

Company No: 01414045

BEGGARS GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



BEGGARS GROUP LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2018

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BEGGARS GROUP LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

Directors

Martin Mills
Andrew Heath
James Wyllie
Paul Redding
Neela Ebbett
Rupert Skellett
Simon Wheeler
Victoria Fry

Company number

01414045

Registered Office

17-19 Alma Road
London
SW18 1AA

Independent auditor

SRLV Audit Limited
Chartered Accountants & Statutory Auditor
Elsley Court
20-22 Great Titchfield Street
W1W 8BE

**BEGGARS GROUP LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity

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

Results and dividends

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

An ordinary dividend was paid amounting to £8,000,000 (2017 - £NIL).

Directors

The following directors have held office since 1 January 2018:

Martin Mills
Andrew Heath
James Wyllie
Paul Redding
Neela Ebbett
Rupert Skellett
Simon Wheeler
Victoria Fry (appointed 9 October 2018)

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 have been no significant events affecting the company since the year end.

Directors' insurance

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

Matters covered in the group strategic report

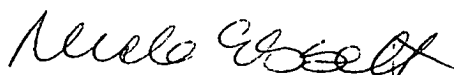
The principal risks and uncertainties facing the group and the company have been considered in the group strategic report.

Statement of disclosure to auditors

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

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

Approved by the board of directors on and signed on behalf of the board.



Neela Ebbett
Director

12 JUL 2019

BEGGARS GROUP LIMITED
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Principal activities and business review

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

Business review

Beggars Group had another successful trading year, consolidating on the success of recent releases which continue to stream well. Most importantly we have been busy finding and developing an exciting roster of new artists and new music across our labels, many already at launch stage.

As streaming and subscriber growth continues apace, our music too has enjoyed growth in line with the market. Our entire catalogue has been the beneficiary of this phenomenon, not just recent releases. We're pleased to note the growth in streaming from developing markets and the enormous success of our US business. Revenues from our traditional European territories and Australasia remain strong and are a significant part of our success.

During the year we received the proceeds of the sale of our shares in Spotify. We believe that our artists should share equally in that windfall. So, we accounted 50% of those revenues to all our artists, past and present. After allowing for recoupment, 44% was paid out in cash. Certain other companies apparently distributed these revenues based on the artist royalty rate, meaning they would have paid out a far lower percentage irrespective of recoupment.

The business continues to invest in IT infrastructure to deal with the complexity of formats, channels and territories. We take seriously our commitment to account transparently and accurately to our artists, without reliance on third parties. We have built our own data source platform and every month process over 1bn digital transactions a month from 200 Digital Service Providers covering 241 countries, with a metadata matching rate of 99.9%.

We are dependent on our ability to achieve success with new acts as much as our ability to continue to exploit globally our prestigious catalogue. To that end we are committed to treating artists fairly and have developed a number of industry-leading policies to reflect that.

Principal risks and uncertainties

Political & economic risks

Revenues from the EU are a critical element of the business. A no-deal Brexit may interrupt our domestic physical supply chain in the short term, and we have built contingencies accordingly. Our global reach and customer base mean that we would be mostly insulated from domestic harm.

However we are not and never have been just about the money. We are gravely concerned that a longer term negative political climate, if we leave the EU, would do irreparable political, social and economic damage by association to our sector's soft power.

Beggars Group Limited has always maintained strong community links with fellow EU-based independents, and we value the effectiveness of collective European regulatory influence over powerful US technology companies. We are concerned with the uncertainty around post-Brexit plans for adopting EU Directives and Regulations that currently serve to protect our IP rights.

We continue to work hard on behalf of our artists to ensure that the independent sector is heard and represented.

Financial risks

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

Liquidity risk is managed by maintaining sufficient cash balances.

Price risk is managed through natural diversification of formats and sales channels.

Exchange risk is managed through holding sufficient levels of sterling and foreign currency receipts to service payables in the same respective currency.

Credit risk is managed by closely monitoring customers' outstanding amounts for both time and credit limits.

Interest rate risk is negligible because the group has no external borrowings.

BEGGARS GROUP LIMITED
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Key performance indicators

The group uses a number of performance indicators to monitor and manage the business effectively. The financial and non-financial key performance indicators for the year ended 31 December 2018, with comparatives for the year ended 31 December 2017, are laid out below.

	2018 £	2017 £
Turnover including share of associates and joint ventures	74,161,603	73,352,683
Total operating profit	11,949,542	8,237,852
Number of releases	<u>36</u>	<u>41</u>

This report was approved by the board on 12 JUL 2019 and signed on its behalf.



Neela Ebbett
Director

**BEGGARS GROUP LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Statement of directors' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BEGGARS GROUP LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BEGGARS GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

Opinion

We have audited the financial statements of Beggars Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018, set out in the Consolidated Profit and Loss account, Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the group strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the group strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

BEGGARS GROUP LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BEGGARS GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of our report

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 for the opinions we have formed.


