

Registered No 1414045

**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 1999**



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

**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

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**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

OFFICERS AND PROFESSIONAL ADVISERS

Directors:	Martin Mills Nigel Bolt Andrew Heath James Wyllie
Secretary:	Nigel Bolt
Registered Office:	17-19 Alma Road London SW18 1AA
Registered Number:	1414045 (England and Wales)
Auditors:	Lubbock Fine Chartered Accountants Russell Bedford House City Forum, 250 City Road London EC1V 2QQ
Bankers:	Coutts & Co 440 Strand London WC1R 0QS

**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

Financial Statements

The directors present their report and financial statements for the year ended 31 December 1999.

Principal Activity

The group is principally engaged in the sale of compact discs, records and tapes and music publishing.

After the year end the company changed its name from Beggars Banquet Group Limited to Beggars Group Limited.

Review Of The Year

The group continued to trade satisfactorily during the year although, as expected, turnover fell from £18.9m to £16.2m.

In September 1999 the company increased its shareholding in 4 AD Limited to 100%.

Future Developments

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

Results

The profit of the group after tax and minority interest was £388,239 (1998 - £1,101,188) details of which are given in the attached financial statements.

Dividends

The directors do not recommend payment of a final dividend for the year ended 31 December 1999.

If this recommendation is approved £388,239 will be added to the group's reserves.

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

The group made charitable donations in the year totalling £7,369.

Directors' Interest

The interest of the directors in the shares of the company at the beginning and end of the year was as follows:

Beneficial holding:	31 December 1999		31 December 1998	
Martin Mills	98 'A'	Ordinary	98 'A'	Ordinary
	100 'B'	Ordinary	100 'B'	Ordinary
	2 'C'	Preferred (Joint trustee)	2 'C'	Preferred (Joint trustee)
Nigel Bolt	-		-	
Andrew Heath	-		-	
James Wyllie	-		-	

**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTD)

Directors' Interest (continued)

Martin Mills also had the following interest in the shares of the subsidiary undertakings at the beginning and end of the year:

	Number of Ordinary Shares	
	31 December 1999	31 December 1998
Beggar's Banquet Records Limited	24	24
Beggar's Banquet Music Limited	24	24
Beggars Banquet Retail Limited	7,560	7,560
Beggars Banquet Limited	24	24
Mantra Recordings Limited	24	24

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 the group and of the profit or loss of the company and 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;
- 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 the group and 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Lubbock Fine, have indicated their willingness to accept re-appointment as auditors to the company and the group and a resolution to re-appoint them will be proposed at the Annual General Meeting.

Jeff Gitter, a partner of Lubbock Fine, is a joint trustee of the 2 'C' preferred shares in Beggars Group Limited.

Signed on behalf of the board on30.3.01.....


.....
N Bolt - Secretary

**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

AUDITORS' REPORT TO THE SHAREHOLDERS FOR THE YEAR ENDED 31 DECEMBER 1999

We have audited the financial statements on pages 5 to 21 which have been prepared under the historical cost convention and the accounting policies set out on page 9 and 10.

Respective responsibilities of directors and auditors

As described in the directors' report, the directors of the company are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

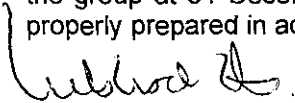
Basis of opinion

We conducted our audit in accordance with 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 company's circumstances, 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 an 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 the group at 31 December 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Lubbock Fine
Chartered Accountants
Registered Auditors

Date: **4 April 2001**

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

**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	1999 £	1998 £
TURNOVER	2	16,165,923	18,900,411
Cost of sales		(8,928,844)	(11,615,911)
GROSS PROFIT		7,237,079	7,284,500
Distribution costs		(2,343,417)	(2,204,591)
Administrative expenses		(4,429,512)	(3,869,875)
Other operating income		485,288	433,548
OPERATING PROFIT	3	949,938	1,643,582
Share in operating profit/(loss) - Associate	11	(9,042)	147,879
- Joint venture		(249,512)	(26,443)
Other interest receivable and similar income		110,829	284,163
Interest payable and similar charges	4	(6,215)	(8,443)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		795,498	2,040,738
Tax on profit on ordinary activities	5	(204,696)	(592,592)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		590,802	1,448,146
Minority interest (Equity)		(202,563)	(346,958)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		388,239	1,101,188
Dividend	7	-	(60,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR	20	388,239	1,041,188

The group'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.

