

Company Registration No. 1414045

Beggars Group Limited

Report and Financial Statements

31 December 2005



Beggars Group Limited

Report and financial statements 2005

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Beggars Group Limited

Report and financial statements 2005

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 2005.

Principal activities and business review

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

With effect from 31 March 2005, Beggars Group Limited ceased to be able to exercise control over XL Recordings Limited and the investment has been classified as a joint venture.

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.

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:

	2005 £	2004 £
Dividend paid on ordinary shares	10,000	90,000

Directors and their interests

	Class of share	Number of shares	
		At 31 December 2005	At 1 January 2005
Martin Mills	Ordinary 'A'	98	98
	Ordinary 'B'	100	100
	Preferred 'C'	2	2
	(joint trustee)		
Nigel Bolt		-	-
Andrew Heath		-	-
James Wyllie		-	-

Beggars Group Limited

Directors' report

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

	Number of shares	
	At 31 December 2005	At 1 January 2005
Beggars Banquet Records Limited	24	24
Beggars UK 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.

Donations

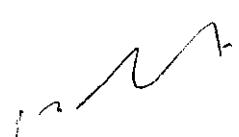
During the year the company made the following contributions:

	2005	2004
Charitable	2,172	1,650

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.

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



Nigel Bolt
Secretary
22 November 2006

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.

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 2005 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 (continued)

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 2005 and of the profit of the group for the year then ended ; and
- have been properly prepared in accordance with the Companies Act 1985.



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

30 November 2006

Beggars Group Limited

Group profit and loss account Year ended 31 December 2005

	Note	2005 £	2004 £
Group turnover	1,2	15,586,567	28,256,082
Cost of sales		(5,170,583)	(13,774,754)
Gross profit		10,415,984	14,481,328
Distribution costs		(3,220,761)	(7,629,206)
Administrative expenses		(6,291,737)	(5,166,306)
Group operating profit	3	903,486	1,685,816
Share of operating profit from joint ventures	6	1,893,644	34,931
Share of operating loss from associates	6	(66,199)	(78,897)
Loss on disposal of fixed asset investments		(465,910)	-
Total operating profit		2,265,021	1,641,850
Net finance charges	7	(55,011)	(191,482)
Profit on ordinary activities before taxation		2,210,010	1,450,368
Tax charge on profit on ordinary activities	8	(1,039,373)	(732,022)
Profit on ordinary activities after taxation		1,170,637	718,346
Equity minority interests	26	(103,805)	(125,250)
Profit for the financial year	25	1,066,832	593,096

The turnover relating to associates of the group was £423,512 (2004: £311,922).

The turnover relating to joint ventures of the group was £11,791,899 (2004: £4,974,688).

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 2005

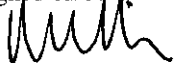
	2005 £	2004 £
Profit for the financial year	1,066,832	593,071
Dividends paid	(10,000)	(90,000)
Unrealised surplus on revaluation of investment property	195,040	-
Currency translation difference on foreign currency net investments	(42,190)	32,010
Total recognised gains and losses in the year	1,209,682	535,081