Marc Voulters (Senior Statutory Auditor)
For and on behalf of
SRLV Audit Limited

Chartered Accountants
Statutory Auditor

Elsley Court
20-22 Great Titchfield Street
London
W1W 8BE

Date: 16 JUL 2019

BEGGARS GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	Restated 2017 £
Turnover including share joint ventures		74,161,603	73,352,683
<i>Less share of turnover of: Joint ventures</i>		<u>(33,575,867)</u>	<u>(34,907,007)</u>
Group turnover	5	40,585,736	38,445,676
Cost of sales		<u>(8,737,707)</u>	<u>(15,639,054)</u>
Gross profit		31,848,029	22,806,622
Distribution expenses		(2,850,439)	(3,489,202)
Administrative expenses		(24,247,944)	(15,601,026)
Other operating income		<u>63,450</u>	<u>37,140</u>
Group operating profit	6	4,813,096	3,753,534
Share of profit of joint ventures	10	<u>7,136,446</u>	<u>4,484,318</u>
Total operating profit		11,949,542	8,237,852
Interest receivable	11	69,177	1,788
Interest payable	12	<u>(2,483)</u>	<u>-</u>
Profit on ordinary activities before taxation		12,016,236	8,239,640
Tax charge on profit on ordinary activities	13	<u>(1,454,009)</u>	<u>(1,267,996)</u>
Profit for the financial year		<u>10,562,227</u>	<u>6,971,644</u>
Profit attributable to:			
Owners of the parent		10,366,689	6,642,847
Non-controlling interests		<u>195,538</u>	<u>328,797</u>
		<u>10,562,227</u>	<u>6,971,644</u>

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

The notes on pages 15 to 36 form part of these financial statements.

BEGGARS GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Profit for the financial year	<u>10,562,227</u>	<u>6,971,644</u>
Other comprehensive income		
Currency translation gain/(loss) on net investments in foreign operations	788,632	(812,417)
Share of joint venture currency translation gain/(loss)	24,121	(23,291)
Other comprehensive income for the year	<u>812,753</u>	<u>(835,708)</u>
Total comprehensive income for the year	<u>11,374,980</u>	<u>6,135,936</u>
Total comprehensive income attributable to:		
Owners of the parent company	11,179,442	5,807,139
Non-controlling interests	195,538	328,797
	<u>11,374,980</u>	<u>6,135,936</u>

The notes on pages 15 to 36 form part of these financial statements.

BEGGARS GROUP LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Notes	£	2018 £	£	2017 £
Fixed assets					
Intangible assets	15		545,526		893,293
Tangible assets	16		13,532,778		11,570,135
Investment properties	17		450,000		450,000
Investments:					
Joint ventures	18	18,561,249		12,071,043	
Other investments	18	<u>1,921,124</u>		<u>1,870,947</u>	
			<u>20,482,373</u>		<u>13,941,990</u>
			35,010,677		26,855,418
Current assets					
Stocks	19	987,369		758,376	
Debtors: amounts falling due within one year	20	18,650,936		18,375,461	
Cash at bank and in hand	21	<u>28,704,181</u>		<u>32,685,688</u>	
			48,342,486		51,819,525
Creditors: amounts falling due within one year	22		<u>(24,326,263)</u>		<u>(22,500,282)</u>
Net current assets			24,016,223		29,319,243
Total assets less current liabilities			59,026,900		56,174,661
Provisions for liabilities	24		<u>(1,541,621)</u>		<u>(1,958,185)</u>
Net assets			<u>57,485,279</u>		<u>54,216,476</u>
Capital and reserves					
Called up share capital	25		200		200
Revaluation reserve	26		285,040		285,040
Profit and loss account			57,906,205		54,726,763
Equity attributable to owners of the parent			58,191,445		55,012,003
Non-controlling interests			(706,166)		(795,527)
Total equity			<u>57,485,279</u>		<u>54,216,476</u>

The notes on pages 15 to 36 form part of these financial statements.

Approved by the board of directors and authorised for issue on 12 JUL 2019



Martin Mills
Director

Company Registration Number: 01414045

BEGGARS GROUP LIMITED
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018

	Notes	£	2018 £	£	2017 £
Fixed assets					
Intangible assets	15		477,727		695,143
Tangible assets	16		3,360,165		1,793,892
Investment properties	17		450,000		450,000
Investments	18		<u>6,317,460</u>		<u>6,267,283</u>
			10,605,352		9,206,318
Current assets					
Debtors: amounts falling due within one year	20	30,369,018		31,483,131	
Cash at bank and in hand	21	<u>2,483,150</u>		<u>9,988,098</u>	
			32,852,168		41,471,229
Creditors: amounts falling due within one year	22		<u>(19,304,025)</u>		<u>(19,258,891)</u>
Net current assets			13,548,143		22,212,338
Total assets less current liabilities			24,153,495		31,418,656
Provisions for liabilities	24		<u>(183,922)</u>		<u>(141,366)</u>
Net assets			<u>23,969,573</u>		<u>31,277,290</u>
Capital and reserves					
Called up share capital	25		200		200
Revaluation reserve	26		285,040		285,040
Profit and loss account			23,684,333		30,992,050
Shareholders' funds			<u>23,969,573</u>		<u>31,277,290</u>

The notes on pages 15 to 36 form part of these financial statements.

