

**XL RECORDINGS LIMITED**

**Report and Financial Statements**

**Year Ended 31 December 2001**

**Deloitte & Touche  
London**



**REPORT AND FINANCIAL STATEMENTS 2001**

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**REPORT AND FINANCIAL STATEMENTS 2001**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Richard Russell  
Martin Mills  
James Wyllie  
Nicholas Worthington (retired 30 June 2001)

**SECRETARY**

Nigel Bolt

**BANKERS**

Coutts & Co  
440 Strand  
London  
WC2R 0QS

**REGISTERED OFFICE**

17-19 Alma Road  
London  
SW18 1AA

**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 principal activity of the company during the year was that of the production and sale of compact discs, records and cassettes and the licensing of such operations.

The company traded in line with expectations. The level of gross profit remained stable in relation to the previous year. The directors expect the business to continue to trade satisfactorily.

## **RESULTS AND DIVIDENDS**

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

The directors do not recommend a dividend in the current period (2000 - £ nil).

## **DIRECTORS AND THEIR INTERESTS**

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	<b>Class of share</b>	<b>At 31 December 2001</b>	<b>At 1 January 2001</b>
Richard Russell	'A' Ordinary	240	240
Martin Mills		-	-
James Wyllie		-	-
Nicholas Worthington (retired 30 June 2001)		-	-

Martin Mills also had shares in the parent undertaking at the beginning and end of the year:

	<b>No. of shares</b>	
	<b>2001</b>	<b>2000</b>
	98 'A'	98 'A'
	100 'B'	100 'B'
	2 'C'	2 'C'

Martin Mills also has the following interest in other group companies at the beginning and end of the year:

	<b>No. of shares</b>	
	<b>2001</b>	<b>2000</b>
Beggars Banquet Retail Limited	7,560	7,560
Beggars Banquet Records Limited	24	24
Mantra Recordings Limited	24	24
Beggars UK Limited (formally Beggars Banquet Limited)	24	24

## **FIXED ASSETS**

In the opinion of the directors, the market value of freehold land and buildings was not less than the book value. The movement in fixed assets is shown in the notes to the accounts.

## **SUBSEQUENT EVENTS**

As disclosed in note 8, during 2002 the investment of £200,000 in Twisted Nerve was disposed of and exchanged for a loan of £250,000 from the company.

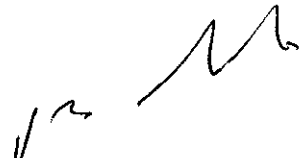
## **AUDITORS**

Deloitte & Touche were appointed as auditors of XL Recordings Limited on 3 September 2002.

## **DIRECTORS' REPORT**

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



Nige Bolt  
Company Secretary

30/11 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 as at the end of the financial year and of the profit or loss of the company 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 XL RECORDINGS LIMITED**

We have audited the financial statements of XL Recordings Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 20. 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.

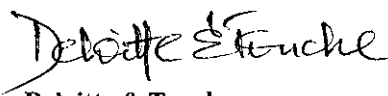
### **Basis of opinion**

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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming 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 the company's affairs as at 31 December 2001 and of its loss 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

*31 January* 2003

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

	<b>Note</b>	<b>2001 £</b>	<b>Restated 2000 £</b>
<b>TURNOVER</b>	<b>2</b>	10,151,461	8,735,844
Cost of sales		(4,638,952)	(4,120,985)
<b>GROSS PROFIT</b>		5,512,509	4,614,859
Distribution costs		(2,406,250)	(1,796,415)
Administrative expenses		(3,101,493)	(2,557,980)
<b>OPERATING PROFIT</b>	<b>3</b>	4,766	260,464
Interest receivable – bank		12,020	-
Interest payable – bank		(63,868)	-
<b>(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(47,082)	260,464
Tax on (loss) / profit on ordinary activities	<b>6</b>	(97,247)	(238,912)
<b>(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(144,329)	21,552
Dividends		-	-
<b>RETAINED (LOSS) / PROFIT FOR THE FINANCIAL YEAR</b>		(144,329)	21,552
<b>Balance brought forward</b>		2,283,796	2,262,244
<b>Balance carried forward</b>		2,139,467	2,283,796

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.



