

Company Registration No. 1414045

Beggars Group Limited

Report and Financial Statements

31 December 2006

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Beggars Group Limited

Report and financial statements 2006

Contents	Page
Officers and professional advisers	1
Directors' report	2-3
Statement of directors' responsibilities	4
Independent auditors' report	5-6
Group profit and loss account	7
Group statement of total recognised gains and losses	8
Group balance sheet	9
Company balance sheet	10
Group cash flow statement	11
Notes to the group cash flow statement	12
Notes to the accounts	13 -33

Beggars Group Limited

Report and financial statements 2006

Officers and professional advisers

Directors

Martin Mills
Nigel Bolt
Andrew Heath
James Wyllie

Secretary

Nigel Bolt

Company Number

01414045

Registered Office

17/19 Alma Road
London
SW18 1AA

Bankers

Coutts & Co
440 Strand
London
WC2R 0QS

Auditors

Sedley Richard Laurence Voulters
1 Conduit Street
London
W1S 2XA

Beggars Group Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activities and business review

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

The group continued to trade satisfactorily during the year

Risk management and exposure

The group's activities expose it to a variety of financial risks which are kept under regular review. The directors do not consider these risks to be of any great significance to the future financial performance of the group

Future developments

The directors anticipate that the group will continue to trade satisfactorily in the ensuing year

Post balance sheet events

After the balance sheet date Beggars Group Limited has acquired a 50% interest in Rough Trade Records Limited

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

	2006 £	2005 £
Dividend paid on ordinary shares	<u>100,000</u>	<u>10,000</u>

Directors

The following directors have held office since 1 January 2006

Martin Mills
Nigel Bolt
Andrew Heath
James Wyllie

Beggars Group Limited

Directors' report

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

	2006	2005
Charitable	<u>5,650</u>	<u>2,172</u>

Auditors

Sedley Richard Laurence Voulters have expressed their willingness to continue in office as auditors. In accordance with section 385 of the Companies Act 1985, a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Statement of Disclosure to Auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, they have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information

Approved by the Board of Directors on 20th June 2008
and signed on behalf of the Board



Nigel Bolt
Secretary

Beggars Group Limited

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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

The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation on other jurisdictions

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 2006 which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group and company balance sheets, the group cash flow statement, the notes to the group 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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, or 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 consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

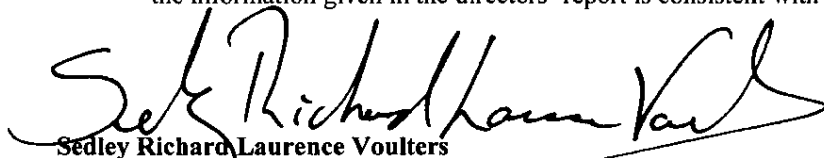
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Independent auditors' report to the members of Beggars Group Limited

Opinion

In our opinion, the financial statements

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the group as at 31 December 2006 and of the profit of the group for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Sedley Richard Laurence Voulters
Chartered Accountants and Registered Auditors
1 Conduit Street
London
W1S 2XA

25th June 2008

Beggars Group Limited

Group profit and loss account Year ended 31 December 2006

	Note	2006 £	2005 £
Group turnover	1,2	15,651,142	15,586,567
Cost of sales		<u>(6,102,160)</u>	<u>(5,170,583)</u>
Gross profit		9,548,982	10,415,984
Distribution costs		(2,302,373)	(3,220,761)
Administrative expenses		<u>(6,941,962)</u>	<u>(6,291,737)</u>
Group operating profit	3	304,647	903,486
Share of operating profit from joint ventures	6	294,241	1,893,644
Share of operating profit/(loss) from associates	6	28,197	(66,199)
Loss on disposal of fixed asset investments		<u>-</u>	<u>(465,910)</u>
Total operating profit		627,085	2,265,021
Net finance charges	7	<u>(10,983)</u>	<u>(55,011)</u>
Profit on ordinary activities before taxation		616,102	2,210,010
Tax charge on profit on ordinary activities	8	<u>(393,200)</u>	<u>(1,039,373)</u>
Profit on ordinary activities after taxation		222,902	1,170,637
Equity minority interests	26	<u>(18,860)</u>	<u>(103,805)</u>
Profit for the financial year	25	<u>204,042</u>	<u>1,066,832</u>

The turnover relating to associates of the group was £404,405 (2005 £423,512)

The turnover relating to joint ventures of the group was £9,157,053 (2005 £11,791,899)