Approved by the board of directors and authorised for issue on 12 JUL 2019



Martin Mills
Director

Company Registration Number: 01414045

BEGGARS GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Revaluation reserve	Profit and loss account	Equity attributable to owners of parent company
	£	£	£	£
At 1 January 2018	200	285,040	54,726,763	55,012,003
Comprehensive Income for the year				
Profit for the year	-	-	10,366,689	10,366,689
Other comprehensive income for the year	-	-	812,753	812,753
Total comprehensive income for the year	-	-	11,179,442	11,179,442
Dividends: equity capital	-	-	(8,000,000)	(8,000,000)
Total transactions with owners recognised in equity	-	-	(8,000,000)	(8,000,000)
At 31 December 2018	200	285,040	57,906,205	58,191,445

	Equity attributable to owners of parent company	Non-controlling interest	Total equity
	£	£	£
At 1 January 2018	55,012,003	(795,527)	54,216,476
Comprehensive income for the year			
Profit for the year	10,366,689	195,538	10,562,227
Other comprehensive income for the year	812,753	-	812,753
Total comprehensive income for the year	11,179,442	195,538	11,374,980
Dividends: equity capital	(8,000,000)	-	(8,000,000)
Non-controlling interest share of joint ventures share of retained losses	-	(106,177)	(106,177)
Total transactions with owners recognised in equity	-	(106,177)	(106,177)
At 31 December 2018	58,191,445	(706,166)	57,485,279

BEGGARS GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Revaluation reserve	Profit and loss account	Equity attributable to owners of parent company
	£	£	£	£
At 1 January 2017	200	285,040	48,919,624	49,204,864
Comprehensive income for the year				
Profit for the year	-	-	6,642,847	6,642,847
Other comprehensive income for the year	-	-	(835,708)	(835,708)
Total comprehensive income for the year	-	-	5,807,139	5,807,139
Total transactions with owners recognised in equity	-	-	-	-
At 31 December 2017	200	285,040	54,726,763	55,012,003

	Equity attributable to owners of parent company	Non-controlling interest	Total equity
	£	£	£
At 1 January 2017	49,204,864	(877,294)	48,327,570
Comprehensive income for the year			
Profit for the year	6,642,847	328,797	6,971,644
Other comprehensive income for the year	(835,708)	-	(835,708)
Total comprehensive income for the year	5,807,139	328,797	6,135,936
Non-controlling interest share of joint ventures share of retained losses	-	(247,030)	(247,030)
Total transactions with owners recognised in equity	-	(247,030)	(247,030)
At 31 December 2017	55,012,003	(795,527)	54,216,476

BEGGARS GROUP LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Revaluation reserve	Profit and loss account	Equity attributable to owners of parent company £
	£	£	£	£
At 1 January 2018	200	285,040	30,992,050	31,277,290
Comprehensive income for the year				
Profit for the year	-	-	692,283	692,283
Total comprehensive income for the year	-	-	692,283	692,283
Dividends paid	-	-	(8,000,000)	(8,000,000)
Transactions with owners recognised in equity	-	-	(8,000,000)	(8,000,000)
At 31 December 2018	200	285,040	23,684,333	23,969,573

	Share capital	Revaluation reserve	Profit and loss account	Equity attributable to owners of parent company £
	£	£	£	£
At 1 January 2017	200	285,040	22,518,401	22,803,641
Comprehensive income for the year				
Profit for the year	-	-	8,473,649	8,473,649
Total comprehensive income for the year	-	-	8,473,649	8,473,649
At 31 December 2017	200	285,040	30,992,050	31,277,290

BEGGARS GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	10,562,227	6,971,644
Adjustments for:		
Tax on profit on ordinary activities	1,454,009	1,267,996
Net interest income	(66,694)	(1,788)
Share of profit from joint ventures	(7,136,446)	(4,484,318)
Loss on disposal of fixed assets	99,567	371,910
Amortisation of intangible assets	357,875	333,835
Depreciation of tangible assets	582,156	529,510
Loss on foreign exchange movements	214,487	157,010
(Increase)/decrease in stock	(228,993)	426,528
Increase in debtors	(380,793)	(328,291)
Increase/(decrease) in creditors	2,398,327	(11,022,656)
Increase in net pension liability	-	-
Net cash used in operating activities	7,855,722	(5,778,620)
Tax paid	(1,878,479)	(271,835)
Cash flows from investing activities		
Purchase of tangible assets	(2,026,026)	(494,989)
Purchase of intangible assets	(29,567)	(162,660)
Dividends received	30,149	10,030,060
Interest received	69,177	1,788
Net cash from investing activities	(1,956,267)	9,374,199
Cash flows from financing activities		
Dividends paid	(8,000,000)	-
Interest paid	(2,483)	-
Net cash used in financing activities	(8,002,483)	-
Net (decrease)/increase in cash and cash equivalents	(3,981,507)	3,323,744
Cash and cash equivalents at beginning of the year	32,685,688	29,361,944
Cash and cash equivalents at the end of the year	28,704,181	32,685,688
Cash and cash equivalents at the end of the year comprise:		
Cash at bank and in hand	28,704,181	32,685,688
	28,704,181	32,685,688

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

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

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

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The 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 following principal accounting policies have been applied:

2.2 Basis of consolidation

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

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

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

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

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

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the 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 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 2018

(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 2018

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
Catalogue	10 years

Amortisation is charged to administrative expenses in the profit and loss account.

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight line basis over its useful economic life, which is 10 or 20 years. Provision is made for any impairment.