Beggars Group Limited
Group balance sheet
31 December 2005

	Note	£	2005 £	£	2004 £
Fixed assets					
Intangible assets	10		1,210,985		1,304,118
Tangible assets	11		1,416,066		2,340,157
Investments					
Investment in joint venture:					
Share of gross assets		5,256,027		2,240,431	
Share of gross liabilities		(3,346,326)		(1,115,880)	
	12	1,909,701		1,124,551	
Associated undertakings	12	81,024		69,947	
Other investments	12	895,716		679,744	
			2,886,441		1,874,242
			5,513,492		5,518,517
Current assets					
Stocks	13	206,222		565,978	
Debtors	14	3,607,453		6,337,878	
Cash at bank and in hand		2,169,027		1,434,021	
			5,982,702		8,337,877
Creditors: amounts falling due within one year	15		(5,001,295)		(8,224,084)
Net current assets			981,407		113,793
Total assets less current liabilities			6,494,899		5,632,310
Creditors: amounts falling due after more than one year	16		(61,683)		(158,710)
Provisions for liabilities and charges	17		-		(555)
Investment in joint venture:					
Share of gross assets		705,746		676,048	
Share of gross liabilities		(1,413,297)		(2,069,757)	
	17		(707,551)		(1,393,709)
Associated undertakings	17		(46,843)		(22,428)
Net assets			5,678,822		4,056,908
Capital and reserves					
Called up share capital	23		200		200
Other reserves	24		105,070		57,183
Revaluation reserve	24		195,040		-
Profit and loss account	24		5,965,127		4,950,485
Total shareholders' funds (including non-equity interests)	25		6,265,437		5,007,868
Equity minority interests	26		(586,615)		(950,960)
Total capital employed			5,678,822		4,056,908

These financial statements were approved by the Board of Directors on 22 November 2006.

Signed on behalf of the Board of Directors


Martin Mills, Director

Beggars Group Limited

Company balance sheet 31 December 2005

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	11	985,951	751,859
Investments	12	4,291,438	4,075,466
		<u>5,277,389</u>	<u>4,827,325</u>
Current assets			
Debtors – due within one year	14	948,201	1,399,757
Cash at bank and in hand		28,834	63,650
		<u>977,035</u>	<u>1,463,407</u>
Creditors: amounts falling due within one year	15	<u>(626,171)</u>	<u>(770,069)</u>
Net current assets		<u>350,864</u>	<u>693,338</u>
Total assets less current liabilities		<u>5,628,253</u>	<u>5,520,663</u>
Creditors: amounts falling due after more than one year	16	<u>(61,683)</u>	<u>(158,710)</u>
Net assets		<u>5,566,570</u>	<u>5,361,953</u>
Capital and reserves			
Called up share capital	23	200	200
Revaluation reserve	24	195,040	-
Profit and loss account	24	5,371,330	5,361,753
Total shareholders' funds (including non-equity interests)	25	<u>5,566,570</u>	<u>5,361,953</u>

These financial statements were approved by the Board of Directors on 22 November 2006.

Signed on behalf of the Board of Directors



Martin Mills
Director

Beggars Group Limited

Group cash flow statement Year ended 31 December 2005

	Note	£	2005 £	£	2004 £
Net cash inflow from operating activities	A		1,479,788		2,363,045
Returns on investments and servicing of finance					
Interest received		21,312		17,007	
Interest paid		(76,323)		(208,489)	
Dividends received from joint ventures		1,000,000		-	
Dividends paid to minority interests		-		(500,000)	
Net cash inflow/(outflow) from returns on investments and servicing of finance			944,989		(691,482)
Taxation					
Corporation tax paid		(677,282)		(398,211)	
Tax paid			(677,282)		(398,211)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(193,020)		(198,428)	
Receipts from sale of fixed assets		24,897		35,892	
Investments in associates		-		(90,000)	
Loans to joint ventures repaid		30,623		24,413	
Increase in long term loans made to associates		(246,595)		-	
Net cash outflow from investing activities			(384,095)		(228,123)
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			(10,000)		(90,000)
Cash inflow before management of liquid resources and financing			1,136,135		955,229
Increase in cash in the year	B		1,136,135		955,229

Beggars Group Limited

Notes to the group cash flow statement Year ended 31 December 2005

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

	2005 £	2004 £
Operating profit	903,486	1,685,816
Amortisation of goodwill arising on subsidiaries	93,133	93,133
Depreciation	119,415	181,348
Loss on disposal of fixed assets and investments	14,350	16,941
Provision against investments	-	(74,855)
(Gain)/loss on foreign exchange movements	(139,051)	47,667
Decrease/(increase) in stocks	78,756	(104,594)
(Increase)/decrease in debtors	(561,018)	644,250
Increase/(decrease) in creditors	970,717	(126,661)
Net cash inflow from operating activities	<u>1,479,788</u>	<u>2,363,045</u>