**BALANCE SHEET**  
**31 December 2001**

	Note	2001 £	Restated 2000 £
<b>FIXED ASSETS</b>			
Tangible assets	7	1,255,165	1,321,185
Investments	8	200,500	200,500
		<u>1,455,665</u>	<u>1,521,685</u>
<b>CURRENT ASSETS</b>			
Stocks	9	92,153	23,261
Debtors – due within one year	10	4,258,767	4,914,322
Debtors – due after one year	10	677,749	-
Cash at bank and in hand		37,591	78,412
		<u>5,066,260</u>	<u>5,015,995</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(4,185,785)</u>	<u>(4,033,884)</u>
<b>NET CURRENT ASSETS</b>		<u>880,475</u>	<u>982,111</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,336,140</u>	<u>2,503,796</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	12	(195,673)	(219,000)
		<u>2,140,467</u>	<u>2,284,796</u>
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	16	1,000	1,000
Profit and loss account		2,139,467	2,283,796
<b>SHAREHOLDERS' FUNDS</b>	17	<u>2,140,467</u>	<u>2,284,796</u>

These financial statements were approved by the Board of Directors on  
Signed on behalf of the Board of Directors

30/1/ 2003.



Martin Mills  
Director

**CASH FLOW STATEMENT**  
**Year ended 31 December 2001**

	Note	2001 £	Restated 2000 £
<b>Net cash inflow/(outflow) from operating activities</b>	18	<b>1,086,035</b>	<b>(1,661,884)</b>
<b>Returns on investment and servicing of finance</b>			
Interest received		12,020	-
Interest paid		(63,868)	-
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(51,848)</b>	<b>-</b>
<b>Taxation</b>		<b>43,088</b>	<b>(47,412)</b>
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(15,269)	(124,070)
Receipts from sales of fixed assets		-	30,801
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(15,269)</b>	<b>(93,269)</b>
<b>Acquisitions and disposals</b>			
Payments to acquire investments in participating interests		-	(200,000)
<b>Net cash outflow from acquisitions and disposals</b>		<b>-</b>	<b>(200,000)</b>
<b>Equity dividends paid</b>		<b>-</b>	<b>-</b>
<b>Cash inflow/ (outflow) before financing</b>		<b>1,062,006</b>	<b>(2,002,565)</b>
<b>Financing</b>			
Net flow from long-term accruals		-	-
<b>Net cash flow from financing</b>		<b>-</b>	<b>-</b>
<b>Increase/(decrease) in cash</b>	19	<b>1,062,006</b>	<b>(2,002,565)</b>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2001****1. ACCOUNTING POLICIES****Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards. The prior year figures have been reclassified to be consistent with current year presentation. This relates to the licensee advances which had been disclosed as payable after one year but 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 cashflow. Items within the profit and loss account have been restated to gross up certain distribution fees that had been included within turnover.

**Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

**Depreciation**

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 buildings	2% per annum of cost
Fixtures, fittings and equipment	20% and 25% on a reducing balance basis
Motor vehicles	25% on a reducing balance basis

**Stocks**

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

**Operating lease agreements**

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

**Deferred 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.

**Foreign currencies**

Monetary 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 rates of exchange ruling at the dates of the transactions. Exchange differences are taken into account in arriving at the operating profit.

**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 removed.

**Advances to artistes**

Advances to artistes represent advances made direct to artistes for recording and other costs made on behalf of artistes under contract. These advances, which are only recoverable against future royalties, are charged to revenue as they are recouped or where the probability of future recoupment in respect thereof is unlikely.

**Joint venture**

Entities in which the company holds an interest on a long-term basis, and are jointly controlled by the company and one or more other parties under a contractual arrangement, are treated as joint ventures and are accounted for using the gross equity method.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2001**
**2. TURNOVER**

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2001 £	2000 £
United Kingdom	6,496,935	6,554,937
Overseas	3,654,536	2,180,907
	<u>10,151,461</u>	<u>8,735,844</u>

	2001 £	2000 £
Sales of compact discs, records and cassettes	7,170,449	5,217,871
Royalties receivable	2,981,012	3,517,973
	<u>10,151,461</u>	<u>8,735,844</u>

**3. OPERATING PROFIT**

	2001 £	2000 £
Operating profit is stated after charging/(crediting):		
Depreciation	71,492	75,590
Loss on disposal of fixed assets	9,797	5,155
Auditors' remuneration – audit services	-	7,800
Net profit on foreign currency translation	(4,912)	(6,058)
Exceptional items	<u>600,000</u>	<u>600,000</u>

In 2001, the audit fee has been borne by another group company.

The exceptional item in current and prior years relates to a bad debt provision of £600,000 made during the year against the balance due from the joint venture company, Mowax Labels Limited.

