

Company No: 01414045

BEGGARS GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015



BEGGARS GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

Contents	Page
Directors' report	1
Group strategic report	3
Directors' responsibilities statement	5
Independent auditor's report	6
Consolidated profit and loss account	7
Consolidated statement of comprehensive income	8
Consolidated balance sheet	9
Company balance sheet	10
Consolidated statement of changes in equity	11
Company statement of changes in equity	13
Consolidated statement of cash flows	15
Notes to the financial statements	16

BEGGARS GROUP LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2015

Directors

Martin Mills
Andrew Heath
James Wyllie
Paul Redding
Neela Ebbett
Rupert Skellett

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 2015

The directors present their annual report and the audited financial statements for the year ended 31 December 2015, which have been prepared in accordance with Financial Reporting Standard 102 for the first time. The directors have assessed the differences between the recognition and measurement principles of the regime under which the company previously reported its results and the new standard. The adjustments identified on transition are detailed in note 33 to the financial statements.

Principal activities

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

Results and dividends

The results for the year are set out on page 7.

An interim ordinary dividend was paid amounting to £nil (2014 - £2,000,000). The directors do not recommend payment of a final dividend.

Directors

The following directors have held office since 1 January 2015:

Martin Mills
Andrew Heath
James Wyllie
Paul Redding
Neela Ebbett
Rupert Skellett

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 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 2015

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 that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that 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 22 September 2016 and signed on behalf of the board.



Neela Ebbett
Director

BEGGARS GROUP LIMITED
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

Business review

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 Records and Young Turks Recordings

XL Recordings has had resounding acclaim with Adele's 25, which was released on 20 November 2015, and became the world's best-selling album of 2015 with 17.4 million copies sold worldwide. 25 has achieved massive commercial success debuting at number one in more than 25 markets and breaking first-week sales records in multiple territories including the UK and US. Adele was nominated for five Brit awards and subsequently won four, in February 2016.

During 2015, the group also had notable successes from Jamie XX (Young Turks), Alabama Shakes (Rough Trade), Belle & Sebastian (Matador), and Grimes (4AD).

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

In 2015 Beggars has seen huge growth in streaming, with some decline in downloads. Physical format sales have been more resilient than expected, partly due to the resurgence of vinyl across all of our labels, and partly because Adele's '25' was skewed towards the CD format.

The business has adapted to the growth of streaming, with appropriate parallel marketing strategies to support the diversity in formats, channels and territories. We have also invested significantly in our internal systems to help deal with the increasing complexity and exploding volumes. Our business has had to rapidly transform to deal with micropayments generated by digital streaming with an almost zero per transaction value but tens of million lines every month, and multiple data sources requiring cleansing and matching of metadata.

Whichever way fans choose to listen to music, this leaves us well equipped to support and promote our artists.

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 former category unfairly uses 'safe harbour' protection, which was intended to protect passive intermediaries from copyright liability in the early days of the internet.

But safe harbour exceptions are being used for purposes they were not intended for. They are allowing technology companies to build huge businesses on them, which is a major problem for licensed services because they are competing with services that have an inbuilt advantage.

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. We hope to see progress in this area during 2016.

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. The group's approach to managing other risks applicable to the financial instruments concerned is shown below.

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.

The liquidity risk of is managed by ensuring sufficient funds are available to meet amounts due.

BEGGARS GROUP LIMITED
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

Financial key performance indicators

The group uses a number of performance indicators to monitor and manage the business effectively. The key performance indicators for the year ended 31 December 2015, with comparatives for the year ended 31 December 2014, are laid out below.

	2015 £	2014 £
Turnover including share of associates and joint ventures	72,938,205	42,008,256
Total operating profit	16,675,810	5,065,800
Number of releases	48	44

This report was approved by the board on 22 September 2016 and signed on its behalf.



Neela Ebbett
Director

BEGGARS GROUP LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report, the Group Strategic Report and the 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 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 2015

We have audited the financial statements of Beggars Group Limited for the year ended 31 December 2015, set out on pages 7 to 41. The financial reporting framework that has been applied in their preparation is applicable law 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 the directors and auditors

As explained more fully in the Directors' Responsibilities Statement, 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 Auditing Practices Board'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 Directors' Report and the Group Strategic 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 2015 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 Directors' Report and Group Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 Vouters (Senior Statutory Auditor)
For and on behalf of SRLV

Chartered Accountants
Statutory Auditor

23 September 2016

89 New Bond Street
London
W1S 1DA

BEGGARS GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Turnover including share of associates and joint ventures		72,938,205	42,008,256
<i>Less share of turnover of:</i>			
Joint ventures		(46,264,118)	(17,989,498)
Associates		(623,187)	(535,857)
Group turnover	5	26,050,900	23,482,901
Cost of sales		(8,700,871)	(10,222,958)
Gross profit		17,350,029	13,259,943
Distribution expenses		(1,419,295)	(1,433,162)
Administrative expenses		(13,689,315)	(10,067,818)
Other operating income		30	-
Group operating profit	6	2,241,449	1,758,963
Share of operating profit from joint ventures	10	14,492,107	2,768,463
Share of operating loss from associates	10	(57,746)	(21,353)
Gain on revaluation of investment property		-	50,000
Profit on disposal of fixed asset investments		-	509,727
Total operating profit		16,675,810	5,065,800
Interest receivable	11	9,272	20,973
Interest payable	12	(4,046)	(16,698)
Profit on ordinary activities before taxation		16,681,036	5,070,075
Tax charge on profit on ordinary activities	13	(3,468,717)	(1,180,510)
Profit for the financial year		13,212,319	3,889,565
Profit attributable to:			
Owners of the parent		13,148,815	3,854,014
Non-controlling interests		63,504	35,551
		13,212,319	3,889,565

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

The notes on pages 16 to 41 form part of these financial statements.