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

	2005 £	2004 £
Increase in cash in the period	1,136,135	955,229
Change in net debt	<u>1,136,135</u>	<u>955,229</u>
Net cash at 1 January 2005	<u>1,004,273</u>	<u>49,044</u>
Net cash at 31 December 2005	<u>2,140,408</u>	<u>1,004,273</u>

C. Analysis of changes in net debt

	At 1 January 2005 £	Cash flows £	At 31 December 2005 £
Net cash:			
Cash in hand and at bank	1,434,021	735,006	2,169,027
Overdrafts	(429,748)	401,129	(28,619)
Net cash	<u>1,004,273</u>	<u>1,136,135</u>	<u>2,140,408</u>

Beggars Group Limited

Notes to the accounts

Year ended 31 December 2005

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 £9,577 (2004: £238,880).

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 2005

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 2005

2. Turnover

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

	2005 £	2004 £
Sales and distribution of compact discs, records and tapes	13,398,164	23,551,954
Royalties receivable	2,188,403	4,704,128
	<u>15,586,567</u>	<u>28,256,082</u>

Turnover is analysed by geographical markets, as follows:

	2005 £	2004 £
UK	10,967,409	16,831,271
Rest of World	4,619,158	11,424,811
	<u>15,586,567</u>	<u>28,256,082</u>

With effect from 31 March 2005, the group's interest in XL Recordings Limited ceased to be an investment in a subsidiary undertaking and became an investment in a joint venture. Prior to this date, the turnover and results of XL Recordings Limited have been included in the profit and loss account within continuing operations. After that date, the group's share of the results of XL Recordings Limited have been included within the group's profit and loss account within continuing operations, as detailed in note 12.

3. Operating profit

	2005 £	2004 £
Operating profit is stated after charging/(crediting):		
Amortisation	93,133	93,133
Depreciation	119,415	181,348
Loss on disposal of fixed assets	14,530	16,941
Auditors' remuneration – group and company: - audit	110,000	80,000
Operating lease costs:		
Land and buildings	73,227	93,764
Net (gain)/loss on foreign currency translation	<u>(118,075)</u>	<u>147,189</u>

Beggars Group Limited

Notes to the accounts

Year ended 31 December 2005

4. Information regarding employees

	2005 No.	2004 No.
Average number of persons employed (including directors)		
Administration	71	71
Management	9	10
	<u>80</u>	<u>81</u>

The aggregate payroll costs of the above were:

	£	£
Staff costs during the year		
Wages and salaries	3,405,364	3,557,419
Social security costs	389,003	435,577
Pension costs	-	27,900
	<u>3,794,367</u>	<u>4,020,896</u>

5. Directors' emoluments

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

	2005 £	2004 £
Emoluments	<u>1,360,270</u>	<u>1,308,139</u>
Emoluments of highest paid director		
Emoluments	<u>593,648</u>	<u>500,905</u>

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

	2005 £	2004 £
Net share of operating loss – Associates	(66,199)	(78,897)
Net share of operating profit – Joint ventures	<u>1,893,644</u>	<u>34,931</u>
	<u>1,827,445</u>	<u>(43,966)</u>

The share of the operating losses of the associates relates to Bidcall Limited - £36,722; Nation Records Limited - £5,391; and Consolidated Independent Limited - £24,086.

The share of the operating profits/(losses) in joint ventures relates to Mowax Labels Limited - £13,641; Remote Control Records Pty Limited - £21,162; Matador Recordings LLC - (£165,113); Matador Records Limited - (£196,250); Popstock Distributiones, S. L. - (£93,028); and XL Recordings Limited - £2,313,232.