All of the activities of the group are classed as continuing

Beggars Group Limited

Group statement of total recognised gains and losses Year ended 31 December 2006

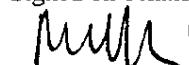
	2006	2005
	£	£
Profit for the financial year	204,042	1,066,832
Unrealised surplus on revaluation of investment property	-	195,040
Issue of shares by associate	120,295	47,887
Currency translation difference on foreign currency net investments	(40,518)	(42,190)
Total recognised gains and losses in the year	283,819	1,267,569

Beggars Group Limited
Group balance sheet
31 December 2006

		2006	2005
	Note	£	£
Fixed assets			
Intangible assets	10	1,151,651	1,210,985
Tangible assets	11	1,459,433	1,416,066
Investments			
Investment in joint venture			
Share of gross assets		3,845,764	5,256,027
Share of gross liabilities		(2,257,721)	(3,346,326)
	12	1,588,043	1,909,701
Associated undertakings	12	258,917	81,024
Other investments	12	895,817	895,716
		<u>2,742,777</u>	<u>2,886,441</u>
		5,353,861	5,513,492
Current assets			
Stocks	13	266,874	206,222
Debtors	14	3,099,381	3,607,453
Cash at bank and in hand		1,918,065	2,169,027
		<u>5,284,320</u>	<u>5,982,702</u>
Creditors: amounts falling due within one year	15	(4,000,466)	(5,001,295)
Net current assets		<u>1,283,854</u>	<u>981,407</u>
Total assets less current liabilities		<u>6,637,715</u>	<u>6,494,899</u>
Creditors: amounts falling due after more than one year	16	-	(61,683)
Provisions for liabilities and charges	17	-	-
Investment in joint venture			
Share of gross assets		658,599	705,746
Share of gross liabilities		(1,433,410)	(1,413,297)
	17	(774,811)	(707,551)
Associated undertakings	17	(13,360)	(46,843)
Net assets		<u>5,849,544</u>	<u>5,678,822</u>
Capital and reserves			
Called up share capital	23	200	200
Other reserves	24	225,365	105,070
Revaluation reserve	24	195,040	195,040
Profit and loss account	24	6,028,651	5,965,127
Total shareholders' funds (including non-equity interests)	25	6,449,256	6,265,437
Equity minority interests	26	(599,712)	(586,615)
Total capital employed		<u>5,849,544</u>	<u>5,678,822</u>

These financial statements were approved by the Board of Directors on 20th June 2008

Signed on behalf of the Board of Directors


Martin Mills, Director

Beggars Group Limited

Company balance sheet 31 December 2006

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	11	1,018,717	985,951
Investments	12	4,292,198	4,291,438
		<u>5,310,915</u>	<u>5,277,389</u>
Current assets			
Debtors – due within one year	14	683,118	948,201
Cash at bank and in hand		609,724	28,834
		<u>1,292,842</u>	<u>977,035</u>
Creditors: amounts falling due within one year	15	<u>(920,973)</u>	<u>(626,171)</u>
Net current assets		<u>371,869</u>	<u>350,864</u>
Total assets less current liabilities		<u>5,682,784</u>	<u>5,628,253</u>
Creditors: amounts falling due after more than one year	16	<u>-</u>	<u>(61,683)</u>
Net assets		<u><u>5,682,784</u></u>	<u><u>5,566,570</u></u>
Capital and reserves			
Called up share capital	23	200	200
Revaluation reserve	24	195,040	195,040
Profit and loss account	24	5,487,544	5,371,330
Total shareholders' funds (including non-equity interests)	25	<u><u>5,682,784</u></u>	<u><u>5,566,570</u></u>

These financial statements were approved by the Board of Directors on 20th June 2008
Signed on behalf of the Board of Directors



Martin Mills
Director

Beggars Group Limited

Group cash flow statement Year ended 31 December 2006

	Note	£	2006 £	£	2005 £
Net cash (outflow)/inflow from operating activities	A		(221,080)		1,479,788
Returns on investments and servicing of finance					
Interest received		44,343		21,312	
Interest paid		(55,326)		(76,323)	
Dividends received from joint ventures		500,000		1,000,000	
Net cash inflow from returns on investments and servicing of finance			489,017		944,989
Taxation					
Corporation tax paid		(256,333)		(677,282)	
Tax paid			(256,333)		(677,282)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(191,509)		(193,020)	
Receipts from sale of fixed assets		11,280		24,897	
Investments in subsidiaries		(101)		-	
Loans to joint ventures repaid		-		30,623	
Increase in long term loans made to associates		-		(246,595)	
Net cash outflow from investing activities			(180,330)		(384,095)
Acquisitions and disposals					
Net cash disposed of on sale of subsidiaries		-		(217,265)	
Net cash outflow from acquisitions and disposals			-		(217,265)
Equity dividends paid			(100,000)		(10,000)
Cash (outflow)/inflow before management of liquid resources and financing			(268,726)		1,136,135
(Decrease)/increase in cash in the year	B		(268,726)		1,136,135