BEGGARS GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £	2014 £
Profit for the financial year	<u>13,212,319</u>	<u>3,889,565</u>
Other comprehensive income		
Re-measurement of net defined benefit obligation	-	(55,000)
Experience losses on defined benefit scheme assets	60,400	(6,000)
Currency translation differences	83,811	181,360
Repurchase of shares by associate	-	(64,794)
	<u>144,211</u>	<u>55,566</u>
Other comprehensive income for the year		
Total comprehensive income for the year	<u>13,356,530</u>	<u>3,945,131</u>
Total comprehensive income attributable to:		
Owners of the parent company	13,293,026	3,909,580
Non-controlling interests	63,504	35,551
	<u>13,356,530</u>	<u>3,945,131</u>

BEGGARS GROUP LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

	Notes	£	2015 £	£	2014 £
Fixed assets					
Intangible assets	15		1,434,286		708,018
Tangible assets	16		10,306,244		8,408,724
Investment properties	17		450,000		450,000
Investments:					
Joint ventures	18	18,750,762		7,404,338	
Associated undertakings	18	134,141		191,887	
Other investments	18	1,643,166		<u>1,607,872</u>	
			20,528,069		<u>9,204,097</u>
			32,718,599		18,770,839
Current assets					
Stocks	19	660,107		484,187	
Debtors: amounts falling due within one year	20	55,159,819		9,862,838	
Cash at bank and in hand	21	32,270,566		<u>15,277,085</u>	
			88,090,492		25,624,110
Creditors: amounts falling due within one year	22		(74,948,449)		<u>(11,848,300)</u>
Net current assets			13,142,043		13,775,810
Total assets less current liabilities			45,860,642		32,546,649
Post-employment benefits	24		9,000		(51,400)
Provisions for liabilities	25		(1,447,017)		(1,403,422)
Net assets			44,422,625		<u>31,091,827</u>
Capital and reserves					
Called up share capital	26		200		200
Other reserves	27		57,358		57,358
Revaluation reserve	27		285,040		285,040
Profit and loss account			45,043,382		31,750,357
Equity attributable to owners of the parent			45,385,980		<u>32,092,955</u>
Non-controlling interests			(963,355)		(1,001,128)
Total equity			44,422,625		<u>31,091,827</u>

Approved by the board of directors and authorised for issue on 22 September 2016



Martin Mills
Director

Company Registration Number: 01414045

BEGGARS GROUP LIMITED
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2015

	Notes	£	2015 £	£	2014 £
Fixed assets					
Intangible assets	15		1,066,767		218,077
Tangible assets	16		1,519,383		1,208,893
Investment properties	17		450,000		450,000
Investments	18		6,199,601		6,164,308
			9,235,751		8,041,278
Current assets					
Debtors: amounts falling due within one year	20	77,601,310		16,940,277	
Cash at bank	21	6,026,660		6,846,284	
			83,627,970		23,786,561
Creditors: amounts falling due within one year	22		(70,765,636)		(9,894,646)
Net current assets			12,862,334		13,891,915
Total assets less current liabilities			22,098,085		21,933,193
Post-employment benefits	24		9,000		(51,400)
Provisions for liabilities	25		(70,064)		(57,008)
Net assets			22,037,021		21,824,785
Capital and reserves					
Called up share capital	26		200		200
Revaluation reserve	27		285,040		285,040
Profit and loss account			21,751,781		21,539,545
Shareholders' funds			22,037,021		21,824,785

Approved by the board of directors and authorised for issue on 22 September 2016.



Martin Mills
Director

Company Registration Number: 01414045

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	-	-	-	13,148,815	13,148,815
Other comprehensive income				144,210	144,210
Total comprehensive income for the year	-	-	-	13,293,025	13,293,025
At 31 December 2015	200	57,358	285,040	45,043,382	45,385,980

	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	13,148,815	63,504	13,212,319
Other comprehensive income for the year	144,210	-	144,210
Total comprehensive income for the year	13,293,025	63,504	13,356,529
Non-controlling interest share of joint ventures share of retained losses	-	(25,731)	(25,731)
Total transactions with owners recognised in equity	-	(25,731)	(25,731)
At 31 December 2015	45,385,980	(963,355)	44,422,625

The notes on pages 16 to 41 form part of these financial statements.

BEGGARS GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Other reserves	Revaluation reserve	Profit and loss account	Equity attributable to owners of parent company
	£	£	£	£	£
At 1 January 2014	200	579,469	235,040	29,890,777	30,705,486
Profit for the year	-	-	-	3,854,014	3,854,014
Other comprehensive income	-	-	-	55,566	55,566
Total comprehensive income for the year	-	-	-	3,909,580	3,909,580
Transfer	-	-	50,000	(50,000)	-
Disposal of associate	-	(522,111)	-	-	(522,111)
Dividends	-	-	-	(2,000,000)	(2,000,000)
Total transactions with owners recognised directly in equity	-	(522,111)	50,000	(2,050,000)	(2,522,111)
At 31 December 2014	200	57,358	285,040	31,750,357	32,092,955

	Equity attributable to owners of parent company	Non-controlling interest	Total equity
	£	£	£
At 1 January 2014	30,705,486	(1,073,555)	29,631,931
Profit for the year	3,854,014	35,551	3,889,565
Other comprehensive income	55,566	-	55,566
Total comprehensive income for the year	3,909,580	35,551	3,945,131
Transfer	-	-	-
Disposal of associate	(522,111)	-	(522,111)
Dividends	(2,000,000)	-	(2,000,000)
Non-controlling interest share of joint ventures share of retained profit	-	37,116	37,116
Disposal of non-controlling interest	-	(240)	(240)
Total transactions with owners recognised directly in equity	(2,522,111)	36,876	(2,485,235)
At 31 December 2014	32,092,955	(1,001,128)	31,091,827

The notes on pages 16 to 41 form part of these financial statements.