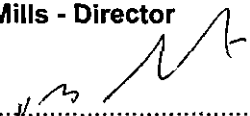
**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Intangible			
Goodwill	8	1,769,650	-
Tangible			
Tangible assets	9	2,586,177	1,799,818
Investments	11	1,120	265,963
		<u>4,356,947</u>	<u>2,065,781</u>
CURRENT ASSETS			
Stocks	12	394,364	363,576
Debtors	13	5,373,032	3,829,232
Investments	14	-	61,024
Cash at bank and in hand		1,740,829	3,052,216
		<u>7,508,225</u>	<u>7,306,048</u>
CREDITORS			
Amounts falling due within one year	15	(4,601,646)	(2,892,849)
		<u>2,906,579</u>	<u>4,413,199</u>
NET CURRENT ASSETS			
		<u>2,906,579</u>	<u>4,413,199</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		7,263,526	6,478,980
CREDITORS			
Amounts falling due after one year	16	(1,662,395)	(1,219,110)
Provision for liabilities and charges	17	(431,293)	(440,834)
		<u>5,169,838</u>	<u>4,819,036</u>
NET ASSETS			
CAPITAL AND RESERVES			
Called up share capital	18	200	200
Group reserves	20	4,664,299	4,276,060
	19	4,664,499	4,276,260
Minority interest		505,339	542,776
		<u>5,169,838</u>	<u>4,819,036</u>
ANALYSED AS			
Equity interests		5,169,836	4,819,034
Non-Equity interests		2	2
		<u>5,169,838</u>	<u>4,819,036</u>

On behalf of the board


.....
M Mills - Director


.....
N Bolt - Director

Date: 30.3.01


BEGGARS GROUP LIMITED

COMPANY BALANCE SHEET AT 31 DECEMBER 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Tangible assets	10	690,757	548,935
Investments	11	<u>2,257,756</u>	<u>252,165</u>
		<u>2,948,513</u>	<u>801,100</u>
CURRENT ASSETS			
Debtors	13	2,328,608	2,626,424
Investments	14	-	61,024
Cash at bank and in hand		<u>43,790</u>	<u>24,895</u>
		<u>2,372,398</u>	<u>2,712,343</u>
CREDITORS			
Amounts falling due within one year	15	(934,169)	(431,519)
		<u>1,438,229</u>	<u>2,280,824</u>
NET CURRENT ASSETS			
		<u>1,438,229</u>	<u>2,280,824</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
Provision for liabilities and charges	17	<u>(15,096)</u>	<u>(6,976)</u>
NET ASSETS		<u><u>4,371,646</u></u>	<u><u>3,074,948</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	200	200
Profit and loss account		<u>4,371,446</u>	<u>3,074,748</u>
		<u><u>4,371,646</u></u>	<u><u>3,074,948</u></u>
ANALYSED AS			
Equity interests		4,371,644	3,074,946
Non-Equity interests		<u>2</u>	<u>2</u>
		<u><u>4,371,646</u></u>	<u><u>3,074,948</u></u>

On behalf of the board


.....
M Mills - Director


.....
N Bolt - Director

Date: 30.3.01..

**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1999

	Note	£	1999 £	£	1998 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	21a		1,387,159		3,350,933
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		110,829		284,163	
Interest paid		(6,215)		(8,443)	
Dividend to minority interest		<u>(240,000)</u>		<u>(487,200)</u>	
			(135,386)		(211,480)
TAXATION					
UK Corporation tax			(216,510)		(1,992,617)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Payments to acquire fixed asset investment		(1,120)		-	
Payments to acquire tangible fixed assets		(517,897)		(1,113,145)	
Receipts from sale of tangible fixed assets		17,267		26,811	
Payments to acquire associate		<u>-</u>		<u>(15,000)</u>	
			(501,750)		(1,101,334)
ACQUISITIONS AND DISPOSALS			-		-
Acquisition of subsidiary		(2,124,759)		-	
New cash acquired with subsidiary		<u>194,778</u>		<u>-</u>	
			(1,929,981)		-
MANAGEMENT OF LIQUID RESOURCES					
Purchase of current asset investments		-		(61,024)	
Sale of current asset investment		<u>85,081</u>		<u>-</u>	
			85,081		(61,024)
EQUITY DIVIDENDS PAID			-		(60,000)
DECREASE IN CASH	22b		<u>(1,311,387)</u>		<u>(75,522)</u>

**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

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. These are adjusted, where appropriate, to conform to group accounting policies. 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.