Beggars Group Limited

Notes to the accounts Year ended 31 December 2005

7. Finance charges (net)

	2005 £	2004 £
Interest receivable and similar income		
Interest receivable – bank interest	21,312	17,007
Interest payable and similar charges		
Interest payable on bank borrowing	(44,791)	(146,558)
Other similar charges payable	(31,532)	(61,931)
	<u>(55,011)</u>	<u>(191,482)</u>

8. Tax charge on profit on ordinary activities

(a) Analysis of charge in period

	2005 £	2004 £
<i>Current Taxation</i>		
UK corporation tax for the year	(241,895)	(439,939)
Adjustment in respect of prior years	20,302	(283,503)
Double tax relief	48,198	22,037
	<u>(173,395)</u>	<u>(701,405)</u>
Group relief	(63,149)	(40,556)
Foreign tax for current period	(96,894)	11,743
Share of joint ventures' tax	(705,935)	392
	<u>(1,039,373)</u>	<u>(729,826)</u>
<i>Deferred tax</i>		
Timing differences, origination and reversal	-	(2,196)
	<u>-</u>	<u>(2,196)</u>
Total current tax charge on profit on ordinary activities	<u>(1,039,373)</u>	<u>(732,022)</u>

Beggars Group Limited

Notes to the accounts Year ended 31 December 2005

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

(b) Factors affecting tax charge for period

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

	2005 £	2004 £
Profit on ordinary activities before tax	2,281,070	1,450,368
Tax charge on ordinary activities at standard rate of tax of 30%	(684,321)	(435,110)
<i>Factors affecting charge for the period:</i>		
Expenses not deductible for tax purposes	(51,048)	(31,546)
Capital allowances for period in excess of depreciation	6,657	(30,952)
Overseas tax losses not used	-	(13,193)
Movement in short term timing differences	383,245	10,519
Tax losses utilised	28,691	25,251
Marginal relief	12,421	7,475
Foreign tax expensed	(49,042)	21,233
Prior period adjustments	19,959	(283,503)
Total actual amounts of current tax	(333,438)	(729,826)

(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 £53,091. 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:

	2005 £	2004 £
Dividends paid on ordinary equity shares of £0.50 (2004: £454.54) per share	10,000	90,000

Beggars Group Limited

Notes to the accounts Year ended 31 December 2005

10. Intangible fixed assets

Group	Goodwill £
Cost	
At 1 January 2005 and 31 December 2005	<u>1,862,650</u>
Amortisation	
At 1 January 2005	558,532
Charge for the year	<u>93,133</u>
At 31 December 2005	<u>651,665</u>
Net book value	
At 31 December 2005	<u>1,210,985</u>
At 31 December 2004	<u>1,304,118</u>

Beggars Group Limited

Notes to the accounts Year ended 31 December 2005

11. Tangible fixed assets

Group	Land and buildings £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2005	2,316,526	679,574	270,164	3,266,264
Exchange differences	340	5,013	-	5,353
Additions	-	136,030	56,990	193,020
Revaluation	195,040	-	-	195,040
Disposals	(1,167,291)	(264,548)	(138,784)	(1,570,623)
At 31 December 2005	1,344,615	556,069	188,370	2,089,054
Depreciation				
At 1 January 2005	370,607	454,903	100,597	926,107
Exchange differences	53	4,789	-	4,842
Charge for the year	26,346	60,560	32,509	119,415
Disposals	(147,589)	(188,212)	(41,575)	(377,376)
At 31 December 2005	249,417	332,040	91,531	672,988
Net book value				
At 31 December 2005	1,095,198	224,029	96,839	1,416,066
At 31 December 2004	1,945,919	224,671	169,567	2,340,157

