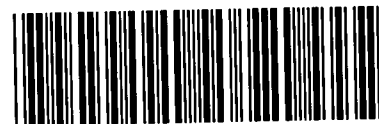


Registered number: 01460572

4AD LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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4AD LIMITED

COMPANY INFORMATION

Directors	Martin Mills Simon Halliday Paul Redding Neela Ebbett
Registered number	01460572
Registered office	17/19 Alma Road London SW18 1AA
Independent auditors	SRLV Audit Limited Chartered Accountants & Statutory Auditor Elsley Court 20-22 Great Titchfield Street London W1W 8BE

4AD LIMITED

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4AD LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Business review

4AD 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, 41% 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.

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

4AD's parent, 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.

4AD LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Financial key performance indicators

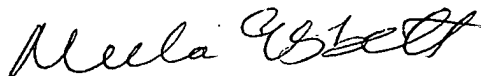
The company uses a number of performance indicators to monitor and manage the business effectively. The key performance indicators for the year ended 31 December 2018, with comparatives for the year ended 31 December 2017, are laid out below.

	2018	2017
Turnover	£15,278,803	£12,988,780
Operating profit	£4,639,221	£353,977
Number of album releases in the year	9	15

This report was approved by the board

12 JUL 2019

and signed on its behalf.



Neela Ebbett
Director

4AD 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 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 £3,721,251 (2017 - £274,320).

The directors paid a dividend in the year of £2,000,000 (2017 - £NIL).

Directors

The directors who served during the year were:

Martin Mills
Simon Halliday
Paul Redding
Neela Ebbett

Financial risks

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

Liquidity risk is managed by maintaining sufficient cash balances.

Price 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 company has no external borrowings.

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.

4AD LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Post balance sheet events

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

This report was approved by the board on

12 JUL 2019

and signed on its behalf.



Neela Ebbett
Director

4AD LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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 for the company's financial statements 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;
- 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 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

Opinion

We have audited the financial statements of 4AD Limited (the 'company') for the year ended 31 December 2018, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the 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 company's affairs as at 31 December 2018 and of its 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 company 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 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.

4AD LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 4AD LIMITED

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 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 strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the 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 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, 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.

Responsibilities of directors

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, 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 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 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.

4AD LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 4AD LIMITED

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

16 JUL 2019

4AD LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	Restated 2017 £
Turnover	4	15,278,803	12,988,780
Cost of sales		(7,231,161)	(7,162,290)
Gross profit		8,047,642	5,826,490
Distribution costs		(1,119,427)	(1,803,036)
Administrative expenses		(2,288,994)	(3,669,477)
Operating profit	5	4,639,221	353,977
Interest receivable and similar income	9	2,560	751
Interest payable and similar charges	10	(2,483)	-
Profit before tax		4,639,298	354,728
Tax on profit	11	(918,047)	(80,408)
Profit for the financial year		3,721,251	274,320

There was no other comprehensive income for 2018 (2017 - £NIL).

The notes on pages 12 to 25 form part of these financial statements.

4AD LIMITED
REGISTERED NUMBER:01460572

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	13	67,800	75,475
Tangible assets	14	267,129	249,490
		<u>334,929</u>	<u>324,965</u>
Current assets			
Stocks	15	389,136	266,569
Debtors: amounts falling due within one year	16	3,352,107	1,002,214
Cash at bank and in hand	17	13,050,108	8,065,383
		<u>16,791,351</u>	<u>9,334,166</u>
Creditors: amounts falling due within one year	18	<u>(8,476,010)</u>	<u>(2,730,112)</u>
Net current assets		<u>8,315,341</u>	<u>6,604,054</u>
Total assets less current liabilities		<u>8,650,270</u>	<u>6,929,019</u>
Net assets		<u><u>8,650,270</u></u>	<u><u>6,929,019</u></u>
Capital and reserves			
Called up share capital	19	152	152
Profit and loss account		8,650,118	6,928,867
		<u>8,650,270</u>	<u>6,929,019</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 JUL 2019



Martin Mills
Director

The notes on pages 12 to 25 form part of these financial statements.

4AD LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2018	152	6,928,867	6,929,019
Comprehensive income for the year			
Profit for the year	-	3,721,251	3,721,251
Total comprehensive income for the year	-	3,721,251	3,721,251
Dividends: Equity capital	-	(2,000,000)	(2,000,000)
Total transactions with owners	-	(2,000,000)	(2,000,000)
At 31 December 2018	152	8,650,118	8,650,270

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2017	152	6,654,547	6,654,699
Comprehensive income for the year			
Profit for the year	-	274,320	274,320
Total comprehensive income for the year	-	274,320	274,320
At 31 December 2017	152	6,928,867	6,929,019

4AD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 judgement 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 2018 and these financial statements may be obtained from 17/19 Alma Road, London, SW18 1AA.