2.6 Tangible fixed assets

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

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

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

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

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

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

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

2.7 Operating leases

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

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

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

2.8 Investment properties

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

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

2.9 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Joint ventures are held at cost less impairment.

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

2.10 Stocks

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

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

2.11 Debtors

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

2.12 Advances to artists

Advances to artists, presented within debtors on the balance sheet, represent advances made direct to artists for recording and other costs incurred on behalf of artists under contract. These advances, which are only recoverable against future royalties, are charged to the profit and loss account as they are recouped or where the probability of future recoupment in respect thereof is unlikely.

2.13 Cash and cash equivalents

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

2.14 Financial instruments

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

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

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

2.14 Financial instruments (continued)

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

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

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

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

2.15 Creditors

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

2.16 Financial liabilities

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

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

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

(I) Interest bearing loans and borrowings

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

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

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

(II) Derecognition of financial liabilities

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

2.17 Finance costs

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

2.18 Dividends

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

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
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2.19 Pensions

The company operates an executive pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. No contributions are made by the company to the pension scheme.

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.

2.20 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.

2.21 Interest income

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

2.22 Current and deferred taxation

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

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

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

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

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

2.23 Restatement of comparatives

During the preparation of the group financial statements, the directors noted the turnover in two of the subsidiary companies had been incorrectly recorded in the prior year. The group comparatives have been adjusted by an increase of £927,012 to turnover and an increase of the same amount to cost of sales. There is no change to reserves and no tax impact of this adjustment.

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

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

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

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

Assessing indicators of impairment

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

Assessing the functional currency

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

b) Key accounting estimates and assumptions

Recoverability of receivables, including advances to artists

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

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

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

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

Provisions against slow moving inventory

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

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

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 £692,283 (2017 – £8,473,649).

5. Analysis of turnover

Analysis of turnover by category:

	2018 £	Restated 2017 £
Sales and licensing of sound recordings	34,130,454	31,944,2017
Management charges	6,455,282	6,501,469
	<u>40,585,736</u>	<u>38,445,676</u>

Analysis of turnover by country of destination:

	2018 £	Restated 2017 £
UK	9,888,950	9,500,669
Rest of world	30,696,786	28,945,007
	<u>40,585,736</u>	<u>38,445,676</u>

6. Group operating profit

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

	2018 £	2017 £
Depreciation of tangible fixed assets	582,156	529,510
Amortisation of intangible assets, including goodwill	357,875	333,835
(Profit)/loss on disposal of fixed assets	(99,567)	371,910
Operating lease costs – land and buildings	443,022	698,117
Defined contribution pension cost	226,734	204,343
Exchange differences	(252,250)	357,095

7. Auditors' remuneration

	2018 £	2017 £
Fees payable to the company's auditor for the audit of the group's annual accounts	<u>112,500</u>	<u>112,500</u>
	112,500	112,500
Fees payable to the company's auditor in respect of:		
Taxation services	20,000	20,000
Accountancy services	<u>17,500</u>	<u>17,500</u>
	<u>150,000</u>	<u>150,000</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.

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

8. Employees

Staff costs, including directors' remuneration, were as follows

	2018	2017
	£	£
Wages and salaries	9,725,259	9,445,316
Social security costs	875,001	914,513
Pension costs	226,734	204,343
	<u>10,826,994</u>	<u>10,564,172</u>

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

	2018	2017
	No.	No.
Management	15	15
A&R, Marketing & Operations	111	108
	<u>126</u>	<u>123</u>

9. Directors' emoluments

	2018	2017
	£	£
Directors' emoluments	2,221,512	2,504,784
Company pension contributions to pension schemes on behalf of current and former directors	57,658	93,119
	<u>2,279,170</u>	<u>2,597,903</u>

During the year, retirement benefits were accruing to 5 directors in respect of defined contribution pension schemes (2017 - 4).

Emoluments of highest paid director:

Emoluments	518,496	635,674
Company pension contributions to pension schemes	13,378	13,377
	<u>531,874</u>	<u>649,051</u>

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

10. Share of profits from joint ventures

	2018	2017
	£	£
Net share of operating profit of joint ventures	<u>7,136,446</u>	<u>4,484,318</u>

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

- Remote Control Records Pty Limited: £68,882 (2017 - £99,916)
- Matador Recordings LLC: £179,543 (2017 - £5,097)
- Matador Records Limited: £106,887 (2017 - £37,301)
- Popstock Distribuciones S. L.: (£4,327) (2017 - (£1,810))
- XL Recordings Limited: £6,549,084 (2017 - £4,634,814)
- Ink Management Limited: (£3,770) (2017 - ENIL)
- Rough Trade Records Limited: £240,147 (2017 - (£291,000))

11. Interest receivable

	2018	2017
	£	£
Bank interest receivable	35	825
Other similar interest receivable	<u>69,142</u>	<u>963</u>
	<u>69,177</u>	<u>1,788</u>

12. Interest payable

	2018	2017
	£	£
Other interest payable	<u>2,483</u>	<u>-</u>

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Taxation

	2018	2017
	£	£
Corporation tax		
Current tax on profits for the year	841,862	(57,176)
Adjustments in respect of previous periods	(14,524)	-
	827,338	(57,176)
Double taxation relief	(20,474)	(48,145)
	(20,474)	(48,145)
Foreign tax for current year	604,589	1,396,114
Total current tax	1,411,453	1,290,793
Deferred tax		
Fixed asset timing differences	35,870	(41)
Tax losses	6,686	(22,756)
Total deferred tax	42,556	(22,797)
Tax on profit on ordinary activities	1,454,009	1,267,996

