

**Company Registration No. 1414045**

**BEGGARS GROUP LIMITED**

**Report and Financial Statements**

**31 December 2002**



**Deloitte & Touche LLP  
London**

# **BEGGARS GROUP LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2002**

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# **BEGGARS GROUP LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2002**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

Martin Mills  
Nigel Bolt  
Andrew Heath  
James Wyllie

#### **SECRETARY**

Nigel Bolt

#### **BANKERS**

Coutts & Co  
440 Strand  
London  
WC2R 0QS

#### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
London

# BEGGARS GROUP LIMITED

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The group is principally engaged in the production and exploitation of sound recordings.

In 2002 the group made further acquisitions. A 50% interest in a Spanish record company – Popstock Distribuciones S.L, a 50% interest in a UK record company – Matador Records Limited and a 50% interest in a US record company – Matador Recordings LLC. It also disposed of its interest in Beggars Banquet Retail Limited.

The group continued to trade satisfactorily during the year.

## FUTURE DEVELOPMENTS

The directors anticipate that the group will continue to trade satisfactorily.

## RESULTS AND DIVIDENDS

The trading results for the year, and the group's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2002 £	2001 £
Dividend paid on ordinary shares	10,500	-

## DIRECTORS AND THEIR INTERESTS

	Class of share	At 31 December 2002	At 1 January 2001
Martin Mills	'A' Ordinary	98	98
	'B' Ordinary	100	100
	'C' Preferred (joint trustee)	2	2
Nigel Bolt		-	-
Andrew Heath		-	-
James Wyllie		-	-

In addition, Martin Mills had beneficial interests in the ordinary shares of subsidiary companies as follows:

	At 31 December 2002	At 1 January 2001
Beggars Banquet Records Limited	24	24
Beggars Banquet Retail Limited	-	7,560
Beggars UK Limited	24	24
Mantra Recordings Limited	24	24

# BEGGARS GROUP LIMITED

## DIRECTORS' REPORT (continued)

### FIXED ASSETS

Changes in fixed assets are shown in the notes to the financial statements.

In the opinion of the directors, the market value of interests in land and buildings held as fixed assets at the balance sheet date were in excess of their book value.

### DONATIONS

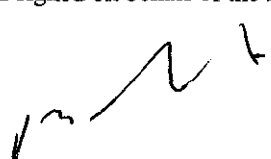
During the year the company made the following contributions:

	2002	2001
Charitable	<u>250</u>	<u>-</u>

### AUDITORS

On 1 August 2003, Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



Nigel Bolt  
Secretary

27 30 27 2004

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom 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 the group as at the end of the financial year and of the profit or loss of the group 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;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BEGGARS GROUP LIMITED**

We have audited the financial statements of Beggars Group Limited for the year ended 31 December 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheets, the cash flow statement, the notes to the cash flow statement and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
London

27 JULY 2004

# BEGGARS GROUP LIMITED

## GROUP PROFIT AND LOSS ACCOUNT

Year ended 31 December 2002

	Note	2002 £	2001 £
<b>GROUP TURNOVER</b>	1,2	23,828,724	20,324,195
Cost of sales		(13,023,457)	(10,545,765)
<b>GROSS PROFIT</b>		10,805,267	9,778,430
Distribution costs		(5,020,716)	(3,563,488)
Administrative expenses		(6,470,226)	(5,520,645)
Other operating income		64,038	-
<b>GROUP OPERATING (LOSS)/PROFIT</b>	3	(621,637)	694,297
Share of operating loss from joint ventures	6	(137,811)	(245,846)
Share of operating profit from associates	6	52,060	11,148
<b>TOTAL OPERATING (LOSS)/PROFIT</b>		(707,388)	459,599
Finance charges (net)	7	(139,191)	(388,818)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(846,579)	70,781
Tax credit/(charge) on (loss)/profit on ordinary activities	8	132,087	(119,331)
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(714,492)	(48,550)
Equity minority interests	26	270,169	130,245
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(444,323)	81,695
Equity dividends paid	9	(10,500)	-
<b>RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		(454,823)	81,695

The turnover relating to associates of the group was £326,042 (2001: £242,601).

The turnover relating to joint ventures of the group was £1,724,044 (2001: £324,678).

All of the activities of the company are classed as continuing.