Beggars Group Limited

Notes to the group cash flow statement Year ended 31 December 2006

A. Reconciliation of operating profit to net cash inflow from operating activities

	2006 £	2005 £
Operating profit	304,647	903,486
Amortisation of goodwill arising on subsidiaries	93,274	93,133
Depreciation	122,957	119,415
Loss on disposal of fixed assets and investments	13,082	14,350
Gain/loss on foreign exchange movements	(72,253)	(139,051)
(Increase)/decrease in stocks	(60,652)	78,756
Decrease/(increase) in debtors	508,071	(561,018)
(Decrease)/increase in creditors	(1,130,206)	970,717
Net cash inflow from operating activities	<u>(221,080)</u>	<u>1,479,788</u>

B. Reconciliation of net cash flow to movement in net debt

	2006 £	2005 £
Increase in cash in the period	(268,726)	1,136,135
Change in net debt	<u>(268,726)</u>	<u>1,136,135</u>
Net cash at 1 January 2006	2,140,408	1,004,273
Net cash at 31 December 2006	<u>1,871,682</u>	<u>2,140,408</u>

C. Analysis of changes in net debt

	At 1 January 2006 £	Cash flows £	At 31 December 2006 £
Net cash			
Cash in hand and at bank	2,169,027	(250,962)	1,918,065
Overdrafts	<u>(28,619)</u>	<u>(17,764)</u>	<u>(46,383)</u>
Net cash	<u>2,140,408</u>	<u>(268,726)</u>	<u>1,871,682</u>

Beggars Group Limited

Notes to the accounts

Year ended 31 December 2006

1. Accounting policies

The financial statements have been prepared under the historical cost convention, as modified for revaluation of certain tangible fixed assets, and in accordance with applicable United Kingdom law and accounting standards, which have been applied consistently in the current and the prior year

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 arising 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 £116,214 (2005 £9,577)

Turnover

Turnover for sale of physical stock represents the invoiced value of goods and services provided to customers and is net of discounts, value added tax and provisions for goods likely to be returned. Turnover for other income represents amounts reported to the company in statements received during the year.

Deferred income

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

Advances to artistes

Advances to artistes, presented within debtors on the balance sheet, represent advances made directly to artistes for recording and other costs incurred 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

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of an asset, less its estimated 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
Equipment, fixtures and fittings	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.

Beggars Group Limited

Notes to the accounts

Year ended 31 December 2006

1. Accounting policies (continued)

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

Pensions

The company operates an executive pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. No contributions are made by the company to the pension scheme.

Taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

No provision is made for deferred tax on gains recognised on revaluing property to its market value as the directors do not intend to sell the revalued asset.

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

Company

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.

Group

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the retranslation of opening net assets are taken directly to reserves. All other translation differences are taken to the profit and loss account.

Investments

- (a) Current asset investments are stated at the lower of cost and net realisable value
- (b) Fixed asset investments are stated at cost less provision for impairment

Investment properties

Investment properties are revalued annually. Depreciation is not provided in respect of freehold investment properties. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under departure from the statutory accounting rules, it is necessary to provide a true and fair view as required under SSAP 19 "Accounting for investment properties". The financial effect of the departure from the statutory accounting rules is not material to the financial statements.

Beggars Group Limited

Notes to the accounts Year ended 31 December 2006

2. Turnover

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

	2006 £	2005 £
Sales and distribution of compact discs, records and tapes	11,370,810	13,398,164
Royalties receivable	4,280,332	2,188,403
	<u>15,651,142</u>	<u>15,586,567</u>

Turnover is analysed by geographical markets, as follows

	2006 £	2005 £
UK	9,987,832	10,967,409
Rest of World	5,663,310	4,619,158
	<u>15,651,142</u>	<u>15,586,567</u>

3. Operating profit

	2006 £	2005 £
Operating profit is stated after charging/(crediting)		
Amortisation	93,274	93,133
Depreciation	122,957	119,415
Loss on disposal of fixed assets	13,082	14,530
Auditors' remuneration – group and company		
- audit of company and subsidiaries	100,000	110,000
- consultancy services	11,730	-
Operating lease costs		
Land and buildings	73,415	73,227
Net (loss)/gain on foreign currency translation	<u>102,507</u>	<u>(118,075)</u>

Beggars Group Limited

Notes to the accounts Year ended 31 December 2006

4. Information regarding employees

	2006 No.	2005 No.
Average number of persons employed (including directors)		
Administration	75	71
Management	9	9
	<u>84</u>	<u>80</u>

The aggregate payroll costs of the above were:

