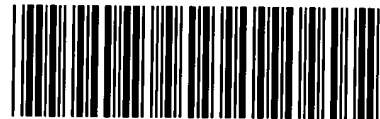


Company No: 01414045

**BEGGARS GROUP LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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BEGGARS GROUP LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016

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BEGGARS GROUP LIMITED  
COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2016

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**Directors**

Martin Mills  
Andrew Heath  
James Wyllie  
Paul Redding  
Neela Ebbett  
Rupert Skellett  
Simon Wheeler (appointed 1 July 2016)

**Company number**

01414045

**Registered Office**

17-19 Alma Road  
London  
SW18 1AA

**Auditors**

SRLV  
89 New Bond Street  
London  
W1S 1DA

BEGGARS GROUP LIMITED  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2016

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The directors present their report and the financial statements for the year ended 31 December 2016.

**Principal activity**

The group is principally engaged in the production and exploitation of sound recordings. The Beggars stable of labels includes XL Recordings, 4AD, Rough Trade Records, Matador and Young Turks.

**Results and dividends**

The results for the year are set out on page 8.

An interim ordinary dividend was paid amounting to £10,000,000 (2015 - £nil). The directors do not recommend payment of a final dividend.

**Directors**

The following directors have held office since 1 January 2016:

Martin Mills  
Andrew Heath  
James Wyllie  
Paul Redding  
Neela Ebbett  
Rupert Skellett  
Simon Wheeler (appointed 1 July 2016)

**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.

**Future developments**

The directors are confident that by pursuing the management policies the group will achieve continued successes in the years ahead.

**Events after the balance sheet date**

There were no material events after the balance sheet date.

**Directors' insurance**

The company maintains insurance policies on behalf of the directors against liability arising from negligence, breach of duty and breach of trust in relation to the company.

**Matters covered in the group strategic report**

The principal risks and uncertainties facing the group and the company have been considered in the group strategic report.

**Auditors**

Under section 487(2) of the Companies Act 2006, SRLV will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

BEGGARS GROUP LIMITED  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2016

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**Statement of disclosure to auditors**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditors are aware of that information.

Approved by the board of directors on 11 August 2017 and signed on behalf of the board.



**Neela Ebbett**  
Director

**BEGGARS GROUP LIMITED**  
**GROUP STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

**Principal activities and business review**

Beggars Group is principally engaged in the production and exploitation of sound recordings. The Beggars stable of labels includes XL Recordings, 4AD, Rough Trade Records, Matador Records and Young Turks Recordings

XL Recordings released Adele's '25' on 20 November 2015 and it has continued to have huge commercial success worldwide during 2016. In many markets - including the UK, US, Canada and Australia - '25' became the biggest album seller for a second year.

During 2016 XL took over the prestigious Radiohead catalogue. The band's highly-anticipated 9<sup>th</sup> studio album, 'A Moon Shaped Pool', was released during the year garnering commercial success and critical acclaim, with a Mercury nomination and two Grammy nominations.

Beggars Group also had notable successes with

- Daughter's 'Not to Disappear' and Lemon Twigs' 'Do Hollywood' (4AD)
- Anohni's 'Hopelessness' and Warpaint's 'Heads Up' (Rough Trade)
- Savages' 'Adore Life' and Car Seat Headrest's 'Teens of Denial' (Matador)
- Sampha's 'Blood on Me'/'Timmy's Prayer' (Young Turks)

During 2016 Beggars Group experienced a further shift to streaming. But the drop off in physical formats has slowed thanks to the resurgent demand for vinyl. We remain committed to promoting group artists through whichever channels music fans choose to listen.

Beggars Group has a portfolio approach to A&R and continues to seek, identify and sign new artists.

The group's future is dependent on its ability to achieve success with new acts as well as its ability to continue to exploit successfully its prestigious and growing catalogue.

**Principal risks and uncertainties**

The huge increase in music consumption has been driven by streaming services and the audience these services can capture. However, this has also highlighted the growing discrepancy ('the value gap') between the levels of remuneration returned to rights holders via ad-supported user-generated services versus premium subscription paying services.

The European Commission have indicated that they are preparing to deal with growing concern over rights holders' ability to negotiate fair remuneration, and the problems this poses for legitimate premium services. The issues outlined above may impact on the long-term business model and underlying profitability, in particular the uncertainty of the effectiveness of European regulatory influence over powerful US technology companies. However, we continue to work hard on behalf of our artists to ensure that the independent sector is heard and represented.

The group's key focus remains the discovery and promotion of new music, irrespective of format. We believe our labels' independence and artist focussed approach give us a significant advantage. As such we continue to identify and sign new artists. The group's future is dependent on its ability to achieve success with these new artists, and build on and promote our catalogue.

The group's principal financial instruments comprise bank balances, trade creditors and trade debtors.

Due to the nature of the financial instruments used by the group, there is no exposure to price risk.

In respect of bank balances, the liquidity risk is managed by maintaining sufficient cash balances.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

BEGGARS GROUP LIMITED  
GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2016

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**Key performance indicators**

The group uses a number of performance indicators to monitor and manage the business effectively. The financial and non-financial key performance indicators for the year ended 31 December 2016, with comparatives for the year ended 31 December 2015, are laid out below.

	2016 £	2015 £
Turnover including share of associates and joint ventures	70,624,136	72,938,205
Total operating profit	12,541,320	13,206,124
Number of releases	<u>39</u>	<u>48</u>

This report was approved by the board on 11 August 2017 and signed on its behalf.



**Neela Ebbett**  
Director

**BEGGARS GROUP LIMITED**  
**DIRECTORS' RESPONSIBILITIES STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**Statement of directors' responsibilities**

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including Financial Reporting Standard 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of Financial Reporting Standard 102 used in preparation of 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**BEGGARS GROUP LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BEGGARS GROUP LIMITED**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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We have audited the financial statements of Beggars Group Limited for the year ended 31 December 2016, set out on pages 8 to 41. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the directors' responsibilities statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the group strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with those accounts and such reports have been prepared with applicable legal requirements.

BEGGARS GROUP LIMITED  
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BEGGARS GROUP LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2016

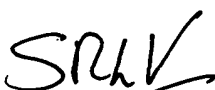
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**Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Marc Voulkers (Senior Statutory Auditor)  
For and on behalf of  
**SRLV**

Chartered Accountants  
Statutory Auditor

89 New Bond Street  
London  
W1S 1DA

Date: 11 August 2017

BEGGARS GROUP LIMITED  
CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £ As restated
<b>Turnover including share of associates and joint ventures</b>		<b>70,624,136</b>	72,938,205
<i>Less share of turnover of:</i>			
Joint ventures		<b>(36,936,467)</b>	(46,264,118)
Associates		<b>(448,952)</b>	(623,187)
<b>Group turnover</b>	5	<b>33,238,717</b>	26,050,900
Cost of sales		<b>(13,633,703)</b>	(8,700,871)
<b>Gross profit</b>		<b>19,605,014</b>	17,350,029
Distribution expenses		<b>(1,834,561)</b>	(1,419,295)
Administrative expenses		<b>(13,931,401)</b>	(13,998,505)
Other operating income		<b>71,070</b>	30
<b>Group operating profit</b>	6	<b>3,910,122</b>	1,932,259
Share of operating profit from joint ventures	10	<b>8,728,881</b>	11,331,611
Share of operating profit/(loss) from associates	10	<b>28,999</b>	(57,746)
Amounts written off investments		<b>(110,901)</b>	-
Loss on disposal of fixed asset investments		<b>(15,781)</b>	-
<b>Total operating profit</b>		<b>12,541,320</b>	13,206,124
Interest receivable	11	<b>13,724</b>	9,272
Interest payable	12	-	(4,046)
<b>Profit on ordinary activities before taxation</b>		<b>12,555,044</b>	13,211,350
Tax charge on profit on ordinary activities	13	<b>(701,820)</b>	(308,221)
<b>Profit for the financial year</b>		<b>11,853,224</b>	12,903,129
<b>Profit attributable to:</b>			
Owners of the parent		<b>11,751,826</b>	12,869,223
Non-controlling interests		<b>101,398</b>	33,906
		<b>11,853,224</b>	12,903,129

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 17 to 41 form part of these financial statements.