# BEGGARS GROUP LIMITED

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2002

	2002	2001
Note	£	£
(Loss)/profit for the financial year	(444,323)	81,695
Currency translation difference on foreign currency net investments	12,112	-
<b>Total recognised gains and losses in the year</b>	<b>(432,211)</b>	<b>81,695</b>

# BEGGARS GROUP LIMITED

## GROUP BALANCE SHEET

31 December 2002

	Note	£	2002 £	£	2001 £
<b>FIXED ASSETS</b>					
Intangible assets	10		1,490,384		1,583,517
Tangible assets	11		2,370,903		2,478,508
Investments					
Investment in joint venture:					
Share of gross assets		2,542,361		56,241	
Share of gross liabilities		(1,622,542)		(27,910)	
	12	919,819		28,331	
Associated undertakings	12	98,314		151,376	
Other investments	12	868,093		204,905	
			1,886,226		384,612
			5,747,513		4,446,637
<b>CURRENT ASSETS</b>					
Stocks	13	326,726		474,384	
Debtors	14	8,613,302		9,321,432	
Cash at bank and in hand		682,174		-	
			9,622,202		9,795,816
<b>CREDITORS: amounts falling due within one year</b>	15		(9,636,778)		(7,993,743)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			(14,576)		1,802,073
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			5,732,937		6,248,710
<b>CREDITORS: amounts falling due after more than one year</b>	16		(417,417)		-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17		(3,952)		(369,019)
Investment in joint venture:					
Share of gross assets		452,808		109,183	
Share of gross liabilities		(1,486,462)		(1,015,792)	
	17		(1,033,654)		(906,609)
<b>NET ASSETS</b>			4,277,914		4,973,082
<b>CAPITAL AND RESERVES</b>					
Called up share capital	23		200		200
Other reserves	24		28,171		28,171
Profit and loss account	24		4,557,139		4,999,850
<b>TOTAL SHAREHOLDERS' FUNDS (including non-equity interests)</b>	25		4,585,510		5,028,221
<b>EQUITY MINORITY INTERESTS</b>	26		(307,596)		(55,139)
<b>TOTAL CAPITAL EMPLOYED</b>			4,277,914		4,973,082

These financial statements were approved by the Board of Directors on 27.7.2004.

Signed on behalf of the Board of Directors



Martin Mills, Director

# BEGGARS GROUP LIMITED

## COMPANY BALANCE SHEET 31 December 2002

	Note	2002 £	2001 £
<b>FIXED ASSETS</b>			
Tangible assets	11	700,950	728,367
Investments	12	<u>3,949,355</u>	<u>2,334,984</u>
		4,650,305	3,063,351
<b>CURRENT ASSETS</b>			
Debtors – due within one year	14	2,909,881	3,201,309
Cash at bank and in hand		<u>7,842</u>	<u>-</u>
		2,917,723	3,201,309
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(2,046,315)</u>	<u>(1,225,165)</u>
<b>NET CURRENT ASSETS</b>		<u>871,408</u>	<u>1,976,144</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		5,521,713	5,039,495
<b>CREDITORS: amounts falling due after more than one year</b>	16	(417,417)	-
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	<u>-</u>	<u>-</u>
		<u>5,104,296</u>	<u>5,039,495</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	23	200	200
Profit and loss account	24	<u>5,104,096</u>	<u>5,039,295</u>
<b>TOTAL SHAREHOLDERS' FUNDS (including non-equity interests)</b>	25	<u>5,104,296</u>	<u>5,039,495</u>

These financial statements were approved by the Board of Directors on 27.7.2004.

Signed on behalf of the Board of Directors



Martin Mills  
Director

# BEGGARS GROUP LIMITED

## GROUP CASH FLOW STATEMENT Year ended 31 December 2002

	Note	2002 £	2001 £
Net cash inflow from operating activities	A	96,812	652,923
<b>Returns on investments and servicing of finance</b>			
Interest received		2,074	16,848
Interest paid		(141,265)	(120,738)
Dividends paid to minority interest		-	-
<b>Net cash outflow from returns on investments and servicing of finance</b>		(139,191)	(103,890)
<b>Taxation</b>			
Corporation tax paid		(114,556)	(65,465)
Corporation tax refunds received		74,708	58,621
<b>Tax paid</b>		(39,848)	(6,844)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(68,089)	(120,514)
Payments from sale of fixed assets		15,141	-
Acquisition of Joint Venture investments		(987,520)	-
Increase in long term loans made to Joint Ventures		(626,850)	-
<b>Net cash outflow from investing activities</b>		(1,667,318)	(120,514)
<b>Acquisitions and disposals</b>			
Acquisition of shares in group undertakings		-	(36,413)
Net cash received/(disposed) on sale of subsidiaries		21,449	(348,097)
<b>Net cash inflow/(outflow) from acquisitions and disposals</b>		21,449	(384,510)
<b>Equity dividends paid</b>		(10,500)	-
<b>Cash (outflow)/inflow before management of liquid resources and financing</b>		(1,738,596)	37,165
<b>Management of liquid resources</b>		-	-
<b>Financing</b>		-	-
<b>(Decrease)/increase in cash in the year</b>	B	(1,738,596)	37,165