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 – lower than) the standard rate of corporation tax in the UK of 19% (2017 – 19.25%). The differences are explained below:

Profit on ordinary activities before tax	12,016,236	8,239,640
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (US - 21%) (2017 – 19.25% (US - 34%))	2,283,085	1,586,131
Effects of:		
Expenses not deductible for tax purposes	118,797	(1,274,741)
Depreciation in excess of capital allowances	-	-
Non-taxable expense/(income)	(972,179)	1,066,975
Foreign tax	-	-
Difference in tax rates	-	(1,070)
Adjustment in research and development tax credit	-	(105,321)
Adjustment in respect of prior periods	(14,524)	-
Deferred tax movements	(12,443)	(3,971)
Adjustments in respect of previous periods withholding tax	51,273	-
Other tax adjustments	-	(7)
Total tax charge for the year	1,454,009	1,267,996

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 2018

14. Dividends

	2018 £	2017 £
Dividends paid on equity capital	<u>8,000,000</u>	<u>-</u>

15. Intangible fixed assets

Group	Goodwill £	Catalogue £	Software £	Total £
Cost				
At 1 January 2018	2,149,477	76,754	1,165,678	3,391,909
Additions	-	-	29,567	29,567
Disposals	-	-	(37,526)	(37,526)
At 31 December 2018	<u>2,149,477</u>	<u>76,754</u>	<u>1,157,719</u>	<u>3,383,950</u>
Amortisation				
At 1 January 2018	2,026,802	1,279	470,535	2,498,616
Charge for the year	122,675	7,675	227,525	357,875
Disposals	-	-	(18,067)	(18,067)
At 31 December 2018	<u>2,149,477</u>	<u>8,954</u>	<u>679,993</u>	<u>2,838,424</u>
Net book value				
At 31 December 2018	<u>-</u>	<u>67,800</u>	<u>477,726</u>	<u>545,526</u>
At 31 December 2017	<u>122,675</u>	<u>75,475</u>	<u>695,143</u>	<u>893,293</u>

Company

	Software £
Cost	
At 1 January 2018	1,165,678
Additions	29,569
Disposals	(37,527)
At 31 December 2018	<u>1,157,720</u>
Amortisation	
At 1 January 2018	470,535
Charge for the year	227,525
Disposals	(18,067)
At 31 December 2018	<u>679,993</u>
Net book value	
At 31 December 2018	<u>477,727</u>
At 31 December 2017	<u>695,143</u>

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

15. Intangible fixed assets (continued)

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

	Carrying value		Remaining amortisation period (years)	
	2018 £	2017 £	2018	2017
IT systems	<u>477,727</u>	<u>695,143</u>	<u>2</u>	<u>3</u>

16. Tangible fixed assets

Group	Freehold land & buildings £	Leasehold properties £	Fixtures & fittings £	Motor vehicles £	Total £
Cost					
At 1 January 2018	11,080,246	649,876	2,151,086	199,092	14,080,300
Foreign exchange	601,060	8,723	31,307	-	641,090
Additions	985,204	635,063	405,760	-	2,026,027
Transfer between classes	890	-	(890)	-	-
Disposals	-	-	(410,505)	-	(410,505)
At 31 December 2018	<u>12,667,400</u>	<u>1,293,662</u>	<u>2,176,758</u>	<u>199,092</u>	<u>16,336,912</u>
Depreciation					
At 1 January 2018	918,622	151,851	1,264,872	174,820	2,510,165
Foreign exchange	24,093	2,771	15,346	-	42,210
Charge for the year	246,350	11,712	317,248	6,846	582,156
Transfer between classes	2,520	-	(2,520)	-	-
Disposals	-	-	(330,397)	-	(330,397)
At 31 December 2018	<u>1,191,585</u>	<u>166,334</u>	<u>1,264,549</u>	<u>181,666</u>	<u>2,804,134</u>
Net book value					
At 31 December 2018	<u>11,475,815</u>	<u>1,127,328</u>	<u>912,209</u>	<u>17,426</u>	<u>13,532,778</u>
At 31 December 2017	<u>10,161,624</u>	<u>498,025</u>	<u>886,214</u>	<u>24,272</u>	<u>11,570,135</u>
Company					
Cost					
At 1 January 2018	959,223	516,538	1,608,437	117,394	3,201,592
Additions	983,144	635,063	203,586	-	1,821,793
Transfer between classes	890	-	(890)	-	-
Disposals	-	-	(262,464)	-	(262,464)
At 31 December 2018	<u>1,943,257</u>	<u>1,151,601</u>	<u>1,548,669</u>	<u>117,394</u>	<u>4,760,921</u>
Depreciation					
At 1 January 2018	201,714	109,505	979,087	117,394	1,407,700
Charge for the year	23,234	9,700	188,907	-	221,841
Transfer between classes	2,520	-	(2,520)	-	-
Disposals	-	-	(228,785)	-	(228,785)
At 31 December 2018	<u>227,468</u>	<u>119,205</u>	<u>936,689</u>	<u>117,394</u>	<u>1,400,756</u>
Net book value					
At 31 December 2018	<u>1,715,789</u>	<u>1,032,396</u>	<u>611,980</u>	<u>-</u>	<u>3,360,165</u>
At 31 December 2017	<u>757,509</u>	<u>407,033</u>	<u>629,350</u>	<u>-</u>	<u>1,793,892</u>

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

17. Investment properties

	£
Group and company	
Valuation	
At 31 December 2018 and 1 January 2018	<u>450,000</u>
Net book value	
At 31 December 2018	<u>450,000</u>
At 31 December 2017	<u>450,000</u>

Investment properties were valued on an open market basis as at 31 December 2018 by Neela Ebbett (director).

