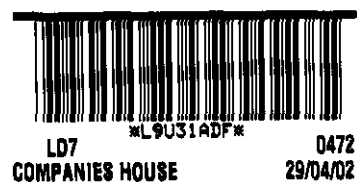


Registered no. 1414045

**BEGGARS GROUP LIMITED AND
SUBSIDIARY
COMPANIES**

FINANCIAL STATEMENTS

**YEAR ENDED
31 DECEMBER 2000**



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

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

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BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Martin Mills
Nigel Bolt
Andrew Heath
James Wyllie

Company secretary

Nigel Bolt

Auditors

Lubbock Fine
Chartered Accountants
& Registered Auditors
Russell Bedford House
City Forum, 250 City Road
London EC1V 2QQ

Bankers

Coutts & Co
440 Strand
London
WC2R 0QS

Solicitors

Morgan Cole
Buxton Court
3 West Way
Oxford OX2 0SZ

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2000

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

During the year, the company changed its name from Beggars Banquet Group Limited to Beggars Group Limited.

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

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:

	2000 £	1999 £
Dividend paid on ordinary shares	<u>18,100</u>	<u>-</u>

THE 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:

	Class of share	At 31 December 2000	At 1 January 2000
Martin Mills	'A' Ordinary	98	98
	'B' Ordinary	100	100
	'C' Preferred (joint trustee)	2	2
Nigel Bolt		-	-
Andrew Heath		-	-
James Wyllie		<u>-</u>	<u>-</u>

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

	At 31 December 2000	At 1 January 2000
Beggars Banquet Records Limited	24	24
Beggars Banquet Music Limited	24	24
Beggars Banquet Retail Limited	7,560	7,560
Beggars Banquet Limited	24	24
Mantra Recordings Limited	<u>24</u>	<u>24</u>

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.

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

THE DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 2000

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group at the end of the year and of the group's profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 10 to 11, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DONATIONS

During the year the company made the following contributions:

	2000	1999
	£	£
Charitable	<u>1,000</u>	<u>7,369</u>

POST BALANCE SHEET EVENT

On 1 January 2001, the company sold its holding in Beggars Banquet Music Limited.

AUDITORS

A resolution to re-appoint Lubbock Fine as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

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

Signed by order of the directors

Nigel Bolt
Company Secretary

Approved by the directors on 5.4.02

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 DECEMBER 2000

We have audited the financial statements on pages 5 to 23 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 to 11.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 3, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 and of the group as at 31 December 2000 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.


Lubbock Fine
Chartered Accountants
& Registered Auditors

Date: 29/1/02

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

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES**GROUP PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 DECEMBER 2000**

	Note	2000 £	1999 £
GROUP TURNOVER	2	21,246,134	16,165,923
Cost of sales		12,522,010	8,928,845
GROSS PROFIT		<u>8,724,124</u>	<u>7,237,078</u>
Distribution costs		3,033,507	2,343,417
Administrative expenses		5,450,256	4,429,511
Other operating income	3	(410,828)	(485,288)
OPERATING PROFIT	4	<u>651,189</u>	<u>949,438</u>
Share of losses from other fixed asset investments	7	(358,110)	(258,554)
Interest receivable and similar income		42,818	110,829
Interest payable and similar charges	8	(10,377)	(6,215)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>325,520</u>	<u>795,498</u>
Tax on profit on ordinary activities	9	(169,443)	(204,696)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>156,077</u>	<u>590,802</u>
Minority interests		(144,050)	202,563
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	10	<u>300,127</u>	<u>388,239</u>
Dividends	11	18,100	-
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>282,027</u>	<u>388,239</u>

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.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and loss account.

The notes on pages 10 to 25 form part of these financial statements.


BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

GROUP BALANCE SHEET

31 DECEMBER 2000

	Note	£	2000 £	£	1999 £
FIXED ASSETS					
Intangible assets	12		1,676,650		1,769,650
Tangible assets	13		2,666,805		2,586,177
Investments	14		204,905		1,120
			<u>4,548,360</u>		<u>4,356,947</u>
CURRENT ASSETS					
Stocks	15	533,850		394,364	
Debtors	16	8,278,392		5,373,032	
Cash at bank and in hand		20,621		1,740,829	
		<u>8,832,863</u>		<u>7,508,225</u>	
CREDITORS: Amounts falling due within one year	17	<u>(5,196,914)</u>		<u>(4,601,646)</u>	
NET CURRENT ASSETS			<u>3,635,949</u>		<u>2,906,579</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>8,184,309</u>		<u>7,263,526</u>
CREDITORS: Amounts falling due after more than one year	18		<u>(2,791,610)</u>		<u>(1,898,669)</u>
			<u>5,392,699</u>		<u>5,364,857</u>
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	20		<u>(315,861)</u>		<u>(195,019)</u>
			<u>5,076,838</u>		<u>5,169,838</u>
MINORITY INTERESTS			<u>(130,312)</u>		<u>(505,339)</u>
			<u>4,946,526</u>		<u>4,664,499</u>
CAPITAL AND RESERVES					
Called-up share capital	25		200		200
Other reserves	26		28,171		28,171
Profit and loss account	26		4,918,155		4,636,128
SHAREHOLDERS' FUNDS (including non-equity interests)	27		<u>4,946,526</u>		<u>4,664,499</u>

These financial statements were approved by the directors on the 5.1.2001....., and are signed on their behalf by:


.....
Director

The notes on pages 10 to 25 form part of these financial statements.


BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

COMPANY BALANCE SHEET

31 DECEMBER 2000

	Note	£	2000 £	£	1999 £
FIXED ASSETS					
Tangible assets	13		789,959		690,757
Investments	14		2,298,647		2,257,756
			<u>3,088,606</u>		<u>2,948,513</u>
CURRENT ASSETS					
Debtors	16	2,474,166		2,328,608	
Cash at bank and in hand		<u>339,440</u>		<u>43,790</u>	
		2,813,606		2,372,398	
CREDITORS: Amounts falling due within one year	17	<u>(483,242)</u>		<u>(934,169)</u>	
NET CURRENT ASSETS			<u>2,330,364</u>		<u>1,438,229</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			5,418,970		4,386,742
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	20		<u>(11,000)</u>		<u>(15,096)</u>
			<u>5,407,970</u>		<u>4,371,646</u>
CAPITAL AND RESERVES					
Called-up share capital	25		200		200
Profit and loss account	26		5,407,770		4,371,446
SHAREHOLDERS' FUNDS (including non-equity interests)			<u>5,407,970</u>		<u>4,371,646</u>

These financial statements were approved by the directors on the5.12.2000....., and are signed on their behalf by:


.....
Director

The notes on pages 10 to 25 form part of these financial statements.

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

GROUP CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2000

	£	2000 £	£	1999 £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(1,455,091)		911,550
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	42,818		110,829	
Interest paid	(10,377)		(6,215)	
Dividends paid to minority interest	(21,600)		(240,000)	
NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		10,841		(135,386)
TAXATION				
Corporation Tax paid	(195,718)		(216,510)	
TAXES PAID		(195,718)		(216,510)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Payments to acquire tangible fixed assets	(353,177)		(517,897)	
Receipts from sale of fixed assets	61,656		49,591	
Acquisition of investments	(353,785)		(1,120)	
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(645,306)		(469,426)
ACQUISITIONS AND DISPOSALS				
Acquisition of shares in group undertakings	(38,803)		(2,124,759)	
Net cash acquired with subsidiaries	-		194,778	
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS		(38,803)		(1,929,981)
MANAGEMENT OF LIQUID RESOURCES				
Sale of current asset investment	-		85,081	
NET CASH INFLOW FROM MANAGEMENT OF LIQUID RESOURCES		-		85,081
EQUITY DIVIDENDS PAID		(18,100)		-
CASH OUTFLOW BEFORE FINANCING		(2,342,177)		(1,754,672)
FINANCING				
Net inflow from long-term accruals	534,831		443,285	
NET CASH INFLOW FROM FINANCING		534,831		443,285
DECREASE IN CASH		(1,807,346)		(1,311,387)