# BEGGARS GROUP LIMITED

## NOTES TO THE GROUP CASH FLOW STATEMENT

Year ended 31 December 2002

### A. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/OUTFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating (loss)/profit	(621,637)	694,297
Amortisation of goodwill arising on subsidiaries	93,133	93,133
Depreciation	153,895	218,321
Loss on disposal of fixed assets and investments	46,318	226,357
Decrease in stocks	104,260	59,466
Decrease/(increase) in debtors	693,533	(1,298,016)
(Decrease)/increase in creditors	(372,690)	659,365
Net cash inflow from operating activities	<u>96,812</u>	<u>652,923</u>

### B. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002 £	2001 £
(Decrease)/increase in cash in the period	(1,738,596)	37,165
Change in net debt	<u>(1,738,596)</u>	<u>37,165</u>
Net debt at 1 January	<u>(29,352)</u>	<u>(66,517)</u>
Net debt at 31 December	<u>(1,767,948)</u>	<u>(29,352)</u>

### C. ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2002 £	Cash flows £	At 31 December 2002 £
Net cash:			
Cash in hand and at bank	-	682,174	682,174
Overdrafts	<u>(29,352)</u>	<u>(2,420,770)</u>	<u>(2,450,122)</u>
Net debt	<u>(29,352)</u>	<u>(1,738,596)</u>	<u>(1,767,948)</u>

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2002**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Basis of consolidation**

The consolidated accounts incorporate the accounts of the company and all group undertakings, together with the group's share of the net assets and results of associated undertakings and joint ventures. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over twenty years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group accounts by virtue of Section 230 of the Companies Act 1985. The profit dealt with in the accounts of the parent company was £64,801 (2001: loss of £368,475).

**Turnover**

Turnover is the amount derived from the provision of goods and services falling within the group's ordinary activities, after the deduction of trade discounts, value added tax and any other taxes based on turnover.

**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 artists**

Advances to artists 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 the profit and loss account as they are recouped or where the probability of future recoupment in respect thereof is unlikely.

**Goodwill**

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life, which is 20 years. Provision is made for any impairment.

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the residual value, over the useful economic life of that asset as follows:

Freehold property	2% on cost
Leasehold property	In equal annual instalments over the period of the lease
Fixtures and fittings and office equipment	20% and 25% per annum on a reducing balance method
Motor vehicles	25% per annum on a reducing balance method
Computer equipment	25% per annum on a reducing balance method

**Stocks**

Stocks are valued at the lower of cost and net realisable value.

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

### 1. ACCOUNTING POLICIES (continued)

#### Taxation

Deferred taxation is provided in full on timing differences relating to pension and other post retirement benefits calculated at the rates at which it is expected that tax will rise. Deferred taxation is provided on other timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future without replacement, calculated at the rates at which it is expected that tax will rise.

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

#### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

#### Investments

(a) Current asset investments are stated at the lower of cost and net realisable value

(b) Fixed asset investments are stated at cost, having been reviewed for impairment.

#### Investment properties

Investment properties are revalued annually. Depreciation is not provided in respect of freehold investment properties.

### 2. TURNOVER

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

	2002 £	2001 £
Sales and distribution of compact discs, records and tapes	19,220,742	14,706,100
Royalties receivable	4,607,982	5,618,095
	<u>23,828,724</u>	<u>20,324,195</u>

Turnover is analysed by geographical markets, as follows:

	2002 £	2001 £
UK	12,854,184	8,903,547
Rest of World	10,974,541	11,420,648
	<u>23,828,724</u>	<u>20,324,195</u>

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

### 3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2002 £	2001 £
Amortisation	93,133	93,133
Loss on disposal of subsidiary	41,792	135,867
Depreciation – owned assets	153,895	218,321
Loss on disposal of fixed assets	4,526	79,950
Auditors' remuneration – group and company:		
- audit	62,000	62,000
- other services	13,000	13,000
Operating lease costs:		
Land and buildings	93,145	50,500
Plant and equipment	-	4,827
Net loss/(gain) on foreign currency translation	141,597	(40,924)
Net exceptional items	300,000	300,000

The exceptional item in both the current and prior year represents a provision made against the balance due from a joint venture company, Mowax Labels Limited.