BEGGARS GROUP LIMITED  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £ As restated
Profit for the financial year	<u>11,853,224</u>	<u>12,903,129</u>
<b>Other comprehensive income</b>		
Experience losses on defined benefit scheme assets	-	60,400
Currency translation gain on net investments in foreign operations	2,052,622	363,402
Share of joint venture currency translation gain	71,794	29,598
Disposal of associate	(57,358)	-
<b>Other comprehensive income for the year</b>	<u>2,067,058</u>	<u>453,400</u>
<b>Total comprehensive income for the year</b>	<u>13,920,282</u>	<u>13,356,529</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent company	13,818,884	13,293,025
Non-controlling interests	101,398	63,504
	<u>13,920,282</u>	<u>13,356,529</u>

The notes on pages 17 to 41 form part of these financial statements.

BEGGARS GROUP LIMITED  
CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2016

	Notes	£	2016 £	£	2015 £
<b>Fixed assets</b>					
Intangible assets	15		<b>1,435,338</b>		1,434,286
Tangible assets	16		<b>12,486,187</b>		10,306,244
Investment properties	17		<b>450,000</b>		450,000
Investments:					
Joint ventures	18	<b>17,639,375</b>		18,750,762	
Associated undertakings	18	-		134,141	
Other investments	18	<b>1,943,723</b>		<b>1,643,166</b>	
			<b>19,583,098</b>		20,528,069
			<b>33,954,623</b>		32,718,599
<b>Current assets</b>					
Stocks	19	<b>1,184,904</b>		660,107	
Debtors: amounts falling due within one year	20	<b>18,364,684</b>		55,159,819	
Cash at bank and in hand	21	<b>29,361,944</b>		<b>32,270,566</b>	
			<b>48,911,532</b>		88,090,492
<b>Creditors: amounts falling due within one year</b>	22		<b>(32,821,495)</b>		(74,948,449)
<b>Net current assets</b>			<b>16,090,037</b>		13,142,043
<b>Total assets less current liabilities</b>			<b>50,044,660</b>		45,860,642
Post-employment benefits	24		-		9,000
Provisions for liabilities	25		<b>(1,717,090)</b>		(1,447,017)
<b>Net assets</b>			<b>48,327,570</b>		44,422,625
<b>Capital and reserves</b>					
Called up share capital	26		<b>200</b>		200
Other reserves	27		-		57,358
Revaluation reserve	27		<b>285,040</b>		285,040
Profit and loss account			<b>48,919,624</b>		45,043,382
<b>Equity attributable to owners of the parent</b>			<b>49,204,864</b>		45,385,980
<b>Non-controlling interests</b>			<b>(877,294)</b>		(963,355)
<b>Total equity</b>			<b>48,327,570</b>		44,422,625

The notes on pages 17 to 41 form part of these financial statements.

Approved by the board of directors and authorised for issue on 11 August 2017.



**Martin Mills**  
Director

**Company Registration Number: 01414045**

BEGGARS GROUP LIMITED  
COMPANY BALANCE SHEET  
AS AT 31 DECEMBER 2016

	Notes	£	2016 £	£	2015 £
<b>Fixed assets</b>					
Intangible assets	15		<b>1,190,241</b>		1,066,767
Tangible assets	16		<b>1,696,263</b>		1,519,383
Investment properties	17		<b>450,000</b>		450,000
Investments	18		<b>6,340,059</b>		6,199,601
			<b>9,676,563</b>		9,235,751
<b>Current assets</b>					
Debtors: amounts falling due within one year	20	<b>33,599,761</b>		77,601,310	
Cash at bank	21	<b>10,221,091</b>		<u>6,026,660</u>	
			<b>43,820,852</b>		83,627,970
<b>Creditors: amounts falling due within one year</b>	22		<b>(30,529,611)</b>		<b>(70,765,636)</b>
<b>Net current assets</b>			<b>13,291,241</b>		12,862,334
<b>Total assets less current liabilities</b>			<b>22,967,804</b>		22,098,085
Post-employment benefits	24		-		9,000
Provisions for liabilities	25		<b>(164,163)</b>		(70,064)
<b>Net assets</b>			<b>22,803,641</b>		<b>22,037,021</b>
<b>Capital and reserves</b>					
Called up share capital	26		<b>200</b>		200
Revaluation reserve	27		<b>285,040</b>		285,040
Profit and loss account			<b>22,518,401</b>		21,751,781
<b>Shareholders' funds</b>			<b>22,803,641</b>		<b>22,037,021</b>

The notes on pages 17 to 41 form part of these financial statements.

Approved by the board of directors and authorised for issue on 11 August 2017.



**Martin Mills**  
Director

**Company Registration Number: 01414045**

BEGGARS GROUP LIMITED  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Other reserves	Revaluation reserve	Profit and loss account	Equity attributable to owners of parent company
	£	£	£	£	£
At 1 January 2016	<u>200</u>	<u>57,358</u>	<u>285,040</u>	<u>45,043,382</u>	<u>45,385,980</u>
Profit for the year	-	-	-	11,751,826	11,751,826
Other comprehensive income	-	(57,358)	-	2,124,416	2,067,058
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>(57,358)</u>	<u>-</u>	<u>13,876,242</u>	<u>13,818,884</u>
Dividends: equity capital	-	-	-	(10,000,000)	(10,000,000)
<b>Total transactions with owners recognised in equity</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000,000)</u>	<u>(10,000,000)</u>
<b>At 31 December 2016</b>	<u><b>200</b></u>	<u><b>-</b></u>	<u><b>285,040</b></u>	<u><b>48,919,624</b></u>	<u><b>49,204,864</b></u>

	Equity attributable to owners of parent company	Non-controlling interest	Total equity
	£	£	£
At 1 January 2016	<u>45,385,980</u>	<u>(963,355)</u>	<u>44,422,625</u>
Profit for the year	11,751,826	101,398	11,853,224
Other comprehensive income for the year	2,067,058	-	2,067,058
<b>Total comprehensive income for the year</b>	<u>13,818,884</u>	<u>101,398</u>	<u>13,920,282</u>
Dividends: equity capital	(10,000,000)	-	(10,000,000)
Non-controlling interest share of joint ventures share of retained losses	-	(15,337)	(15,337)
<b>Total transactions with owners recognised in equity</b>	<u>(10,000,000)</u>	<u>(15,337)</u>	<u>(10,015,337)</u>
<b>At 31 December 2016</b>	<u><b>49,204,864</b></u>	<u><b>(877,294)</b></u>	<u><b>48,327,570</b></u>

BEGGARS GROUP LIMITED  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Other reserves	Revaluation reserve	Profit and loss account	Equity attributable to owners of parent company
	£	£	£	£	£
At 1 January 2015	200	57,358	285,040	31,750,357	32,092,955
Profit for the year (as restated)	-	-	-	12,869,223	12,869,223
Other comprehensive income (as restated)	-	-	-	423,802	423,802
<b>Total comprehensive income for the year</b>	-	-	-	13,293,025	13,293,025
<b>At 31 December 2015</b>	<b>200</b>	<b>57,358</b>	<b>285,040</b>	<b>45,043,382</b>	<b>45,385,980</b>

	Equity attributable to owners of parent company	Non-controlling interest	Total equity
	£	£	£
At 1 January 2015	32,092,955	(1,001,128)	31,091,827
Profit for the year (as restated)	12,869,223	33,906	12,903,129
Other comprehensive income (as restated)	423,802	29,598	453,400
<b>Total comprehensive income for the year</b>	<b>13,293,025</b>	<b>63,504</b>	<b>13,356,529</b>
Non-controlling interest share of joint ventures share of retained losses	-	(25,731)	(25,731)
<b>Total transactions with owners recognised in equity</b>	<b>-</b>	<b>(25,731)</b>	<b>(25,731)</b>
<b>At 31 December 2015</b>	<b>45,385,980</b>	<b>(963,355)</b>	<b>44,422,625</b>



BEGGARS GROUP LIMITED  
 COMPANY STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Revaluation reserve	Profit and loss account	Equity attributable to owners of parent company £
	£	£	£	£
At 1 January 2016	<u>200</u>	<u>285,040</u>	<u>21,751,781</u>	<u>22,037,021</u>
Profit for the year			10,766,620	<b>10,766,620</b>
Dividends paid	-	-	(10,000,000)	<b>(10,000,000)</b>
<b>Total comprehensive income for the year</b>			<u>766,620</u>	<u>766,620</u>
<b>At 31 December 2016</b>	<u><b>200</b></u>	<u><b>285,040</b></u>	<u><b>22,518,401</b></u>	<u><b>22,803,641</b></u>

BEGGARS GROUP LIMITED  
COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Revaluation reserve	Profit and loss account	Equity attributable to owners of parent company
	£	£	£	£
At 1 January 2015	200	285,040	21,539,545	21,824,785
Profit for the year	-	-	151,836	151,836
Other comprehensive income	-	-	60,400	60,400
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>212,236</b>	<b>212,236</b>
<b>At 31 December 2015</b>	<b>200</b>	<b>285,040</b>	<b>21,751,781</b>	<b>22,037,021</b>

The notes on pages 17 to 41 form part of these financial statements.