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 represents advances made direct to artistes together with recording or 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 And Amortisation

Depreciation and amortisation is calculated so as to write off the cost of an asset, less its 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, fittings and office equipment	- 20% and 25% per annum on a reducing balance method.
Computer equipment	- 25% per annum on a reducing balance method.
Motor vehicles	- 25% per annum on a reducing balance method.

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.

Stocks

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

Goodwill

Purchased goodwill is capitalised and amortised on a straight line basis over its useful economic life of 20 years (reviewed annually). Goodwill which is generated by the activities of the company is not recognised as an asset in the balance sheet and the associated costs are written off to the profit and loss account.

**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTD)

ACCOUNTING POLICIES (continued)

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts 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 arise.

Operating leases

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.

Pension costs

Pension scheme contributions are charged to operating profits as they arise and in accordance with the scheme rules set out in note 23.

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.

2. TURNOVER

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

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

	1999	1998
	£	£
Sales and distribution of compact discs, records and tapes	9,568,203	9,017,712
Royalties receivable	6,597,720	9,882,699
	<u>16,165,923</u>	<u>18,900,411</u>

Turnover is analysed by geographical markets, as follows:

U.K.	9,119,668	9,459,360
Rest of the World	7,046,255	9,441,051
	<u>16,165,923</u>	<u>18,900,411</u>

3. OPERATING PROFIT

	1999	1998
	£	£
a) Operating profit is stated after charging/(crediting):		
Directors' remuneration as executives	353,995	329,964
Auditors' remuneration - audit	64,200	61,000
- other services	27,867	13,165
Depreciation and amortisation of owned assets	172,184	164,871
Loss/(Profit) on disposal of fixed assets	16,162	(817)
Amortisation of goodwill	93,000	-
Foreign exchange profit	<u>(23,406)</u>	<u>(11,611)</u>

Included within the profit and loss account are turnover of £1,575,020 and operating profit of £648,383, relating to post acquisition performance by 4 AD Limited and 4 AD US Inc.

**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTD)

OPERATING PROFIT (continued)

b) Directors' remuneration

The highest paid director	294,201	247,850
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c) Particulars of employees

The average number of persons employed by the group, including the directors during the year was:

	1999	1998
Management	11	8
Administration and selling	50	50
	<u>61</u>	<u>58</u>

Their total remuneration was:

	£	£
Wages and salaries	1,977,975	1,637,021
Social security costs	229,109	165,009
	<u>2,207,084</u>	<u>1,802,030</u>

There is one director to whom retirement benefits are accruing under a money purchase pension scheme in respect of qualifying services (1998 - 1).

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
On bank and other borrowings wholly repayable within five years	6,172	8,443
Sundry interest	43	-
	<u>6,215</u>	<u>8,443</u>

5. TAXATION

	1999 £	1998 £
U.K. corporation tax at 30% (1998 - 31%)	300,820	503,432
Consortium relief	104,369	11,205
Transfer (from)to deferred tax	(247,985)	109,636
Irrecoverable withholding tax	15,005	6,303
Associates	-	(14,027)
Joint Venture	(39,535)	(4,258)
Under(Over)provision in previous year	72,022	(19,689)
	<u>204,696</u>	<u>592,592</u>

The consortium relief was relieved from Mowax Labels Limited.

6. RETAINED PROFIT

Of the consolidated profit for the year an amount of £1,296,698 (1998 - £1,357,445) has been dealt with in the financial statements of the parent undertaking. The figures are stated before adjustments for inter group items.

**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTD)

7. DIVIDENDS	1999 £	1998 £
Interim dividends to equity shareholders	<u>-</u>	<u>60,000</u>

8. GOODWILL - GROUP	Acquisition of subsidiary undertakings £
Cost	
At 1 January 1999	-
Additions in year	<u>1,862,650</u>
At 31 December 1999	<u>1,862,650</u>
Amortisation	
At 1 January 1999	-
Charge in year	<u>93,000</u>
At 31 December 1999	<u>93,000</u>
Net Book Value	
At 31 December 1999	<u>1,769,650</u>
At 31 December 1998	<u>-</u>

The goodwill is due to the acquisition of a further 50% shareholding in 4 AD Limited and its subsidiary 4 AD US Inc for £2,124,835.