### 4. INFORMATION REGARDING EMPLOYEES

	2002 No.	2001 No.
Average number of persons employed (including directors)		
Administration	71	64
Management	12	12
	83	76

The aggregate payroll costs of the above were:

	£	£
Staff costs during the year		
Wages and salaries	2,685,251	2,398,095
Social security costs	267,372	258,477
Pension costs	-	2,000
	2,952,623	2,658,572

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

### 5. DIRECTORS' EMOLUMENTS

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

	2002 £	2001 £
Emoluments	367,359	404,519

	2002 £	2001 £
<b>Emoluments of highest paid director</b>		
Emoluments	258,222	298,666

### 6. SHARE OF PROFITS/(LOSSES) FROM OTHER FIXED ASSET INVESTMENTS

	2002 £	2001 £
Net share of operating profit – Associates	52,060	11,148
Net share of operating loss – Joint ventures	(137,811)	(245,846)
	(85,751)	(234,698)

The share of the operating profits of the associates relates mainly to the share of the profits of Nation Records Limited (£42,043).

The share of the operating loss in joint ventures mainly relates to Mowax Labels Limited (£59,708), Matador Recordings LLC (£24,302) and Matador Records Limited (£41,710).

### 7. FINANCE CHARGES (NET)

	2002 £	2001 £
<b>Interest receivable and similar income</b>		
Interest receivable – Bank interest	2,074	16,848
<b>Interest payable and similar charges</b>		
Interest payable on bank borrowing	(129,960)	(120,738)
Other similar charges payable	(11,305)	(284,928)
	(139,191)	(388,818)

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

### 8. TAX CREDIT/(CHARGE) ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
<i>Current Taxation</i>		
UK corporation tax for the year	(339,125)	(126,708)
Adjustment in respect of prior years	100,096	82,216
Double tax relief	67,321	66,597
	<u>(171,708)</u>	<u>22,105</u>
Group relief	(27,690)	(67,492)
Group relief – prior year adjustment	44,434	-
Foreign tax for current period	(69,880)	(71,190)
Share of Joint ventures' tax	(8,137)	50,403
	<u>(232,981)</u>	<u>(66,174)</u>
<i>Deferred tax</i>		
Timing differences, origination and reversal	365,360	(53,157)
Adjustment in respect of prior years	(293)	-
	<u>365,067</u>	<u>(53,157)</u>
Total current tax credit/(charge) and tax credit/(charge) on (loss)/profit on ordinary activities	<u>132,086</u>	<u>(119,331)</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and the previous year exceeds the standard rate for the reasons set out in the following reconciliation.

	2002 £	2001 £
(Loss)/profit on ordinary activities before tax	<u>(846,579)</u>	<u>70,781</u>
Tax credit/(charge) on ordinary activities at standard rate	253,974	(21,234)
<i>Factors affecting charge for the period:</i>		
Expenses not deductible for tax purposes	(67,089)	(74,268)
Capital allowances for period in excess of depreciation	8,943	(27,000)
Overseas tax losses not used	(26,013)	(37,088)
Movement in short term timing differences	(90,000)	(38,910)
Other deferred tax movements	(438,544)	47,823
Marginal relief	4,039	5,500
Foreign tax expensed	(1,793)	(3,213)
Group relief not paid for	(21,028)	-
Prior period adjustments	144,530	82,216
	<u>(232,981)</u>	<u>(66,174)</u>
Total actual amounts of current tax	<u>(232,981)</u>	<u>(66,174)</u>

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

### 9. DIVIDENDS

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

	2002 £	2001 £
Dividend paid on ordinary shares of £53.03 per share	10,500	-

### 10. INTANGIBLE FIXED ASSETS

Group	Goodwill £
<b>Cost</b>	
At 1 January 2002	1,862,650
Additions	18,341
Disposals	(18,341)
At 31 December 2002	1,862,650
<b>Amortisation</b>	
At 1 January 2002	279,133
Charge for the year	93,133
At 31 December 2002	372,266
<b>Net book value</b>	
At 31 December 2002	1,490,384
At 31 December 2001	1,583,517

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2002

### 11. TANGIBLE FIXED ASSETS

Group	Freehold and leasehold property £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 January 2002	2,303,151	698,862	277,824	3,279,837
Additions	10,104	52,583	5,402	68,089
Disposals	-	(56,369)	(66,594)	(122,963)
At 31 December 2002	2,313,255	695,076	216,632	3,224,963
<b>Depreciation</b>				
At 1 January 2002	240,054	403,322	157,953	801,329
Charge for the year	42,997	78,431	32,467	153,895
Disposals	-	(45,739)	(55,425)	(101,164)
At 31 December 2002	283,051	436,014	134,995	854,060
<b>Net book value</b>				
At 31 December 2002	2,030,204	259,062	81,637	2,370,903
At 31 December 2001	2,063,097	295,540	119,871	2,478,508