**BEGGARS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £	2015 £ As restated
<b>Cash flows from operating activities</b>		
Profit for the financial year	11,853,224	12,903,129
<b>Adjustments for:</b>		
Tax on profit on ordinary activities	701,820	308,221
Net interest income	(13,724)	(5,226)
Share of profit from joint ventures	(8,728,881)	(11,331,611)
Share of (profit)/loss from associates	(28,999)	57,746
Loss on disposal of fixed asset investments	15,781	-
Loss/(gain) on disposal of fixed assets	142,410	(7,891)
Amounts written off investments	110,901	-
Amortisation of intangible assets	361,958	181,191
Depreciation of tangible assets	523,891	496,608
Loss on foreign exchange movements	280,813	42,587
Increase in stock	(524,797)	(175,919)
Decrease/(increase) in debtors	36,943,800	(45,758,645)
(Decrease)/increase in creditors	(42,291,026)	63,383,317
Increase in net pension liability	9,000	-
<b>Net cash (used in)/generated from operating activities</b>	<b>(643,829)</b>	<b>20,093,507</b>
<b>Tax paid</b>	<b>(556,512)</b>	<b>(137,155)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of tangible assets	-	12,654
Purchase of tangible assets	(1,214,817)	(2,093,773)
Purchase of intangible assets	(363,010)	(907,458)
Purchase of investments	(181,000)	-
Dividends received	10,057,302	-
Interest received	13,724	9,272
<b>Net cash from/(used in) investing activities</b>	<b>8,312,199</b>	<b>(2,979,305)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(10,000,000)	-
Interest paid	-	(4,046)
<b>Net cash used in financing activities</b>	<b>(10,000,000)</b>	<b>(4,046)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,888,142)</b>	<b>16,973,001</b>
Cash and cash equivalents at beginning of the year	32,250,086	15,277,085
<b>Cash and cash equivalents at the end of the year</b>	<b>29,361,944</b>	<b>32,250,086</b>
<b>Cash and cash equivalents at the end of the year comprise:</b>		
Cash at bank and in hand	29,361,944	32,270,566
Bank overdrafts	-	(20,480)
	<b>29,361,944</b>	<b>32,250,086</b>

**BEGGARS GROUP LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**1. General information**

Beggars Group Limited and its subsidiaries (together "the group") are principally engaged in the production and exploitation of sound recordings.

The company is a private company limited by shares and is registered in England and Wales. The address of its registered office and principal place of business is 17/19 Alma Road, London, SW18 1AA.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Basis of consolidation**

The group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings together with the group's share of the results of associates and joint ventures made up to 31 December.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where a subsidiary has different accounting policies from the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

As associate is an entity, being neither a subsidiary nor a joint venture, in which the group hold a long-term interest and where the group has significant influence. The group considers it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting.

The consolidated financial statements present the results of the group and its own subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquirer's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated profit and loss account from the date on which control is obtained. They are deconsolidated from the date control ceases.

**2.3 Foreign currency**

**(i) Functional and presentation currency**

The group financial statements are presented in pound sterling.

The company's functional and presentation currency is pound sterling.

BEGGARS GROUP LIMITED  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016

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**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the dates of the transactions.

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

**(iii) Translations**

The trading results of group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'other comprehensive income' and allocated to non-controlling interest as appropriate.

**2.4 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, net of discounts, excluding rebates, value added tax and other sales taxes. The following criteria must be met before revenue is recognised:

**(i) Physical sales**

Revenues from the physical sale of recorded music are recognised on despatch. Where goods are sold on the group's behalf by third party distributors, revenue is recognised when the distributor reports sales to the group.

**(ii) Digital sales**

Revenues relating to digital products are recognised when the products are sold based on reports from digital service providers. Where revenue cannot be reliably estimated for the period, it is recognised on a receipts basis.

**(iii) Royalties**

Royalty income is included on a receivable basis calculated on sales of records arising during each financial year as reported by licencees. Where royalty income cannot be reliably estimated for the period, it is recognised on a receipts basis. Where income is received but not accompanied by sufficient data to attribute to a recognisable project, the income is recognised on subsequent receipt of that data. Royalties payable are charged against relevant income of the same period except where they are paid in advance, carried forward and recognised as an asset where such advances relate to current released and unreleased products and where it is estimated that sufficient future royalties will be earned from recoupment from those products.

Advances received are carried forward and recognised over the expected life of each individual licence.

**(iv) Management charges**

Revenues from management charges are recognised in relation to services provided to group and related companies during the period.

**(v) Interest income**

Interest income is recognised using the effective interest rate method.

**(vi) Dividends**

Dividend income is recognised when the right to receive payment is established.

BEGGARS GROUP LIMITED  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016

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**2.5 Intangible fixed assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Software and development costs	20% - 33% straight line
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Amortisation is charged to administrative expenses in the profit and loss account.

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 amortised on a straight line basis over its useful economic life, which is 10 or 20 years. Provision is made for any impairment.

**2.6 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their useful economic lives, using the straight-line method. The estimated useful lives range as follows:

Freehold property	2% straight-line
Leasehold property	In equal instalments over the period of the lease
Fixtures, fittings and equipment	20% straight line
Motor vehicles	25% straight line
Computer equipment	20% - 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised with 'other operating income' in the profit and loss account.

**2.7 Operating leases**

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

The group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard on 31 December 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

BEGGARS GROUP LIMITED  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016

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**2.8 Investment properties**

Investment property is carried at fair value determined annually by the directors and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in the profit and loss account.

Depreciation is not provided in respect of freehold investment properties. The directors consider that this accounting policy, which represents a departure from the Companies Act 2006, is necessary to provide a true and fair view as required under Section 16 of FRS 102. The financial effect of this departure is not material to the financial statements.

**2.9 Investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Associates and joint ventures are held at cost less impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the profit and loss account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

**2.10 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimate selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**2.11 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.12 Advances to artists**

Advances to artists, presented within debtors on the balance sheet, represent advances made direct to artists for recording and other costs incurred on behalf of artists 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.

**2.13 Cash and cash equivalents**

Cash is represented by cash in hand and deposit with financial institutions repayable without penalty on notice of not more than 24 hours.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

**2.14 Financial instruments**

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments that are payable or receivable within one year, typically trade payables and receivables, are measured, initially and subsequently, at the undiscounted amount of the cash and other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

**2.14 Financial instruments (continued)**

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**2.15 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest method.

**2.16 Financial liabilities**

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

The group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value.

Subsequently, the measurement of financial liabilities depends on their classification as follows:

**(i) Interest bearing loans and borrowings**

Obligations for loans and borrowings are recognised when the group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

**(ii) Derecognition of financial liabilities**

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

**2.17 Finance costs**

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

**2.18 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.



## **2.19 Pensions**

### ***(i) Defined contribution pension plan***

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.

The group makes payments into personal pension plans for certain directors and employees. Contributions payable are charged to the profit and loss account in the year they are payable.