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

GROUP CASH FLOW STATEMENT (continued)

YEAR ENDED 31 DECEMBER 2000

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating profit	659,689	949,438
Amortisation	93,000	93,000
Depreciation	204,546	172,184
Loss/(Profit) on disposal of fixed assets	3,765	(16,162)
Increase in stocks	(139,486)	(6,561)
Increase in debtors	(2,905,360)	(1,004,547)
Increase in creditors	628,755	724,198
Net cash (outflow)/inflow from operating activities	<u>(1,455,091)</u>	<u>911,550</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£	2000 £	£	1999 £
Decrease in cash in the period	(1,807,346)		(1,311,387)	
Net cash (inflow)/outflow from other long-term creditors	(358,110)		(236,274)	
Net cash inflow from long-term accruals	(534,831)		(443,285)	
Cash used to decrease liquid resources	-		(61,024)	
		<u>(2,700,287)</u>		<u>(2,051,970)</u>
Change in net debt		(2,700,287)		(2,051,970)
Net debt at 1 January 2000		(157,840)		1,894,130
Net debt at 31 December 2000		<u>(2,858,127)</u>		<u>(157,840)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2000 £	Cash flows £	At 31 Dec 2000 £
Net cash:			
Cash in hand and at bank	1,740,829	(1,720,208)	20,621
Overdrafts	-	(87,138)	(87,138)
	<u>1,740,829</u>	<u>(1,807,346)</u>	<u>(66,517)</u>
Debt:			
Debt due after 1 year	(1,898,669)	(892,941)	(2,791,610)
Net debt	<u>(157,840)</u>	<u>(2,700,287)</u>	<u>(2,858,127)</u>

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

1. ACCOUNTING POLICIES

Basis of accounting

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

Basis of consolidation

The consolidated accounts incorporate the accounts of the company and all group undertakings, together with the group's share of the net assets and results of associated undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five 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.

Turnover

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

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 Artists

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

Amortisation

Amortisation 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:

Goodwill	20 years straight line
----------	------------------------

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 property	2% on cost
Leasehold property	In equal annual instalments over the period of the lease
Fixtures and fittings	20% and 25% per annum on a reducing balance method
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.

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2000****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.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the Profit and loss account.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

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.

2. TURNOVER

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

	2000 £	1999 £
Sales and distribution of compact discs, records and tapes	11,212,523	9,568,203
Royalties receivable	10,033,611	6,597,720
	<u>21,246,134</u>	<u>16,165,923</u>

Turnover is analysed by geographical markets, as follows:

	2000 £	1999 £
U.K.	12,175,932	9,119,668
Rest of World	9,070,202	7,046,255
	<u>21,246,134</u>	<u>16,165,923</u>

3. OTHER OPERATING INCOME

	2000 £	1999 £
Rent receivable	549	10,463
Other operating income	410,279	474,825
	<u>410,828</u>	<u>485,288</u>

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2000	1999
	£	£
Amortisation	93,000	93,000
Depreciation	204,546	172,184
Loss/(profit) on disposal of fixed assets	3,765	(16,162)
Auditors' remuneration		
- as auditors	58,275	64,200
- for other services	18,750	27,867
Operating lease costs:		
Land and buildings	86,186	76,650
Plant and equipment	4,967	4,959
Net loss/(profit) on foreign currency translation	(73,389)	(23,406)
Net exceptional items (see below)	<u>45,500</u>	<u>-</u>

Exceptional items

a) During the year the Beggar's Banquet Music Limited received £554,500 after costs from Universal Music Publishing Limited in consideration for their rights to the net profit share agreement with Universal Music Publishing Limited (formerly PolyGram Music Publishing Limited).

b) XL Recordings Limited made a bad debt provision of £600,000 during the year against the balance due from the joint venture company, Mowax Labels Limited.

