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**BEGGARS GROUP LIMITED AND
SUBSIDIARY COMPANIES**

Report and Financial Statements

31 December 2001

**Deloitte & Touche
London**



REPORT AND FINANCIAL STATEMENTS 2001**CONTENTS****Page**

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REPORT AND FINANCIAL STATEMENTS 2001

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
Chartered Accountants
London

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The group is principally engaged in the sales and licensing of sound recordings.

During the year the group acquired a 50% interest in an Australian sales and marketing company, Remote Control Records Pty Limited. It also disposed of its interest in Beggars Banquet Music Ltd.

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:

	2001 £	2000 £
Dividend paid on ordinary shares	-	18,100

DIRECTORS AND THEIR INTERESTS

	Class of share	At 31 December 2001	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 2001	At 1 January 2001
Beggars Banquet Records Limited	24	24
Beggars Banquet Retail Limited	7,560	7,560
Beggars UK Limited (formerly Beggars Banquet Limited)	24	24
Mantra Recordings Limited	24	24

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.

DIRECTORS' REPORT (continued)**DONATIONS**

During the year the company made the following contributions:

	2001	2000
Charitable	-	1,000

POST BALANCE SHEET EVENT

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.

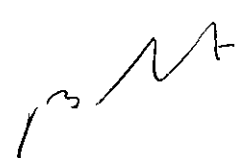
During 2002 the investment of £200,000 in Twisted Nerve Records Limited held by XL Recordings Limited was disposed of and exchanged for a loan of £250,000.

AUDITORS

Deloitte & Touche were appointed auditors of the Beggars Group Limited on 3 September 2002.

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them 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

10 April 2003

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 to 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 AND SUBSIDIARY COMPANIES

We have audited the financial statements of Beggars Group Limited for the year ended 31 December 2001 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 to the accounts numbered 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.

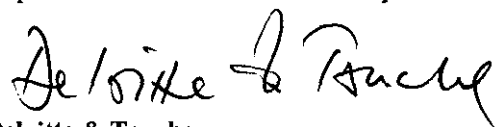
Basis of opinion

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 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
London

**Deloitte
& Touche
Tohmatsu**

Aberdeen, Belfast, Birmingham, Bristol, Cambridge, Cardiff, Crawley, Edinburgh, Glasgow, Leeds, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Nottingham, Reading, St Albans and Southampton.

Principal place of business at which a list of partners' names is available: Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Deloitte & Touche is authorised and regulated by the Financial Services Authority.

GROUP PROFIT AND LOSS ACCOUNT**Year ended 31 December 2001**

	Note	2001 £	Restated 2000 £
GROUP TURNOVER	1,2	20,324,195	20,020,472
Cost of sales		(10,545,765)	(10,649,851)
GROSS PROFIT		<u>9,778,430</u>	<u>9,370,621</u>
Distribution costs		(3,563,488)	(3,680,004)
Administrative expenses		(5,520,645)	(5,450,256)
Other operating income	3	-	410,828
GROUP OPERATING PROFIT	4	<u>694,297</u>	<u>651,189</u>
Share of operating loss from joint ventures	7	(245,846)	(352,092)
Share of operating profit/(loss) from associates	7	<u>11,148</u>	<u>(6,018)</u>
TOTAL OPERATING PROFIT		<u>459,599</u>	<u>293,079</u>
Finance charges (net)	8	<u>(388,818)</u>	<u>32,441</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>70,781</u>	<u>325,520</u>
Tax on profit on ordinary activities	9	<u>(119,331)</u>	<u>(169,443)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(48,550)</u>	<u>156,077</u>
Equity minority interests	26	<u>130,245</u>	<u>144,050</u>
PROFIT FOR THE FINANCIAL YEAR		<u>81,695</u>	<u>300,127</u>
Dividends	10	-	(18,100)
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u><u>81,695</u></u>	<u><u>282,027</u></u>

The turnover relating to associates of the group was £242,601.

The turnover relating to joint ventures of the group was £324,678.

The company has no recognised gains or losses other than the results for the year as set out above.