Group – Land and buildings	Investment properties £	Freehold properties £	Leasehold properties £	Total £
Cost or valuation				
At 1 January 2005	164,960	1,966,666	184,900	2,316,526
Exchange differences	-	-	340	340
Revaluation	195,040	-	-	195,040
Disposals	-	(1,167,291)	-	(1,167,291)
At 31 December 2005	360,000	799,375	185,240	1,344,615
Depreciation				
At 1 January 2005	-	343,136	27,471	370,607
Exchange differences	-	-	53	53
Charge for the year	-	21,824	4,522	26,346
Disposals	-	(147,589)	-	(147,589)
At 31 December 2005	-	217,371	32,046	249,417
Net book value				
At 31 December 2005	360,000	582,004	153,194	1,095,198
At 31 December 2004	164,960	1,623,530	157,429	1,945,919

Beggars Group Limited

Notes to the accounts Year ended 31 December 2005

11. Tangible fixed assets (continued)

Company	Land and buildings £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2005	655,529	366,852	93,743	1,116,124
Additions	-	115,778	-	115,778
Revaluation	195,040	-	-	195,040
Disposals	-	(29,497)	-	(29,497)
At 31 December 2005	850,569	453,133	93,743	1,397,445
Depreciation				
At 1 January 2005	103,857	234,070	26,338	364,265
Charge for the year	10,621	43,982	16,851	71,454
Disposals	-	(24,225)	-	(24,225)
At 31 December 2005	114,478	253,827	43,189	411,494
Net book value				
At 31 December 2005	736,091	199,306	50,554	985,951
At 31 December 2004	551,672	132,782	67,405	751,859

Company – Land and buildings	Investment properties £	Freehold properties £	Leasehold properties £	Total £
Cost or valuation				
At 1 January 2005	164,960	309,734	180,835	655,529
Revaluation	195,040	-	-	195,040
At 31 December 2005	360,000	309,734	180,835	850,569
Depreciation				
At 1 January 2005	-	77,013	26,844	103,857
Charge for the year	-	6,195	4,426	10,621
At 31 December 2005	-	83,208	31,270	114,478
Net book value				
At 31 December 2005	360,000	226,526	149,565	736,091
At 31 December 2004	164,960	232,721	153,991	551,672

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 2005

12. Investments

Group	Associates £	Joint ventures £	Other investments £	Total £
Cost				
At 1 January 2005	69,947	1,124,551	679,744	1,874,242
Additions	-	1,187,247	246,595	1,433,842
Increase/(reduction) in value (see below)	11,077	(402,097)	-	(391,020)
Loans to associates repaid	-	-	(30,623)	(30,623)
At 31 December 2005	81,024	1,909,701	895,716	2,886,441
Net book value				
At 31 December 2005	81,024	1,909,701	895,716	2,886,441
At 31 December 2004	69,947	1,124,551	679,744	1,874,242

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 £1,990,725 and associates and joint ventures in a net liabilities position (including unamortised goodwill) of £754,394 (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 2005	47,519	(553,450)	(505,931)
Additions	4,974	1,187,247	1,192,221
Share of retained (loss)/profit for the year	(66,199)	198,298	132,099
Proceeds from issue of shares	47,887	-	47,887
Foreign currency translation movements	-	96,352	96,352
	34,181	928,447	962,628
Goodwill			
At 1 January 2005	-	284,292	284,292
Amortisation	-	(10,589)	(10,589)
At 31 December 2005	-	273,703	273,703
Net book value			
At 31 December 2005	34,181	1,202,150	1,236,331
At 31 December 2004	47,519	(269,158)	(221,639)

Beggars Group Limited

Notes to the accounts Year ended 31 December 2005

12. Investments (continued)

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

	2005 £	2004 £
Fixed Assets	1,854,153	1,291,940
Current Assets	4,107,620	1,624,532
Liabilities due within one year	(4,467,075)	(3,121,792)
Liabilities due after one year or more	(292,548)	(63,838)

Additional disclosures are given in respect of XL Recordings Limited, which exceeds certain thresholds under Financial Reporting Standard 9 "Associates and Joint Ventures". The group's share of XL Recordings Limited is as follows:

	2005 £
Turnover	10,184,448
Profit before tax	2,313,232
Taxation	(705,935)
Profit after tax	1,607,297
Fixed Assets	556,774
Current Assets	2,415,111
Share of gross assets	2,971,885
Liabilities due within one year	(2,128,039)
Share of gross liabilities	(2,128,039)
Share of net assets	843,846

Beggars Group Limited

Notes to the accounts

Year ended 31 December 2005

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 2005.