Company	Freehold and leasehold property £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 January 2002	654,184	370,358	59,079	1,083,621
Additions	1,345	31,802	-	33,147
Disposals	-	(20,164)	(40,579)	(60,743)
At 31 December 2002	655,529	381,996	18,500	1,056,025
<b>Depreciation</b>				
At 1 January 2002	72,808	227,927	54,519	355,254
Charge for the year	9,807	42,100	4,560	56,467
Disposals	-	(16,067)	(40,579)	(56,646)
At 31 December 2002	82,615	253,960	18,500	355,075
<b>Net book value</b>				
At 31 December 2002	572,914	128,036	-	700,950
At 31 December 2001	581,376	142,431	4,560	728,367

Included within freehold and leasehold property is an investment property of £164,960 (2001: £164,960) at cost. The directors believe the current market value is not significantly different from its cost, based on a valuation carried out by Egerton Chartered Surveyors.

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2002

### 12. INVESTMENTS

Group	Associates £	Joint ventures £	Other investments £	Total £
<b>Cost</b>				
At 1 January 2002	151,376	28,331	204,905	384,612
Additions	-	919,819	626,850	1,546,669
Reclassifications	-	(36,337)	36,337	-
Reclassification to provisions	-	8,006	-	8,006
Disposals	(53,062)	-	-	(53,062)
At 31 December 2002	98,314	919,819	868,092	1,886,225
<b>Net book value</b>				
At 31 December 2002	98,314	919,819	868,092	1,886,225
At 31 December 2001	151,376	28,331	204,905	384,612

The share of assets of joint ventures is split into joint ventures in a net asset position (including unamortised goodwill) of £919,819 and joint ventures in a net liabilities position (including unamortised goodwill) of £1,033,654. The table below shows the total joint venture position.

Group associates and joint ventures	Associates £	Joint ventures £	Total £
<b>Share of net assets/cost</b>			
At 1 January 2002	151,376	(916,602)	(765,226)
Additions	-	679,042	679,042
Share of retained profit for the year	(53,062)	(139,081)	(192,143)
Foreign currency translation movements	-	(40,779)	(40,779)
	98,314	(417,420)	(319,106)
<b>Goodwill</b>			
At 1 January 2002	-	38,324	38,324
Additions	-	309,788	309,788
Reclassified to other investments	-	(36,337)	(36,337)
Amortisation	-	(8,190)	(8,190)
At 31 December 2002	-	303,585	303,585
Net book value as at 31 December 2002	98,314	(113,835)	(15,521)
Net book value as at 31 December 2001	151,376	(878,278)	(726,902)

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

### 12. INVESTMENTS (continued)

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

	Joint Ventures	
	2002	2001
	£	£
Fixed Assets	1,704,450	44,206
Current Assets	1,290,717	121,218
Liabilities due within one year	(3,061,711)	(1,043,702)
Liabilities due after one year or more	(47,291)	-

### Subsidiaries

The company owns more than 50% of the issued share capital of the following companies which have been consolidated for the year to 31 December 2002.

Name	Nature of business	Country of incorporation	Class of shares held	% of shares held
Beggars Banquet Records Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	76%
XL Recordings Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	76%
Beggars UK Limited	Wholesale promotion and marketing	England and Wales	Ordinary	76%
Wiiija Records Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	76%
Mantra Recordings Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	76%
Too Pure Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	76%
Beggars Banquet Recordings (USA) Inc.	Production and exploitation of sound recordings	England and Wales	Ordinary	100%
Beggars Group Digital Limited	Management and exploitation of digital rights	England and Wales	Ordinary	100%
4 AD Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	100%

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2002

### 12. INVESTMENTS (continued)

#### Associates and joint ventures

Name	Nature of business	Country of incorporation	Class of shares held	% of shares held
<b>Associates</b>				
Nation Records Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	50%
Bidcall Limited	Holding company	England and Wales	Ordinary	47.34%
Playlouder Limited	Promotion and exploitation of new music media rights	England and Wales	Ordinary	47.34% Indirect
<b>Joint Ventures</b>				
Mowax Labels Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	38% Indirect
Remote Control Records Pty Limited	Promotion and marketing of sound recordings	Australia	Ordinary	50%
Popstock Distributiones, S.L.	Distribution of sound recordings	Spain	Ordinary	50%
Everlasting Records, S.L.	Production and exploitation of sound recordings	Spain	Ordinary	50% Indirect
Matador Recordings LLC	Production and exploitation of sound recordings	USA	Ordinary	50%
Matador Records Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	50%

On 31 December 2002, the Group purchased an additional 400,000 shares of £1 each in Beggars Banquet Retail Limited for £400,000, increasing the percentage owned to 98.6% and resulting in goodwill on the acquisition of £18,341. On 31 December 2002, the Group disposed of its interest in Beggars Banquet Retail Limited for net cash proceeds of £21,449 and resulting in a Group loss on disposal of £41,792. The directors do not consider this disposal to be material to the Group.