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

### ***(ii) Defined benefit pension plan***

The group operated a defined benefit plan for certain former employees. A defined benefit plan defines the pension benefit that the former employees will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit method. Annually the group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- the increase in pension benefit liability arising from employee service during the period; and
- the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to net balance of the defined benefit obligation and the fair value of plan assets. The cost is recognised in profit or loss as 'Finance expense'.

## **2.20 Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

## **2.21 Provisions for liabilities**

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

BEGGARS GROUP LIMITED  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016

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**2.21 Provisions for liabilities (continued)**

When payments are eventually made, they are charged to the provision carried in the balance sheet.

**2.22 Interest income**

Interest income is recognised in the profit and loss account using the effective interest method.

**2.23 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantially enacted at the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

**2.24 Restatement of comparatives**

Group comparatives have been restated so that foreign exchange differences arising on the translation of certain loans with foreign operations have been recognised in other comprehensive income instead of within the profit and loss account. The impact has been to decrease the consolidated profit for the year ended 31 December 2015 by £309,189 and to increase the currency translation difference on net investment in foreign operations within consolidated other comprehensive income by £309,189 for the year ended 31 December 2015. There has been no net effect on the balance sheet as at 31 December 2015.

The group comparatives have been restated so that the entire share of the joint ventures' results after taxation has been included as 'share of profit from joint ventures'. The results of joint ventures was previously reported separately as 'share of operating profit' and 'share of tax'. The impact has been to decrease share of operating profit from joint ventures by £3,160,496 and decrease the tax charge on profit on ordinary activities by £3,160,496, therefore resulting in no net effect on the profit and loss for the year ended 31 December 2015. There has been no net effect on the balance sheet, other comprehensive income or retained profit as at 31 December 2015.

### **3. Judgements in applying accounting policies and key sources of estimation uncertainty**

In applying the group's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent sensitivity involved in making judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

#### **a) Critical judgements in applying the group's accounting policies**

##### ***Assessing indicators of impairment***

In assessing whether there have been any indicators of impairment to assets, including goodwill, the directors have considered both external and internal sources of information such as market conditions and experience of recoverability.

##### ***Assessing the functional currency***

The directors are required to identify the functional currency of the company and each subsidiary undertaking. In making this judgement the directors have considered factors such as the currency which mainly influences both sales and cost prices, and the countries whose competitive forces and regulations affect those prices.

#### **b) Key accounting estimates and assumptions**

##### ***Recoverability of receivables, including advances to artists***

The group establishes a provision for receivables that are estimated not to be recoverable or recoupable. When assessing recoverability the directors consider factors such as the aging of the receivables, past experience of recoverability, and the credit profile of the debtor. When assessing if artist balances are recoupable the directors consider factors such as the current and likely future sales performance.

##### ***Determining residual values useful economic lives of property, plant and equipment***

The group depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value, management aim to assess the amount that the group would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life.

##### ***Provisions against slow moving inventory***

The group establishes a provision for slow moving inventory. When determining the provision, the directors consider factors such as the amount of the inventory holding and subsequent sales.

##### ***Provisions***

Provision is made for dilapidations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

**BEGGARS GROUP LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**4. Parent company profit for the year**

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit after tax of the parent company for the year was £10,766,620 (2015 – profit £151,836).

**5. Analysis of turnover**

Analysis of turnover by category:

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Sales and licensing of sound recordings	<b>27,439,595</b>	20,467,661
Management charges	<b>5,799,122</b>	5,583,239
	<b><u>33,238,717</u></b>	<b><u>26,050,900</u></b>

Analysis of turnover by country of destination:

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
UK	<b>12,134,385</b>	8,278,195
Rest of world	<b>21,104,332</b>	17,772,705
	<b><u>33,238,717</u></b>	<b><u>26,050,900</u></b>

**6. Group operating profit**

The operating profit is stated after charging/(crediting):

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Depreciation of tangible fixed assets	<b>523,891</b>	496,608
Amortisation of intangible assets, including goodwill	<b>361,958</b>	181,191
Loss on disposal of fixed assets	<b>20,407</b>	-
Operating lease costs – land and buildings	<b>816,309</b>	437,474
Exchange differences	<b>(906,616)</b>	(388,242)

**7. Auditors' remuneration**

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Fees payable to the company's auditor for the audit of the group's annual accounts	<b><u>112,500</u></b>	<u>146,500</u>
	<b>112,500</b>	146,500

**Fees payable to the company's auditor in respect of:**

Taxation services	<b>20,000</b>	21,500
Accountancy services	<b><u>17,500</u></b>	<u>17,250</u>
	<b><u>150,000</u></b>	<u>182,250</u>

The audit and tax fees for the current and prior year have been borne by the company on behalf of subsidiaries and certain joint ventures.

BEGGARS GROUP LIMITED  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016

**8. Employees**

Staff costs, including directors' remuneration, were as follows

	<b>2016</b> £	2015 £
Wages and salaries	<b>7,780,881</b>	6,904,734
Social security costs	<b>777,835</b>	718,121
Pension costs	<b>317,039</b>	426,138
	<b><u>8,875,755</u></b>	<u>8,048,993</u>

The average monthly number of employees, including the directors, during the year was as follows:

	<b>2016</b> No.	2015 No.
Management	<b>11</b>	12
A&R, Marketing & Operations	<b>101</b>	92
	<b><u>112</u></b>	<u>104</u>

**9. Directors' emoluments**

	<b>2016</b> £	2015 £
Directors' emoluments	<b>1,933,231</b>	1,354,317
Company pension contributions to pension schemes on behalf of current and former directors	<b>172,836</b>	297,087
	<b><u>2,106,067</u></b>	<u>1,651,404</u>

During the year, retirement benefits were accruing to 4 directors in respect of defined contribution pension schemes (2015: 3).

**Emoluments of highest paid director:**

Emoluments	<b>389,923</b>	389,923
Company pension contributions to pension schemes	<b>-</b>	-
	<b><u>389,923</u></b>	<u>389,923</u>

BEGGARS GROUP LIMITED  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016

**10. Share of profits from other fixed asset investments**

	2016 £	2015 £
Net share of operating profit of joint ventures	8,728,881	11,331,611
Net share of operating profit/(loss) of associates	28,999	(57,746)
	<u>8,757,880</u>	<u>11,273,865</u>

The share of operating profits/(loss) of the associates relates to:

- Consolidated Independent Limited: £28,999 (2015 - (£57,746))

The share of operating profit/(loss) of joint ventures relates to:

- Remote Control Records Pty Limited: £117,069 (2015 - (£68,024))
- Matador Recordings LLC: (£74,448) (2015 - (£21,459))
- Matador Records Limited: (£80,390) (2015 - (£9,727))
- Popstock Distribuciones S. L.: £7,785 (2015 - £74,500)
- XL Recordings Limited: £8,771,324 (2015 - £11,465,297)
- Ink Management Limited: £nil (2015 - (£234))
- Rough Trade Records Limited: (£12,459) (2015 - (£108,742))

**11. Interest receivable**

	2016 £	2015 £
Bank interest receivable	19	9,272
Other similar interest receivable	13,705	-
	<u>13,724</u>	<u>9,272</u>

**12. Interest payable**

	2016 £	2015 £
Bank interest payable	-	4,046
	<u>-</u>	<u>4,046</u>

BEGGARS GROUP LIMITED  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016

**13. Taxation**

	2016 £	2015 £
<b>Corporation tax</b>		
Current tax on profits for the year	683,931	402,658
Adjustments in respect of prior years	(72,744)	-
	<u>611,187</u>	<u>402,658</u>
Double taxation relief	(70,818)	(33,310)
Consortium relief	14,095	-
	<u>(56,723)</u>	<u>(33,310)</u>
Foreign tax for current year	53,257	32,988
Adjustments in respect of prior years foreign tax	-	(107,171)
	<u>53,257</u>	<u>(74,183)</u>
<b>Total current tax</b>	<u>607,721</u>	<u>295,165</u>
<b>Deferred tax</b>		
Fixed asset timing differences	(12,654)	128,623
Tax losses	126,589	(126,589)
Unremitted profits	-	11,022
Prior year adjustment	(19,836)	-
	<u>(1,899)</u>	<u>13,056</u>
<b>Total deferred tax</b>	<u>94,099</u>	<u>13,056</u>
<b>Tax on profit on ordinary activities</b>	<u>701,820</u>	<u>308,221</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