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%
Wiiija Records Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	76%
Mantra Recordings Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	76%
Too Pure Limited	Production and exploitation of sound recordings	England and Wales	Ordinary	76%
Beggars 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%

Beggars Group Limited

Notes to the accounts Year ended 31 December 2005

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%
Bidcall Limited	Holding company	England and Wales	Ordinary	47.29%
Playlouder Limited	Promotion and exploitation of new music media rights	England and Wales	Ordinary	47.29%
Consolidated Independent Limited	Provision of information technology services	England and Wales	Ordinary	Indirect 29.19%
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	Indirect 50%
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 2005. The consolidated accounts include interim accounts for the year ended 31 December 2005.

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 2005. The consolidated accounts include interim accounts for the period ended 31 December 2005.

The other parties to the joint venture in Mowax Labels Limited are James Lavelle and Junkbond Limited.

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

XL Recordings Limited became a joint venture with effect from 31 March 2005, when 520 ordinary shares held by Beggars Group Limited were converted into 520 deferred shares, which do not carry a right to dividend, repayment of capital or voting entitlement. As a result of the conversion of these shares, Beggars Group Limited ceased to be able to exercise control over XL Recordings Limited and the investment has been classified as a joint venture.

Beggars Group Limited

Notes to the accounts Year ended 31 December 2005

12. Investments (continued)

Company	Subsidiary companies £	Associated undertakings and joint ventures £	Other investments £	Total £
Cost				
At 1 January 2005	2,240,430	1,362,700	605,096	4,208,226
Additions	-	-	246,595	246,595
Transfers	(760)	760	-	-
Disposals	-	-	(30,623)	(30,623)
At 31 December 2005	2,239,670	1,363,460	821,068	4,424,198
Amounts written off				
At 1 January and 31 December 2005	1,764	130,996	-	132,760
Net book value				
At 31 December 2005	2,237,906	1,232,464	821,068	4,291,438
At 31 December 2004	2,238,666	1,231,704	605,096	4,075,466

On 31 March 2005, XL Recordings Limited ceased to be a subsidiary, and became a joint venture. XL Recordings joint venture in Mowax Labels Limited was also deemed to have been disposed of by the group at this date. The net assets of XL Recordings Limited as at the date of disposal were:

Net assets disposed of :	£
Fixed assets	1,154,500
Stocks	281,000
Debtors	2,429,600
Cash & bank	217,265
Creditors	(3,609,270)

The net loss realised by the group as a result of the disposal of XL Recordings Limited, and its joint venture Mowax Labels Limited, and the acquisition by the group of the joint venture in XL Recordings was £465,910.

The profit attributable to the members of the parent company includes profits of £184,171 relating to XL Recordings Limited up to the date of its disposal.

During the period XL Recordings Limited contributed £184,000 to the group's net operating cashflows, received £3,000 in respect of net returns on investments and servicing of finance, paid £9,000 in respect of taxation and utilised £39,000 for capital expenditure and financial investment.

The contribution of Mowax Labels Limited to the share of operating profits to the 31 March 2005 and of XL Recordings Limited from 1 April 2005 are disclosed in note 6.