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

18. Investments

Group	Joint ventures £	Other £	Total £
Cost			
At 1 January 2018	12,071,043	1,981,783	14,052,826
Change in value	6,490,206	-	6,490,206
Foreign exchange	-	50,177	50,177
At 31 December 2018	<u>18,561,249</u>	<u>2,031,960</u>	<u>20,593,209</u>
Impairment			
At 1 January 2018	-	110,836	110,836
At 31 December 2018	<u>-</u>	<u>110,836</u>	<u>110,836</u>
Net book value			
At 31 December 2018	<u>18,561,249</u>	<u>1,921,124</u>	<u>20,482,373</u>
At 31 December 2017	<u>12,071,043</u>	<u>1,870,947</u>	<u>13,941,990</u>

Included in other 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 joint ventures in a net asset position (including unamortised goodwill) is £18,561,249 and joint ventures in a net liabilities position (including unamortised goodwill) is £1,357,699 (note 24).

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

18. Investments (continued)

The following table shows the total joint venture position:

	Joint ventures
	£
Group joint ventures	
Share of net assets/(liabilities)/cost	
At 1 January 2018	9,362,006
Share of retained profit for the year	7,315,200
Dividends paid	(30,149)
Minority interest share of profit for the year	(106,177)
Foreign currency translation movements	(50,794)
	16,490,086
Goodwill	
At 1 January 2018	892,218
Amortisation	(178,754)
At 31 December 2018	713,464
Net book value	
At 31 December 2018	17,203,550
At 31 December 2017	10,254,224

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 2018.

Name	Nature of business	Country of incorporation	Class of shares held	% of shares held
Beggars Group Media Limited ¹	Licensing of sound recordings	England and Wales	Ordinary	76%
Beggars UK Limited ¹	Wholesale promotion and marketing	England and Wales	Ordinary	76%
Wiiija Records Limited ¹	Production and exploitation of sound recordings	England and Wales	Ordinary	100%
Mantra Recordings Limited ¹	Dormant	England and Wales	Ordinary	76%
Too Pure Limited ¹	Production and exploitation of sound recordings	England and Wales	Ordinary	76%
Beggars Group Holding (USA) Inc. ²	Holding company	United States of America	Ordinary	100%
Beggars Group (USA) Inc. ²	Production and exploitation of sound recordings	United States of America	Ordinary	100%
Beggars Capital LLC ²	Property holding company	United States of America	Ordinary	100%
Beggars Group Digital Limited ¹	Management and exploitation of digital rights	England and Wales	Ordinary	100%
4AD Limited ¹	Production and exploitation of sound recordings	England and Wales	Ordinary	100%
Playlouderrecordings Limited ¹	Production and exploitation of sound recordings	England and Wales	Ordinary	76%
Bidcall Limited ¹	Holding company	England and Wales	Ordinary	75%
Playlouder Limited ¹	Holding company	England and Wales	Ordinary	Indirect 75% Indirect

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

18. Investments (continued)

Associates and joint ventures

Remote Control Records Pty Limited ³	Promotion and marketing of sound recordings	Australia	Ordinary	50%
Popstock Distribuciones S.L. ⁴	Distribution of sound recordings	Spain	Ordinary	50%
Everlasting Records S.L. ⁴	Production and exploitation of sound recordings	Spain	Ordinary	50% <i>Indirect</i>
Matador Recordings LLC ²	Production and exploitation of sound recordings	United States of America	Ordinary	50%
Matador Records Limited ¹	Production and exploitation of sound recordings	England and Wales	Ordinary	50%
XL Recordings Limited ¹	Production and exploitation of sound recordings	England and Wales	Ordinary	50%
XL Recordings (USA) Inc. ²	Property holding	United States of America	Ordinary	50% <i>Indirect</i>
Mowax Labels Limited ¹	Production and exploitation of sound recordings	England and Wales	Ordinary	25% <i>Indirect</i>
Young Turks Recordings Limited ¹	Production and exploitation of sound recordings	England and Wales	Ordinary	37.51% <i>Indirect</i>
Rough Trade Records Limited ¹	Production and exploitation of sound recordings	England and Wales	Ordinary	50%
Mattitude Music LLC ²	Music publishing	United States of America	Ordinary	50%
Independent Distribution Cooperative LLC ⁵	Negotiation and execution of one or more physical distribution agreements	United States of America	Ordinary	20%
Rough Trade Retail Group Limited ⁶	Sale and distribution of music goods	England and Wales	Ordinary	19% <i>Indirect</i>
Rise Bristol Limited ⁷	Retail sale of music	England and Wales	Ordinary	19% <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 37% of Rough Trade Retail Group Limited, which in turn owns 100% of Rough Trade Retail (USA) Holdings Inc.⁸ and 65% of Rough Trade Retail LLC⁸. XL Recordings Limited owns 50% of the issued share capital of Mowax Labels Limited and 75% of the issued share capital of Young Turks Recordings Limited.