	£	£
Staff costs during the year		
Wages and salaries	3,303,179	3,405,364
Social security costs	411,448	389,003
Pension costs	7,298	-
	<u>3,721,925</u>	<u>3,794,367</u>

5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2006 £	2005 £
Emoluments	<u>1,261,417</u>	<u>1,360,270</u>
Emoluments of highest paid director		
Emoluments	<u>375,239</u>	<u>593,648</u>

6. Share of profits/ (losses) from other fixed asset investments

	2006 £	2005 £
Net share of operating profit/(loss) – Associates	28,197	(66,199)
Net share of operating profit – Joint ventures	<u>294,241</u>	<u>1,893,644</u>
	<u>322,438</u>	<u>1,827,445</u>

The share of the operating profits/(losses) of the associates relates to Bidcall Limited – (£12,459), Nation Records Limited – (£5,276), Consolidated Independent Limited - £100,048, and Playlounder MSP Limited (£54,116)

The share of the operating profits/(losses) in joint ventures relates to Remote Control Records Pty Limited - (£3,201), Matador Recordings LLC - (£76,300), Matador Records Limited - (£12,490), Popstock Distributiones, S L - (£84,460), and XL Recordings Limited - £293,112

Beggars Group Limited

Notes to the accounts

Year ended 31 December 2006

7. Finance charges (net)

	2006 £	2005 £
Interest receivable and similar income		
Interest receivable – bank interest	44,343	21,312
Interest payable and similar charges		
Interest payable on bank borrowing	(22,080)	(44,791)
Other similar charges payable	(33,246)	(31,532)
	<u>(10,983)</u>	<u>(55,011)</u>

8. Tax charge on profit on ordinary activities

(a) Analysis of charge in period

	2006 £	2005 £
<i>Current Taxation</i>		
UK corporation tax for the year	(147,249)	(241,895)
Adjustment in respect of prior years	(7,486)	20,302
Double tax relief	129,336	48,198
	<u>(25,399)</u>	<u>(173,395)</u>
Group relief	-	(63,149)
Foreign tax for current period	(280,862)	(96,894)
Share of joint ventures' tax	(86,939)	(705,935)
	<u>(393,200)</u>	<u>(1,039,373)</u>
<i>Deferred tax</i>		
Timing differences, origination and reversal	-	-
	<u>-</u>	<u>-</u>
Total current tax charge on profit on ordinary activities	<u>(393,200)</u>	<u>(1,039,373)</u>

Beggars Group Limited

Notes to the accounts

Year ended 31 December 2006

8. Tax charge on profit on ordinary activities (continued)

(b) Factors affecting tax charge for period

The standard rates of tax for the year, based on the UK standard rates of corporation tax are 19% and 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

	2006 £	2005 £
Profit on ordinary activities before tax	616,102	2,281,070
Tax charge on ordinary activities at standard rates of tax of 19% and 30%	103,762	(684,321)
<i>Factors affecting charge for the period</i>		
Expenses not deductible for tax purposes	83,455	(51,048)
Capital allowances for period in excess of depreciation	9,210	6,657
Overseas tax losses	(58,135)	-
Chargeable disposals	3,925	-
Movement in short term timing differences	(42,024)	383,245
Tax losses utilised	(8,423)	28,691
Marginal relief	(2,635)	12,421
Foreign tax expensed	209,640	(49,042)
Prior period adjustments	7,486	19,959
Total actual amounts of current tax	306,261	(333,438)

(c) Factors that may affect future tax charges

In accordance with FRS19, no provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company does not intend to dispose of this property However, should the property be sold, the tax payable would be approximately £59,000

A deferred tax asset for the group has not been recognised in respect of trading losses carried forward as there is insufficient evidence that the asset will be recovered The amount of the asset not recognised is £39,073 The asset would be recovered if there are sufficient profits from the same trade in the same company in future years against which the losses can be used

9. Dividends

The following dividends have been paid in respect of the year

	2006 £	2005 £
Dividends paid on ordinary equity shares of £500 (2005 £50) per share	100,000	10,000

Beggars Group Limited

Notes to the accounts Year ended 31 December 2006

10. Intangible fixed assets

Group	Goodwill £
Cost	
At 1 January 2006	1,862,650
Acquisition of subsidiary undertaking	33,940
	<hr/>
At 31 December 2006	1,896,590
	<hr/>
Amortisation	
At 1 January 2006	651,665
Charge for the year	93,274
	<hr/>
At 31 December 2006	744,939
	<hr/>
Net book value	
At 31 December 2006	1,151,651
	<hr/>
At 31 December 2005	1,210,985
	<hr/>