Profit on ordinary activities before tax	12,555,044	13,211,350
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (US - 34%) (2015 - 20.25% (US - 34%))	2,722,459	2,675,214
<b>Effects of:</b>		
Expenses not deductible for tax purposes	373,440	131,659
Depreciation in excess of capital allowances	32,612	(48,914)
Income not subject to tax	(1,742,562)	(2,254,773)
Foreign tax	(80,010)	-
Adjustment in respect of prior years foreign tax	-	(107,171)
Adjustment in research and development tax credit	(92,244)	(100,857)
Adjustment in respect of prior periods	(92,580)	-
Deferred tax movements	113,935	13,056
Group relief	14,095	-
Utilisation of tax losses	(140,684)	-
Other tax adjustments	(406,641)	7
<b>Total tax charge for the year</b>	<u>701,820</u>	<u>308,221</u>

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

BEGGARS GROUP LIMITED  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016

**14. Dividends**

	2016 £	2015 £
Dividends paid on equity capital	<b>10,000,000</b>	-

**15. Intangible fixed assets**

**Group**

	Goodwill £	Software £	Total £
<b>Cost</b>			
At 1 January 2016	2,149,477	1,137,040	3,286,517
Additions	-	363,010	363,010
Disposals	-	(5,992)	(5,992)
<b>At 31 December 2016</b>	<b>2,149,477</b>	<b>1,494,058</b>	<b>3,643,535</b>
<b>Amortisation</b>			
At 1 January 2016	1,781,958	70,273	1,852,231
Charge for the year	122,422	239,536	361,958
Disposals	-	(5,992)	(5,992)
<b>At 31 December 2016</b>	<b>1,904,380</b>	<b>303,817</b>	<b>2,208,197</b>
<b>Net book value</b>			
<b>At 31 December 2016</b>	<b>245,097</b>	<b>1,190,241</b>	<b>1,435,338</b>
At 31 December 2015	367,519	1,066,767	1,434,286

**Company**

	Software £
<b>Cost</b>	
At 1 January 2016	1,137,040
Additions	363,010
Disposals	(5,992)
<b>At 31 December 2016</b>	<b>1,494,058</b>
<b>Amortisation</b>	
At 1 January 2016	70,273
Charge for the year	239,536
Disposals	(5,992)
<b>At 31 December 2016</b>	<b>303,817</b>
<b>Net book value</b>	
<b>At 31 December 2016</b>	<b>1,190,241</b>
At 31 December 2015	1,066,767



BEGGARS GROUP LIMITED  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016

**15. Intangible fixed assets (continued)**

The individual intangible assets, excluding goodwill, which are material to the financial statements are:

	Carrying value		Remaining amortisation period (years)	
	2016 £	2015 £	2016	2015
IT systems	<u>1,190,241</u>	<u>1,066,767</u>	<u>2-5</u>	<u>2.75</u>

**16. Tangible fixed assets**

Group	Freehold land & buildings £	Leasehold properties £	Fixtures & fittings £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2016	9,599,624	593,976	1,883,877	207,932	12,285,409
Foreign exchange	1,589,745	22,474	79,781	-	1,692,000
Additions	800,577	50,459	363,781	-	1,214,817
Disposals	(117,569)	(4,385)	(343,647)	(14,275)	(479,876)
<b>At 31 December 2016</b>	<b><u>11,872,377</u></b>	<b><u>662,524</u></b>	<b><u>1,983,792</u></b>	<b><u>193,657</u></b>	<b><u>14,712,350</u></b>
<b>Depreciation</b>					
At 1 January 2016	496,824	105,822	1,175,609	200,910	1,979,165
Foreign exchange	-	7,856	52,717	-	60,573
Charge for year	230,691	13,411	272,767	7,022	523,891
Transfers	(21,965)	21,965	-	-	-
Disposals	-	(4,385)	(318,806)	(14,275)	(337,466)
<b>At 31 December 2016</b>	<b><u>705,550</u></b>	<b><u>144,669</u></b>	<b><u>1,182,287</u></b>	<b><u>193,657</u></b>	<b><u>2,226,163</u></b>
<b>Net book value</b>					
<b>At 31 December 2016</b>	<b><u>11,166,827</u></b>	<b><u>517,855</u></b>	<b><u>801,505</u></b>	<b><u>-</u></b>	<b><u>12,486,187</u></b>
At 31 December 2015	<u>9,102,800</u>	<u>488,154</u>	<u>708,268</u>	<u>7,022</u>	<u>10,306,244</u>
<b>Company</b>					
<b>Cost</b>					
At 1 January 2016	775,391	481,938	1,309,635	117,394	2,684,358
Additions	172,673	34,600	194,214	-	401,487
Disposals	-	-	(139,885)	-	(139,885)
<b>At 31 December 2016</b>	<b><u>948,064</u></b>	<b><u>516,538</u></b>	<b><u>1,363,964</u></b>	<b><u>117,394</u></b>	<b><u>2,945,961</u></b>
<b>Depreciation</b>					
At 1 January 2016	163,569	88,680	799,765	112,961	1,164,975
Charge for year	18,961	11,694	187,187	4,433	222,275
Disposals	-	-	(137,553)	-	(137,553)
<b>At 31 December 2016</b>	<b><u>182,530</u></b>	<b><u>100,374</u></b>	<b><u>849,399</u></b>	<b><u>117,394</u></b>	<b><u>1,249,697</u></b>
<b>Net book value</b>					
<b>At 31 December 2016</b>	<b><u>765,534</u></b>	<b><u>416,164</u></b>	<b><u>514,565</u></b>	<b><u>-</u></b>	<b><u>1,696,263</u></b>
At 31 December 2015	<u>611,822</u>	<u>393,258</u>	<u>509,870</u>	<u>4,433</u>	<u>1,519,383</u>

BEGGARS GROUP LIMITED  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016

**17. Investment properties**

	£
<b>Group and company</b>	
<b>Valuation</b>	
At 31 December 2016 and 1 January 2016	<u><b>450,000</b></u>
<b>Net book value</b>	
<b>At 31 December 2016</b>	<u><b>450,000</b></u>
At 31 December 2015	<u><b>450,000</b></u>

Investment properties were valued on an open market basis as at 31 December 2016 by Neela Ebbett (director).

The historic cost of the investment property included at valuation is £164,960.

**18. Investments**

Group	Associates	Joint ventures	Other	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2016	134,141	18,750,762	1,643,166	20,528,069
Change in value	(44,129)	(1,111,387)	-	(1,155,516)
Additions	-	-	181,000	181,000
Foreign exchange	-	-	140,381	140,381
Transfers	(90,012)	-	90,012	-
<b>At 31 December 2016</b>	<u><b>-</b></u>	<u><b>17,639,375</b></u>	<u><b>2,054,559</b></u>	<u><b>19,693,934</b></u>
<b>Impairment</b>				
At 1 January 2016	-	-	-	-
Impairment in the year	-	-	110,836	110,836
<b>At 31 December 2016</b>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>110,836</b></u>	<u><b>110,836</b></u>
<b>Net book value</b>				
<b>At 31 December 2016</b>	<u><b>-</b></u>	<u><b>17,639,375</b></u>	<u><b>1,943,723</b></u>	<u><b>19,583,098</b></u>
At 31 December 2015	<u><b>134,141</b></u>	<u><b>18,750,762</b></u>	<u><b>1,643,166</b></u>	<u><b>20,528,069</b></u>

Included in fixed asset investments is £700,000 of working capital loans that are considered to be interest free and repayable on demand. However, the directors have no current intention of recalling the loan.

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 £17,639,375 and joint ventures in a net liabilities position (including unamortised goodwill) of £1,552,927 (note 25).