Beggars Group Limited

Notes to the accounts Year ended 31 December 2005

13. Stocks

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Finished goods and goods for resale	206,222	565,978	-	-

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

14. Debtors

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Trade debtors	764,070	2,168,961	16,740	51,384
Amounts owed by subsidiary undertakings	-	-	133,450	907,145
Amounts owed by associated undertakings and joint ventures	778,161	1,282,480	629,607	222,580
Other debtors	1,810,028	1,684,382	140,942	191,814
Prepayments and accrued income	255,194	1,202,055	27,462	26,834
	<u>3,607,453</u>	<u>6,337,878</u>	<u>948,201</u>	<u>1,399,757</u>

Included in the amounts owed by joint ventures in the Group balance sheet is £nil due after more than one year (2004: £925,000).

15. Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans and overdrafts	28,619	429,748	14,367	-
Trade creditors	1,556,316	976,334	25,728	23,460
Other taxation and social security	225,838	467,119	148,621	267,287
Corporation tax	136,025	1,039,346	-	163,990
Other creditors	2,759,893	3,383,702	142,851	91,674
Accruals and deferred income	294,604	1,927,835	294,604	223,658
	<u>5,001,295</u>	<u>8,224,084</u>	<u>626,171</u>	<u>770,069</u>

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

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans and overdrafts	28,619	429,748	14,367	-

Security

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

Beggars Group Limited

Notes to the accounts Year ended 31 December 2005

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

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Other creditors	61,683	158,710	61,683	158,710

Included within other creditors is an amount of £158,709 (2004: £249,074) of which £97,025 (2004: £90,364) 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 is due to be repaid by 27 August 2007.

17. Provisions for liabilities and charges

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Deferred tax (note 18)	-	555	-	-
Shares of net liabilities of associates	46,843	22,428	-	-
Shares of net liabilities of joint ventures	707,551	1,393,709	-	-
Provision carried forward	754,394	1,416,692	-	-

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

In 2005 the above share of liabilities in joint ventures has arisen on the holdings in Popstock Distributiones, S. L. and Matador Records Limited. In 2004, the share of liabilities in joint ventures also included those arising on the holding in Mowax Labels Limited.

In 2005 and 2004 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	
	2005	2004	2005	2004
	£	£	£	£
Provision brought forward	555	555	-	-
Decrease in provision on disposal of subsidiary	(555)	-	-	-
Provision carried forward	-	555	-	-
Depreciation in excess of capital allowances	-	555	-	-
	-	555	-	-

Beggars Group Limited

Notes to the accounts Year ended 31 December 2005

19. Commitments under operating leases

At 31 December 2005 the group had annual commitments under non-cancellable operating leases as follows:

Group	Land and buildings	
	2005	2004
	£	£
Operating leases which expire:		
Within one year	-	-
Within two to five years	9,250	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 8 February 2000 over the £3m 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
Wiiiija Records Limited
4AD 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:

£105,322 (2004: £309,730) was paid to James Wyllie and Andrew Heath, directors, either directly or through companies in which they had an interest, in respect of professional fees and consultancy services.

During the year, £10,000 (2004: £12,000) was paid to 4AD Music Limited for overheads. Balances of £55,345 (2004: £105,000) are outstanding at the year end relating to 4AD Music Limited. This company is owned by Andrew Heath and Martin Mills, directors.

£17,500 (2004: £35,000) was paid by Hero Music Limited to the group as overhead contribution. As at 31 December 2005 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 2005 was a loan of £50,221 (2004: £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 2005 of £7,127 (2004: £630).

Beggars Group Limited

Notes to the accounts

Year ended 31 December 2005

22. Related party transactions

At 31 December 2005, the company had related party balances as follows:

During the year, rent of £57,000 (2004: £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 £14,035 (2004: £18,813) and the balance outstanding at the year end was £158,709 (2004: £249,074) and is included within other creditors.