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

**4. PARTICULARS OF EMPLOYEES**

The average number of staff employed by the company during the financial year amounted to:

	<b>2001</b>	<b>2000</b>
	<b>No.</b>	<b>No.</b>
Number of administrative staff	7	6
Number of management staff	2	2
	<u>9</u>	<u>8</u>

The aggregate payroll costs of the above were:

	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
Wages and salaries	377,138	286,682
Social security costs	44,580	36,898
	<u>421,718</u>	<u>323,580</u>

**5. DIRECTORS' EMOLUMENTS**

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

	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
Emoluments receivable	<u>213,004</u>	<u>206,475</u>

**Emoluments of highest paid director:**

	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
Emoluments receivable	<u>169,265</u>	<u>121,297</u>

**6. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES**

	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
Corporation tax based on the results for the year at 30 % (2000 - 30%)	118,448	-
Group relief	85,816	-
Foreign tax	-	47,412
Increase/(decrease) in deferred tax provision (note 12):		
Royalties	<u>(23,327)</u>	<u>219,000</u>
	180,937	266,412
Adjustment in respect of previous years:		
Corporation tax	<u>(83,690)</u>	<u>(27,500)</u>
	<u>97,247</u>	<u>238,912</u>

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

**7. TANGIBLE FIXED ASSETS**

	<b>Land and buildings £</b>	<b>Fixtures, fittings and equipment £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 January 2001	1,149,773	214,135	100,568	1,464,476
Additions	8,759	6,510	-	15,269
Disposals	-	(40,184)	-	(40,184)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	1,158,532	180,461	100,568	1,439,561
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 January 2001	48,481	81,658	13,152	143,291
Charge for the year	23,264	26,374	21,854	71,492
Disposals	-	(30,387)	-	(30,387)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	71,745	77,645	35,006	184,396
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 2001	1,086,787	102,816	65,562	1,255,165
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	1,101,292	132,477	87,416	1,321,185
	<hr/>	<hr/>	<hr/>	<hr/>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2001**
**8. INVESTMENTS**

	<b>Joint venture £</b>	<b>Fixed asset investment £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2001 and 31 December 2001	500	200,000	200,500
<b>Net book value</b>			
At 31 December 2000 and 31 December 2001	500	200,000	200,500

<b>Name</b>	<b>Nature of business</b>	<b>Country of Registration</b>	<b>Shares held, class/percentage</b>
Mowax Labels Limited	Record label	England and Wales	500 ordinary (50%)
Twisted Nerve Records Limited	Record label	England and Wales	104 ordinary (25.49%)

Although the investment in Twisted Nerve Records Limited is greater than 20% of the share capital of the company, the directors do not feel that they are able to exhibit significant influence over the company and therefore have decided that the company does not represent an associate undertaking.

	<b>Aggregate amount of capital and reserves</b>		<b>Loss for the year</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Mowax Labels Limited	(1,819,812)	(1,436,281)	(383,431)	(826,429)

The company's share in Mowax Labels Limited for the year was:

	<b>£</b>
Share of turnover	324,677
Share of loss before tax	238,821
Taxation	50,402
Loss after tax	289,223
Share of assets	
Fixed assets	5,881
Current assets	103,302
	109,183
Share of liabilities	
Due within one year	(1,015,792)
Share of net liabilities	(906,609)

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

**8. INVESTMENTS (continued)**

	Aggregate amount of capital and reserves		Profit/(loss) for the year	
	2001	2000	2001	2000
	£	£	£	£
Twisted Nerve Records Limited	52,335	(48,563)	(99,106)	(48,563)

The results stated above for Twisted Nerve Records Limited relate to the years ended 30 April 2000 and 2001. The results for the year ended 30 April 2002 are not yet available.

The shares in Twisted Nerve Records Limited were sold after the year end and replaced with a loan to Twisted Nerve Records Limited, repayable out of the future profits.

**9. STOCKS**

	2001	2000
	£	£
Finished goods and goods for sale	92,153	23,261

**10. DEBTORS**

	2001	2000
	£	£
<b>Due within one year</b>		
Trade debtors	1,788,328	1,290,190
Amounts owed by group undertakings	-	147,871
Corporation tax repayable	-	58,621
Amounts due from joint venture	-	1,015,386
Other debtors	9,579	77,562
Prepayments and accrued income	2,460,860	2,324,692
	<u>4,258,767</u>	<u>4,914,322</u>

Included within prepayments and accrued income are amounts advanced to artistes totalling £2,393,540 (2000 – £2,289,328).

	2001	2000
	£	£
<b>Due after one year</b>		
Amounts due from joint venture	677,749	-
	<u>677,749</u>	<u>-</u>



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

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2001 £	2000 Restated £
Bank loans and overdrafts	41,081	1,143,908
Trade creditors	27,669	1,054,276
Amounts due to group undertakings	581,767	-
Other taxation and social security	89,247	106,082
Other creditors	1,455,197	9,024
Accruals and deferred income	1,990,824	1,720,594
	<u>4,185,785</u>	<u>4,033,884</u>

**12. DEFERRED TAXATION**

	2001 £	2000 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	219,000	-
Current year (credit)/charge	(23,327)	219,000
Provision carried forward	<u>195,673</u>	<u>219,000</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2001 £	2000 £
Capital allowances in respect of depreciation	(4,677)	7,796
Other – royalties	200,350	210,879
Other	-	325
	<u>195,673</u>	<u>219,000</u>

**13. 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  
Wiiiija 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.