BEGGARS GROUP LIMITED  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016

**18. Investments (continued)**

The following table shows the total associates and joint venture position:

	Associates	Joint ventures	Total
	£	£	£
<b>Group associates and joint ventures</b>			
<b>Share of net assets/(liabilities)/cost</b>			
At 1 January 2016	134,141	16,123,065	16,257,206
Share of retained profit for the year	28,999	8,905,958	8,934,957
Dividends paid	-	(10,057,302)	(10,057,302)
Minority interest share of profit for the year	-	(15,337)	(15,337)
Foreign currency translation movements	-	56,397	56,397
Transfer	(163,140)	-	(163,140)
	<b>-</b>	<b>15,012,781</b>	<b>15,012,781</b>
<b>Goodwill</b>			
At 1 January 2016	-	1,250,744	1,250,744
Amortisation	-	(177,077)	(177,077)
<b>At 31 December 2016</b>	<b>-</b>	<b>1,073,667</b>	<b>1,073,667</b>
<b>Net book value</b>			
<b>At 31 December 2016</b>	<b>-</b>	<b>16,086,448</b>	<b>16,086,448</b>
At 31 December 2015	134,141	17,373,809	17,507,950

**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 2016.

Name	Nature of business	Country of incorporation	Class of shares held	% of shares held
Beggars Group Media Limited <sup>1</sup>	Licensing of sound recordings	England and Wales	Ordinary	76%
Beggars UK Limited <sup>1</sup>	Wholesale promotion and marketing	England and Wales	Ordinary	76%
Wiiija Records Limited <sup>1</sup>	Production and exploitation of sound recordings	England and Wales	Ordinary	100%
Mantra Recordings Limited <sup>1</sup>	Dormant	England and Wales	Ordinary	76%
Too Pure Limited <sup>1</sup>	Production and exploitation of sound recordings	England and Wales	Ordinary	76%
Beggars Group Holding (USA) Inc. <sup>3</sup>	Holding company	United States of America	Ordinary	100%
Beggars Group (USA) Inc. <sup>3</sup>	Production and exploitation of sound recordings	United States of America	Ordinary	100%
Beggars Capital LLC <sup>3</sup>	Property holding company	United States of America	Ordinary	100%
Beggars Group Digital Limited <sup>1</sup>	Management and exploitation of digital rights	England and Wales	Ordinary	100%
4AD Limited <sup>1</sup>	Production and exploitation of sound recordings	England and Wales	Ordinary	100%
Playlouderrecordings Limited <sup>1</sup>	Production and exploitation of sound recordings	England and Wales	Ordinary	76%
Bidcall Limited <sup>1</sup>	Holding company	England and Wales	Ordinary	75%
Playlouder Limited <sup>1</sup>	Holding company	England and Wales	Ordinary	75%

**BEGGARS GROUP LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**18. Investments (continued)**

**Associates and joint ventures**

Remote Control Records Pty Limited <sup>4</sup>	Promotion and marketing of sound recordings	Australia	Ordinary	50%
Popstock Distribuciones S.L. <sup>5</sup>	Distribution of sound recordings	Spain	Ordinary	50%
Everlasting Records S.L. <sup>5</sup>	Production and exploitation of sound recordings	Spain	Ordinary	50% <i>Indirect</i>
Matador Recordings LLC <sup>3</sup>	Production and exploitation of sound recordings	United States of America	Ordinary	50%
Matador Records Limited <sup>1</sup>	Production and exploitation of sound recordings	England and Wales	Ordinary	50%
XL Recordings Limited <sup>1</sup>	Production and exploitation of sound recordings	England and Wales	Ordinary	50%
XL Recordings (USA) Inc. <sup>3</sup>	Property holding	United States of America	Ordinary	50% <i>Indirect</i>
Mowax Labels Limited <sup>1</sup>	Production and exploitation of sound recordings	England and Wales	Ordinary	25% <i>Indirect</i>
Young Turks Recordings Limited <sup>1</sup>	Production and exploitation of sound recordings	England and Wales	Ordinary	37.51% <i>Indirect</i>
Young Turks Limited <sup>2</sup>	Production and exploitation of sound recordings	England and Wales	Ordinary	37.51% <i>Indirect</i>
Rough Trade Records Limited <sup>1</sup>	Production and exploitation of sound recordings	England and Wales	Ordinary	50%
Mattitude Music LLC <sup>3</sup>	Music publishing	United States of America	Ordinary	50%
Independent Distribution Cooperative LLC <sup>6</sup>	Negotiation and execution of one or more Physical Distribution Agreements	United States of America	Ordinary	20%
Ink Management Limited <sup>1</sup>	Music management	England and Wales	Ordinary	50% <i>Indirect</i>
Rough Trade Retail Group Limited <sup>7</sup>	Sale and distribution of music goods	England and Wales	Ordinary	26% <i>Indirect</i>
Rise Bristol Limited <sup>8</sup>	Retail sale of music	England and Wales	Ordinary	26% <i>Indirect</i>

Bidcall Limited owns 100% of the issued share capital of Playlouder Limited.

XL Recordings Limited owns 100% of the issued share capital of XL Recordings (USA) Inc. XL Recordings Limited also owns 54% of Rough Trade Retail Group Limited, which in turn owns 100% of The Album Club Limited <sup>9</sup>, Rough Trade Limited <sup>9</sup>, Rough Trade Retail (USA) Holdings Inc.<sup>10</sup> and 65% of Rough Trade Retail LLC<sup>10</sup>. XL Recordings Limited owns 50% of the issued share capital of Mowax Labels Limited. XL Recordings Limited owns 75% of the issued share capital of Young Turks Recordings Limited, which in turn owns 100% of the issued share capital of Young Turks Limited.

4AD Limited owns 50% of Ink Management Limited.

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

The accounting reference date for Rough Trade Retail Group Limited and Rise Bristol Limited is 31 March and the latest financial statements are for the year ended 31 March 2016.

Mattitude Music LLC and Independent Distribution Cooperative LLC are immaterial to the group, and have thus not been consolidated.

**Registered office**

- 1 – 17/19 Alma Road, London, SW18 1AA
- 2 – 5<sup>th</sup> Floor, 89 New Bond Street, London, W1S 1DA
- 3 – 134 Grand Street, New York, NY 10013, United States of America
- 4 – 20 Wreckyn Street, North Melbourne, Victoria 3051, Australia
- 5 – Calle Azcona 33, 3<sup>o</sup>, 28028 Madrid, Spain
- 6 – PO Box 3306, Durham, NC 27702, United States of America
- 7 – 10 Cheyne Walk, Northampton, Northamptonshire, NN1 5PT
- 8 – 5 Broad Street, Nottingham, NG1 3AJ
- 9 – 130 Talbot Road, London, W11 1JA
- 10 – 64 North 9<sup>th</sup> Street, Brooklyn, New York, NY 11249, United States of America

BEGGARS GROUP LIMITED  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016

**18. Investments (continued)**

Company	Subsidiary companies	Associated undertakings and joint ventures	Other investments	Loans	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2016	2,248,295	2,614,510	855,241	700,000	6,418,046
Foreign exchange	-	-	140,458	-	140,458
At 31 December 2016	<u>2,248,295</u>	<u>2,614,510</u>	<u>995,699</u>	<u>700,000</u>	<u>6,558,504</u>
<b>Amounts provided At 1 January 2016 and 31 December 2016</b>	<u>1,764</u>	<u>216,681</u>	<u>-</u>	<u>-</u>	<u>218,445</u>
<b>Net book value</b>					
At 31 December 2016	<u>2,246,531</u>	<u>2,397,829</u>	<u>995,699</u>	<u>700,000</u>	<u>6,340,059</u>
At 31 December 2015	<u>2,246,531</u>	<u>2,397,829</u>	<u>855,241</u>	<u>700,000</u>	<u>6,199,601</u>

Included in fixed asset investments is £700,000 of working capital loans that are considered to be interest free and repayable on demand. However, the directors have no current intention of recalling the loan.