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

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2001

		2001	2000
	Note	£	£
Profit for the financial year		31,695	300,127
Issue of shares by associate	13	282,792	-
Total recognised gains and losses in the year		<u>314,487</u>	<u>300,127</u>

GROUP BALANCE SHEET
31 December 2001

	Note	2001 £	Restated 2000 £
FIXED ASSETS			
Intangible assets	11	1,583,517	1,676,650
Tangible assets	12	2,478,508	2,666,805
Investments			
Investment in joint venture:			
Share of gross assets		56,241	-
Share of gross liabilities		(27,910)	-
	13	28,331	-
Associated undertakings	13	434,168	140,228
Other investments	13	204,905	204,905
		667,404	345,133
		4,729,429	4,688,588
CURRENT ASSETS			
Stocks	14	474,384	533,850
Debtors	15	9,321,432	8,278,392
Cash at bank and in hand		-	20,621
		9,795,816	8,832,863
CREDITORS: amounts falling due within one year	16	(7,993,743)	(7,394,140)
NET CURRENT ASSETS		1,802,073	1,438,723
TOTAL ASSETS LESS CURRENT LIABILITIES		6,531,502	6,127,311
PROVISIONS FOR LIABILITIES AND CHARGES	17	(369,019)	(315,861)
Investment in joint venture:			
Share of gross assets		109,183	-
Share of gross liabilities		(1,015,792)	-
	17	(906,609)	(718,188)
NET ASSETS		5,255,874	5,093,262

GROUP BALANCE SHEET (Continued)
31 December 2001

	Note	2001 £	2000 Restated £
CAPITAL AND RESERVES			
Called up share capital	23	200	200
Other reserves	24	28,171	28,171
Profit and loss account	24	5,282,642	4,918,155
TOTAL SHAREHOLDERS' FUNDS (including non-equity interests)	25	5,311,013	4,946,526
MINORITY INTERESTS	26	(55,139)	146,736
TOTAL CAPITAL EMPLOYED		5,255,874	5,093,262

These financial statements were approved by the Board of Directors on

10 April 2003.

Signed on behalf of the Board of Directors


Martin Mills
Director

COMPANY BALANCE SHEET
31 December 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible assets	12	728,367	789,959
Investments	13	2,334,984	2,298,647
		<u>3,063,351</u>	<u>3,088,606</u>
CURRENT ASSETS			
Debtors – due within one year	15	1,445,060	2,474,166
Debtors – due after one year	15	1,756,249	-
Cash at bank and in hand		-	339,440
		<u>3,201,309</u>	<u>2,813,606</u>
CREDITORS: amounts falling due within one year	16	<u>(1,225,165)</u>	<u>(483,242)</u>
NET CURRENT ASSETS		<u>1,976,144</u>	<u>2,330,364</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,039,495</u>	<u>5,418,970</u>
PROVISIONS FOR LIABILITIES AND CHARGES	17	<u>-</u>	<u>(11,000)</u>
		<u>5,039,495</u>	<u>5,407,970</u>
CAPITAL AND RESERVES			
Called up share capital	23	200	200
Profit and loss account	24	5,039,295	5,407,770
TOTAL SHAREHOLDERS' FUNDS (including non-equity interests)	25	<u>5,039,495</u>	<u>5,407,970</u>

These financial statements were approved by the Board of Directors on

10 April 2003.

Signed on behalf of the Board of Directors



Martin Mills

Director

GROUP CASH FLOW STATEMENT
Year ended 31 December 2001

	Note	2001 £	2000 Restated £
Net cash inflow/(outflow) from operating activities	A	652,923	(920,260)
Returns on investments and servicing of finance			
Interest received	16,848	42,818	
Interest paid	(120,738)	(10,377)	
Dividends paid to minority interest	-	(21,600)	
		<hr/>	<hr/>
Net cash (outflow) / inflow from returns on investments and servicing of finance		(103,890)	10,841
Taxation			
Corporation tax paid	(65,465)	(195,718)	
Corporation tax refunds received	58,621	-	
		<hr/>	<hr/>
Tax paid		(6,844)	(195,718)
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets	(120,514)	(353,177)	
Payments from sale of fixed assets	-	61,656	
Acquisition of investments	-	(353,785)	
		<hr/>	<hr/>
Net cash outflow from investing activities		(120,514)	(645,306)
Acquisitions and disposals			
Acquisition of shares in group undertakings	(36,413)	(38,803)	
Net cash disposed with subsidiaries	(348,097)	-	
		<hr/>	<hr/>
Net cash outflow from acquisitions and disposals		(384,510)	(38,803)
Equity dividends paid		-	(18,100)
		<hr/>	<hr/>
Cash inflow / (outflow) before management of liquid resources and financing		37,165	(1,807,346)
Management of liquid resources		-	-
Financing		-	-
		<hr/>	<hr/>
Increase / (decrease) in cash in the year	B	<u>37,165</u>	<u>(1,807,346)</u>

