>Shareholders' Funds</b>	13	<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: ..... 11.12.97 .....



**XL RECORDINGS LIMITED****CASH FLOW STATEMENT FOR THE PERIOD FROM 15 NOVEMBER 1995 TO 31 DECEMBER 1996**

	Note	1996 £
<b>Net Cash Inflow From Operating Activities</b>	16	317,496
<b>Returns On Investments And Servicing Of Finance</b>		
Interest received (including tax recovered)	6,981	
Dividends paid (excluding ACT)	(15,000)	
		<hr/>
<b>Net Cash Outflow From Returns On Investments And Servicing Of Finance</b>		(8,019)
<b>Taxation</b>		
Corporation tax paid (including ACT)	(11,531)	
		<hr/>
<b>Tax Paid</b>		(11,531)
<b>Investing Activities</b>		
Payments to acquire fixed assets	(18,726)	
Inter-group transfers	(66,992)	
Receipts from sales of fixed assets	9,500	
		<hr/>
<b>Net Cash Inflow (Outflow) From Investing Activities</b>		(76,218)
		<hr/>
<b>Net Cash Inflow (Outflow) Before Financing</b>		221,728
<b>Financing</b>		
Issue of shares	1,000	
		<hr/>
<b>Net Cash Inflow From Financing</b>	17	1,000
		<hr/>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	18	<u>222,728</u>

# **XL RECORDINGS LIMITED**

## **NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1996**

### **1. Accounting Policies**

#### **Accounting convention**

The financial statements have been prepared on a going concern basis under the historical cost convention.

#### **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.

#### **Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances are translated at the exchange rate ruling at the balance sheet date. Exchange differences are dealt with through the profit and loss account.

#### **Leasing**

Operating lease and rental costs are charged to operating profit as they arise.

#### **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
Motor vehicles	- 25% per annum

#### **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 not provided because, in the opinion of the directors, the liability is not likely to crystallise in the foreseeable future.

## **XL RECORDINGS LIMITED**

### **NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1996**

#### **2. Net Operating Expenses**

	<b>1996</b> <b>£</b>
Distribution costs	787,017
Administrative expenses	701,497
Net operating expenses	<u>1,488,514</u>

#### **3. Operating Profit**

Operating profit is stated after charging and crediting:

	<b>1996</b> <b>£</b>
Directors' emoluments	79,837
Hire of equipment - operating leases	613
Depreciation and amortisation of owned assets	17,203
Auditors' remuneration	10,000
Foreign exchange loss	294
Profit on the sale of fixed assets	<u>(1,056)</u>

#### **4. Staff Costs**

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

	<b>1996</b> <b>Number</b>
Management	2
Administration	4
	<u>6</u>

The aggregate payroll costs of these persons were as follows:

	<b>1996</b> <b>£</b>
Wages and salaries	161,330
Social security	12,127
	<u>173,457</u>

# XL RECORDINGS LIMITED

## NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1996

### 5. Taxation On Ordinary Activities

1996  
£

#### Current period

Corporation tax at 33% 398,630

The inflated corporation tax charge in relation to accounting profit has resulted from the difference in the treatment of licensee advances for tax purposes.

### 6. Dividends

1996  
£

On A ordinary shares

Interim dividends paid at £62.50 per share 15,000

### 7. Tangible Fixed Assets

	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<b>Cost</b>			
Additions	12,726	6,000	18,726
Intra-group transfers	36,017	58,081	94,098
Disposals	(6,231)	(17,336)	(23,567)
At 31 December 1996	<u>42,512</u>	<u>46,745</u>	<u>89,257</u>
<b>Depreciation</b>			
Charge for the period	6,801	10,402	17,203
Intra-group transfers	11,228	15,878	27,106
Elimination on disposals	(3,882)	(11,241)	(15,123)
At 31 December 1996	<u>14,147</u>	<u>15,039</u>	<u>29,186</u>
<b>Net book value</b>			
At 31 December 1996	<u>28,365</u>	<u>31,706</u>	<u>60,071</u>

## **XL RECORDINGS LIMITED**

### **NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1996**

#### **8. Stocks**

	<b>1996</b> £
Finished goods and goods for resale	79,479

#### **9. Debtors**

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

	<b>1996</b> £
Trade debtors	1,540,007
Amounts owed by group undertakings	400,876
Other debtors	5,060
Prepayments and accrued income	300,816
	<u>2,246,759</u>

Included within prepayments and accrued income are amounts advanced to artistes totalling £300,816.

#### **10. Creditors - Amounts Due Within One Year**

	<b>1996</b> £
Bank loans and overdrafts	7,272
Trade creditors	375,116
Amounts owed to group undertakings	411,431
Social security and other taxes	272,876
Other creditors	999
Corporation tax payable	387,099
Accruals and deferred income	31,868
	<u>1,486,661</u>

#### **11. Creditors - Amounts Due After One Year**

	<b>1996</b> £
Accruals and deferred income	671,193

## **XL RECORDINGS LIMITED**

### **NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1996**

#### **12. Share Capital**

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

#### **13. Reconciliation Of Movements In Shareholders' Funds**

	1996 £
Profit for the financial year	472,455
Dividends	(15,000)
New share capital subscribed	1,000
	<u>458,455</u>
Closing shareholders' funds	<u>458,455</u>

#### **14. Contingencies**

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

Beggar's Banquet Communications Limited  
Beggar's Banquet Records Limited  
Beggars Banquet Limited  
Beggars Banquet Retail Limited

Any liability arising from the composite guarantee is secured by a mortgage debenture dated 15 October 1996 over all the company's assets, incorporating a specific charge over book debts.

## **XL RECORDINGS LIMITED**

### **NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1996**

#### **15. Related Party Transactions**

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

	<b>1996</b> £
Turnover	821,915
Cost of sales	1,236,042
Balance owed to Beggars Banquet Limited at 31 December 1996	<u>411,431</u>

b) During this first period of trading the company paid management charges as listed below to fellow group companies:

	<b>1996</b> £
Beggar's Banquet Communications Limited	303,500
Beggars Banquet Limited	75,000
	<u>378,500</u>

c) In addition at the balance sheet date £400,876 was due from Beggar's Banquet Communications Limited.

#### **16. Reconciliation Of Operating Profit/(Loss) To Net Cash Inflow/(Outflow) From Operating Activities**

	<b>1996</b> £
Operating profit	864,104
Depreciation charge	17,203
Profit on sale of fixed assets	(1,056)
Increase in stocks	(79,479)
Increase in debtors	(2,246,759)
Increase in creditors	1,763,483
Net cash inflow from operating activities	<u>317,496</u>

## **XL RECORDINGS LIMITED**

### **NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 1996**

#### **17. Analysis Of Changes In Financing During The Year**

	<b>1996 Share capital £</b>
Cash inflow from financing	1,000
Balance at 31 December 1996	<u>1,000</u>

#### **18. Analysis Of Changes In Cash And Cash Equivalents During The Year**

	<b>1996 £</b>
Balance at 15 November 1995	-
Net cash inflow	222,728
Balance at 31 December 1996	<u>222,728</u>

#### **19. Analysis Of The Balances Of Cash And Cash Equivalents As Shown In The Balance Sheet**

	<b>1996 £</b>
Short term investments	230,000
Bank overdraft	(7,272)
	<u>222,728</u>

#### **20. Parent Undertaking**

The ultimate parent company is Beggar's Banquet Communications Limited, a company registered in England and Wales. The parent company is controlled by Martin Mills by virtue of his shareholding as disclosed in the directors' report.

Copies of the group financial statements may be obtained from The Registrar, Companies House.