**19. Stocks**

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Finished goods for resale	<u>1,184,904</u>	<u>660,107</u>	<u>-</u>	<u>-</u>

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

**20. Debtors**

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
<b>Due within one year</b>				
Trade debtors	<b>10,409,408</b>	39,563,678	<b>95,684</b>	11,502
Amounts owed by subsidiary undertakings	-	-	<b>28,351,040</b>	74,165,897
Amounts owed by associated undertakings and joint ventures	<b>4,882,863</b>	3,917,312	<b>4,882,863</b>	3,191,734
Other debtors	<b>2,432,494</b>	7,719,846	<b>180,574</b>	90,504
Corporation tax recoverable	<b>422,836</b>	288,266	-	-
Prepayments and accrued income	<b>217,083</b>	3,670,717	<b>89,600</b>	141,673
	<u><b>18,364,684</b></u>	<u>55,159,819</u>	<u><b>33,599,761</b></u>	<u>77,601,310</u>

BEGGARS GROUP LIMITED  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016

**21. Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	<b>29,361,944</b>	32,270,566	<b>10,221,091</b>	6,026,660
Less: bank overdrafts	-	(20,480)	-	-
	<b><u>29,361,944</u></b>	<b><u>32,250,086</u></b>	<b><u>10,221,091</u></b>	<b><u>6,026,660</u></b>

**22. Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank overdraft	-	20,480	-	-
Trade creditors	<b>2,791,290</b>	3,191,644	<b>178,875</b>	264,331
Amounts owing to subsidiary undertakings	-	-	<b>7,278,828</b>	4,956,404
Amounts owing to associated undertakings and joint ventures	<b>21,676,036</b>	64,808,702	<b>21,676,036</b>	64,760,246
Corporation tax	<b>199,875</b>	-	-	-
Other taxation and social security	<b>744,750</b>	527,757	<b>470,892</b>	301,744
Other creditors	<b>4,589,049</b>	3,755,307	-	17,913
Accruals and deferred income	<b>2,820,495</b>	2,644,559	<b>924,980</b>	464,998
	<b><u>32,821,495</u></b>	<b><u>74,948,449</u></b>	<b><u>30,529,611</u></b>	<b><u>70,765,636</u></b>

**23. Financial instruments**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Financial assets that are debt instruments measured at amortised cost	<b>47,086,709</b>	83,599,973	<b>43,731,252</b>	83,627,970
Financial liabilities measured at amortised cost	<b>32,621,620</b>	74,939,675	<b>30,529,611</b>	70,765,636

Financial assets measured at amortised cost comprise cash, trade debtors, amounts owed by subsidiary undertakings, amounts owed by associated undertakings and joint ventures, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise bank overdrafts, trade creditors, amounts owing to subsidiary undertakings, amounts owing to associated undertakings and joint ventures, other taxation and social security, other creditors and accruals.

**BEGGARS GROUP LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**24. Post employment benefits**

The company operated a defined benefit pension scheme during the year and ceased to participate in the scheme during 2016. The funds were administered by an independent trustee, who was responsible for ensuring that the plan was sufficiently funded to meet current and future obligations, and was independent from the group's finances. The last full valuation was carried out by the scheme actuary as at 8 May 2015 on the projected unit method to assess the funding position on an ongoing basis. The assumptions were reviewed by the scheme actuary as at 16 May 2016. This showed a surplus of £9,000 as at 31 December 2015.

The amounts recognised in the balance sheet are as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Fair value of scheme assets	-	9,000
Present value of funded obligations	-	-
Surplus in the scheme	-	9,000
Related deferred tax asset	-	-
Net surplus	<u>-</u>	<u>9,000</u>

The amounts recognised in profit or loss are as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Interest cost	-	1,000
Expenses	<u>2,825</u>	<u>-</u>
	<u>2,825</u>	<u>1,000</u>

Movements in the present value of the defined benefit obligation were as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Opening defined benefit obligation	9,000	390,490
Curtailments	(6,175)	(326,000)
Interest on scheme liabilities	-	3,510
Benefits paid	-	(7,000)
Expenses	(2,825)	-
Actuarial gain	<u>-</u>	<u>(61,000)</u>
	<u>-</u>	<u>-</u>

Changes in the fair value of scheme assets were as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Opening fair value of scheme assets	9,000	339,090
Expected return on scheme assets	-	2,910
Expenses	(2,825)	-
Contributions by employer	-	-
Curtailments	(6,175)	(326,000)
Benefits paid	<u>-</u>	<u>(7,000)</u>
	<u>-</u>	<u>9,000</u>

The cumulative amount of actuarial and experience gains and losses recognised in the consolidated statement of comprehensive income was £nil (2015: £61,000 - gain).

The company ceased to participate in the scheme during 2016 and therefore will make no future contributions.

The fair value of the total scheme assets consists of 100% cash. The expected rate of return on these assets is 1%, and is not affected by the actuarial assumptions for future accounting periods.

**BEGGARS GROUP LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**24. Post employment benefits (continued)**

Principal actuarial assumptions at the previous balance sheet date were:

	<b>2015</b>
Discount rate at 31 December	3.4%
Consumer price inflation	2.7%
Retail price inflation	3.4%
Expected rate of return	1.0%
Future salary increases	0.0%
Future pension increases	0.0%

The company also makes payments into personal pension plans and operates a defined contribution pension scheme. The pension cost charge represents contributions payable by the company to the fund. There were no outstanding balances at the year end. Total pension contributions payable by the company for the year are shown below.

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Contributions payable by the company for the year	<u><b>317,039</b></u>	<u><b>426,138</b></u>

**25. Provisions for liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Share of net liabilities of joint ventures	<b>1,552,927</b>	1,376,953	-	-
Deferred tax	<b>164,163</b>	70,064	<b>164,163</b>	70,064
Provision carried forward	<u><b>1,717,090</b></u>	<u><b>1,447,017</b></u>	<u><b>164,163</b></u>	<u><b>70,064</b></u>

**Share of net liabilities of joint ventures**

See note 18 for movements on the provision for share of liabilities of joint ventures.

In 2016 the share of liabilities in joint ventures has arisen on the holdings in Rough Trade Records Limited, Popstock Distribuciones S.L., Matador Records Limited and Matador Recordings LLC. In 2015, the share of liabilities in joint ventures arose on the holdings in Rough Trade Records Limited, Popstock Distribuciones S.L. and Matador Records Limited.

**Deferred taxation**

	<b>Group</b>	<b>Company</b>
	<b>Deferred tax</b>	<b>Deferred tax</b>
	<b>£</b>	<b>£</b>
At 1 January 2016	70,064	70,064
Charged to the profit and loss account	94,099	94,099
<b>At 31 December 2016</b>	<u><b>164,163</b></u>	<u><b>164,163</b></u>

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Short term timing differences	<b>57,008</b>	57,008	<b>57,008</b>	57,008
Fixed asset timing differences	<b>107,155</b>	128,623	<b>107,155</b>	128,623
Tax losses	-	(126,589)	-	(126,589)
Unremitted profits	-	11,022	-	11,022
	<u><b>164,163</b></u>	<u><b>70,064</b></u>	<u><b>164,163</b></u>	<u><b>70,064</b></u>



BEGGARS GROUP LIMITED  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016

**26. Share capital**

	2016 No	2016 £	2015 No	2015 £
<b>Company</b>				
<b>Allotted, called up and fully paid:</b>				
Ordinary 'A' shares of £1.00 each	198	198	198	198
Preferred 'C' shares of £1.00 each	2	2	2	2
	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>

There are no differences in rights assigned to 'A' and 'C' class shares and they rank pari passu. There are no restrictions on the distribution of dividends and the repayment of capital.

**27. Reserves**

**Foreign exchange reserve**

The foreign exchange reserve arises from the translation of the financial statements of non-UK subsidiaries for inclusion in the consolidated financial statements.

**Revaluation reserve**

The revaluation reserve arises from revaluations to fair value in respect of investment properties held by the company and group.

**Other reserves**

Other reserves relates to the issue of shares by associates.

**28. Commitments under operating leases**

At 31 December, the group had future minimum lease payments under non-cancellable operating leases as follows:

<b>Group</b>	<b>Land and buildings</b>	
	2016 £	2015 £
Not later than one year	264,096	302,759
Later than one year and not later than five years	9,720	117,826
	<u>273,816</u>	<u>420,585</u>

**29. Transactions with 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:

Included in other debtors at 31 December 2016, was a loan of £50,221 (2015 - £50,221) to Yvonne Mills, the wife of Martin Mills. The loan is interest free, unsecured and repayable on demand. Yvonne Mills uses the investment property disclosed in note 17 and pays no rent for this use.