The accounting reference date for Nation Records Limited is 31 March and the latest financial statements are for the year ended 31 March 2003. The principal place of business for Nation Records Limited is 19 All Saints Road, London W11 1HE.

The results for Bidcall Limited relate to the year ended 31 December 2002. Bidcall Limited owns 100% of the issued share capital of Playlouder Limited. The principal place of business for Bidcall Limited and Playlouder Limited is 8-10 Rhoda Street, London E2 7EF.

The principal place of business for Mowax Labels Limited is 17-19 Alma Road, London SW18 1AA and the other parties to this joint venture are James Lavelle and Junkbond Limited.

The principal place of business for Remote Control Records Pty Limited is 23 Morphett Avenue, Ascot Vale, Victoria 3032, Australia.

Popstock Distributiones, S.L. owns 100% of the issued share capital of Everlasting Records, S.L. The principal place of business for Popstock Distributiones, S.L. and Everlasting Records, S.L. is Azcona 33-3, 28028, Madrid.

The principal place of business for Matador Recordings LLC is 625 Broadway, 12<sup>th</sup> Floor, New York, NY 10012.

The principal place of business for Matador Records Limited is 17-19 Alma Road, London SW18 1AA.

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2002

### 12. INVESTMENTS (continued)

#### Other investments

In the prior year, although the investment in Twisted Nerve Records Limited was greater than 20% of the share capital of the company, the directors did not feel that they were able to exhibit significant influence over the company and therefore decided that the company did not represent an associated undertaking.

The shares in Twisted Nerve Records Limited owned by the company were sold during the year and replaced by a right to a share of Twisted Nerve Records Limited profits, up to a maximum value of £250,000. This is to be repaid from Twisted Nerves' net profits as they arise. Any one annual repayment is not to exceed 25% of the Twisted Nerves' net profits for the year. There is no minimum amount specified. This right is not interest bearing.

The substance of this transaction is that a fixed asset investment is still held by the company, albeit in the form of a right. The directors do not consider it appropriate to recognise the additional £50,000 gain on disposal of the shares in Twisted Nerve Records Limited until realised.

Additions in the current year relate to long term loans made to Joint Ventures of the Group.

Company	Subsidiary companies £	Associated undertakings and joint ventures £	Other investments £	Total £
<b>Cost</b>				
At 1 January 2002	2,382,870	91,413	4,905	2,479,188
Additions	400,000	987,521	626,850	2,014,371
Disposals	(542,440)	-	-	(542,440)
At 31 December 2002	2,240,430	1,078,934	631,755	3,951,119
<b>Amounts written off</b>				
At 1 January 2002	144,204	-	-	144,204
Disposals	(142,440)	-	-	(142,440)
At 31 December 2002	1,764	-	-	1,764
<b>Net book value</b>				
At 31 December 2002	2,238,666	1,078,934	631,755	3,949,355
At 31 December 2001	2,238,666	91,413	4,905	2,334,984

### 13. STOCKS

	Group 2002 £	2001 £	Company 2002 £	2001 £
Finished goods and good for resale	326,726	474,384	-	-

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

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2002

### 14. DEBTORS

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Trade debtors	3,359,619	3,263,381	4,012	2,242
Amounts owed by subsidiary undertakings	-	-	2,544,537	3,008,122
Amounts owed by joint venture	1,150,619	1,210,256	117,179	-
Corporation tax recoverable	-	14,597	-	-
Other debtors	1,548,673	713,243	221,652	182,670
Prepayments and accrued income	2,554,391	4,119,955	22,501	8,275
	<u>8,613,302</u>	<u>9,321,432</u>	<u>2,909,881</u>	<u>3,201,309</u>

Included in the amounts owed by joint ventures in the Group balance sheet is £966,460 due after more than one year (2001: £nil).

### 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Bank loans and overdrafts	2,450,122	29,352	1,551,473	452,123
Trade creditors	905,797	751,838	14,661	21,207
Other taxation and social security	181,841	165,171	135,734	156,222
Corporation tax	244,187	-	-	-
Other creditors	3,567,862	4,406,356	32,384	490,378
Accruals and deferred income	2,286,969	2,641,026	312,063	105,235
	<u>9,636,778</u>	<u>7,993,743</u>	<u>2,046,315</u>	<u>1,225,165</u>

Included within other creditors in 2001 is an amount of £458,591 due to The Beggars Banquet Executive Pension Scheme which holds a private pension fund for Martin Mills on which interest was charged at 4% above Base. This has been repaid during 2002.