5. PARTICULARS OF EMPLOYEES

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

	2000	1999
	No.	No.
Number of administrative staff	60	50
Number of management staff	12	11
	<u>72</u>	<u>61</u>

The aggregate payroll costs of the above were:

	2000	1999
	£	£
Wages and salaries	2,243,316	1,977,975
Social security costs	209,474	225,446
Other pension costs	4,333	3,663
	<u>2,457,123</u>	<u>2,207,084</u>

6. DIRECTORS' EMOLUMENTS

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

	2000	1999
	£	£
Emoluments receivable	<u>399,141</u>	<u>353,995</u>

Emoluments of highest paid director:

	2000	1999
	£	£
Total emoluments (excluding pension contributions):	<u>310,109</u>	<u>294,201</u>

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

7. SHARE OF LOSSES FROM OTHER FIXED ASSET INVESTMENTS

	2000 £	1999 £
Share of operating profit / (loss) - Associate	(6,018)	(9,042)
Share of operating profit / (loss) - Joint venture	(352,092)	(249,512)
	<u>(358,110)</u>	<u>(258,554)</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
Interest payable on bank borrowing	-	6,172
Other similar charges payable	10,377	43
	<u>10,377</u>	<u>6,215</u>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
UK Taxation		
In respect of the year:		
Corporation Tax based on the results for the year at 30% (1999 - 30%)	12,157	300,820
Consortium relief	100,691	104,369
Withholding tax	71,832	15,005
Joint venture	(38,049)	(39,535)
Increase/(Decrease) in deferred tax provision (Note 20):		
Capital allowances	(4,096)	10,938
Timing differences on royalties	124,938	(258,923)
	<u>120,842</u>	<u>(247,985)</u>
	267,473	132,674
Adjustment in respect of previous years:		
Corporation Tax	(98,331)	72,022
	169,142	204,696
Foreign tax		
Current tax on income for the year	301	-
	<u>169,443</u>	<u>204,696</u>

The consortium relief was relieved from Mowax Labels Limited.

10. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £1,054,423 (1999 - £1,296,698).

11. DIVIDENDS

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

	2000 £	1999 £
Dividend paid on ordinary shares	<u>18,100</u>	<u>-</u>

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

12. INTANGIBLE FIXED ASSETS

Group	Goodwill £
COST	
At 1 January 2000 and 31 December 2000	<u>1,862,650</u>
AMORTISATION	
At 1 January 2000	93,000
Charge for the year	<u>93,000</u>
At 31 December 2000	<u>186,000</u>
NET BOOK VALUE	
At 31 December 2000	<u>1,676,650</u>
At 31 December 1999	<u>1,769,650</u>

The goodwill is due to the acquisition of a further 50% shareholding in 4 AD Limited and its subsidiary 4 AD US Inc for £2,124,835 in 1999.

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

13. TANGIBLE FIXED ASSETS

Group	Freehold & Leasehold Property £	Equipment, Fixtures & Fittings £	Motor Vehicles £	Total £
COST				
At 1 January 2000	2,101,883	947,260	287,666	3,336,809
Additions	185,000	68,586	99,591	353,177
Disposals	-	(58,371)	(140,576)	(198,947)
At 31 December 2000	<u>2,286,883</u>	<u>957,475</u>	<u>246,681</u>	<u>3,491,039</u>
DEPRECIATION				
At 1 January 2000	153,823	485,207	111,602	750,632
Charge for the year	42,686	109,770	52,090	204,546
On disposals	-	(49,100)	(81,844)	(130,944)
At 31 December 2000	<u>196,509</u>	<u>545,877</u>	<u>81,848</u>	<u>824,234</u>
NET BOOK VALUE				
At 31 December 2000	<u>2,090,374</u>	<u>411,598</u>	<u>164,833</u>	<u>2,666,805</u>
At 31 December 1999	<u>1,948,060</u>	<u>462,053</u>	<u>176,064</u>	<u>2,586,177</u>