During the year, legal and business fees of £16,220 (2015 - £18,354) were charged to Beggars Group Limited by Helen Skellett, the wife of the director Rupert Skellett. An amount payable at the year end of £875 (2015 - £875) was included in trade creditors.

£502,789 (2015: £644,909) 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 the director, Martin Mills, was paid dividends amounting to £10,000,000 (2015 - £NIL).

**BEGGARS GROUP LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**30. Related party transactions**

**Group**

During the year, rent of £60,000 (2015: £60,000) was charged by the Beggars Banquet Executive Pension Scheme, of which Martin Mills is a trustee and beneficiary.

During the year, Beggars UK Limited, Beggars Group Digital Limited and Beggars Group Media Limited operated in a central accounting role for Mowax Labels Limited, Matador Records Limited, XL Recordings Limited, Rough Trade Records Limited and Young Turks Recordings Limited. Sales and production costs were passed through Beggars UK Limited, Beggars Group Digital Limited and Beggars Group Media Limited and transferred out at the year end as detailed below:

	<b>2016</b>		<b>2015</b>	
Beggars UK Limited:	<b>Turnover</b>	<b>Costs</b>	<b>Turnover</b>	<b>Costs</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Mowax Labels Limited	<b>285</b>	<b>258</b>	394	10,353
Matador Records Limited	<b>818,434</b>	<b>546,675</b>	1,210,057	835,918
XL Recordings Limited	<b>12,419,510</b>	<b>8,094,008</b>	48,031,717	15,477,068
Rough Trade Records Limited	<b>1,365,720</b>	<b>780,879</b>	1,601,062	1,102,267
Young Turks Recordings Limited	<b>577,804</b>	<b>530,609</b>	1,042,154	817,312

	<b>2016</b>		<b>2015</b>	
Beggars Group Digital Limited:	<b>Turnover</b>	<b>Costs</b>	<b>Turnover</b>	<b>Costs</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Mowax Labels Limited	<b>4,634</b>	<b>(8)</b>	4,283	113
Matador Records Limited	<b>2,094,978</b>	<b>(7,336)</b>	1,234,425	48,571
XL Recordings Limited	<b>22,667,018</b>	<b>31,106</b>	15,567,638	411,096
Rough Trade Records Limited	<b>2,474,896</b>	<b>(11,790)</b>	2,275,290	59,974
Young Turks Recordings Limited	<b>2,901,168</b>	<b>(19,166)</b>	2,378,399	62,701

	<b>2016</b>		<b>2015</b>	
Beggars Group Media Limited:	<b>Turnover</b>	<b>Costs</b>	<b>Turnover</b>	<b>Costs</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Mowax Labels Limited	<b>2,868</b>	<b>(47)</b>	7,008	(11)
Matador Records Limited	<b>300,149</b>	<b>(4,454)</b>	287,775	4,505
XL Recordings Limited	<b>7,154,293</b>	<b>(115,006)</b>	4,625,500	4,904
Rough Trade Records Limited	<b>938,816</b>	<b>(11,589)</b>	816,458	(1,020)
Young Turks Recordings Limited	<b>678,612</b>	<b>(8,414)</b>	530,402	919

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

Beggars Group Limited:	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Mowax Labels Limited	<b>7,500</b>	7,500
Matador Records Limited	<b>584,532</b>	540,914
XL Recordings Limited	<b>2,141,134</b>	2,214,473
Rough Trade Records Limited	<b>781,046</b>	701,977
Young Turks Recordings Limited	<b>509,327</b>	361,222
Beggars UK Limited:	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Mowax Labels Limited	<b>2,500</b>	2,500
Matador Records Limited	<b>291,225</b>	299,767
XL Recordings Limited	<b>704,145</b>	710,487
Rough Trade Records Limited	<b>314,276</b>	292,066
Young Turks Recordings Limited	<b>185,939</b>	139,748

**BEGGARS GROUP LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

**30. Related party transactions (continued)**

At the balance sheet, date the following balances existed between the group and other related parties:

Amount due from/(to):	2016 £	2015 £
Mowax Labels Limited	(1,248)	(2,694)
Matador Records Limited	(811,835)	414,416
XL Recordings Limited	(19,827,798)	(63,073,418)
Rough Trade Records Limited (trade debt)	847,686	1,267,611
Rough Trade Records Limited (other)	700,000	700,000
Young Turks Recordings Limited	(1,035,155)	(1,684,134)
Matador Recordings LLC	3,496,217	922,967
Mattitude Music LLC	160,031	160,031

Beggars Group Limited holds fixed and floating charges over the assets of Rough Trade Records Limited in respect of the balances due from Rough Trade Records Limited.

During the year, royalties were paid by Beggars Group (USA) Inc. in respect of US sales, to the following companies. Beggars Group (USA) Inc. in turn recharged that company for label staff located in the US:

	2016		2015	
	Royalties £	Overhead £	Royalties £	Overhead £
Mowax Labels Limited	858	-	421	-
XL Recordings Limited	4,177,877	674,993	1,275,677	30,151
Rough Trade Records Limited	420,342	52,549	221,417	3,358
Young Turks Recordings Limited	1,028,187	68,708	401,516	9,174

During the year, commission was paid by Beggars Group (USA) Inc. in respect of US sales, to the following companies:

	2016 £	2015 £
Mowax Labels Limited	175	-
XL Recordings Limited	46,793	-
Rough Trade Records Limited	11,320	-
Young Turks Recordings	4,487	-

During the year, the group incurred rental costs from XL Recordings (USA) Inc. of £53,129 (2015: £48,648).

During the year, payments were made to Remote Control Records Pty of £55,522 (2015: £24,176) in respect of commission. Also during the year, sales of £180,597 (2015: £126,451) were made by Beggars Group Media Limited to Remote Control Records Pty Limited.

During the year, payments were made to Consolidated Independent Limited in respect of services provided of £240,060 (2015: £488,718). At the year end there was a net balance due to the group of £NIL (2015: £NIL).

During the year, net sales of £275,979 (2015: £770,141) were made by the group to Popstock Distribuciones SL in respect of distributed sales. At the year end, the group was owed £709,397 (2015: £1,331,744) by Popstock Distribuciones SL. A provision for bad and doubtful debts of £380,005 (2015: £371,991) was recognised against the balance at the year end.

During the year, net sales of £273,188 (2015: £193,767) were made by the group to Beggars Music Limited, a company under common control. At the year end, there was a balance due to the group from Beggars Music Limited of £174,330 (2015: £129,771).

At the year end, there was a balance due to the group from 4AD Music Limited, a company subject to common control, of £25,000 (2015: £25,000).

Other than as disclosed within directors' emoluments in note 9, there was no remuneration in relation to key management personnel in the current or prior year.

**BEGGARS GROUP LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**30. Related party transactions (continued)**

**Company**

Other than the transactions disclosed above, the company's related party transactions with wholly owned subsidiaries have not been disclosed in accordance with Section 33 of FRS 102. Related party transactions with subsidiaries that are not wholly owned were as follows:

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

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Playlouderecordings Limited	<b>5,000</b>	5,000
Too Pure Limited	<b>16,000</b>	16,000

At the balance sheet, date the following balances existed between the company and subsidiaries that are not wholly owned:

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Playlouderecordings Limited	<b>352,977</b>	344,074
Too Pure Limited	<b>1,865,256</b>	1,814,557

A provision for bad and doubtful debts of £352,977 (2015 - £319,174) was recognised in respect of the balance due from Playlouderecordings Limited. A provision for bad and doubtful debts of £1,865,256 (2015 - £1,801,322) was recognised in respect of the balance due from Too Pure Limited.

**31. Contingent liability**

A subsidiary company has been named as a co-defendant in legal proceedings instigated against a supplier to the group. The directors are of the opinion that these legal proceedings are without merit and it is not probable that the legal proceedings will be successful. Accordingly no provision has been made in these financial statements. It has been estimated that the maximum liability would be £1m, should the claimants make progress with their claim. However the directors do not believe that will happen.

**32. Controlling party**

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