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Bank and overdrafts	<u>2,450,122</u>	<u>29,352</u>	<u>-</u>	<u>-</u>

#### Security

The company's bank overdraft is secured by way of a mortgage debenture as detailed in note 20.

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

### 16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Other creditors	417,417	-	417,417	-

Included within other creditors is an amount of £417,417 due to The Beggars Banquet Executive Pension Scheme which holds a private pension fund for Martin Mills on which interest is charged at 2% above Base. This loan was taken out during the year and is due to be repaid by 27 August 2007.

### 17. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Deferred tax (note 18)	3,952	369,019	-	-
Shares of liabilities of joint ventures	1,033,654	906,609	-	-
Provision carried forward	1,037,606	1,275,628	-	-

See note 13 for movements on the provision for share of liabilities of joint ventures and associates.

In 2002, the above share of liabilities in joint ventures has arisen on the holding in Mowax Labels Limited, Remote Control Records Pty Limited and Matador Records Limited.

### 18. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Provision brought forward	369,019	315,861	-	11,000
(Decrease)/increase in provision	(365,067)	53,158	-	(11,000)
Provision carried forward	3,952	369,019	-	-

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Depreciation in excess of capital allowances	3,952	(4,677)	-	-
Timing differences on royalties	-	373,696	-	-
	3,952	369,019	-	-

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

### 19. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2002 the group had annual commitments under non-cancellable operating leases as follows:

Group	Land and buildings	
	2002	2001
	£	£
Operating leases which expire:		
Within one year	10,000	23,500
Within two to five years	50,764	32,000
Greater than 5 years	57,000	5,500
	<u>117,764</u>	<u>61,000</u>

### 20. CONTINGENCIES

The company has given its bankers a composite cross guarantee dated 8 February 2000 over the facilities of the following companies:

Beggars Group Limited  
Beggars Group Digital Limited  
Beggars UK Limited  
Beggars Banquet Retail Limited (Cancelled 22 November 2002)  
Beggars Banquet Records Limited  
XL Recordings Limited  
Mantra Recordings Limited  
Too Pure Limited  
Wiiija Records Limited  
4AD Limited

Any liability arising from the composite cross guarantee is secured by mortgage debentures dated 21 August 1989, 18 December 1986, 5 May 1998, 17 September 1999, 17 December 1999 and 7 April 2000, over all the company's assets, incorporating a specific charge over book debts.

At 31 December 2002, a specific counter indemnity between Beggars Group Ltd and HM Customs and Excise for deferred duty, limited to £6,000 (2001 – £6,000) existed.

### 21. TRANSACTIONS WITH THE DIRECTORS

During the year, the company and group had the following transactions and balances arising with entities in which the directors had a material interest:

£120,285 (2001: £103,730) was paid to James Wyllie and Andrew Heath, directors, either directly or through companies in which they had an interest, in respect of professional fees and consultancy services.

During the year, £47,000 was paid to 4AD Music Limited for overheads. Balances of £108,195 (2001: £98,834) are outstanding at the year end relating to 4AD Music Limited. This company is owned by Andrew Heath and Martin Mills, directors.

£17,500 (2001: £nil) was paid by Hero Music Limited as overhead contribution. As at 31 December 2002, 100% of Hero Music Limited was owned by Richard Russell. Since the year end, there has been a change in ownership and as at 31 December 2003, 50% was owned by Richard Russell, 25% by Martin Mills and 25% by Andrew Heath.

Included in other debtors was a loan of £50,221 (2001: £52,600) to Yvonne Damant, the wife of Martin Mills. The loan is interest free, unsecured and repayable on demand. Yvonne Damant uses the investment property disclosed in note 12 and pays no rent for this use.

There is also a director's loan account balance due to Martin Mills within creditors of £7,682 (2001: £9,736).

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

### 22. RELATED PARTY TRANSACTIONS

At 31 December 2002, the company had related party balances as follows:

During the year, rent of £38,300 (2001: £19,600) was charged by the Beggars Banquet Executive Pension Scheme, of whom Martin Mills is a trustee and beneficiary. Additionally, during the year a loan of £450,000 was made by the Pension Scheme to Beggars Group Limited. Total interest charged during the year amounted to £10,917 and the balance outstanding at the year end was £417,417 and is included within other creditors.

During the year, Beggars UK Limited operated in a central accounting role for Mowax Labels Limited, Matador Records Limited and Nation Records Limited. Export sales and production costs were passed through Beggars UK Limited and transferred out at the year end as detailed below:

	2002		2001	
	Turnover	Costs	Turnover	Costs
	£	£	£	£
Mowax Labels Limited	29,567	37,563	124,737	78,168
Matador Records Limited	15,742	56,398	-	-
Nation Records Limited	14,892	6,432	68,317	31,412

Management charges receivable for services during the year were as follows:

	2002	2001
	£	£
Mowax Labels Limited	95,100	207,900
Matador Records Limited	96,700	-

At the balance sheet date the following balances existed between the company and other group members:

	2002	2001
	£	£
Amounts due from:		
Mowax Labels Limited	966,460	1,210,256
Matador Records Limited	184,159	-
Amounts due to:		
Nation Records Limited	5,443	6,199

Royalties paid out to Mowax Labels Limited by the Beggars Group were £6,031 (2001: £16,601).