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

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

Registered office

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

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

18. Investments (continued)

Company	Subsidiary companies	Associated undertakings and joint ventures	Other investments	Loans	Total
	£	£	£	£	£
Cost					
At 1 January 2018	2,248,295	2,614,510	922,923	700,000	6,485,728
Foreign exchange	-	-	50,177	-	50,177
At 31 December 2018	<u>2,248,295</u>	<u>2,614,510</u>	<u>973,100</u>	<u>700,000</u>	<u>6,535,905</u>
Amounts provided					
At 1 January 2018 and 31 December 2018	<u>1,764</u>	<u>216,681</u>	<u>-</u>	<u>-</u>	<u>218,445</u>
Net book value					
At 31 December 2018	<u>2,246,531</u>	<u>2,397,829</u>	<u>973,100</u>	<u>700,000</u>	<u>6,317,460</u>
At 31 December 2017	<u>2,246,531</u>	<u>2,397,829</u>	<u>922,923</u>	<u>700,000</u>	<u>6,267,283</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	
	2018 £	2017 £	2018 £	2017 £
Finished goods for resale	<u>987,369</u>	<u>758,376</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	
	2018 £	2017 £	2018 £	2017 £
Due within one year				
Trade debtors	9,074,786	10,407,444	17,843	88,033
Amounts owed by subsidiary undertakings	-	-	24,272,258	23,806,498
Amounts owed by associated undertakings and joint ventures	2,252,263	3,871,717	2,252,263	3,871,717
Other debtors	6,975,606	3,718,761	3,646,967	3,443,306
Corporation tax recoverable	-	105,321	-	105,321
Prepayments and accrued income	348,281	272,218	179,687	168,256
	<u>18,650,936</u>	<u>18,375,461</u>	<u>30,369,018</u>	<u>31,483,131</u>

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

21. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Cash at bank and in hand	28,704,181	32,685,688	2,483,150	9,988,098
	<u>28,704,181</u>	<u>32,685,688</u>	<u>2,483,150</u>	<u>9,988,098</u>

22. Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Trade creditors	4,255,351	1,403,444	120,132	322,061
Amounts owing to subsidiary undertakings	-	-	4,650,503	6,472,097
Amounts owing to associated undertakings and joint ventures	13,858,723	11,695,499	13,858,723	11,695,499
Corporation tax	328,969	901,316	1,725	-
Other taxation and social security	406,470	506,473	406,470	506,473
Other creditors	3,563,057	5,131,157	43,712	-
Accruals and deferred income	1,913,693	2,862,393	222,760	262,761
	<u>24,326,263</u>	<u>22,500,282</u>	<u>19,304,025</u>	<u>19,258,891</u>

23. Financial instruments

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Financial assets that are debt instruments measured at amortised cost	18,302,655	17,997,922	30,189,331	31,209,554
Financial assets measured at fair value through the profit or loss	28,704,181	32,685,688	2,483,150	9,988,098
	<u>47,006,836</u>	<u>50,683,610</u>	<u>32,672,481</u>	<u>41,197,652</u>
Financial liabilities measured at amortised cost	23,590,824	21,092,493	18,895,830	18,752,418

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

Financial assets measured at fair value through the profit or loss comprise cash.

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 creditors and accruals.

24. Provisions for liabilities

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Share of net liabilities of joint ventures	1,357,699	1,816,819	-	-
Deferred tax	183,922	141,366	183,922	141,366
Provision carried forward	<u>1,541,621</u>	<u>1,958,185</u>	<u>183,922</u>	<u>141,366</u>

Share of net liabilities of joint ventures

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

In 2018 and 2017, the share of liabilities in joint ventures arose on the holdings in Rough Trade Records Limited, Popstock Distribuciones S.L., Matador Records Limited and Matador Recordings LLC.

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

24. Provisions for liabilities (continued)

Deferred taxation

	Group Deferred tax £	Company Deferred tax £
At 1 January 2018	141,366	141,366
Charged to the profit and loss account	42,556	42,556
At 31 December 2018	<u>183,922</u>	<u>183,922</u>

	Group 2018 £	2017 £	Company 2018 £	2017 £
Short term timing differences	54,158	54,158	54,158	54,158
Fixed asset timing differences	145,834	109,965	145,834	109,965
Tax losses	(16,070)	(22,757)	(16,070)	(22,757)
	<u>183,922</u>	<u>141,366</u>	<u>183,922</u>	<u>141,366</u>

25. Share capital

	2018 No	2018 £	2017 No	2017 £
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' class shares and they rank pari passu. There are no restrictions on the distribution of dividends and the repayment of capital.