Beggars Group Limited

Notes to the accounts

Year ended 31 December 2006

11. Tangible fixed assets

Group	Land and buildings £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2006	1,344,615	556,069	188,370	2,089,054
Exchange differences	(419)	(6,505)	-	(6,924)
Additions	-	156,269	35,240	191,509
Disposals	-	(51,870)	(43,892)	(95,762)
At 31 December 2006	1,344,196	653,963	179,718	2,177,877
Depreciation				
At 1 January 2006	249,417	332,040	91,531	672,988
Exchange differences	(73)	(6,028)	-	(6,101)
Charge for the year	20,502	77,024	25,431	122,957
Disposals	-	(40,719)	(30,681)	(71,400)
At 31 December 2006	269,846	362,317	86,281	718,444
Net book value				
At 31 December 2006	1,074,350	291,646	93,437	1,459,433
At 31 December 2005	1,095,198	224,029	96,839	1,416,066

Group – Land and buildings	Investment properties £	Freehold properties £	Leasehold properties £	Total £
Cost or valuation				
At 1 January 2006	360,000	799,375	185,240	1,344,615
Exchange differences	-	-	(419)	(419)
At 31 December 2006	360,000	799,375	184,821	1,344,196
Depreciation				
At 1 January 2006	-	217,371	32,046	249,417
Exchange differences	-	-	(73)	(73)
Charge for the year	-	15,988	4,514	20,502
At 31 December 2006	-	233,359	36,487	269,846
Net book value				
At 31 December 2006	360,000	566,016	148,334	1,074,350
At 31 December 2005	360,000	582,004	153,194	1,095,198

Beggars Group Limited

Notes to the accounts Year ended 31 December 2006

11. Tangible fixed assets (continued)

Company	Land and buildings £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2006	850,569	453,133	93,743	1,397,445
Additions	-	128,634	250	128,884
Disposals	-	(46,230)	-	(46,230)
At 31 December 2006	850,569	535,537	93,993	1,480,099
Depreciation				
At 1 January 2006	114,478	253,827	43,189	411,494
Charge for the year	10,622	63,070	12,675	86,367
Disposals	-	(36,479)	-	(36,479)
At 31 December 2006	125,100	280,418	55,864	461,382
Net book value				
At 31 December 2006	725,469	255,119	38,129	1,018,717
At 31 December 2005	736,091	199,306	50,554	985,951

Company – Land and buildings	Investment properties £	Freehold properties £	Leasehold properties £	Total £
Cost or valuation				
At 31 December 2006 and 1 January 2006	360,000	309,734	180,835	850,569
Depreciation				
At 1 January 2006	-	83,208	31,270	114,478
Charge for the year	-	6,195	4,427	10,622
At 31 December 2006	-	89,403	35,697	125,100
Net book value				
At 31 December 2006	360,000	220,331	145,138	725,469
At 31 December 2005	360,000	226,526	149,565	736,091

The investment property (Group and Company) was valued by JSS Egerton Limited as at 27 June 2006, on the basis of open market value in accordance with RICS Appraisal & Valuation Manual as published by the Royal Institute of Chartered Surveyors. The historical cost of the investment property included at valuation is £164,960.

Beggars Group Limited

Notes to the accounts Year ended 31 December 2006

12. Investments

Group	Associates £	Joint ventures £	Other investments £	Total £
Cost				
At 1 January 2006	81,024	1,909,701	895,716	2,886,441
Additions	-	-	101	101
Increase/(reduction) in value (see below)	177,893	(321,658)	-	(143,765)
At 31 December 2006	258,917	1,588,043	895,817	2,742,777
Net book value				
At 31 December 2006	258,917	1,588,043	895,817	2,742,777
At 31 December 2005	81,024	1,909,701	895,716	2,886,441

The share of assets of associates and joint ventures are split into associates and joint ventures in a net asset position (including unamortised goodwill) of £1,846,960 and associates and joint ventures in a net liabilities position (including unamortised goodwill) of £788,171 (note 17). The following table shows the total associates and joint venture position

Group associates and joint ventures	Associates £	Joint ventures £	Total £
Share of net assets/cost			
At 1 January 2006	34,181	928,447	962,628
Disposals	62,884	-	62,884
Share of retained (loss)/profit for the year	28,197	(282,107)	(253,910)
Proceeds from issue of shares	120,295	-	120,295
Foreign currency translation movements	-	(96,222)	(96,222)
	245,557	550,118	795,675
Goodwill			
At 1 January 2006	-	273,703	273,703
Amortisation	-	(10,589)	(10,589)
At 31 December 2006	-	263,114	263,114
Net book value			
At 31 December 2006	245,557	813,232	1,058,789
At 31 December 2005	34,181	1,202,150	1,236,331

Beggars Group Limited

Notes to the accounts Year ended 31 December 2006

12. Investments (continued)

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

	2006 £	2005 £
Fixed Assets	1,654,255	1,854,153
Current Assets	2,850,108	4,107,620
Liabilities due within one year	(3,426,440)	(4,467,075)
Liabilities due after one year or more	(264,692)	(292,548)