NOTES TO THE GROUP CASH FLOW STATEMENT**Year ended 31 December 2001****A. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/OUTFLOW FROM OPERATING ACTIVITIES**

	2001	Restated 2000
	£	£
Operating profit	694,297	651,189
Amortisation of goodwill arising on subsidiaries	93,133	93,000
Depreciation	218,321	204,546
Loss on disposal of fixed assets and investments	226,357	3,765
Decrease / (increase) in stocks	59,466	(139,486)
Increase in debtors	(1,298,016)	(2,905,360)
Increase in creditors	659,365	1,172,086
Net cash inflow/(outflow) from operating activities	<u>652,923</u>	<u>(920,260)</u>

Prior year comparatives have been restated as a result of the restatement of creditors in the balance sheet between within and after one year, see note 16.

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

	2001	2000 Restated
	£	£
Increase / (decrease) in cash in the period	37,165	(1,807,346)
Change in net debt	<u>37,165</u>	<u>(1,807,346)</u>
Net debt at 1 January	<u>(66,517)</u>	<u>1,740,829</u>
Net debt at 31 December	<u>(29,352)</u>	<u>(66,517)</u>

C. ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2001 Restated £	Cash flows £	At 31 December 2001 £
Net cash:			
Cash in hand and at bank	20,621	(20,621)	-
Overdrafts	<u>(87,138)</u>	<u>57,786</u>	<u>(29,352)</u>
Net debt	<u>(66,517)</u>	<u>37,165</u>	<u>(29,352)</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

1. ACCOUNTING POLICIES

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

The prior year figures have been reclassified to be consistent with current year presentation.

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 loss dealt with in the accounts of the parent company was £368,475 (2000: profit of £1,054,423).

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 Artistes

Advances to Artistes represent advances made direct to artistes for recording and other costs made on behalf of artistes under contract. These advances, which are only recoverable against future royalties, are charged to 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.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

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:

	2001 £	2000 Restated £
Sales and distribution of compact discs, records and tapes	14,706,100	9,986,861
Royalties receivable	5,618,095	10,033,611
	<u>20,324,195</u>	<u>20,020,472</u>

Turnover is analysed by geographical markets, as follows:

	2001 £	2000 Restated £
UK	8,903,547	10,950,270
Rest of World	11,420,648	9,070,202
	<u>20,324,195</u>	<u>20,020,472</u>

The prior year figures have been restated to reflect the way in which distribution fees and intragroup sales have been accounted for in the current year.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

3. OTHER OPERATING INCOME

	2001 £	2000 £
Rent receivable	-	549
Other operating income	-	410,279
	<u>-</u>	<u>410,828</u>

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2001 £	2000 £
Amortisation	93,133	93,000
Loss on disposal of subsidiary	135,867	-
Depreciation – owned assets	218,321	204,546
Loss on disposal of fixed assets	79,950	3,765
Auditors' remuneration – group and company:		
- audit	62,000	58,275
- other services	13,000	18,750
Operating lease costs:		
Land and buildings	50,500	86,186
Plant and equipment	4,827	4,967
Net profit on foreign currency translation	(40,924)	(73,389)
Net exceptional items	-	45,500
	<u>-</u>	<u>45,500</u>

5. INFORMATION REGARDING EMPLOYEES

	2001 No.	2000 No.
Average number of persons employed (including directors)		
Administration	64	60
Management	12	12
	<u>76</u>	<u>72</u>

The aggregate payroll costs of the above were:

	£	£
Staff costs during the year		
Wages and salaries	2,398,095	2,243,316
Social security costs	258,477	209,474
Pension costs	2,000	4,333
	<u>2,658,572</u>	<u>2,457,123</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001**6. DIRECTORS' EMOLUMENTS**

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

	2001 £	2000 £
Emoluments	404,519	399,141

	2001 £	2000 £
Emoluments of highest paid director		
Emoluments	298,666	310,109

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

	2001 £	2000 £
Net share of operating profit/(loss) – Associate	11,148	(6,018)
Net share of operating loss – Joint venture	(245,846)	(352,092)
	(234,698)	(358,110)

The share of the operating profits of the associate relates to the share of the profits of Nation Records Limited (£11,148).

