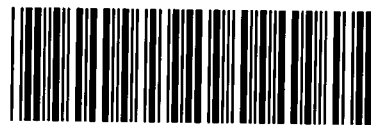


**4AD LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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COMPANIES HOUSE

## 4AD LIMITED

### COMPANY INFORMATION

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<b>Directors</b>	Martin Mills Simon Halliday Paul Redding Neela Ebbett
<b>Registered number</b>	01460572
<b>Registered office</b>	17/19 Alma Road London SW18 1AA
<b>Independent auditors</b>	SRLV Chartered Accountants & Statutory Auditor 89 New Bond Street London W1S 1DA

## **4AD LIMITED**

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## **4AD LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **Business review**

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

In 2016 4AD experienced a further significant shift to streaming. However the drop off in physical formats has slowed thanks to the continuing demand for vinyl.

Successful releases in 2016 included Daughter's 'Not to Disappear' and Red Hot Organisation's 'Day of the Dead', as well as the first release by new signing The Lemon Twigs, 'Do Hollywood'.

4AD's heritage catalogue has benefited from being available to fans, in multiple formats, and across many territories thanks to the widespread take up of streaming. The business has adapted to this with appropriate parallel marketing strategies to support the diversity in formats, channels and territories.

4AD 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. We remain committed to promoting 4AD artists through whichever channels music fans choose to listen.

#### **Principal risks and uncertainties**

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

The European Commission have indicated that they are preparing to deal with growing concern over rights holders' ability to negotiate fair remuneration, and the problems this poses for legitimate premium services.

The issues outlined above may impact on the long-term business model and underlying profitability, in particular the uncertainty of the effectiveness of European regulatory influence over powerful US technology companies. However, we continue to work hard on behalf of our artists to ensure that the independent sector is heard and represented.

The company'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 company's future is dependent on its ability to achieve success with these new artists, and build on, and promote our catalogue.

## 4AD LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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#### Financial key performance indicators

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

	2016	2015
Turnover	£11,738,664	£10,992,106
Operating profit	£2,431,610	£1,928,242
Number of album releases in the year	13	15

This report was approved by the board

17 JUL 2017

and signed on its behalf.



**Neela Ebbett**  
Director

## **4AD LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

---

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

#### **Principal activity**

The principal activity of the company continued to be that of the production and sale of sound recordings and the licensing of such operations.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £1,938,975 (2015 - £1,528,439).

The directors do not recommend payment of a final dividend.

#### **Directors**

The directors who served during the year were:

Martin Mills  
Simon Halliday  
Paul Redding  
Neela Ebbett

#### **Financial instruments**

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

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company'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.

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

#### **Matters covered in the strategic report**

The principal risks and uncertainties facing the company, future developments in the business and key financial performance indicators have been considered in the strategic report.

#### **Disclosure of information 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'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's auditors are aware of that information.

#### **Post balance sheet events**

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

**4AD LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**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.

This report was approved by the board on

**17 JUL 2017**

and signed on its behalf.



**Neela Ebbett**  
Director

## **4AD LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors are responsible for preparing the strategic report, the directors' 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 of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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, including FRS 102;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **4AD LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 4AD LIMITED**

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We have audited the financial statements of 4AD Limited for the year ended 31 December 2016, set out on pages 8 to 23. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of Directors and Auditors**

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the 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 strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit or loss 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, based on the work undertaken in the course of the audit, the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

## 4AD LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 4AD LIMITED

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Voulters (Senior Statutory Auditor)

for and on behalf of

**SRLV**

Chartered Accountants  
Statutory Auditor

89 New Bond Street  
London  
W1S 1DA

**17 JUL 2017**

# 4AD LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Turnover	4	11,738,664	10,992,106
Cost of sales		(5,983,633)	(5,728,128)
<b>Gross profit</b>		<b>5,755,031</b>	5,263,978
Distribution costs		(1,042,369)	(830,727)
Administrative expenses		(2,281,052)	(2,505,009)
<b>Operating profit</b>	5	<b>2,431,610</b>	1,928,242
Amounts written off investments		-	(100)
Interest receivable and similar income	8	15	1,742
<b>Profit before tax</b>		<b>2,431,625</b>	1,929,884
Tax on profit	9	(492,650)	(401,445)
<b>Profit for the year</b>		<b>1,938,975</b>	1,528,439

There was no other comprehensive income for 2016 (2015 - £NIL).

The notes on pages 11 to 23 form part of these financial statements.

**4AD LIMITED**  
**REGISTERED NUMBER:01460572**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2016**

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	10	<b>264,765</b>	281,610
		<b>264,765</b>	281,610
<b>Current assets</b>			
Stocks	12	<b>235,625</b>	194,473
Debtors: amounts falling due within one year	13	<b>5,313,579</b>	5,333,685
Cash at bank and in hand	14	<b>2,856,106</b>	713,037
		<b>8,405,310</b>	6,241,195
Creditors: amounts falling due within one year	15	<b>(2,015,376)</b>	(1,807,081)
<b>Net current assets</b>		<b>6,389,934</b>	4,434,114
<b>Total assets less current liabilities</b>		<b>6,654,699</b>	4,715,724
<b>Net assets</b>		<b>6,654,699</b>	4,715,724
<b>Capital and reserves</b>			
Called up share capital	16	<b>152</b>	152
Profit and loss account		<b>6,654,547</b>	4,715,572
		<b>6,654,699</b>	4,715,724

The financial statements were approved and authorised for issue by the board and were signed on its behalf on **17 JUL 2017**



**Martin Mills**  
Director

The notes on pages 11 to 23 form part of these financial statements.