Additional disclosures are given in respect of Matador Records LLC and XL Recordings Limited, which exceed certain thresholds under Financial Reporting Standard 9 "Associates and Joint Ventures"

The group's share is as follows

	Matador Records LLC 2006 £	2005 £	XL Recordings Limited 2006 £	2005 £
Turnover	2,410,318	2,396,061	7,584,497	10,184,448
Profit before tax	66,975	(177,476)	293,112	2,313,232
Taxation	9,325	12,363	(86,939)	(705,935)
Profit after tax	76,300	(165,113)	206,173	1,607,297
Fixed Assets	912,896	1,087,137	539,785	556,774
Current Assets	1,174,706	1,176,574	1,206,404	2,415,111
Share of gross assets	2,087,602	2,263,711	1,746,189	2,971,885
Liabilities due within one year	(1,058,110)	(1,210,207)	(1,196,169)	(2,128,039)
Share of gross liabilities	(1,058,110)	(1,210,207)	(1,196,169)	(2,128,039)
Share of net assets	1,029,492	1,053,504	500,020	843,846

Beggars Group Limited

Notes to the accounts Year ended 31 December 2006

12. Investments (continued)

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 2006

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%
Beggars UK Limited	Wholesale promotion and marketing	England and Wales	Ordinary	76%
Wuija 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 Group (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%
Playlouderecordings Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	76%
Bidcall Limited	Holding Company	England and Wales	Ordinary	75%
Playlouder Limited	Promotion and exploitation of new music media rights	England and Wales	Ordinary	75%

Beggars Group Limited

Notes to the accounts Year ended 31 December 2006

12. Investments (continued)

Associates and joint ventures

Name	Nature of business	Country of incorporation	Class of shares held	% of shares held
Associates				
Nation Records Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	50%
Consolidated Independent Limited	Provision of information technology services	England and Wales	Ordinary	37.5% Indirect
Media Service Provider Limited	Broadband ISP Provider	England and Wales	Ordinary	29.44% Indirect
Joint Ventures				
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%
XL Recordings Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	50%
			Deferred	100%

The accounting reference date for Nation Records Limited is 31 March and the latest financial statements are for the year ended 31 March 2006. The consolidated accounts include interim accounts for the year ended 31 December 2006.

During the year, the group increased its ownership of Bidcall Limited from 47.29% to 75% of the issued share capital, and it is consequently treated as a subsidiary from the date its ownership exceeded 50% of the shares held. The goodwill arising on the acquisition during the year was £33,940. Bidcall Limited owns 100% of the issued share capital of Playlouder Limited.

The accounting reference date for Consolidated Independent Limited is 30 April and the latest financial statements are for the year ended 30 April 2006. The consolidated accounts include interim accounts for the period ended 31 December 2006.

Popstock Distributiones, S L owns 100% of the issued share capital of Everlasting Records, S L.

Beggars Group Limited

Notes to the accounts Year ended 31 December 2006

12. Investments (continued)

Company	Subsidiary companies £	Associated undertakings and joint ventures £	Other investments £	Total £
Cost				
At 1 January 2006	2,239,670	1,363,460	821,068	4,424,198
Additions	760	-	-	760
At 31 December 2006	2,240,430	1,363,460	821,068	4,424,958
Amounts written off				
At 1 January and 31 December 2006	1,764	130,996	-	132,760
Net book value				
At 31 December 2006	2,238,666	1,232,464	821,068	4,292,198
At 31 December 2005	2,237,906	1,232,464	821,068	4,291,438

13. Stocks

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Finished goods and goods for resale	266,874	206,222	-	-

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

14. Debtors

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Trade debtors	650,860	764,070	19,998	16,740
Amounts owed by subsidiary undertakings	-	-	-	133,450
Amounts owed by associated undertakings and joint ventures	782,631	778,161	354,581	629,607
Amounts owed by participating interests	-	-	162,171	-
Other debtors	1,640,255	1,810,028	120,733	140,942
Prepayments and accrued income	25,635	255,194	25,635	27,462
	3,099,381	3,607,453	683,118	948,201

Beggars Group Limited

Notes to the accounts Year ended 31 December 2006

15. Creditors: amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	46,383	28,619	46,383	14,367
Trade creditors	547,753	1,556,316	34,015	25,728
Amounts due to subsidiary undertakings	-	-	185,078	-
Other taxation and social security	437,865	225,838	392,142	148,621
Corporation tax	185,955	136,025	-	-
Other creditors	2,114,090	2,569,583	72,640	142,851
Accruals and deferred income	668,420	484,914	190,715	294,604
	<u>4,000,466</u>	<u>5,001,295</u>	<u>920,973</u>	<u>626,171</u>

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

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	<u>46,383</u>	<u>28,619</u>	<u>46,383</u>	<u>14,367</u>

Security

The group and company's bank overdraft are secured by way of a mortgage debenture as detailed in note 20

16. Creditors: amounts falling due after more than one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Other creditors	<u>-</u>	<u>61,683</u>	<u>-</u>	<u>61,683</u>

Included within other creditors is an amount of £70,570 (2005 £158,709) of which £70,570 (2005 £97,025) is payable within one year, is 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 repaid in August 2007, and has been classified as an amount due within one year.