In 1997, goodwill of £100,378 was written off against reserves in accordance with SSAP 22, and the accounting policy of the group at the time.

9. TANGIBLE FIXED ASSETS - GROUP	Freehold Buildings £	Short Leasehold Property £	Fixtures, Fittings and Equipment £	Motor Vehicles £	Total £
Cost/Valuation					
At 1 January 1999	1,314,290	108,367	706,466	285,104	2,414,227
Additions	679,226	-	246,504	57,975	983,705
Disposal	-	-	(5,710)	(55,413)	(61,123)
At 31 December 1999	<u>1,993,516</u>	<u>108,367</u>	<u>947,260</u>	<u>287,666</u>	<u>3,336,809</u>
Depreciation					
At 1 January 1999	48,614	74,742	391,828	99,225	614,409
Provision for the year	26,066	4,401	97,509	44,208	172,184
Disposal	-	-	(4,130)	(31,831)	(35,961)
At 31 December 1999	<u>74,680</u>	<u>79,143</u>	<u>485,207</u>	<u>111,602</u>	<u>750,632</u>
Net Book Value					
At 31 December 1999	<u>1,918,836</u>	<u>29,224</u>	<u>462,053</u>	<u>176,064</u>	<u>2,586,177</u>
At 31 December 1998	<u>1,265,676</u>	<u>33,625</u>	<u>314,638</u>	<u>185,879</u>	<u>1,799,818</u>

**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTD)

10. TANGIBLE FIXED ASSETS – COMPANY

Cost	Freehold Buildings £	Short Leasehold Property £	Fixtures, Fittings and Equipment £	Motor Vehicles £	Total £
At 1 January 1999	302,099	32,820	474,787	64,079	873,785
Additions	-	-	49,307	-	49,307
Intra group transfer	164,960	-	-	-	164,960
At 31 December 1999	<u>467,059</u>	<u>32,820</u>	<u>524,094</u>	<u>64,079</u>	<u>1,088,052</u>
Depreciation					
At 1 January 1999	40,151	9,474	257,699	17,526	324,850
Disposal	6,041	658	54,108	11,638	72,445
At 31 December 1999	<u>46,192</u>	<u>10,132</u>	<u>311,807</u>	<u>29,164</u>	<u>397,295</u>
Net Book Value					
At 31 December 1999	<u>420,867</u>	<u>22,688</u>	<u>212,287</u>	<u>34,915</u>	<u>690,757</u>
At 31 December 1998	<u>261,948</u>	<u>23,346</u>	<u>217,088</u>	<u>46,553</u>	<u>548,935</u>

11. FIXED ASSET INVESTMENTS

	1999 £	1998 £
GROUP		
Associated undertakings	(a) -	288,148
Investment in joint venture	(b) -	(22,185)
Other investment	1,120	-
	<u>1,120</u>	<u>265,963</u>

a) Associated undertakings

**Share of net
tangible assets
£**

Cost	
At 1 January 1999	288,148
Share of post acquisition retained loss in the year	(9,042)
Adjustment for acquisition of remaining shares in associates (see note 21d)	(283,218)
At 31 December 1999	<u>(4,112)</u>

From 29 September 2000 the results for 4 AD Limited and 4 AD US Inc have been accounted on an equity method.

**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTD)

FIXED ASSETS INVESTMENTS (continued)

	£	£
Group's share of turnover of associates		<u>1,691,264</u>
Group's share of assets and liabilities of associates		
Share of assets		
Fixed assets	3,585	
Current assets	<u>51,442</u>	
		55,027
Share of liabilities		
Due within one year		(59,139)
Share of net liabilities		<u>(4,112)</u>
 b) Investments in joint venture		£
At 1 January 1999		(22,185)
Share of loss retained by joint venture (see below)		<u>(209,977)</u>
At 31 December 1999		<u>(232,162)</u>
 Group's share of assets and liabilities of joint venture		1999 £
Group's share of turnover of joint venture		<u>252,768</u>
Share of loss before tax	(249,512)	
Taxation	<u>39,535</u>	
Share of loss after tax		<u>(209,977)</u>
Share of assets		
Fixed assets	6,869	
Current assets	<u>139,234</u>	
		146,103
Share of liabilities		
Due within one year	(335,858)	
Due after one year	<u>(42,027)</u>	
		<u>(377,885)</u>
Share of net liabilities		<u>(231,782)</u>

**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTD)

FIXED ASSETS INVESTMENTS (continued)