# 4AD LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	152	4,715,572	4,715,724
<b>Comprehensive income for the year</b>			
Profit for the year	-	1,938,975	1,938,975
<b>Total comprehensive income for the year</b>	-	1,938,975	1,938,975
<b>At 31 December 2016</b>	<b>152</b>	<b>6,654,547</b>	<b>6,654,699</b>

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2015	152	3,187,133	3,187,285
<b>Comprehensive income for the year</b>			
Profit for the year	-	1,528,439	1,528,439
<b>Total comprehensive income for the year</b>	-	1,528,439	1,528,439
<b>At 31 December 2015</b>	<b>152</b>	<b>4,715,572</b>	<b>4,715,724</b>

The notes on pages 11 to 23 form part of these financial statements.

## 4AD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

---

#### 1. General information

The principal activity of the company continued to be that of the production and sale of sound recordings and the licensing of such operations.

The company is a private company, limited by shares, and is registered in England and Wales. The address of its registered office 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 unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK 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 management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Beggars Group Limited as at 31 December 2016 and these financial statements may be obtained from the company's registered office.

##### 2.3 Joint Ventures

Joint ventures are held at cost less impairment.

## 4AD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 2. Accounting policies (continued)

##### 2.4 Revenue

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

##### **Physical sales**

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

##### **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.

##### **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.

##### **Interest income**

Interest income is recognised using the effective interest rate method.

##### 2.5 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 company 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 company 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 company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

## 4AD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

---

#### 2. Accounting policies (continued)

##### 2.5 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Freehold property	- 2% straight line
Motor vehicles	- 25% straight line
Fixtures and fittings	- 20% straight line
Computer equipment	- 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 in the profit and loss account.

##### 2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated 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.

##### 2.7 Debtors

Short term debtors are measured at transaction price, less any impairment.

##### 2.8 Cash

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

##### 2.9 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, and loans to related and other third parties.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or 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.

Financial assets that are measured at 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.



## **4AD LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **2. Accounting policies (continued)**

##### **2.9 Financial instruments (continued)**

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 of the recoverable amount, 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.

##### **2.10 Creditors**

Short term creditors are measured at the transaction price.

##### **2.11 Foreign currency translation**

###### **Functional and presentation currency**

The company's functional and presentational currency is GBP.

###### **Transactions and balances**

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

At each period 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 from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

##### **2.12 Pensions**

###### **Defined contribution pension plan**

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

##### **2.13 Interest income**

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

## **4AD LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **2. Accounting policies (continued)**

##### **2.14 Taxation**

Tax is recognised in the profit and loss account, except that a charge 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 substantively enacted by 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### **2.15 Deferred income**

Deferred income represents non-returnable advances on royalties receivable from other record companies. These advances are credited to revenue as the royalty income arises or where the probability of future income in respect thereof is remote.

##### **2.16 Advances to artists**

Advances to artists represent advances made direct to artists for recording and other costs made 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 for future recoupment in respect thereof is unlikely.

## 4AD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

In applying the company'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.

#### **Critical judgements in applying the company'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.

##### **Key accounting estimates and assumptions**

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

The company 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 company 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 company 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.

## 4AD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 4. Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Sales and licensing of sound recordings	11,738,664	10,992,106
	<u>11,738,664</u>	<u>10,992,106</u>

75.6% of the company's turnover (2015 - 76.9%) is attributable to geographical markets outside the United Kingdom.

#### 5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	17,930	32,077
Exchange differences	(704,050)	(84,096)
Defined contribution pension cost	8,543	8,185
	<u>8,543</u>	<u>8,185</u>

Directors' emoluments of £245,868 (2015 - £244,218) have been borne by a group company. The highest paid director received remuneration of £245,868 (2015 - £244,218).

#### 6. Auditors' remuneration

The audit and tax fees for the current and prior year have been borne by a group company.