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

13. TANGIBLE FIXED ASSETS (*continued*)

Company	Freehold & Leasehold Property £	Equipment, Fixtures & Fittings £	Motor Vehicles £	Total £
COST				
At 1 January 2000	499,879	524,094	64,079	1,088,052
Additions	145,000	26,901	-	171,901
Disposals	-	-	(5,000)	(5,000)
At 31 December 2000	<u>644,879</u>	<u>550,995</u>	<u>59,079</u>	<u>1,254,953</u>
DEPRECIATION				
At 1 January 2000	56,324	311,807	29,164	397,295
Charge for the year	6,699	50,415	14,770	71,884
On disposals	-	-	(4,185)	(4,185)
At 31 December 2000	<u>63,023</u>	<u>362,222</u>	<u>39,749</u>	<u>464,994</u>
NET BOOK VALUE				
At 31 December 2000	<u>581,856</u>	<u>188,773</u>	<u>19,330</u>	<u>789,959</u>
At 31 December 1999	<u>443,555</u>	<u>212,287</u>	<u>34,915</u>	<u>690,757</u>

Included within freehold and leasehold property is an investment property of £164,960 at cost, the directors believe the current market value is not significantly different from its cost.

14. INVESTMENTS

Group	Participating interests £	Other investments £	Total £
COST			
At 1 January 2000	-	1,120	1,120
Additions	200,000	3,785	203,785
At 31 December 2000	<u>200,000</u>	<u>4,905</u>	<u>204,905</u>
NET BOOK VALUE			
At 31 December 2000	<u>200,000</u>	<u>4,905</u>	<u>204,905</u>
At 31 December 1999	<u>-</u>	<u>1,120</u>	<u>1,120</u>

Listed investments

Listed investments having a net book value of £3,785 (1999 - £Nil) are held by the company and had a market value of £167 at the end of the year (1999 - £Nil).

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

14. INVESTMENTS (*continued*)

The company owns more than 20% of the issued share capital of the following companies which have been consolidated for the year to 31 December 2000.

Name	Nature of business	Country of registration	Class of shares held	% of shares held
Beggar's 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%
Beggar's Banquet Music Limited	Music publishing	England & Wales	Ordinary	76%
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 U.S. Inc	Promotion and marketing	USA	Ordinary	100%
4 AD Limited	Production and licensing of sound recordings	England & Wales	Ordinary	Indirect 100%

Associate undertakings

Name	Nature of business	Country of registration	Class of shares held	% of shares held
Nation Records Limited	Production and licensing of sound recordings	England & Wales	Ordinary	50%
Bidcall Limited	Management Activities	England and Wales	Ordinary	48.51%

The accounting reference date for Nation Records Limited is 31 March and the latest financial statements are for the year ended 31 March 2000.

The results for Bidcall Limited relate to the year ended 31 January 2001.

Bidcall Limited owns 100% of the issued share capital of Playlouder Limited, for the period ended 30 November 2000, the date the latest available accounts were made up to, Playlouder had accumulated losses of £565,760.

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

14. INVESTMENTS (*continued*)

The group share in Nation Records Limited and Bidcall Limited for the year was:-

	£	£
Share of turnover		<u>110,565</u>
Share of loss before tax	(5,719)	
Taxation	<u>Nil</u>	
Loss after tax		<u>(5,719)</u>
Share of assets		
Fixed assets	349,081	
Current assets	<u>67,541</u>	
		416,622
Share of liabilities		
Due within one year	(72,668)	
		<u>(72,668)</u>
Share of net liabilities		<u>(343,954)</u>

Participating interests

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 Limited had a deficit on reserves of £40,113 (1999 - £8,750) and made a loss of £48,563 (1999 - £8,748) for the years ended 30 April 1999 and 2000. The results for the year ended 30 April 2001 are not yet available.

Joint ventures

Name	Nature of business	Country of registration	Class of shares held	% of shares held
Mowax Labels Limited	Production and licensing of sound recordings	England & Wales	Ordinary	38% Indirect

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.