The share of the operating loss in joint ventures relates mainly to Mowax Labels Limited (£238,921).

8. FINANCE CHARGES (NET)

	2001 £	2000 £
Interest receivable	16,848	42,818
Interest payable on bank borrowing	(120,738)	(10,377)
Other similar charges payable	(284,928)	-
	(388,818)	32,441

NOTES TO THE ACCOUNTS
Year ended 31 December 2001**9. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2001 £	2000 £
UK taxation		
United Kingdom corporation tax at 30%		
(2000 – 30%) based on the profit for the year	194,200	166,983
Less double tax relief	<u>(66,597)</u>	<u>(54,135)-</u>
	127,603	112,848
 Foreign taxation	 71,190	 72,133
Deferred taxation	53,157	120,842
Share of joint ventures' tax	<u>(50,403)</u>	<u>(38,049)</u>
	201,547	267,774
 Adjustment in respect of previous years:		
Corporation tax	<u>(82,216)</u>	<u>(98,331)</u>
	<u>119,331</u>	<u>169,443</u>

Corporation tax for the year includes consortium relief obtained from Mowax Labels Limited of £67,492.

The tax charge is high as a result of expenditure not deductible for tax purposes and losses for which no deferred tax asset is recognised.

10. DIVIDENDS

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

	2001 £	2000 £
Dividend paid on ordinary shares	<u>-</u>	<u>18,100</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001**11. INTANGIBLE FIXED ASSETS**

Group	Goodwill £
Cost	
At 1 January 2001 and 31 December 2001	1,862,650
Amortisation	
At 1 January 2001	186,000
Charge for the year	93,133
At 31 December 2001	279,133
Net book value	
At 31 December 2001	1,583,517
At 31 December 2000	1,676,650

12. TANGIBLE FIXED ASSETS

Group	Freehold and leasehold property £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 January 2001	2,286,883	957,475	246,681	3,491,039
Additions	18,064	64,027	38,423	120,514
Disposals	(1,796)	(322,640)	(7,280)	(331,716)
At 31 December 2001	2,303,151	698,862	277,824	3,279,837
Depreciation				
At 1 January 2001	196,509	545,877	81,848	824,234
Charge for the year	45,735	93,040	79,546	218,321
Disposals	(2,190)	(235,595)	(3,441)	(241,226)
At 31 December 2001	240,054	403,322	157,953	801,329
Net book value				
At 31 December 2001	2,063,097	295,540	119,871	2,478,508
At 31 December 2000	2,090,374	411,598	164,833	2,666,805

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

12. TANGIBLE FIXED ASSETS (continued)

Company	Freehold and leasehold property £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 January 2001	644,879	550,995	59,079	1,254,953
Additions	9,305	42,024	-	51,329
Disposals	-	(222,661)	-	(222,661)
At 31 December 2001	654,184	370,358	59,079	1,083,621
Depreciation				
At 1 January 2001	63,023	362,222	39,749	464,994
Charge for the year	9,785	49,369	14,770	73,924
Disposals	-	(183,664)	-	(183,664)
At 31 December 2001	72,808	227,927	54,519	355,254
Net book value				
At 31 December 2001	581,376	142,431	4,560	728,367
At 31 December 2000	581,856	188,773	19,330	789,959

Included within freehold and leasehold property is an investment property of £164,960 (2000: £164,960) at cost. The directors believe the current market value is not significantly different from its cost, based on a valuation carried out in 2001 by Egerton Chartered Surveyors.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

13. INVESTMENTS

Group	Associates £	Joint ventures £	Other investments £	Total £
Cost				
At 1 January 2001	140,228	-	204,905	345,133
Additions	293,940	28,331	-	322,271
At 31 December 2001	434,168	28,331	204,905	667,404
Net book value				
At 31 December 2001	434,168	28,331	204,905	667,404
At 31 December 2000	140,228	-	204,905	345,133

The share of assets of joint ventures is split into a joint venture in a net asset position (including unamortised goodwill) of £28,331 and a joint venture in a net liabilities position (Mowax Labels Limited £906,609). The table below shows the total joint venture position.