26. Reserves

Revaluation reserve

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

27. Commitments under operating leases

At 31 December 2018, the group had future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings 2018 £	2017 £
Group		
Not later than one year	230,064	220,480
Later than one year and not later than five years	212,958	286,378
	<u>443,022</u>	<u>506,858</u>

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

28. 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 2018 was a loan of £50,221 (2017 - £50,221) to Yvonne Damont, the wife of Martin Mills. The loan is interest free, unsecured and repayable on demand. Yvonne Damont uses the investment property disclosed in note 17 and pays no rent for this use.

£477,557 (2017 - £871,045) 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 £8,000,000 (2017 - £NIL).

29. Related party transactions

Group

During the year, rent of £74,000 (2017 - £48,500) 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:

	2018		2017	
Beggars UK Limited:	Turnover	Costs	Turnover	Costs
	£	£	£	£
Mowax Labels Limited	73	55	191	747
Matador Records Limited	1,936,324	1,282,283	2,631,314	1,474,517
XL Recordings Limited	4,120,118	3,150,578	8,972,516	4,247,208
Rough Trade Records Limited	1,198,735	750,155	911,270	377,522
Young Turks Recordings Limited	1,187,302	883,596	2,329,142	1,422,444

	2018		2017	
Beggars Group Digital Limited:	Turnover	Costs	Turnover	Costs
	£	£	£	£
Mowax Labels Limited	8,142	131	4,981	191
Matador Records Limited	3,926,152	58,088	3,213,329	101,904
XL Recordings Limited	21,149,382	343,555	17,710,510	704,162
Rough Trade Records Limited	3,509,883	53,402	2,383,173	97,667
Young Turks Recordings Limited	4,703,948	82,839	5,183,883	205,828

	2018		2017	
Beggars Group Media Limited:	Turnover	Costs	Turnover	Costs
	£	£	£	£
Mowax Labels Limited	3,480	577	3,028	46
Matador Records Limited	579,140	48,747	212,596	21,724
XL Recordings Limited	6,867,711	311,874	6,546,889	524,366
Rough Trade Records Limited	1,059,619	83,254	1,062,686	54,000
Young Turks Recordings Limited	1,100,601	62,509	807,014	44,088

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

29. Related party transactions (continued)

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

Beggars Group Limited:	2018 £	2017 £
Mowax Labels Limited	7,500	7,500
Matador Records Limited	1,026,909	765,484
XL Recordings Limited	2,061,034	2,181,364
Rough Trade Records Limited	1,032,259	808,709
Young Turks Recordings Limited	599,096	629,836
	<u> </u>	<u> </u>
Beggars UK Limited:	2018 £	2017 £
Mowax Labels Limited	2,500	2,500
Matador Records Limited	418,943	377,257
XL Recordings Limited	552,665	656,691
Rough Trade Records Limited	380,796	340,218
Young Turks Recordings Limited	173,257	234,607
	<u> </u>	<u> </u>

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

Amount due from/(to):	2018 £	2017 £
Mowax Labels Limited	3,638	2,858
Matador Records Limited	40,809	644,378
XL Recordings Limited	(12,281,901)	(11,405,849)
Rough Trade Records Limited (trade debt)	619,725	1,184,001
Rough Trade Records Limited (other)	700,000	700,000
Young Turks Recordings Limited	(1,576,822)	(289,650)
Matador Recordings LLC	1,083,874	1,557,841
Mattitude Music LLC	160,031	160,031
	<u> </u>	<u> </u>

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 less a contribution for overheads to the following companies:

	2018 £	2017 £
Mowax Labels Limited	1,531	1,103
XL Recordings Limited	5,339,700	2,767,591
Rough Trade Records Limited	729,166	270,429
Young Turks Recordings Limited	1,727,938	1,425,747
	<u> </u>	<u> </u>

During the year, the group incurred rental costs from XL Recordings (USA) Inc. of £54,184 (2017 - £53,266).

During the year, payments were made to Remote Control Records Pty Limited; of £68,005 (2017 - £66,233) in respect of commission. Also during the year, sales of £362,719 (2017 - £289,270) were made by Beggars Group Media Limited to Remote Control Records Pty Limited.

During the year, net sales of £353,322 (2017 - £360,295) were made by the group to Popstock Distribuciones SL in respect of distributed sales. At the year end, the group was owed £678,124 (2017 - £669,710) by Popstock Distribuciones SL. A provision for bad and doubtful debts of £401,736 (2017 - £602,590) was recognised against the balance at the year end.

During the year, net sales of £257,402 (2017 - £279,645) were made by the group to Beggars Music Limited, a company under common control. At the year end, there was a balance due to the group from Beggars Music Limited of £98,720 (2017 - £180,656).

BEGGARS GROUP LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

29. Related party transactions (continued)

At the year end, there was a balance due to the group from 4AD Music Limited, a company subject to common control, of £NIL (2017 - £25,000).

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

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:

	2018 £	2017 £
Playlouderecordings Limited	5,000	5,000
Too Pure Limited	<u>16,000</u>	<u>16,000</u>

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

	2018 £	2017 £
Playlouderecordings Limited	174,611	237,752
Too Pure Limited	<u>1,700,779</u>	<u>1,744,329</u>

A provision for bad and doubtful debts of £165,974 (2017 - £231,065) was recognised in respect of the balance due from Playlouderecordings Limited. A provision for bad and doubtful debts of £1,694,642 (2017 - £1,740,482) was recognised in respect of the balance due from Too Pure Limited.

30. Controlling party

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