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

	2005		2004	
	Turnover	Costs	Turnover	Costs
	£	£	£	£
Mowax Labels Limited	1,653	5,735	4,089	7,107
Matador Records Limited	72,639	336,600	72,418	315,998
XL Recordings Limited	546,444	3,652,429	496,697	2,821,881
Nation Records Limited	2,412	2,910	14,553	9,722

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

	2005	2004
	£	£
Mowax Labels Limited	17,000	16,000
Matador Records Limited	337,100	317,000
XL Recordings Limited	2,213,600	2,046,800

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

	2005	2004
	£	£
Amounts due from:		
Mowax Labels Limited	-	1,847,643
Matador Records Limited	96,174	224,261
XL Recordings Limited	571,582	488,127
Nation Records Limited	-	4,330

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:

	2005		2004	
	Royalties	Overheads	Royalties	Overheads
	£	£	£	£
Mowax Labels Limited	7,781	1,171	4,738	485
XL Recordings Limited	346,784	88,069	284,419	28,696

Beggars Group Limited

Notes to the accounts

Year ended 31 December 2005

22. Related party transactions (continued)

During the year, payments were made to Remote Control Records Pty Limited of £96,028 (2004: £76,654) in respect of marketing and £138,490 (2004: £108,413) in respect of commission

At the year end the group was owed £380,626 (2004 - £212,090) by Popstock Distribuciones SL in respect of distributed sales.

23. Share capital

	2005 No.	2005 £	2004 No.	2004 £
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>
	2005 No.	2005 £	2004 No.	2004 £
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 2005

24. Reserves

Group	Profit and loss account £	Other reserves £	Revaluation reserve £	Total £
Opening balance	4,950,485	57,183	-	5,007,668
Issue of shares by associate	-	47,887	-	47,887
Surplus arising on revaluation of tangible fixed assets	-	-	195,040	195,040
Currency translation difference on foreign currency net investments	(42,190)	-	-	(42,190)
Retained profit for the year	1,056,832	-	-	1,056,832
Balance carried forward	5,965,127	105,070	195,040	6,265,237

Company	Revaluation reserve £	Profit and loss account £
Opening balance	-	5,361,753
Retained profit for the year	-	19,577
Dividends paid	-	(10,000)
Surplus arising on revaluation of tangible fixed assets	195,040	-
Balance carried forward	195,040	5,371,330

25. Reconciliation of movement in shareholders' funds

Group	2005 £	2004 £
Equity shareholders' funds		
Profit for the financial year	1,066,832	593,096
Issue of shares by associate	47,887	29,012
Dividends paid	(10,000)	(90,000)
Surplus arising on revaluation of tangible fixed assets	195,040	-
Currency translation difference on foreign currency net investments	(42,190)	32,010
	1,257,569	564,118
Opening shareholders' equity funds	5,007,866	4,443,748
Closing shareholders' equity funds	6,265,435	5,007,866
Non-equity shareholders' funds		
Opening and closing shareholders' non-equity funds	2	2
Total shareholders' funds	6,265,437	5,007,868

Beggars Group Limited

Notes to the accounts

Year ended 31 December 2005

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

Company	2005 £	2004 £
Equity shareholders' funds		
Profit for the financial year	19,577	328,880
Dividends paid	(10,000)	(90,000)
Surplus arising on revaluation of tangible fixed assets	195,040	-
	<u>204,617</u>	<u>238,880</u>
Opening shareholders' equity funds	<u>5,361,951</u>	<u>5,123,071</u>
Closing shareholders' equity funds	<u><u>5,566,568</u></u>	<u><u>5,361,951</u></u>
Non-equity shareholders' funds		
Opening and closing shareholders' non-equity funds	<u>2</u>	<u>2</u>
Total shareholders' funds	<u><u>5,566,570</u></u>	<u><u>5,361,953</u></u>

26. Equity minority interests

	2005 £
Reconciliation of minority interests during the year	
At 1 January 2004	(950,960)
Reduction arising on disposal of investments	260,540
Minority interest share of retained profits for year	103,805
At 31 December 2005	<u><u>(586,615)</u></u>

27. Controlling party

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