Group associates and joint ventures	Associates £	Joint Ventures £	Total £
Share of net assets / cost			
At 1 January 2001 as previously reported	-	-	-
In provisions brought forward balance (see note 17)	(9,772)	(584,612)	(594,384)
Reclassification from minority interest	150,000	(133,576)	16,424
At 1 January 2001 as restated	140,228	(718,188)	(577,960)
Share premium on issue of prior year shares	195,194	-	195,194
Share premium on issue of shares	87,598	-	87,598
Share of retained profit for the year	11,148	(198,414)	(187,266)
	434,168	(916,602)	(482,434)
Goodwill			
At 1 January 2001	-	-	-
Additions	-	39,307	39,307
Amortisation	-	(983)	(983)
At 31 December 2001	-	38,324	38,324
Net book value as at 31 December 2001	434,168	(878,278)	(444,110)
Restated net book value as at 31 December 2000	140,228	(718,188)	(577,960)

Bidcall Limited has been treated as an associate in the 2001 financial statements and the 2000 comparatives have been restated to reflect this treatment as described above.

Mowax Labels Limited has been treated as a joint venture in the 2001 financial statements and the 2000 comparatives have been restated to reflect this treatment as described above.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001**13. 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 2001.

Name	Nature of business	Country of registration	Class of shares held	% of shares held
Beggars Banquet Records Limited	Production and licensing of sound recordings	England & Wales	Ordinary	76%
XL Recordings Limited	Production and licensing of sound recordings	England & Wales	Ordinary	76%
Beggars UK Limited (formerly Beggars Banquet Limited)	Wholesale promotion and marketing	England & Wales	Ordinary	76%
Wiiija Records Limited	Production and licensing of sound recordings	England & Wales	Ordinary	76%
Mantra Recordings Limited	Production and licensing of sound recordings	England & Wales	Ordinary	76%
Too Pure Limited	Production and licensing of sound recordings	England & Wales	Ordinary	76%
Beggars Banquet Retail Limited	Retail record sales	England & Wales	Ordinary	94.96%
Beggars Banquet Recordings (USA) Inc.	Promotion, marketing and licensing of records	USA	Ordinary	100%
Beggars Group Digital Limited	Digital rights	England & Wales	Ordinary	100%
4 AD Limited	Production and licensing of sound recordings	England & Wales	Ordinary	100%

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

13. INVESTMENTS (continued)

Associates and joint ventures

Name	Nature of business	Country of registration	Class of shares held	% of shares held
Associates				
Nation Records Limited	Production and licensing of sound recordings	England and Wales	Ordinary	50%
Bidcall Limited	Holding company	England and Wales	Ordinary	47.34%
Joint Ventures				
Mowax Labels Limited	Production and licensing of sound recordings	England and Wales	Ordinary	38% Indirect
Remote Control Records Pty Limited	Distribution of records	Australia	Ordinary	50%

The accounting reference date for Nation Records Limited is 31 March and the latest financial statements are for the year ended 31 March 2002. 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 2001. The principal place of business for Bidcall Limited is Redhill Chambers, High Street, Redhill, Surrey, RH1 1RJ.

Bidcall Limited owns 100% of the issued share capital of Playlouder Limited. For the period ended 31 December 2001, the date the latest available accounts were made up to, Playlouder had accumulated losses of £253,664.

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 Morphet Avenue, Ascot Vale, Victoria 3032, Australia.

Other investments

Name	Nature of business	Country of registration	Class of shares held	% of shares held
Twisted Nerve Records Limited	Record label	England and Wales	Ordinary	19.37%

Twisted Nerve Records has not been consolidated as an associate as the company's management feel they are unable to exhibit significant influence over the entity despite the entity being over 20% owned by XL Recordings Limited. Due to the fact that XL Recordings Limited is held 76% by the group, the indirect % of shares held is 19.37%.