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

14. INVESTMENTS (continued)

The group share in Mowax Labels Limited for the year was:-

	£	£
Share of turnover		<u>266,898</u>
Share of loss before tax	(352,092)	
Taxation	<u>38,114</u>	
Loss after tax		<u>(314,043)</u>
Share of assets		
Fixed assets	6,973	
Current assets	<u>102,123</u>	
		109,096
Share of liabilities		
Due within one year	(616,865)	
Due after one year	<u>(38,056)</u>	
		<u>(654,921)</u>
Share of net liabilities		<u>(545,825)</u>

14. INVESTMENTS

Company	Group companies	Associated undertakings	Other investments	Total
	£	£	£	£
COST				
At 1 January 2000	2,295,840	55,000	1,120	2,351,960
Additions	38,803	-	3,785	42,588
Disposals	<u>(1,697)</u>	<u>-</u>	<u>-</u>	<u>(1,697)</u>
At 31 December 2000	<u>2,332,946</u>	<u>55,000</u>	<u>4,905</u>	<u>2,392,851</u>
AMOUNTS WRITTEN OFF				
At 1 January 2000 and 31 December 2000	<u>144,204</u>	<u>-</u>	<u>-</u>	<u>144,204</u>
LOANS				
At 1 January 2000 and 31 December 2000	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
NET BOOK VALUE				
At 31 December 2000	<u>2,238,742</u>	<u>55,000</u>	<u>4,905</u>	<u>2,298,647</u>
At 31 December 1999	<u>2,201,636</u>	<u>55,000</u>	<u>1,120</u>	<u>2,257,756</u>

15. STOCKS

	2000 £	Group 1999 £	2000 £	Company 1999 £
Finished goods and goods for resale	<u>533,850</u>	<u>394,364</u>	<u>-</u>	<u>-</u>

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

16. DEBTORS

	2000	Group 1999	2000	Company 1999
	£	£	£	£
Trade debtors	3,369,619	2,369,271	2,196	75,077
Amounts owed by group undertakings	-	-	2,367,850	2,109,150
VAT recoverable	-	35,593	-	-
Amounts due from joint venture	1,015,386	662,431	-	-
Other debtors	1,008,455	932,037	80,422	103,534
Prepayments and accrued income	2,884,932	1,373,700	23,698	40,847
	<u>8,278,392</u>	<u>5,373,032</u>	<u>2,474,166</u>	<u>2,328,608</u>

17. CREDITORS: Amounts falling due within one year

	2000	Group 1999	2000	Company 1999
	£	£	£	£
Bank loans and overdrafts	87,138	-	-	26,071
Trade creditors	3,903,465	2,981,979	14,833	30,358
Directors' loan accounts	581	581	-	-
Other creditors	794,439	499,654	361,368	313,067
Accruals and deferred income	411,291	1,119,432	107,041	564,673
	<u>5,196,914</u>	<u>4,601,646</u>	<u>483,242</u>	<u>934,169</u>

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

	2000	Group 1999	2000	Company 1999
	£	£	£	£
Bank loans and overdrafts	<u>87,138</u>	<u>-</u>	<u>-</u>	<u>-</u>

Security

The company's bank overdraft is secured by way of a mortgage debenture as detailed in note 19.

18. CREDITORS: Amounts falling due after more than one year

	2000	Group 1999	2000	Company 1999
	£	£	£	£
Other creditors	594,384	236,274	-	-
Accruals and deferred income	2,197,226	1,662,395	-	-
	<u>2,791,610</u>	<u>1,898,669</u>	<u>-</u>	<u>-</u>

19. PENSIONS

The company maintains a pension scheme for one of its directors. The scheme, which operates on a defined contribution money purchase basis, provides for the payment of the full contribution by the company. The assets of the scheme are held separately from those of the company in an independently administered fund. The charge for 2000 was £nil (1999 - £nil).

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

20. DEFERRED TAXATION

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

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Provision brought forward	195,019	440,834	15,096	6,976
Increase/(Decrease) in provision	120,842	(245,815)	(4,096)	8,120
Provision carried forward	<u>315,861</u>	<u>195,019</u>	<u>11,000</u>	<u>15,096</u>

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	11,000	15,096	11,000	15,096
Timing differences on royalties	304,861	179,923	-	-
	<u>315,861</u>	<u>195,019</u>	<u>11,000</u>	<u>15,096</u>

21. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2000 the group had annual commitments under non-cancellable operating leases as set out below.

