

**4AD LIMITED**

**ABBREVIATED ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

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COMPANIES HOUSE

## 4AD LIMITED

### COMPANY INFORMATION

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DIRECTORS	Martin Mills Simon Halliday Paul Redding Neela Ebbett
REGISTERED NUMBER	01460572
REGISTERED OFFICE	17/19 Alma Road London SW18 1AA
INDEPENDENT AUDITORS	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 2014**

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**BUSINESS REVIEW**

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

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.

In 2014 the global music market has seen a huge growth in streaming at the expense of physical sales, and to some extent, downloads. We too have experienced a similar shift to streaming. Nevertheless we remain committed to promoting 4AD artists through whichever channels music fans choose to listen.

**PRINCIPAL RISKS AND UNCERTAINTIES**

Market dynamics outlined above may impact on the long term business model and underlying profitability, in particular the uncertainty of the effectiveness of regulatory influence over powerful global digital service providers. However we continue to work hard on behalf of our artists to ensure that they and we are represented.

The company's key focus remains the discovery and promotion of new music, irrespective of format. We believe our independence and artist focussed approach give us a significant advantage.

4AD relies on the financial success of a number of key artists. As such we continue to identify and sign new artists, and our future is dependent on our ability to achieve success with these new artists, as well as our ability to continue to exploit our prestigious catalogue.

**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 2014, with comparatives for the year ended 31 December 2013, are laid out below

	2014	2013
Turnover	£10,198,239	£10,505,525
Operating profit	£2,253,262	£1,201,612
Number of album releases in the year	8	10

This report was approved by the board on 5 October 2015 and signed on its behalf.



**Neela Ebbett**  
**Director**

## **4AD LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

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The directors present their report and the financial statements for the year ended 31 December 2014.

#### **PRINCIPAL ACTIVITIES**

The principal activities 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 £1,732,029 (2013 - £959,662).

An interim ordinary dividend was paid amounting to £Nil (2013 - £2,000,000). 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 creditors and trade debtors.

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

## **4AD LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014**

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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 5 October 2015 and signed on its behalf.



**Neela Ebbett**  
Director

## **4AD LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014**

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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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 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 4AD LIMITED UNDER SECTION 449 OF THE COMPANIES ACT 2006**

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We have examined the abbreviated accounts set out on pages 6 to 16, together with the financial statements of 4AD Limited for the year ended 31 December 2014 prepared under section 396 of the Companies Act 2006.

This report is made solely to the company in accordance with section 449 of the Companies Act 2006. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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, for our work, for this report, or for the opinions we have formed.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors are responsible for preparing the abbreviated accounts in accordance with section 445 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared.

#### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 445(3) of the Companies Act 2006, and the abbreviated accounts on pages 6 to 16 have been properly prepared in accordance with the regulations made under that section.



Marc Voulters (Senior Statutory Auditor)

for and on behalf of  
SRLV

Chartered Accountants  
Statutory Auditor

89 New Bond Street  
London  
W1S 1DA

27 October 2015



# 4AD LIMITED

## ABBREVIATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
<b>TURNOVER</b>	1	<b>10,198,239</b>	10,505,525
<b>GROSS PROFIT</b>		<b>5,768,511</b>	5,218,792
Distribution costs		<b>(804,807)</b>	(1,160,852)
Administrative expenses		<b>(2,710,442)</b>	(2,856,328)
<b>OPERATING PROFIT</b>	2	<b>2,253,262</b>	1,201,612
Profit on disposal of investments		-	75,000
Interest receivable and similar income		<b>4,423</b>	500
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>2,257,685</b>	1,277,112
Tax on profit on ordinary activities	4	<b>(525,656)</b>	(317,450)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	11	<b>1,732,029</b>	959,662

All amounts relate to continuing operations.

The notes on pages 9 to 16 form part of these financial statements.

# 4AD LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2014

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	Note	2014 £	2013 £
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>1,732,029</u>	<u>959,662</u>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>		<u>1,732,029</u>	<u>959,662</u>
Prior year adjustment		<u>185,043</u>	
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS</b>		<u>1,917,072</u>	

The notes on pages 9 to 16 form part of these financial statements.