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

**14. RELATED PARTY TRANSACTIONS**

- (a) During the year Beggars UK Limited (formerly Beggars Banquet Limited), a group company, operated in a central production and distribution role for the company. Export sales and production costs were passed through Beggars UK Limited and were transferred out to the company at the year end thus:

	2001 £	2000 £
Turnover	507,449	458,696
Cost of sales	<u>2,142,438</u>	<u>1,656,610</u>

- (b) During the year the company paid management charges as listed below to fellow group companies:

	2001 £	2000 £
Beggars Group Limited	1,087,800	623,200
Beggars UK Limited (formally Beggars Banquet Limited)	<u>496,200</u>	<u>310,800</u>
	<u>1,584,000</u>	<u>934,000</u>

- (c) At the balance sheet date the following balances from other group and related companies were owed (by) / to the company:

	2001 £	2000 £
Beggars Group Limited	(581,767)	147,871
Mowax Labels Limited	<u>677,749</u>	<u>1,015,386</u>
	<u>95,982</u>	<u>1,163,257</u>

During the year a provision was made for £600,000 on the debt owing from Mowax Labels Limited.

- (d) Included in legal and professional fees are amounts paid by XL Recordings Limited for consultancy services as follows:

	2001 £	2000 £
Junkbond Limited	-	85,000
James Lavelle	<u>-</u>	<u>85,000</u>

Both Junkbond Limited and James Lavelle are parties to the joint venture, details of which are disclosed in note 10.

- (e) During the year the company received royalties from Beggars Banquet Recordings (USA) Inc of £338,499 and in turn made a contribution to that company's overheads of £53,088

**15. TRANSACTIONS WITH THE DIRECTORS**

Included in other debtors at the balance sheet date 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.

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

**16. SHARE CAPITAL**

	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
<b>Authorised share capital:</b>		
240 A ordinary shares of £1 each	240	240
760 B ordinary shares of £1 each	760	760
	<u>1,000</u>	<u>1,000</u>

	<b>2001</b>	<b>2000</b>
<b>Allotted, called up and fully paid:</b>		
240 A ordinary shares of £1 each	240	240
760 B ordinary shares of £1 each	760	760
	<u>1,000</u>	<u>1,000</u>

**17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
(Loss) / profit for the financial year	(144,329)	21,552
Dividends	-	-
	<u>(144,329)</u>	<u>21,552</u>
Opening shareholders' equity funds	2,284,796	2,263,244
	<u>2,140,467</u>	<u>2,284,796</u>
Closing shareholders' equity funds	<u>2,140,467</u>	<u>2,284,796</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2001**
**18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES.**

	2001 £	Restated 2000 £
Operating profit	4,766	260,464
Depreciation	71,492	75,950
Loss on disposal of fixed assets	9,797	5,155
(Increase)/decrease in stocks	(68,892)	11,671
Increase in debtors	(80,815)	(2,534,599)
Increase in creditors	1,149,687	519,475
Net cash inflow/(outflow) from operating activities	<u>1,086,035</u>	<u>(1,661,884)</u>

**19. ANALYSIS AND RECONCILIATION OF CHANGES IN NET DEBT**

	At 1 January 2001 Restated £	Cash flows £	At 31 December 2001 £
Net cash:			
Cash in hand and at bank	78,412	(40,821)	37,591
Overdrafts	(1,143,908)	1,102,827	(41,081)
	<u>(1,065,496)</u>	<u>1,062,006</u>	<u>(3,490)</u>
Net debt	<u>(1,065,496)</u>	<u>1,062,006</u>	<u>(3,490)</u>

	2001 £	2000 Restated £
Increase/ (decrease) in cash in the period	1,062,006	(2,002,565)
Change in net debt resulting from cash flows	1,062,006	(2,002,565)
Net debt at 1 January	<u>(1,065,496)</u>	<u>937,069</u>
Net debt at 31 December	<u>(3,490)</u>	<u>(1,065,496)</u>

**20. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The ultimate parent company is Beggars Group Limited a company incorporated in Great Britain and registered in England and Wales. A copy of the group financial statements may be obtained from the company's registered office.

At the balance sheet date the company was controlled by Martin Mills, a director, by virtue of his shareholding in the parent company, Beggars Group Limited, as disclosed in the directors' report