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	<u>200</u>	<u>285,040</u>	<u>21,539,545</u>	<u>21,824,785</u>
Profit for the year	-	-	151,836	151,836
Other comprehensive income	-	-	60,400	60,400
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>212,236</u>	<u>212,236</u>
At 31 December 2015	<u>200</u>	<u>285,040</u>	<u>21,751,781</u>	<u>22,037,021</u>

The notes on pages 16 to 41 form part of these financial statements.

BEGGARS GROUP LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	Revaluation reserve	Profit and loss account	Equity attributable to owners of parent company
	£	£	£	£
At 1 January 2014	200	235,040	18,164,413	18,399,653
Profit for the year	-	-	5,486,132	5,486,132
Other comprehensive income	-	-	(61,000)	(61,000)
Total comprehensive income for the year	-	-	5,425,132	5,425,132
Transfer	-	50,000	(50,000)	-
Dividends	-	-	(2,000,000)	(2,000,000)
Total transactions with owners recognised directly in equity	-	50,000	(2,050,000)	(2,000,000)
At 31 December 2014	200	285,040	21,539,545	21,824,785

The notes on pages 16 to 41 form part of these financial statements.

BEGGARS GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £	2014 £
Cash flows from operating activities		
Profit for the financial year	13,212,319	3,889,565
Adjustments for:		
Tax on profit on ordinary activities	3,468,717	1,180,510
Net interest income	(5,226)	(4,275)
Share of operating profit from joint ventures	(14,492,107)	(2,768,463)
Share of operating loss from associates	57,746	21,353
Gain on revaluation of investment property	-	(50,000)
Experience gains on defined benefit pension scheme	-	(6,000)
Fair value gains on disposal of fixed asset investments	-	(509,727)
Gain on disposal of fixed assets	(7,891)	-
Amortisation of intangible assets	181,191	122,422
Depreciation of tangible assets	496,608	235,095
Loss on foreign exchange movements	(266,603)	(153,248)
Increase in stock	(175,919)	(50,472)
Increase in debtors	(45,758,645)	(1,074,060)
Increase in creditors	63,383,317	145,890
Increase in net pension liability	-	(9,000)
Net cash generated from operating activities	20,093,507	969,590
Taxation paid	(137,155)	(1,079,072)
Cash flows from investing activities		
Proceeds from sale of tangible assets	12,654	910
Purchase of tangible assets	(2,093,773)	(1,803,839)
Purchase of intangible assets	(907,458)	(229,581)
Dividends received	-	6,500,000
Interest received	9,272	18,883
Net cash from investing activities	(2,979,305)	4,486,373
Cash flows from financing activities		
Dividends paid	-	(2,000,000)
Interest paid	(4,046)	(9,208)
Net cash used in financing activities	(4,046)	(2,009,208)
Net increase in cash and cash equivalents	16,973,001	2,367,683
Cash and cash equivalents at beginning of the year	15,277,085	12,909,402
Cash and cash equivalents at the end of the year	32,250,086	15,277,085
Cash and cash equivalents at the end of the year comprise:		
Cash at bank and in hand	32,270,566	15,277,085
Bank overdrafts	(20,480)	-
	32,250,086	15,277,085

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

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, as modified by the recognition of certain financial assets and liabilities measured at fair value, 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.

Information on the impact of the first-time adoption of FRS 102 is given in note 33.

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 each year.

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 eliminate in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree'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.

In accordance with the transitional exemption available under FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2014.

2.3.1 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 2015

(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 2015

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 (previously 33% straight line)
--------------------------------	--

Amortisation rates in relation to software and development costs were amended in the year from 33% straight line. It is the opinion of the directors that this is a more appropriate basis of estimation. There is no material effect on the financial statements arising from this change.

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 (previously 20-25% per annum on a reducing balance basis)
Motor vehicles	25% straight line (previously 25% per annum on a reducing balance basis)
Computer equipment	20% - 33% straight line (previously 25-33% per annum on a reducing balance basis)

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.

During the year, the directors reviewed the basis of depreciation in relation to tangible fixed assets. The basis of depreciation for fixtures fittings and equipment was amended from 20-25% per annum on a reducing balance basis. The basis of depreciation for motor vehicles was amended from 25% per annum on a reducing balance basis. The basis of depreciation for computer equipment was amended from 25-33% per annum on a reducing balance basis. It is the opinion of the directors that this is a more appropriate basis of estimation. There is no material effect on the financial statements arising from this change.

2.7 Operating leases: Lessee

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

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

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.

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 statutory accounting rules, is necessary to provide a true and fair view as required under Section 16 of FRS 102. The financial effect of the departure from the statutory accounting rules is not material to the financial statements.

2.9 Investments – company

Investments in subsidiaries are measured at cost less accumulated 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. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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 (other than those wholly repayable and receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using effective interest method. 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

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

rate of interest that is not a market rate or in case of an out-right 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.

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:

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.

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.

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

2.19 Pensions

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.

Defined benefit pension plan

The group operates 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.

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

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

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.

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

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

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.

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 £151,836 (2014 – profit £5,486,132).