17. Provisions for liabilities and charges

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Deferred tax (note 18)	-	-	-	-
Shares of net liabilities of associates	13,360	46,843	-	-
Shares of net liabilities of joint ventures	774,811	707,551	-	-
Provision carried forward	<u>788,171</u>	<u>754,394</u>	<u>-</u>	<u>-</u>

See note 12 for movements on the provision for share of liabilities of joint ventures

Beggars Group Limited

Notes to the accounts

Year ended 31 December 2006

In 2006 and 2005 the above share of liabilities in joint ventures has arisen on the holdings in Popstock Distributiones, S L and Matador Records Limited

In 2006 the share of liabilities in associates has arisen on the holdings in Nation Records Limited and Bidcall Limited In 2005, the share of liabilities in associates has arisen on the holdings in Nation Records Limited and Bidcall Limited

18. Deferred taxation

The movement in the deferred taxation provision during the year was

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Provision brought forward	-	555	-	-
Decrease in provision on disposal of subsidiary	-	(555)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Provision carried forward	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation in excess of capital allowances	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Beggars Group Limited

Notes to the accounts Year ended 31 December 2006

19. Commitments under operating leases

At 31 December 2006 the group had annual commitments under non-cancellable operating leases as follows

Group	Land and buildings	
	2006 £	2005 £
Operating leases which expire		
Within one year	9,250	-
Within two to five years	-	9,250
In more than five years	57,000	57,000
	<u>66,250</u>	<u>66,250</u>

20. Contingencies

The company has given its bankers a composite cross guarantee dated 16 July 2007 over the £4m overdraft facility, which exists across the following companies

Beggars Group Limited
Beggars Group Digital Limited
Beggars UK Limited
Beggars Banquet Records Limited
XL Recordings Limited
Mantra Recordings Limited
Too Pure Limited
Wuija Records Limited
4AD Limited
Playlouderecordings Limited

Any liability arising from the composite cross guarantee is secured by individual mortgage debentures over the assets of each of the parties to the guarantee

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

£268,108 (2005 £105,322) 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, £20,000 (2005 £10,000) was paid to 4AD Music Limited for overheads. Balances of £35,345 (2005 £55,345) are outstanding at the year end relating to 4AD Music Limited. This company is owned by Andrew Heath and Martin Mills, directors

£nil (2005 £17,500) was paid by Hero Music Limited to the group as overhead contribution. As at 31 December 2006 50% of Hero Music Limited was owned by Richard Russell, 25% by Martin Mills and 25% by Andrew Heath

Included in other debtors at 31 December 2006 was a loan of £50,221 (2005 £50,221) 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 11 and pays no rent for this use

There is also a director's loan account balance due to Martin Mills within creditors at 31 December 2006 of £nil (2005 £7,127)

Beggars Group Limited

Notes to the accounts

Year ended 31 December 2006

22. Related party transactions

At 31 December 2006, the company had related party balances as follows

During the year, rent of £57,000 (2005 £57,000) was charged by the Beggars Banquet Executive Pension Scheme, of whom Martin Mills is a trustee and beneficiary. Additionally, a loan was made in a previous year by the Pension Scheme to Beggars Group Limited. Total interest charged during the year amounted to £7,561 (2005 £14,035) and the balance outstanding at the year end was £70,570 (2005 £158,709) 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, XL Recordings 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.

	2006		2005	
	Turnover	Costs	Turnover	Costs
	£	£	£	£
Mowax Labels Limited	1,227	593	1,653	5,735
Matador Records Limited	59,507	292,499	72,639	336,600
XL Recordings Limited	281,762	1,594,227	546,444	3,652,429
Nation Records Limited	9,877	3,949	2,412	2,910

Management charges receivable by Beggars UK Limited and Beggars Group Limited for services during the year were as follows:

	2006	2005
	£	£
Mowax Labels Limited	9,500	17,000
Matador Records Limited	261,500	337,100
XL Recordings Limited	2,019,600	2,213,600

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

	2006	2005
	£	£
Amounts due (from)/to		
Mowax Labels Limited	-	-
Matador Records Limited	(78,071)	96,174
XL Recordings Limited	432,652	571,582
Nation Records Limited	2,069	-

During the year royalties were paid out by Beggars Group (USA) Inc. in respect of US sales to the following companies, who in turn made a contribution to that company's overheads:

	2006		2005	
	Royalties	Overheads	Royalties	Overheads
	£	£	£	£
Mowax Labels Limited	2,025	416	7,781	1,171
XL Recordings Limited	1,037,564	91,304	346,784	88,069

During the year Beggars Group Digital Limited operated in a central accounting role for Mowax Labels Limited, Matador Records Limited, XL Recordings and Nation Records Limited.