**4AD LIMITED**  
**REGISTERED NUMBER: 01460572**  
**ABBREVIATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2014**

	Note	£	2014 £	£	2013 £
<b>FIXED ASSETS</b>					
Tangible assets	5		<b>306,795</b>		300,536
Investments	6		<b>100</b>		100
			<u><b>306,895</b></u>		<u>300,636</u>
<b>CURRENT ASSETS</b>					
Stocks	7	<b>91,253</b>		83,773	
Debtors	8	<b>1,169,646</b>		566,919	
Cash at bank		<b>2,903,770</b>		2,505,013	
		<u><b>4,164,669</b></u>		<u>3,155,705</u>	
<b>CREDITORS:</b> amounts falling due within one year	9	<b>(1,284,279)</b>		<b>(2,001,085)</b>	
<b>NET CURRENT ASSETS</b>			<u><b>2,880,390</b></u>		<u>1,154,620</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u><b>3,187,285</b></u>		<u>1,455,256</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	10		<b>152</b>		152
Profit and loss account	11		<b>3,187,133</b>		1,455,104
<b>SHAREHOLDERS' FUNDS</b>	12		<u><b>3,187,285</b></u>		<u>1,455,256</u>

The abbreviated accounts, which have been prepared in accordance with the special provisions of section 445(3) of the Companies Act 2006 relating to medium-sized companies, were approved and authorised for issue by the board and were signed on its behalf on 5 October 2015.



**Martin Mills**  
Director

The notes on pages 9 to 16 form part of these financial statements.

## 4AD LIMITED

### NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

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#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

##### 1.2 Turnover

Turnover comprises revenue recognised by the company in respect of the production and sale of sound recordings and the licensing of such operations during the year, exclusive of Value Added Tax and trade discounts.

##### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% per annum on cost
Plant and machinery	-	20 - 25% on a reducing balance basis
Motor vehicles	-	25% on a reducing balance basis
Fixtures and fittings	-	20% on a reducing balance basis

##### 1.4 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

##### 1.5 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs.

##### 1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

## 4AD LIMITED

### NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

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#### 1. ACCOUNTING POLICIES (continued)

##### 1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

##### 1.8 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

##### 1.9 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.

##### 1.10 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.

##### 1.11 Prior year adjustment

During the year ended 31 December 2014, the directors amended the accounting policy in respect of the recognition of revenue from one licensee royalty income stream to an accruals basis which, in the opinion of the directors, is a more appropriate reflection of the underlying terms of the licence. Comparative figures have been restated accordingly. The effect of this change in accounting policy is to increase the turnover recognised in the prior year by £185,043, to decrease deferred income brought forward by £185,043 and to increase the value of reserves brought forward by the same amount.

#### 2. OPERATING PROFIT

The operating profit is stated after charging:

	2014 £	2013 £
Depreciation of tangible fixed assets:		
- owned by the company	18,734	17,147

Directors' emoluments of £224,218 (2013: £263,053) have been borne by a group company. The highest paid director received remuneration of £224,218 (2013: £263,053).

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

## 4AD LIMITED

### NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### 3. STAFF COSTS

Staff costs were as follows:

	2014 £	2013 £
Wages and salaries	323,345	348,364
Social security costs	37,789	41,859
Other pension costs	3,758	-
	<u>364,892</u>	<u>390,223</u>

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

	2014 No.	2013 No.
Directors	4	3
A&R, Marketing & Operations	9	9
	<u>13</u>	<u>12</u>

#### 4. TAXATION

	2014 £	2013 £
<b>Analysis of tax charge in the year</b>		
UK corporation tax charge on profit for the year	309,674	-
Adjustments in respect of prior periods	-	30,716
	<u>309,674</u>	<u>30,716</u>
Double taxation relief	(31,416)	-
Group taxation relief	218,178	317,450
	<u>496,436</u>	<u>348,166</u>
Foreign tax on income for the year	29,220	(30,716)
<b>Tax on profit on ordinary activities</b>	<u>525,656</u>	<u>317,450</u>

# 4AD LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 4. TAXATION (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%). The differences are explained below:

	2014 £	2013 £
Profit on ordinary activities before tax	<b>2,257,685</b>	1,277,112
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%)	<b>485,177</b>	296,929
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>4,237</b>	9,251
Capital allowances	<b>(6,182)</b>	(1,230)
Depreciation add back	<b>4,026</b>	3,986
Fixed asset loss on disposals	<b>196</b>	-
Capital items expensed	<b>486</b>	-
Foreign tax	<b>(2,196)</b>	-
Other differences leading to an increase in the tax charge	<b>39,912</b>	8,514
<b>Current tax charge for the year</b> (see note above)	<b>525,656</b>	317,450

# 4AD LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 5. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost</b>					
At 1 January 2014	489,641	21,776	27,839	6,141	545,397
Additions	-	4,204	-	21,699	25,903
Disposals	-	-	(10,360)	-	(10,360)
At 31 December 2014	489,641	25,980	17,479	27,840	560,940
<b>Depreciation</b>					
At 1 January 2014	212,505	10,157	17,408	4,791	244,861
Charge for the year	9,793	3,214	2,608	3,119	18,734
On disposals	-	-	(9,450)	-	(9,450)
At 31 December 2014	222,298	13,371	10,566	7,910	254,145
<b>Net book value</b>					
At 31 December 2014	267,343	12,609	6,913	19,930	306,795
At 31 December 2013	277,136	11,619	10,431	1,350	300,536

### 6. FIXED ASSET INVESTMENTS

	Investments in associates £
<b>Cost or valuation</b>	
At 1 January 2014 and 31 December 2014	100
<b>Net book value</b>	
At 31 December 2014	100
At 31 December 2013	100



# 4AD LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 6. FIXED ASSET INVESTMENTS (continued)

#### Associates

Name	Country of incorporation	Class of shares	Holding	Principal activity
Ink Management Limited	England and Wales	Ordinary	50%	Music Management

#### Associates

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Ink Management Limited	8,206	(466)

### 7. STOCKS

	2014 £	2013 £
Finished goods for resale	91,253	83,773

### 8. DEBTORS

	2014 £	2013 £
Trade debtors	3,777	7,000
Amounts owed by group undertakings	736,049	-
Other debtors	280,053	305,861
Prepayments and accrued income	149,767	254,058
	1,169,646	566,919

### 9. CREDITORS:

#### Amounts falling due within one year

	2014 £	2013 £
Trade creditors	1,130,006	1,010,486
Amounts owed to group undertakings	-	612,859
Other creditors	144,214	366,225
Accruals and deferred income	10,059	11,515
	1,284,279	2,001,085

# 4AD LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 10. SHARE CAPITAL

	2014 £	2013 £
<b>Allotted, called up and fully paid</b>		
76 Ordinary A Shares shares of £1 each	76	76
76 Ordinary B Shares shares of £1 each	76	76
	<u>152</u>	<u>152</u>

There are no differences in rights assigned to 'A' and 'B' shares and they rank pari passu.

### 11. RESERVES

	Profit and loss account £
At 1 January 2014 (as previously stated)	1,270,061
Prior year adjustment	185,043
	<u>1,455,104</u>
At 1 January 2014 (as restated)	1,732,029
Profit for the financial year	
	<u>3,187,133</u>
At 31 December 2014	

### 12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014 £	2013 £
Opening shareholders' funds (as previously stated)	1,270,213	2,273,931
Prior year adjustments	185,043	221,663
	<u>1,455,256</u>	<u>2,495,594</u>
Opening shareholders' funds (as restated)	1,455,256	2,495,594
Profit for the financial year	1,732,029	959,662
Dividends (Note 13)	-	(2,000,000)
	<u>3,187,285</u>	<u>1,455,256</u>
Closing shareholders' funds		

### 13. DIVIDENDS

	2014 £	2013 £
Dividends paid on equity capital	-	2,000,000

## **4AD LIMITED**

### **NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2014**

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#### **14. 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 £3,578 (2013 - £nil). There were no contributions payable to the fund at the balance sheet date.

#### **15. ULTIMATE PARENT UNDERTAKING AND 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.