COMPANY	Subsidiary Undertakings	Associates	Other Investments	Total
Cost	£	£	£	£
At 1 January 1999	221,005	55,076	-	276,081
Additions	2,124,835	-	1,120	2,125,955
Transfer to subsidiary undertaking	-	(76)	-	(76)
At 31 December 1999	<u>2,345,840</u>	<u>55,000</u>	<u>1,120</u>	<u>2,401,960</u>
Amounts written off				
At 1 January 1999	23,916	-	-	23,916
Written off in year	<u>120,288</u>	<u>-</u>	<u>-</u>	<u>120,288</u>
At 31 December 1999	<u>144,204</u>	<u>-</u>	<u>-</u>	<u>144,204</u>
Net Book Value				
At 31 December 1999	<u>2,201,636</u>	<u>55,000</u>	<u>1,120</u>	<u>2,257,756</u>
At 31 December 1998	<u>197,089</u>	<u>55,076</u>	<u>-</u>	<u>252,165</u>

The group or the company holds 20% or more of the nominal value of the share capital of the following companies:

Name	Nature of Business	Percentage and Class (Proportion held)
Subsidiary Undertakings		
Beggar's Banquet Records Limited	Production and licensing of sound recordings	76% Ordinary
XL Recordings Limited	Production and licensing of sound recordings	76% Ordinary
Beggar's Banquet Music Limited	Music Publishing	76% Ordinary
Beggars Banquet Limited	Wholesale promotion and marketing	76% Ordinary
Wiiija Records Limited	Production and licensing of sound recordings	76% Ordinary
Mantra Recordings Limited	Production and licensing of sound recordings	76% Ordinary
Too Pure Limited	Production and licensing of sound recordings	81% Ordinary
Beggars Banquet Retail Limited	Retail record sales	94.96% Ordinary
Beggars Banquet Recordings (USA) Inc.	Promotion, marketing and licensing of records	100% Ordinary
Beggars Group Digital Limited	Digital rights	100% Ordinary
4 AD U.S. Inc	Promotion and marketing	100% Ordinary (Indirect)

**BEGGARS GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTD)

FIXED ASSETS INVESTMENTS (continued)

Name	Nature of Business	Percentage and Class (Proportion held)
4 AD Limited	Production and licensing of sound recordings	100% Ordinary
Associated Undertakings		
Nation Records Limited	Production and licensing of sound recordings	50% Ordinary
Joint Ventures		
Mowax Labels Limited	Production and licensing of sound recordings	38% Ordinary (Indirect)

Notes

- i All of the above companies are registered in England and Wales, except for 4 AD U.S. Inc. and Beggars Banquet Records (USA) Inc. which are registered in USA.
- ii The above companies all have year ends on 31 December 1999, with the exception of Nation Records Limited for which the latest available results are for the year ended 31 March 1999.
- iii The principal place of business for Mowax Labels Limited is 17-19 Alma Road, London SW18 1AA
- iv The other parties to the joint venture are James Lavelle and Junkbond Limited.

12 STOCKS

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Finished goods for resale	<u>394,364</u>	<u>363,576</u>	<u>-</u>	<u>-</u>

13 DEBTORS

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Trade debtors	2,369,271	1,442,408	75,077	64,679
Amounts owed by subsidiary undertakings	-	-	2,109,150	2,390,535
Amounts owed by associated undertaking and joint ventures	662,431	30,412	-	30,412
Other debtors	<u>2,341,330</u>	<u>2,356,412</u>	<u>144,381</u>	<u>140,798</u>
	<u>5,373,032</u>	<u>3,829,232</u>	<u>2,328,608</u>	<u>2,626,424</u>

14 CURRENT ASSET INVESTMENTS – COMPANY AND GROUP

	1999	1998
At cost	£	£
Unlisted investments - overseas	<u>-</u>	<u>61,024</u>

**BEGGARS GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTD)

15. CREDITORS

Amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Bank overdrafts	-	-	26,071	82,557
Trade creditors	2,981,979	2,230,792	30,358	17,152
Taxation and social security	230,102	136,505	138,605	126,532
Advance corporation tax payable	-	1,800	-	-
Other creditors	270,133	223,664	174,462	159,760
Accruals and deferred income	<u>1,119,432</u>	<u>300,088</u>	<u>564,673</u>	<u>45,518</u>
	<u>4,601,646</u>	<u>2,892,849</u>	<u>934,169</u>	<u>431,519</u>

Security

The company's bank overdraft is secured by way of a mortgage debenture as detailed in note 22.