Beggars Group Limited

Notes to the accounts Year ended 31 December 2006

Digital sales and costs were passed through Beggars Group Digital and transferred out at the year end as detailed below

	2006		2005	
	Turnover £	Costs £	Turnover £	Costs £
Mowax Labels Limited	4,176	350	3,159	-
Matador Records Limited	85,367	7,160	49,437	7,160
XL Recordings Limited	884,270	74,170	564,476	-

During the year, payments were made to Remote Control Records Pty Limited of £109,168 (2005 £96,028) in respect of marketing and £122,569 (2005 £138,490) in respect of commission

At the year end the group was owed £477,607 (2005 - £380,626) by Popstock Distribuciones SL in respect of distributed sales

At the year end there was a balance due from Mattitude LLC of £162,171 by way of a loan made to the company

23. Share capital

	2006 No	2006 £	2005 No.	2005 £
Authorised share capital:				
Ordinary 'A' shares of £1 00 each	998	998	998	998
Ordinary 'B' shares of £1 00 each	1,000	1,000	1,000	1,000
Preferred 'C' shares of £1 00 each	2	2	2	2
	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
	2006 No	2006 £	2005 No.	2005 £
Allotted, called up and fully paid:				
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 a majority of the votes attached to the Ordinary 'A' 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 the Preferred 'C' shares

Beggars Group Limited

Notes to the accounts Year ended 31 December 2006

24. Reserves

Group	Profit and loss account £	Other reserves £	Revaluation reserve £	Total £
Opening balance	5,965,127	105,070	195,040	6,265,237
Issue of shares by associate	-	120,295	-	120,295
Currency translation difference on foreign currency net investments	(40,518)	-	-	(40,518)
Retained profit for the year	104,042	-	-	104,042
Balance carried forward	<u>6,028,651</u>	<u>225,365</u>	<u>195,040</u>	<u>6,449,056</u>

Company	Revaluation reserve £	Profit and loss account £
Opening balance	195,040	5,371,330
Retained profit for the year	-	216,214
Dividends paid	-	(100,000)
Balance carried forward	<u>195,040</u>	<u>5,487,544</u>

25. Reconciliation of movement in shareholders' funds

Group	2006 £	2005 £
Equity shareholders' funds		
Profit for the financial year	204,042	1,066,832
Issue of shares by associate	120,295	47,887
Dividends paid	(100,000)	(10,000)
Surplus arising on revaluation of tangible fixed assets	-	195,040
Currency translation difference on foreign currency net investments	(40,518)	(42,190)
	<u>183,819</u>	<u>1,257,569</u>
Opening shareholders' equity funds	<u>6,265,435</u>	<u>5,007,866</u>
Closing shareholders' equity funds	<u>6,449,254</u>	<u>6,265,435</u>
Non-equity shareholders' funds		
Opening and closing shareholders' non-equity funds	<u>2</u>	<u>2</u>
Total shareholders' funds	<u>6,449,256</u>	<u>6,265,437</u>

Beggars Group Limited

Notes to the accounts Year ended 31 December 2006

25. Reconciliation of movement in shareholders' funds (continued)

Company	2006 £	2005 £
Equity shareholders' funds		
Profit for the financial year	216,214	19,577
Dividends paid	(100,000)	(10,000)
Surplus arising on revaluation of tangible fixed assets	-	195,040
	<u>116,214</u>	<u>204,617</u>
Opening shareholders' equity funds	5,566,568	5,361,951
Closing shareholders' equity funds	<u>5,682,782</u>	<u>5,566,568</u>
Non-equity shareholders' funds		
Opening and closing shareholders' non-equity funds	2	2
	<u>5,682,784</u>	<u>5,566,570</u>

26. Equity minority interests

	2006 £
Reconciliation of minority interests during the year	
At 1 January 2005	(586,615)
Arising on acquisition of investments	(31,957)
Minority interest share of retained profits for year	18,860
At 31 December 2006	<u>(599,712)</u>

27. Controlling party

Martin Mills is the ultimate controlling party by virtue of his shareholding