## 4AD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 7. Employees

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	323,417	329,486
Social security costs	35,540	37,940
Cost of defined contribution scheme	8,543	8,185
	<u>367,500</u>	<u>375,611</u>

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

	2016 No.	2015 No.
Directors	4	4
Admin	8	8
	<u>12</u>	<u>12</u>

#### 8. Interest receivable and similar income

	2016 £	2015 £
Other interest receivable	<u>15</u>	<u>1,742</u>

# 4AD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 9. Taxation

	2016 £	2015 £
<b>Corporation tax</b>		
Current tax on profits for the year	481,877	401,421
Adjustments in respect of previous periods	11	-
	<u>481,888</u>	<u>401,421</u>
Double taxation relief	(68,639)	(32,073)
Group taxation relief	10,762	24
	<u>424,011</u>	<u>369,372</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	68,639	32,073
	<u>68,639</u>	<u>32,073</u>
<b>Total current tax</b>	<u>492,650</u>	<u>401,445</u>

#### Factors affecting the tax charge for the year

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

	2016 £	2015 £
Profit on ordinary activities before tax	<u>2,431,625</u>	<u>1,929,884</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	486,325	390,803
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5,487	8,763
Deferred tax not recognised	1,741	1,854
Other differences leading to an increase in the tax charge	16	25
Other permanent differences	(919)	-
<b>Total tax charge for the year</b>	<u>492,650</u>	<u>401,445</u>

**4AD LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**10. Tangible fixed assets**

	Freehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>					
At 1 January 2016	489,641	17,479	34,733	25,979	567,832
Additions	-	-	-	1,085	1,085
Disposals	-	-	(871)	(17,565)	(18,436)
At 31 December 2016	<u>489,641</u>	<u>17,479</u>	<u>33,862</u>	<u>9,499</u>	<u>550,481</u>
<b>Depreciation</b>					
At 1 January 2016	232,091	17,479	13,688	22,964	286,222
Charge for the year	9,793	-	5,858	2,279	17,930
Disposals	-	-	(871)	(17,565)	(18,436)
At 31 December 2016	<u>241,884</u>	<u>17,479</u>	<u>18,675</u>	<u>7,678</u>	<u>285,716</u>
<b>Net book value</b>					
At 31 December 2016	<u><u>247,757</u></u>	<u><u>-</u></u>	<u><u>15,187</u></u>	<u><u>1,821</u></u>	<u><u>264,765</u></u>
At 31 December 2015	<u><u>257,550</u></u>	<u><u>-</u></u>	<u><u>21,045</u></u>	<u><u>3,015</u></u>	<u><u>281,610</u></u>

# 4AD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 11. Fixed asset investments

	Investment in joint ventures £
<b>Cost or valuation</b>	
At 1 January 2016	100
Disposals	(100)
At 31 December 2016	-
<b>Impairment</b>	
At 1 January 2016	100
Impairment on disposals	(100)
At 31 December 2016	-
<b>Net book value</b>	
At 31 December 2016	-
At 31 December 2015	-

### 12. Stocks

	2016 £	2015 £
Finished goods and goods for resale	235,625	194,473



# 4AD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 13. Debtors

	2016 £	2015 £
Trade debtors	25,350	31,415
Amounts owed by group undertakings	5,136,306	4,956,404
Other debtors	151,309	263,275
Prepayments and accrued income	614	82,591
	<u>5,313,579</u>	<u>5,333,685</u>

### 14. Cash

	2016 £	2015 £
Cash at bank and in hand	<u>2,856,106</u>	<u>713,037</u>

### 15. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	155,699	151,474
Other taxation and social security	-	18,932
Other creditors	226,652	225,469
Accruals and deferred income	1,633,025	1,411,206
	<u>2,015,376</u>	<u>1,807,081</u>

### 16. Share capital

	2016 £	2015 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
76 Ordinary A shares of £1 each	76	76
76 Ordinary B shares of £1 each	76	76
	<u>152</u>	<u>152</u>

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

## 4AD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 17. Reserves

##### Profit and loss account

This reserve is the accumulated retained profit.

#### 18. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £8,543 (2015 - £8,185). There were no contributions payable to the fund at the balance sheet date (2015 - £NIL).

#### 19. Related party transactions

No disclosure has been made of transactions with other wholly owned group companies in accordance with FRS 102 Section 33 paragraph 33.1A as the company is itself a wholly owned subsidiary of Beggars Group Limited.

During the year, Beggars UK Limited, a fellow subsidiary, operated in a central production and distribution role for the company. Sales and production costs were passed through Beggars UK Limited and were transferred out to the company at the year end: Turnover £2,715,277 (2015 - £2,556,462); Cost of sales £1,620,145 (2015 - £1,768,019).

During the year, the company paid management charges to Beggars UK Limited amounting to £473,915 (2015 - £412,694).

During the year, Beggars Group Media Limited, a fellow subsidiary, operated in a central role for licensing income for the group. Income of £2,298,629 (2015 - £1,419,708) and cost of sales £29,529 (2015 - £(1,693)) were transferred by Beggars Group Media Limited to the company in respect of this income. 4AD Limited also paid commissions of £226,370 (2015 - £152,801) to Beggars Group Media Limited in respect of licensing and performance income.

During the year, 4AD Limited paid commissions of £55,522 (2015 - £24,176) to Remote Control Records Pty Limited, a company in which the parent company, Beggars Group Limited, is a shareholder.

#### 20. Controlling party

The parent of the smallest and largest group for which group accounts are prepared of which the company is a member is Beggars Group Limited, a company registered in England and Wales. The immediate and ultimate parent company is Beggars Group Limited. A copy of the group financial statements may be obtained from the company's registered office.

The controlling party is Martin Mills through his ownership of Beggars Group Limited.