5. Analysis of turnover

Analysis of turnover by category:

	2015	2014
	£	£
Sales and licensing of sound recordings	20,467,661	18,747,699
Management charges	5,583,239	4,735,202
	<u>26,050,900</u>	<u>23,482,901</u>

Analysis of turnover by country of destination:

	2015	2014
	£	£
UK	8,278,195	7,686,394
Rest of world	17,772,705	15,796,507
	<u>26,050,900</u>	<u>23,482,901</u>

6. Group operating profit

The operating profit is stated after charging:

	2015	2014
	£	£
Depreciation of tangible fixed assets	496,608	235,095
Amortisation of intangible assets, including goodwill	181,191	122,422
Operating lease costs – land and buildings	437,474	422,325
Exchange differences	<u>(388,242)</u>	<u>(265,841)</u>

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

7. Auditors' remuneration

	2015 £	2014 £
Fees payable to the company's auditor for the audit of the group's annual accounts	<u>146,500</u>	<u>138,500</u>
	146,500	138,500
Fees payable to the company's auditor in respect of:		
Taxation services	21,500	21,500
Accountancy services	17,250	-
Consultancy services	-	11,200
	<u>182,250</u>	<u>160,000</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.

8. Employees

Staff costs, including directors' remuneration, were as follows

	2015 £	2014 £
Wages and salaries	6,052,824	6,453,416
Social security costs	1,477,676	1,506,929
Pension costs	518,493	471,903
	<u>8,048,993</u>	<u>8,432,248</u>

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

	2015 No.	2014 No.
Management	12	16
A&R, Marketing & Operations	92	102
	<u>104</u>	<u>118</u>

9. Directors' emoluments

	2015 £	2014 £
Directors' emoluments	1,354,317	1,546,610
Company pension contributions to pension schemes on behalf of current and former directors	<u>297,087</u>	<u>414,063</u>
	1,651,404	1,960,673

During the year, retirement benefits were accruing to 3 directors in respect of defined contribution pension schemes (2014: 2) and 1 former director in respect of defined benefit schemes (2014: 1).

Emoluments of highest paid director:

	2015 £	2014 £
Emoluments	389,923	401,063
Company pension contributions to pension schemes	-	-
	<u>389,923</u>	<u>401,063</u>

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

10. Share of profits from other fixed asset investments

	2015 £	2014 £
Net share of operating profit of joint ventures	14,492,107	2,768,463
Net share of operating loss of associates	(57,746)	(21,353)
	<u>14,434,361</u>	<u>2,747,110</u>

The share of operating losses of the associates relates to Consolidated Independent Limited: (£57,746).

The share of operating profit of joint ventures relates to Remote Control Records Pty Limited: (£68,024); Matador Recordings LLC: (£21,459); Matador Records Limited: (£5,469); Popstock Distribuciones S. L.: £74,500; XL Recordings Limited: £14,612,183; Ink Management Limited: (£234) and Rough Trade Records Limited: (£99,390).

11. Interest receivable

	2015 £	2014 £
Bank interest receivable	9,272	19,042
Other similar interest receivable	-	1,931
	<u>9,272</u>	<u>20,973</u>

12. Interest payable

	2015 £	2014 £
Bank interest payable	4,046	16,698
	<u>4,046</u>	<u>16,698</u>

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

13. Taxation

	2015 £	2014 £
Corporation tax		
Current tax on profits for the year	(402,658)	(309,674)
Adjustments in respect of prior years	-	-
	<u>(402,658)</u>	<u>(309,674)</u>
Double taxation relief	33,310	31,416
Consortium relief	-	(30,447)
	<u>33,310</u>	<u>(308,705)</u>
Foreign tax for current year	(32,988)	(41,511)
Adjustments in respect of prior years foreign tax	107,171	-
Share of joint ventures' tax	(3,160,496)	(820,294)
	<u>(3,455,661)</u>	<u>(1,170,510)</u>
Total current tax		
Deferred tax		
Short term timing differences	-	(10,000)
Accelerated capital allowances	(128,623)	-
Tax losses	126,589	-
Unremitted profits	(11,022)	-
	<u>(13,056)</u>	<u>(10,000)</u>
Total deferred tax		
Taxation on profit on ordinary activities	<u>(3,468,717)</u>	<u>(1,180,510)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 – higher than) the standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%). The differences are explained below:

Profit on ordinary activities before tax	<u>16,681,044</u>	<u>5,070,075</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (US -34%) (2014– 21.5% (US - 34%))	<u>3,369,153</u>	<u>1,163,682</u>
Effects of:		
Expenses not deductible for tax purposes	69,819	(80,346)
Depreciation in excess of capital allowances	(48,914)	(58,091)
Adjustments in respect of prior years foreign tax	(107,171)	-
Foreign tax expense/(unrelieved)	-	(2,196)
Adjustment in research and development tax credit	(100,857)	-
Other tax adjustments	273,631	157,461
Total tax charge for the year	<u>3,455,661</u>	<u>1,180,510</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 2015

14. Dividends

	2015 £	2014 £
Dividends paid on equity capital	-	2,000,000

15. Intangible fixed assets

Group

	Goodwill £	Software £	Total £
Cost			
At 1 January 2015	2,149,477	229,581	2,379,058
Additions	-	907,459	907,459
At 31 December 2015	2,149,477	1,137,040	3,286,517
Amortisation			
At 1 January 2015	1,659,536	11,504	1,671,040
Charge for the year	122,422	58,769	181,191
At 31 December 2015	1,781,958	70,273	1,852,231
Net book value			
At 31 December 2015	367,519	1,066,767	1,434,286
At 31 December 2014	489,941	218,077	708,018

Company

	Software £
Cost	
At 1 January 2015	229,581
Additions	907,459
At 31 December 2015	1,137,040
Amortisation	
At 1 January 2015	11,504
Charge for the year	58,769
At 31 December 2015	70,273
Net book value	
At 31 December 2015	1,066,767
At 31 December 2014	218,077