Group	Land and buildings	
	2000	1999
	£	£
Operating leases which expire:		
Within 1 year	15,000	-
Within 2 to 5 years	32,500	50,000
	<u>47,500</u>	<u>50,000</u>

22. CONTINGENCIES

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

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

Any liability arising from the composite cross guarantee is secured by mortgage debentures dated 21 August 1989, 18 December 1996 and 5 May 1998 over all the company's assets, incorporating specific charge over book debts. These amounted to £Nil at 31 December 2000 (1999 - £Nil).

At 31 December 2000, a specific counter indemnity between Beggars Group Ltd and HM Customs and Excise for deferred duty, limited to £6,000 (1999 - £6,000) existed.

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

23. 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:

£86,260 (1999 - £96,220) was paid to James Wyllie, a director, in respect of professional fees.

£25,000 (1999 - £32,000) was paid in respect of consultancy services to Heathwave Music Ltd, a company in which Andrew Heath has an interest.

Management charges of £113,100 (1999 - £42,000) were paid by Momentum Music Ltd, a company in which Andrew Heath and Martin Mills have an interest. At 31 December 2000, trade debtors included £nil (1999 - £42,000) in respect of this transaction. In addition, Beggars Group Limited were owed £nil (1999 - £73,400) by Momentum Music Limited.

During the year Beggars Banquet Music Limited, a subsidiary undertaking, received all of its turnover totalling £475,936 (1999 - £341,772), from Momentum Music Limited. £210,952 (1999 - £179,115) was due from Momentum Music at the year end.

Included in other debtors was a loan of £52,600 (1999 - £52,600) to Yvonne Damant, the wife of Martin Mills. The loan is interest free, unsecured and repayable on demand.

A proportion of turnover was generated through Vital Distribution Ltd, a distribution company, in which Martin Mills has an interest. The transactions in the year and balances as at 31 December 2000 were as follows:

	2000 £	1999 £
Turnover	5,071,043	3,617,150
Aggregate expenses	332,582	238,017
Net balance due as at 31 December	<u>1,367,254</u>	<u>576,675</u>

24. RELATED PARTY TRANSACTIONS

At 31 December 2000, the company had related party balances as follows:

During the year, rent of £19,600 (1999 - £19,600) was charged by the Beggars Banquet Executive Pension Scheme, of whom Martin Mills is a trustee and beneficiary. At the year end, £173,981 (1999 - £173,981) was due to the pension scheme.

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

	2000 £	1999 £
Turnover	269,380	311,581
Aggregate expenses	72,679	19,629
Net balance due as at 31 December	<u>-</u>	<u>-</u>

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2000

25. SHARE CAPITAL

Authorised share capital:

	2000	1999
	£	£
98 Ordinary 'A' shares of £1.00 each	98	98
100 Ordinary 'B' shares of £1.00 each	100	100
2 Preferred 'C' shares of £1.00 each	2	2
	<u>200</u>	<u>200</u>

Allotted, called up and fully paid:

	2000		1999	
	No.	£	No.	£
Ordinary 'A' shares	98	98	98	98
Ordinary 'B' shares	100	100	100	100
Preferred 'C' shares	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 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.

26. RESERVES

Group	Profit and loss account	Reserve
	£	£
Opening balance	4,636,128	28,171
Retained profit for the year	282,027	-
Balance carried forward	<u>4,918,155</u>	<u>28,171</u>

Company	Profit and loss account
	£
Opening balance	4,371,446
Retained profit for the year	1,036,323
Balance carried forward	<u>5,407,769</u>

BEGGARS GROUP LIMITED AND SUBSIDIARY COMPANIES**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2000****27. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS****EQUITY SHAREHOLDERS' FUNDS**

	2000	1999
	£	£
Profit for the financial year	300,127	388,239
Dividends	(18,100)	-
	<u>282,027</u>	<u>388,239</u>
Opening shareholders' equity funds	4,664,497	4,276,258
Closing shareholders' equity funds	<u>4,946,524</u>	<u>4,664,497</u>

NON-EQUITY SHAREHOLDERS' FUNDS

Opening and closing shareholders' non-equity funds	<u>2</u>	<u>2</u>
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TOTAL SHAREHOLDERS' FUNDS	<u>4,946,526</u>	<u>4,664,499</u>
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28. CONTROLLING PARTY

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