During the year, payments were made to Playlouder Limited of £420,000 (2001: £nil) in respect of new media services and contribution of £31,000 (2001: £nil) was received in respect of advances against royalties.

During the year, payments were made to Remote Control Limited of £59,947 in respect of marketing (2001: £nil) and £74,833 in respect of commission (2001: £nil).

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2002

### 23. SHARE CAPITAL

	2002 No.	2002 £	2001 No.	2001 £
<b>Authorised share capital:</b>				
Ordinary 'A' shares of £1.00 each	98	98	98	98
Ordinary 'B' shares of £1.00 each	100	100	100	100
Preferred 'C' shares of £1.00 each	2	2	2	2
	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>
	2002 No.	2002 £	2001 No.	2001 £
<b>Allotted, called up and fully paid:</b>				
Ordinary 'A' shares of £1.00 each	98	98	98	98
Ordinary 'B' shares of £1.00 each	100	100	100	100
Preferred 'C' shares of £1.00 each	2	2	2	2
	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>

The Ordinary 'A' and 'B' shares rank pari passu and have full rights in respect of: an entitlement to dividends or distributions; rights to receipts in a liquidation or sale; and have full voting rights.

The holders of Preferred 'C' shares have:

No right to a dividend or other distribution (other than on a liquidation or sale) of the company unless majority of the votes attached to the 'A' Ordinary shares then in issue are cast in favour of such a dividend or distribution.

The right to receive on liquidation or sale of the company the preferred sum in priority to any other distribution of assets of the company.

No right to vote at any meeting of the company other than at a meeting of holders of 'C' Preferred shares.

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2002

### 24. RESERVES

<b>Group</b>	<b>Profit and loss account £</b>	<b>Other reserves £</b>	<b>Total £</b>
Opening balance	4,999,850	28,171	5,028,021
Currency translation difference on foreign currency net investments	12,112	-	12,112
Retained loss for the year	(454,823)	-	(454,823)
Balance carried forward	<u>4,557,139</u>	<u>28,171</u>	<u>4,685,310</u>
<b>Company</b>			<b>Profit and loss account £</b>
Opening balance			5,039,295
Retained profit for the year			64,801
Balance carried forward			<u>5,104,096</u>

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

### 25. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group	2002 £	2001 £
<b>Equity shareholders' funds</b>		
(Loss)/profit for the financial year	(444,323)	81,695
Dividends	(10,500)	-
Currency translation difference on foreign currency net investments	12,112	-
	<u>(442,711)</u>	<u>81,695</u>
Opening shareholders' equity funds	<u>5,028,219</u>	<u>4,946,524</u>
Closing shareholders' equity funds	<u>4,585,508</u>	<u>5,028,219</u>
<b>Non-equity shareholders' funds</b>		
Opening and closing shareholders' non-equity funds	<u>2</u>	<u>2</u>
<b>Total shareholders' funds</b>	<u>4,585,510</u>	<u>5,028,221</u>
 <b>Company</b>	 <b>2002 £</b>	 <b>2001 £</b>
<b>Equity shareholders' funds</b>		
Profit/(loss) for the financial year	75,301	(368,475)
Dividends	(10,500)	-
	<u>64,801</u>	<u>(368,475)</u>
Opening shareholders' equity funds	<u>5,039,493</u>	<u>5,407,968</u>
Closing shareholders' equity funds	<u>5,104,294</u>	<u>5,039,493</u>
<b>Non-equity shareholders' funds</b>		
Opening and closing shareholders' non-equity funds	<u>2</u>	<u>2</u>
<b>Total shareholders' funds</b>	<u>5,104,296</u>	<u>5,039,495</u>

# BEGGARS GROUP LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2002

### 26. EQUITY MINORITY INTERESTS

	2002 £
Reconciliation of minority interests during the year	
At 1 January 2002	(55,139)
Acquisition of new shares issued by subsidiary	18,341
Disposal of subsidiary	(629)
Minority interest share of retained losses for year	(270,169)
	<hr/>
At 31 December 2002	(307,596)
	<hr/>

### 27. CONTROLLING PARTY

Martin Mills is the ultimate controlling party by virtue of his shareholding as disclosed in the directors' report.