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

	Carrying value		Remaining amortisation period (years)	
	2015 £	2014 £	2015 £	2014 £
IT systems	1,066,767	218,077	2.75	3

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

16. Tangible fixed assets

Group	Freehold land & buildings £	Leasehold properties £	Fixtures & fittings £	Motor vehicles £	Total £
Cost					
At 1 January 2015	7,826,609	501,898	1,344,637	208,482	9,881,626
Foreign exchange	303,954	981	10,658	-	315,593
Additions	1,469,209	91,097	533,467	-	2,093,773
Disposals	(148)	-	(4,885)	(550)	(5,583)
At 31 December 2015	9,599,624	593,976	1,883,877	207,932	12,285,409
Depreciation					
At 1 January 2015	459,671	79,640	808,538	125,053	1,472,902
Foreign exchange	-	618	9,857	-	10,475
Charge for year	37,177	25,564	357,906	75,961	496,608
Disposals	(24)	-	(692)	(104)	(820)
At 31 December 2015	496,824	105,822	1,175,609	200,910	1,979,165
Net book value					
At 31 December 2015	9,102,800	488,154	708,268	7,022	10,306,244
At 31 December 2014	7,366,938	422,258	536,099	83,429	8,408,724
Company					
Cost					
At 1 January 2015	449,734	481,938	990,910	117,394	2,039,976
Additions	302,775	-	341,607	-	644,382
Transfers	22,882	-	(22,882)	-	-
At 31 December 2015	775,391	481,938	1,309,635	117,394	2,684,358
Depreciation					
At 1 January 2015	156,061	77,686	529,057	68,279	831,083
Charge for year	7,508	10,994	270,708	44,682	333,892
At 31 December 2015	163,569	88,680	799,765	112,961	1,164,975
Net book value					
At 31 December 2015	611,822	393,258	509,870	4,433	1,519,383
At 31 December 2014	293,673	404,252	461,853	49,115	1,208,893

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

17. Investment properties

	£
Group and company	
Valuation	
At 1 January 2015	450,000
Revaluation gain in the year	-
At 31 December 2015	<u>450,000</u>
Net book value	
At 31 December 2015	<u>450,000</u>
At 31 December 2014	<u>450,000</u>

Investment properties were valued on an open market basis as at 31 December 2015 by Neela Ebbett (director).

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

18. Investments

Group	Associates £	Joint ventures £	Loans £	Other £	Total £
Cost					
At 1 January 2015	191,887	7,404,338	700,000	907,872	9,204,097
Change in value	(57,746)	11,346,424	-	35,294	11,323,972
At 31 December 2015	<u>134,141</u>	<u>18,750,762</u>	<u>700,000</u>	<u>943,166</u>	<u>20,528,069</u>
Net book value					
At 31 December 2015	<u>134,141</u>	<u>18,750,762</u>	<u>700,000</u>	<u>943,166</u>	<u>20,528,069</u>
At 31 December 2014	<u>191,887</u>	<u>7,404,338</u>	<u>700,000</u>	<u>907,872</u>	<u>9,204,097</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 £18,927,933 and joint ventures in a net liabilities position (including unamortised goodwill) of £1,376,953 (note 25).

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

18. Investments (continued)

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

	Associates £	Joint ventures £	Total £
Group associates and joint ventures			
Share of net assets/(liabilities)/cost			
At 1 January 2015	191,887	4,637,364	4,829,251
Share of retained (loss)/profit for the year	(57,746)	11,501,427	11,443,681
Minority interest share of profit for the year	-	(25,731)	(25,731)
Foreign currency translation movements	-	10,005	10,005
	134,141	16,123,065	16,257,206
Goodwill			
At 1 January 2015	-	1,420,560	1,420,560
Amortisation	-	(169,816)	(169,816)
At 31 December 2015	-	1,250,744	1,250,744
Net book value			
At 31 December 2015	134,141	17,373,809	17,507,950
At 31 December 2014	191,887	6,057,924	6,249,811

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 2015.

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

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

18. Investments (continued)

Associates and joint ventures

Consolidated	Provision of information	England and	Ordinary	50%
Independent Limited	technology services	Wales		<i>Indirect</i>
Remote Control Records	Promotion and marketing of	Australia	Ordinary	50%
Pty Limited	sound recordings			
Popstock Distribuciones	Distribution of sound	Spain	Ordinary	50%
S.L.	recordings			
Everlasting Records S.L	Production and exploitation	Spain	Ordinary	50%
	of sound recordings			<i>Indirect</i>
Matador Recordings LLC	Production and exploitation	United States	Ordinary	50%
	of sound recordings	of America		
Matador Records Limited	Production and exploitation	England and	Ordinary	50%
	of sound recordings	Wales		
XL Recordings Limited	Production and exploitation	England and	Ordinary	50%
	of sound recordings	Wales		
XL Recordings (USA) Inc.	Property holding	United States	Ordinary	50%
		of America		<i>Indirect</i>
Mowax Labels Limited	Production and exploitation	England and	Ordinary	25%
	of sound recordings	Wales		<i>Indirect</i>
Young Turks Recordings	Production and exploitation	England and	Ordinary	37.51%
Limited	of sound recordings	Wales		<i>Indirect</i>
Young Turks Limited	Production and exploitation	England and	Ordinary	37.51%
	of sound recordings	Wales		<i>Indirect</i>
Rough Trade Records	Production and exploitation	England and	Ordinary	50%
Limited	of sound recordings	Wales		
Mattitude Music LLC	Music publishing	United States	Ordinary	50%
		of America		
Independent Distribution	Negotiation and execution	United States	Ordinary	20%
Cooperative LLC	of one or more Physical	of America		
	Distribution Agreements			
Ink Management Limited	Music management	England and	Ordinary	50%
		Wales		<i>Indirect</i>
Rough Trade Retail	Sale and distribution of	England and	Ordinary	28%
Group Limited	music goods	Wales		<i>Indirect</i>
Rise Bristol Limited	Retail sale of music	England and	Ordinary	18.76%
		Wales		<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 56% of Rough Trade Retail Group Limited, which in turn owns 100% of The Album Club Limited, Rough Trade Limited, Rough Trade Retail (USA) Holdings Inc. and 65% of Rough Trade Retail LLC. 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 Consolidated Independent Limited and Rough Trade Retail Group Limited is 31 March and the latest financial statements are for the year ended 31 March 2015. The accounting reference date for Rise Bristol Limited is 28 February and the latest financial statements are for the year ended 28 February 2015.