Twisted Nerve Records Limited had a balance on reserves of £52,335 (2000 – deficit of £40,113) and made a loss of £ 99,106 (2000 – £48,563) for the years ended 30 April 2000 and 2001. The results for the year ended 30 April 2002 are not yet available.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

13. INVESTMENTS (continued)

Company	Subsidiary companies £	Associated undertakings and joint ventures £	Other investments £	Total £
Cost				
At 1 January 2001	2,382,946	55,000	4,905	2,442,851
Additions	-	36,413	-	36,413
Disposals	(76)	-	-	(76)
	<u>2,382,870</u>	<u>91,413</u>	<u>4,905</u>	<u>2,479,188</u>
At 31 December 2001	2,382,870	91,413	4,905	2,479,188
Amounts written off				
At 1 January 2001 and 31 December 2001	(144,204)	-	-	(144,204)
	<u>(144,204)</u>	<u>-</u>	<u>-</u>	<u>(144,204)</u>
Net book value				
At 31 December 2001	<u>2,238,666</u>	<u>91,413</u>	<u>4,905</u>	<u>2,334,984</u>
At 31 December 2000	<u>2,238,742</u>	<u>55,000</u>	<u>4,905</u>	<u>2,298,647</u>

14. STOCKS

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Finished goods and good for resale	<u>474,384</u>	<u>533,850</u>	<u>-</u>	<u>-</u>

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

15. DEBTORS

	Group		Company	
	2001 £	Restated 2000 £	2001 £	2000 £
Trade debtors	3,263,381	3,369,619	2,242	2,196
Amounts owed by subsidiary undertakings	-	-	3,008,122	2,367,850
Amounts owed by joint venture	1,210,256	1,015,386	-	-
Corporation tax recoverable	14,597	-	-	-
Other debtors	713,243	1,008,455	182,670	80,422
Prepayments and accrued income	4,119,955	2,884,932	8,275	23,698
	<u>9,321,432</u>	<u>8,278,392</u>	<u>3,201,309</u>	<u>2,474,166</u>

Included in the amounts owed by subsidiary undertakings in the company accounts are balances of £1,756,249 due after more than one year.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2001	Restated 2000	2001	Restated 2000
	£	£	£	£
Bank loans and overdrafts	29,352	87,138	452,123	-
Trade creditors	751,838	1,647,737	21,207	14,833
Other taxation and social security	165,171	345,720	156,222	-
Other creditors	4,406,356	2,705,028	490,378	361,368
Accruals and deferred income	2,641,026	2,608,517	105,235	107,041
	<u>7,993,743</u>	<u>7,394,140</u>	<u>1,225,165</u>	<u>483,242</u>

Included within other creditors is an amount of £458,591 due to the Pension Schemes Office which holds a private pension fund for Martin Mills on which interest is charged at 4% above LIBOR.

Licensee advances which had been disclosed as payable after one year in the prior year accounts have now been reclassified as payable within one year. This reclassification has also resulted in reclassifications in the cash flow statement and notes to the cash flow.

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

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Bank and overdrafts	<u>29,352</u>	<u>87,138</u>	<u>-</u>	<u>-</u>

Security

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

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	2001	Restated 2000	2001	2000
	£	£	£	£
Deferred tax (note 18)	369,019	315,861	-	11,000
Shares of liabilities of joint ventures	<u>906,609</u>	<u>718,188</u>	<u>-</u>	<u>-</u>
Provision carried forward	<u>1,275,628</u>	<u>1,034,049</u>	<u>-</u>	<u>11,000</u>

See note 13 for movements on the provision for share of liabilities of joint ventures and associates and an explanation of the reclassification of the prior year figures.

In 2001, £914,283 of the above share of liabilities in joint ventures has arisen on the holding in Mowax Labels Limited and Remote Control Records Pty Limited.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

18. DEFERRED TAXATION

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

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Provision brought forward	315,861	195,019	11,000	15,096
Increase/(decrease) in provision	53,158	120,842	(11,000)	(4,096)
Provision carried forward	<u>369,019</u>	<u>315,861</u>	<u>-</u>	<u>11,000</u>

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	(4,677)	11,000	-	11,000
Timing differences on royalties	373,696	304,861	-	-
	<u>369,019</u>	<u>315,861</u>	<u>-</u>	<u>11,000</u>

19. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2001 the group had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings	
Group	2001	2000
	£	£
Operating leases which expire:		
Within one year	23,500	15,000
Within two to five years	32,000	32,500
Greater than 5 years	5,500	-
	<u>61,000</u>	<u>47,500</u>

NOTES TO THE ACCOUNTS**Year ended 31 December 2001****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 (formally Beggars Banquet 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 2001, a specific counter indemnity between Beggars Group Ltd and HM Customs and Excise for deferred duty, limited to £6,000 (2000 – £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:

£103,730 (2000 – £111,260) 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.