16. CREDITORS

Amounts falling due after one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Accruals and deferred income	<u>1,662,395</u>	<u>1,219,110</u>	<u>-</u>	<u>-</u>

17. PROVISIONS FOR LIABILITIES AND CHARGES

	1999	1998
	£	£
Deferred tax (see below)	195,019	440,834
Liability of associate shareholdings (see note 11)	4,112	-
Liability of joint venture shareholdings (see note 11)	<u>232,162</u>	<u>-</u>
	<u>431,293</u>	<u>440,834</u>

Deferred taxation

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

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Accelerated capital allowances	15,096	4,158	15,096	6,976
Arising on net royalty timing differences	<u>179,923</u>	<u>436,676</u>	<u>-</u>	<u>-</u>
	<u>195,019</u>	<u>440,834</u>	<u>15,096</u>	<u>6,976</u>
At 1 January 1999	440,834	331,198	6,976	6,976
Transfer to profit and loss account	(247,985)	109,636	8,120	-
Adjustment as a result of acquisition of 4 AD Limited	<u>2,170</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 1999	<u>195,019</u>	<u>440,834</u>	<u>15,096</u>	<u>6,976</u>

**BEGGARS GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTD)

18. SHARE CAPITAL	1999 £	1998 £
Allotted, Called Up and Fully Paid		
98 'A' Ordinary shares of £1 each	98	98
100 'B' Ordinary shares of £1 each	100	100
2 'C' Preferred shares of £1 each	<u>2</u>	<u>2</u>
	<u>200</u>	<u>200</u>
Authorised		
998 'A' Ordinary shares of £1 each	998	998
1,000 'B' Ordinary shares of £1 each	1,000	1,000
2 'C' Preferred shares of £1 each	<u>2</u>	<u>2</u>
	<u>2,000</u>	<u>2,000</u>

The holders of Preferred 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.

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	1999 £	1998 £
Profit for the financial year	388,239	1,101,188
Dividends to equity shareholders	<u>-</u>	<u>(60,000)</u>
Net additions to shareholders' funds	388,239	1,041,188
Opening shareholders' funds	<u>4,276,260</u>	<u>3,235,072</u>
Closing shareholders' funds	<u>4,664,499</u>	<u>4,276,260</u>
Company	1999 £	1998 £
Profit for the financial year	1,296,698	1,417,445
Dividends to equity shareholders	<u>-</u>	<u>(60,000)</u>
	1,296,698	1,357,445
Opening shareholders' funds	<u>3,074,948</u>	<u>1,717,503</u>
Closing shareholders' funds	<u>4,371,646</u>	<u>3,074,948</u>

20. STATEMENT OF MOVEMENT IN RESERVES

Group	Profit and Loss account £	Other Reserve £	Total £
At 1 January 1999	4,247,889	28,171	4,276,060
Retained profit for the year	<u>388,239</u>	<u>-</u>	<u>388,239</u>
At 31 December 1999	<u>4,636,128</u>	<u>28,171</u>	<u>4,664,299</u>

**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTD)

21. NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of operating profits to net cash inflow from operating activities

	1999	1998
	£	£
Operating profit	949,438	1,643,582
Amortisation of goodwill	93,000	-
Depreciation charges	172,184	164,871
(Profit)/Loss on disposal of fixed assets	(16,162)	(817)
Other non cash adjustments	21,651	
(Increase)Decrease in stocks	(6,561)	57,860
(Increase)Decrease in debtors	(1,026,198)	2,214,967
Increase(Decrease) in creditors	<u>1,199,807</u>	<u>(729,530)</u>
	<u>1,387,159</u>	<u>3,350,933</u>

b) Reconciliation of cashflow to movement in net funds

	1999	1998
	£	£
Cash inflow from (decrease)increase in management resources	(85,081)	61,024
Decrease in cash	<u>(1,311,387)</u>	<u>(75,522)</u>
Change in net fund resulting from cashflow	(1,396,468)	(14,498)
Other non cash changes	24,057	-
Net fund at 1 January 1999	<u>3,113,240</u>	<u>3,127,738</u>
Net fund at 31 December 1999	<u>1,740,829</u>	<u>3,113,240</u>