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

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

18. Investments (continued)

Company	Subsidiary companies	Associated undertakings and joint ventures	Other investments	Loans	Total
	£	£	£	£	£
Cost					
At 1 January 2015	2,248,295	2,614,510	819,948	700,000	6,382,753
Foreign exchange	-	-	35,293	-	35,293
At 31 December 2015	<u>2,248,295</u>	<u>2,614,510</u>	<u>855,241</u>	<u>700,000</u>	<u>6,418,046</u>
Amounts provided					
At 1 January 2015 and 31 December 2015	<u>1,764</u>	<u>216,681</u>	<u>-</u>	<u>-</u>	<u>218,445</u>
Net book value					
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>
At 31 December 2014	<u>2,246,531</u>	<u>2,397,829</u>	<u>819,948</u>	<u>700,000</u>	<u>6,164,308</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	
	2015 £	2014 £	2015 £	2014 £
Finished goods for resale	<u>660,107</u>	<u>484,187</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	
	2015 £	2014 £	2015 £	2014 £
Due within one year				
Trade debtors	39,563,678	6,669,067	11,502	10,408
Amounts owed by subsidiary undertakings	-	-	74,165,897	13,920,342
Amounts owed by associated undertakings and joint ventures	3,917,312	160,031	3,191,734	2,757,743
Other debtors	7,719,846	2,323,683	90,504	137,770
Corporation tax recoverable	288,266	446,276	-	-
Prepayments and accrued income	3,670,717	263,781	141,673	114,014
	<u>55,159,819</u>	<u>9,862,838</u>	<u>77,601,310</u>	<u>16,940,277</u>

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

21. Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Cash at bank and in hand	32,270,566	15,277,085	6,026,660	6,846,284
Less: bank overdrafts	(20,480)	-	-	-
	<u>32,250,086</u>	<u>15,277,085</u>	<u>6,026,660</u>	<u>6,846,284</u>

22. Creditors: amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Bank overdraft	20,480	-	-	-
Trade creditors	3,191,644	3,275,862	264,331	265,694
Amounts owing to subsidiary undertakings	-	-	4,956,404	736,049
Amounts owing to associated undertakings and joint ventures	64,808,702	3,861,941	64,760,246	7,682,129
Corporation taxation	-	-	-	-
Taxation and social security	527,757	490,342	301,744	387,312
Other creditors	3,755,307	3,405,679	17,913	19,045
Accruals and deferred income	2,644,559	814,476	464,998	804,417
	<u>74,948,449</u>	<u>11,848,300</u>	<u>70,765,636</u>	<u>9,894,646</u>

23. Financial instruments

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Financial assets that are debt instruments measured at amortised cost	83,599,973	25,025,909	83,627,970	23,786,561
	<u>83,599,973</u>	<u>25,025,909</u>	<u>83,627,970</u>	<u>23,786,561</u>
Financial liabilities measured at amortised cost	74,939,675	11,848,300	70,765,636	9,894,646
	<u>74,939,675</u>	<u>11,848,300</u>	<u>70,765,636</u>	<u>9,894,646</u>

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 tax and social security, other creditors and accruals.

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

24. Post employment benefits

The company operated two defined benefit pension schemes during the year. The company ceased to participate in one of the schemes on 31 March 2015. The funds are administered by an independent trustee, who is responsible for ensuring that the plan is sufficiently funded to meet current and future obligations, and are 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 (2014: deficit of £51,400).

The results used for FRS 102 purposes have been based on calculations from the 16 May 2016 valuation, updated by the scheme actuary to take account of changes in market conditions and scheme membership. On an FRS 102 basis the pre-tax asset in the scheme at 31 December 2015 is £9,000. Scheme assets are stated at their mid-market value at 31 December 2015.

The amounts recognised in the balance sheet are as follows:

	2015	2014
	£	£
Fair value of scheme assets	9,000	339,090
Present value of funded obligations	-	(390,490)
Surplus/(deficit) in the scheme	9,000	(51,400)
Related deferred tax asset	-	-
Net surplus/(obligation)	9,000	(51,400)

The amounts recognised in profit or loss are as follows:

	2015	2014
	£	£
Past service cost	-	73,000
Current service cost	-	265,000
Interest cost	1,000	(1,000)
Expenses	-	11,000
	1,000	348,000

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

	2015	2014
	£	£
Opening defined benefit obligation	390,490	-
Past service cost	-	73,000
Current service cost	-	265,000
Curtailments	(326,000)	-
Interest on scheme liabilities	3,510	7,490
Benefits paid	(7,000)	(10,000)
Actuarial (gain)/loss	(61,000)	55,000
	-	390,490

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

	2015	2014
	£	£
Opening fair value of scheme assets	339,090	-
Expected return on scheme assets	2,910	2,090
Expenses	-	(11,000)
Contributions by employer	-	358,000
Curtailments	(326,000)	-
Benefits paid	(7,000)	(10,000)
	9,000	339,090

The cumulative amount of actuarial and experience gains and losses recognised in the consolidated statement of comprehensive income was a gain of £61,000 (2014: £61,000 - loss).