Balances of £98,834 (2000 - £nil) are outstanding at the year end relating to 4AD Music Limited. This company is owned by Andrew Heath and Martin Mills, directors.

Included in other debtors was a loan of £52,600 (2000 – £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 £9,736.

NOTES TO THE ACCOUNTS Year ended 31 December 2001

22. RELATED PARTY TRANSACTIONS

At 31 December 2001, the company had related party balances as follows:

During the year, rent of £19,600 (2000 – £19,600) was charged by the Beggars Banquet Executive Pension Scheme, of whom Martin Mills is a trustee and beneficiary. At the year end, £458,591 (2000 – £173,981) was due to the pension scheme, see note 16. Subsequent to year end this has been repaid.

Included in other debtors is £153,990 due from Hero Music Limited, a company in which Richard Russell, a director of XL Recordings Limited is a shareholder. The debt was repaid in full on 3 July 2002.

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

	2001 £	2000 £
Turnover	124,737	269,380
Aggregate expenses	78,009	72,679

Management charges receivable from Mowax Labels Limited were £207,900 (2000: £260,600). Royalties paid out to Mowax Labels Limited by the Beggars Group were £16,601 (2000: £nil).

The balance outstanding at the end of the year is disclosed as amounts due from joint venture in note 15.

During the year export sales and production costs of £28,912 and £17,572 respectively were made by Beggars UK Limited on behalf of Nation Records Limited, this was recharged through the management charge which was borne by Beggars Group Limited. Nation Records Limited made sales of £68,317 and purchases of £31,412 to Beggars Group during the year. The balance outstanding at year end was £6,199.

23. SHARE CAPITAL

	2001 No.	2001 £	2000 No.	2000 £
Authorised share capital:				
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>
	2001 No.	2001 £	2000 No.	2000 £
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>

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

23. SHARE CAPITAL (continued)

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.

24. RESERVES

	Profit and loss account £	Other Reserves £
Group		
Opening balance	4,918,155	28,171
Retained profit for the year	81,695	-
Issue of share capital by associate	282,792	-
Balance carried forward	<u>5,282,642</u>	<u>28,171</u>
		Profit and loss account £
Company		
Opening balance		5,407,770
Retained loss for the year		(368,475)
Balance carried forward		<u>5,039,295</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

25. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Group		
Equity shareholders' funds		
Profit for the financial year	81,695	300,127
Dividends	-	(18,100)
Issue of share capital by associate	282,792	-
	<u>364,487</u>	<u>282,027</u>
Opening shareholders' equity funds	4,946,524	4,664,497
	<u>5,311,011</u>	<u>4,946,524</u>
Non-equity shareholders' funds		
Opening and closing shareholders' non-equity funds	2	2
	<u>5,311,013</u>	<u>4,946,526</u>
Total shareholders' funds		
	<u>5,311,013</u>	<u>4,946,526</u>
	2001	2000
	£	£
Company		
Equity shareholders' funds		
(Loss) / profit for the financial year	(368,475)	1,036,324
	<u>(368,475)</u>	<u>1,036,324</u>
Opening shareholders' equity funds	5,407,968	4,371,644
	<u>5,039,493</u>	<u>5,407,968</u>
Non-equity shareholders' funds		
Opening and closing shareholders' non-equity funds	2	2
	<u>5,039,495</u>	<u>5,407,970</u>
Total shareholders' funds		
	<u>5,039,495</u>	<u>5,407,970</u>

26. EQUITY MINORITY INTERESTS

	2001 £
Reconciliation of minority interests during the year	
Opening balance	130,312
Reclassification re joint ventures and associates (note 13)	16,424
	<u>146,736</u>
Restated balance at 1 January 2001	146,736
Disposal	(71,630)
Minority interest share of retained losses for year	(130,245)
	<u>(55,139)</u>
Balance carried forward	
	<u>(55,139)</u>

The minority interest disposal in the year relates to the sale of Beggars Banquet Music Limited.

The reclassification from prior year is explained in note 13 and relates to the presentation of the Mowax Labels Limited and Bidcall Limited investments.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

27. CONTROLLING PARTY

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