c) Analysis of net funds

	1998	Cashflow	Other	1999
	£	£	Changes	£
Cash at bank and in hand	3,052,216	(1,311,387)	-	1,740,829
Current asset investments	<u>61,024</u>	<u>(85,081)</u>	<u>24,057</u>	<u>-</u>
	<u>3,113,240</u>	<u>(1,396,468)</u>	<u>24,057</u>	<u>1,740,829</u>

d) Purchase of subsidiary undertaking

	1999
	£
Net assets acquired	
Tangible fixed assets	468,956
Investments	321
Stocks	24,496
Debtors	706,326
Cash at bank and in hand	194,778
Taxation	(2,277)
Creditors	(865,569)
Deferred tax	(2,170)
Investment in associate (see note 11)	(283,218)
Adjustment to associate position on consolidation	<u>20,786</u>
	262,429
Goodwill	<u>1,862,329</u>
Satisfied by cash	<u>2,124,758</u>

**BEGGARS GROUP LIMITED
AND SUBSIDIARY COMPANIES**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTD)

22. CONTINGENT LIABILITIES

The bankers have been given composite guarantees dated 5 May 1998 over the facilities of the following companies:

Beggar's Banquet Records Limited
Beggars Banquet Retail Limited
XL Recordings Limited
Beggars Banquet Limited
Mantra Recordings Limited
Too Pure Limited
Wiiija Records Limited

Any liability arising from the composite cross guarantee is secured by mortgage debentures dated 21 August 1989, 18 December 1996 and 5 May 1998 over all the company's assets, incorporating specific charge over book debts. These amounted to £Nil at 31 December 1999 (1998 - £Nil).

23. PENSION ARRANGEMENTS

The company maintains a pension scheme for one of its directors. The scheme, which operates on a defined contribution money purchase basis, provides for the payment of the full contribution by the company. The assets of the scheme are held separately from those of the company in an independently administered fund. The charge for 1999 - £Nil (1998 - £600).

24. FINANCIAL TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES

- a) During the year £96,220 was paid to James Wyllie, a director, in respect of professional services provided.
- b) £32,000 was paid to Heathwave Music Limited for consultancy services. Andrew Heath is both a director and majority shareholder of this company,
- c) During the year Beggar's Banquet Music Limited, a subsidiary undertaking, received all of its income totalling £341,772, from Momentum Music Limited a company in which Martin Mills and Andrew Heath are both directors and major shareholders. £179,115 was due from Momentum Music Limited at the year end.
- d) Management charges were received from the following companies which are associated undertakings in which Martin Mills is a director as well as Momentum Music Limited which are as follows:

	£
Mowax Labels Limited	209,800
Momentum Music Limited	42,000
4 AD Limited (pre acquisition of remaining shares)	<u>233,025</u>
	<u>484,825</u>

**BEGGARS GROUP LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTD)

FINANCIAL TRANSACTIONS WITH DIRECTORS AND RELATED PARTIES (continued)

- e) A proportion of turnover was generated through a distribution company, of which Martin Mills is a director. The transactions in the year together with the associated costs were as follows:

	Vital Distribution Limited £
Turnover	3,617,150
Costs	<u>238,017</u>

Martin Mills has a 9% interest in Vital Distribution Limited via his shareholdings in companies which own shares in Vital Distribution Limited

- f) Included in other debtors is a loan of £52,600 to Yvonne Damant, the wife of Martin Mills. The loan is interest free, unsecured and repayable upon demand.
- g) At the year end, Beggars Group Limited were owed £73,400 by Momentum Music Limited.
- h) During the year, Beggars Banquet Limited operated in a central accounting role for Mowax Labels Limited and 4 AD Limited. Export sales and production costs were passed through Beggars Banquet Limited and transferred out at the year end as detailed below.

	1999		1998	
	Turnover £	Cost £	Turnover £	Cost £
4 AD Limited (pre September 1999)	500,687	25,978	546,486	153
Mowax Labels Limited	<u>311,581</u>	<u>19,629</u>	<u>-</u>	<u>-</u>

- i) During the year, rent of £19,600 (1998 - £19,600) was paid to the Beggars Banquet Executive Pension Scheme, of whom Martin Mills is a trustee and beneficiary. At the year end, £173,981 (1998 - £154,381) was due to the pension scheme.

All the above transactions were at arms length.

25. CONTROLLING PARTY

The company is controlled by Martin Mills, by virtue of his shareholding as disclosed in the directors' report.