The company expects to contribute £nil to its defined benefit scheme in 2016.

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

24. Post employment benefits (continued)

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.

Principal actuarial assumptions at the balance sheet date:

	2015	2014
Discount rate at 31 December	3.4%	3.4%
Consumer price inflation	2.7%	2.7%
Retail price inflation	3.4%	3.4%
Expected rate of return	1.0%	1.0%
Future salary increases	0.0%	0.0%
Future pension increases	0.0%	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.

	2015 £	2014 £
Contributions payable by the company for the year	<u>426,138</u>	<u>471,903</u>

25. Provisions for liabilities

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Share of net liabilities of joint ventures	1,376,953	1,346,414	-	-
Deferred tax	70,064	57,008	-	47,008
Provision carried forward	<u>1,447,017</u>	<u>1,403,422</u>	<u>-</u>	<u>47,008</u>

Share of net liabilities of joint ventures

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

In 2015 and 2014, the share of liabilities in joint ventures has arisen on the holdings in Rough Trade Records Limited, Popstock Distribuciones S.L. and Matador Records Limited.

Deferred taxation

	Group Deferred tax £	Company Deferred tax £
At 1 January 2015	57,008	57,008
Charged to the profit and loss account	13,056	13,056
At 31 December 2015	<u>70,064</u>	<u>70,064</u>

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Short term timing differences	57,008	57,008	57,008	57,008
Accelerated capital allowances	128,623	-	128,623	-
Tax losses	(126,589)	-	(126,589)	-
Unremitted profits	11,022	-	11,022	-
	<u>70,064</u>	<u>57,008</u>	<u>70,064</u>	<u>57,008</u>

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

26. Share capital

	2015 No	2015 £	2014 No	2014 £
Company				
Allotted, called up and fully paid:				
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' shares and they rank pari passu.

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:

Group	Land and buildings	
	2015 £	2014 £
Not later than one year	302,759	345,785
Later than one year and not later than five years	117,826	359,864
	<u>420,585</u>	<u>705,649</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 2015, was a loan of £50,221 (2014: £50,221) to Yvonne Damant, the wife of Martin Mills. The loan is interest free, unsecured and repayable on demand. Yvonne Damant uses the investment property disclosed in note 17 and pays no rent for this use.

During the year, legal and business fees of £18,354 (2014: £16,687) 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 (2014: £875) was included in trade creditors.

£644,909 (2014: £647,596) 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 £nil (2014: £2,000,000).

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

30. Related party transactions

Group

During the year, rent of £60,000 (2014: £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:

	2015		2014	
	Turnover	Costs	Turnover	Costs
	£	£	£	£
Beggars UK Limited:				
Mowax Labels Limited	394	10,353	429	145
Matador Records Limited	1,210,057	835,918	989,500	927,468
XL Recordings Limited	48,031,717	15,477,068	4,298,552	3,377,942
Rough Trade Records Limited	1,601,062	1,102,267	1,060,302	737,733
Young Turks Recordings Limited	1,042,154	817,312	518,568	462,251

	2015		2014	
	Turnover	Costs	Turnover	Costs
	£	£	£	£
Beggars Group Digital Limited:				
Mowax Labels Limited	4,283	113	3,430	45
Matador Records Limited	1,234,425	48,571	1,348,338	20,336
XL Recordings Limited	15,567,638	411,096	7,608,968	90,013
Rough Trade Records Limited	2,275,290	59,974	1,666,922	24,054
Young Turks Recordings Limited	2,378,399	62,701	651,744	4,828

Beggars Group Media Limited:

	2015		2014	
	Turnover	Costs	Turnover	Costs
	£	£	£	£
Mowax Labels Limited	7,008	(11)	1,797	37
Matador Records Limited	287,775	4,505	388,094	29,477
XL Recordings Limited	4,625,500	4,904	4,520,756	86,757
Rough Trade Records Limited	816,458	(1,020)	995,385	26,865
Young Turks Recordings Limited	530,402	919	108,318	10,756

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

	2015	2014
	£	£
Beggars Group Limited:		
Mowax Labels Limited	7,500	7,500
Matador Records Limited	540,914	554,901
XL Recordings Limited	2,214,473	1,655,535
Rough Trade Records Limited	701,977	618,168
Young Turks Recordings Limited	361,222	275,426
Beggars UK Limited:		
Mowax Labels Limited	2,500	2,500
Matador Records Limited	299,767	353,062
XL Recordings Limited	710,487	616,876
Rough Trade Records Limited	292,066	341,993
Young Turks Recordings Limited	139,748	175,186

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

30. Related party transactions (continued)

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

Amount due from/(to):	2015 £	2014 £
Mowax Labels Limited	(2,694)	(6,783)
Matador Records Limited	414,416	1,115,305
XL Recordings Limited	(63,073,418)	(7,584,022)
Rough Trade Records Limited (trade debt)	1,267,611	1,276,050
Rough Trade Records Limited (other)	700,000	700,000
Young Turks Recordings Limited	(1,684,134)	(91,234)
Matador Recordings LLC	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, who in turn made a contribution to that company's overheads:

	2015		2014	
	Royalties £	Overhead £	Royalties £	Overhead £
Mowax Labels Limited	421	-	620	-
XL Recordings Limited	1,275,677	30,151	1,317,070	49,212
Rough Trade Records Limited	221,417	3,358	164,627	14,939
Young Turks Recordings Limited	401,516	9,174	124,217	2,759

During the year, the group incurred rental costs from XL Recordings (USA) Inc. of £48,648 (2014: £51,049).

During the year, payments were made to Remote Control Records Pty of £24,176 (2014: £36,770) in respect of commission. Also during the year, sales of £126,451 (2014: £274,168) 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 £488,718 (2014: £181,876). At the year end there was a net balance due to the group of £nil (2014: £7,851).

During the year, net sales of £770,141 (2014: £328,576) were made by the group to Popstock Distribuciones SL in respect of distributed sales. At the year end, the group was owed £1,331,744 (2014: £810,127) by Popstock Distribuciones SL. A provision for bad and doubtful debts of £371,991 (2014: £371,991) was recognised against the balance at the year end.

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 (2014: £25,000).

Other than as disclosed within Directors remuneration 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 2015

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:

	2015 £	2014 £
Playlouderecordings Limited	5,000	5,000
Too Pure Limited	16,000	16,000

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

	2015 £	2014 £
Playlouderecordings Limited	344,074	319,174
Too Pure Limited	1,814,557	1,824,120

A provision for bad and doubtful debts of £319,174 (2014 - £319,174) was recognised in respect of the balance due from Playlouderecordings Limited. A provision for bad and doubtful debts of £1,801,322 (2014 - £1,824,120) 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.

33. First time adoption of FRS 102

This is the first financial year that group and company results have been presented under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 31 December 2014. The date of transition was 1 January 2014. This note sets out the changes to accounting policies and the transitional adjustments that are required to be made for first-time transition to FRS 102. The company's and the group's opening equity position at 1 January 2014 and previously published financial statements for the year ended 31 December 2014 have been restated from the previous UK GAAP.

In carrying out the transition to FRS 102, the group and company have applied the following exemptions as permitted by Section 35 *Transition to this FRS*:

- The group and company have elected not to apply Section 19 *Business Combinations and Goodwill* to business combinations that were effected prior to 1 January 2014; and
- The group has elected to retain the accounting policies for reported assets, liabilities and equity for dormant subsidiaries at the transition until there are any changes to the balances or the subsidiaries undertake new transactions.

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

33. First time adoption of FRS 102 (continued)

Group

Reconciliation of equity at 1 January 2014 and 31 December 2014

	Note	As at 1 January 2014 £	As at 31 December 2014 £
Equity as reported under old UK GAAP		29,678,939	31,148,835
<i>Effect of transition to FRS 102:</i>			
Acquired software costs	(a)	-	-
Deferred tax on revalued investment property	(b)	(47,008)	(57,008)
Revaluation gains	(c)	-	-
Re-measurement differences on defined benefit pension plan	(d)	-	-
Equity as restated under FRS 102		29,631,931	31,091,827

		Year ended 31 December 2014 £
Profit as reported under old UK GAAP		3,843,565
<i>Effect of transition to FRS 102:</i>		
Acquired software costs	(a)	-
Deferred tax on revalued investment property	(b)	(10,000)
Revaluation gains	(c)	50,000
Re-measurement differences on defined benefit pension plan	(d)	6,000
Profit as restated under FRS 102		3,889,565

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

33. First time adoption of FRS 102 (continued)

Company

Reconciliation of equity at 1 January 2014 and 31 December 2014

	As at 1 January 2014 £	As at 31 December 2014 £
Equity as reported under old UK GAAP	18,446,661	21,881,793
<i>Effect of transition to FRS 102:</i>		
Acquired software costs (a)	-	-
Deferred tax on revalued investment property (b)	(47,008)	(57,008)
Revaluation gains (c)	-	-
Re-measurement differences on defined benefit pension plan (d)	-	-
Equity as restated under FRS 102	<u>18,399,653</u>	<u>21,824,785</u>

	Year ended 31 December 2014 £
Profit as reported under old UK GAAP	5,385,132

Effect of transition to FRS 102:

Acquired software costs (a)	-
Deferred tax on revalued investment property (b)	(10,000)
Revaluation gains (c)	50,000
Re-measurement differences on defined benefit pension plan (d)	61,000

Profit as restated under FRS 102	<u>5,486,132</u>
---	------------------

Explanation of transitional adjustments

(a) Acquired software costs

The transitional adjustment relates to the reclassification of acquired software costs from tangible to intangible fixed assets, and the consequential reclassification of the associated depreciation charge to be presented as an annual amortisation charge. There has been no impact on the retained earnings position as at 1 January 2014 or 31 December 2014, or the profit for the year ending 31 December 2014.

The adjustment has resulted in a reclassification adjustment within fixed assets of £nil at 1 January 2014 and £218,077 at 31 December 2014, and a reclassification within administration costs of £11,504 for the year ended 31 December 2014.

(b) Deferred tax on investment property

The transitional adjustment relates to the provision for deferred tax for revaluation gains on the investment property that were not recognised under old UK GAAP. The retained earnings position as at 1 January 2014 was been reduced by £47,008 and the retained earnings position as at 31 December 2014 has been reduced by £57,008. The profit for the year ending 31 December 2014 has been reduced by £10,000.

(c) Revaluation gains

The transitional adjustment relates to the reclassification of gains on revaluing investment properties to be recognised in profit for the year and the transfer of these gains to the revaluation reserves within equity. The retained earnings position and equity as at 1 January 2014 and 31 December 2014 remain unchanged. The profit reported for the year ending 31 December 2014 has increased by £50,000.

(d) Re-measurement differences on defined benefit plan

The transitional adjustment relates to the reclassification of re-measurement differences in relation to the defined benefit plan from profit and loss to other comprehensive income. The retained earnings position as at 1 January 2014 and 31 December 2014 remain unchanged. The profit reported for the year ending 31 December 2014 has increased by £6,000 and other comprehensive income has reduced by £6,000.