4AD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.3 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.

2.4 Intangible 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 any 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.

The estimated useful lives range as follows:

Catalogue	-	10	years
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4AD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

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.

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.

4AD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.9 Financial instruments

The company 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 debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

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 statement of comprehensive income.

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 pound sterling.

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.

4AD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.13 Interest income

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

2.14 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. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 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.

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.

2.16 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.

2.17 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.

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.

4AD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

3. Judgements 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 and 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.

Determining residual values and useful economic lives of intangible assets

The company amortises its catalogue over its useful economic life. The estimation of the useful life of this catalogue is based on its knowledge of the industry as well as expectation about future use and therefore requires estimates and assumptions to be applied by management.

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 2018

4. Turnover

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

	2018 £	Restated 2017 £
Sales and licensing income	11,108,946	12,988,780
US earnings	4,169,857	-
	<u>15,278,803</u>	<u>12,988,780</u>

75.5% of the company's turnover (2017 - 75.4%) is attributable to geographical markets outside the United Kingdom.

During the preparation of the financial statements, the directors noted the turnover had been incorrectly recorded in the prior year. The comparatives have been adjusted by an increase of £922,342 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.

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	18,401	16,901
Amortisation of intangible assets	7,675	1,279
Exchange differences	(592,474)	275,921
Defined contribution pension cost	<u>22,493</u>	<u>9,958</u>

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 2018**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2018	2017
	£	£
Wages and salaries	601,276	644,114
Social security costs	45,908	42,865
Cost of defined contribution scheme	22,493	9,958
	<u>669,677</u>	<u>696,937</u>

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

	2018	2017
	No.	No.
Directors	4	4
A&R, marketing and promotion	10	9
	<u>14</u>	<u>13</u>

8. Directors' remuneration

	2018	2017
	£	£
Directors' emoluments	<u>183,973</u>	<u>259,373</u>

The highest paid director received remuneration of £183,973 (2017 - £259,373).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2017 - £NIL).

9. Interest receivable and similar income

	2018	2017
	£	£
Other interest receivable	<u>2,560</u>	<u>751</u>

4AD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Interest payable and similar charges

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

11. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	790,179	47,747
Adjustments in respect of previous periods	35,053	-
	<u>825,232</u>	<u>47,747</u>
Double taxation relief	(20,063)	(47,747)
Group taxation relief	92,815	32,661
	<u>897,984</u>	<u>32,661</u>
Foreign tax		
Foreign tax on income for the year	20,063	47,747
	<u>20,063</u>	<u>47,747</u>
Total current tax	<u>918,047</u>	<u>80,408</u>

4AD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

11. Taxation (continued)

Factors affecting the 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:

	2018 £	2017 £
Profit on ordinary activities before tax	4,639,298	354,728
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	881,467	68,273
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	6,764	11,339
Deferred tax not recognised	(5,236)	790
Adjustments to tax charge in respect of prior periods	(16,220)	-
Adjustments in respect of previous periods withholding tax	51,273	-
Other permanent differences	(1)	6
Total tax charge for the year	918,047	80,408

12. Dividends

	2018 £	2017 £
Dividends paid on ordinary equity shares	2,000,000	-

4AD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

13. Intangible assets

	Catalogue £
Cost	
At 1 January 2018	76,754
At 31 December 2018	<u>76,754</u>
Amortisation	
At 1 January 2018	1,279
Charge for the year	7,675
At 31 December 2018	<u>8,954</u>
Net book value	
At 31 December 2018	<u><u>67,800</u></u>
At 31 December 2017	<u><u>75,475</u></u>

14. Tangible fixed assets

	Freehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2018	489,641	17,479	32,875	2,709	542,704
Additions	-	-	-	36,040	36,040
Disposals	-	-	(947)	-	(947)
At 31 December 2018	<u>489,641</u>	<u>17,479</u>	<u>31,928</u>	<u>38,749</u>	<u>577,797</u>
Depreciation					
At 1 January 2018	251,677	17,479	23,501	557	293,214
Charge for the year	9,393	-	5,718	3,290	18,401
Disposals	-	-	(947)	-	(947)
At 31 December 2018	<u>261,070</u>	<u>17,479</u>	<u>28,272</u>	<u>3,847</u>	<u>310,668</u>
Net book value					
At 31 December 2018	<u><u>228,571</u></u>	<u><u>-</u></u>	<u><u>3,656</u></u>	<u><u>34,902</u></u>	<u><u>267,129</u></u>
At 31 December 2017	<u><u>237,964</u></u>	<u><u>-</u></u>	<u><u>9,374</u></u>	<u><u>2,152</u></u>	<u><u>249,490</u></u>

4AD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

15. Stocks

	2018 £	2017 £
Finished goods and goods for resale	<u>389,136</u>	<u>266,569</u>

16. Debtors

	2018 £	2017 £
Trade debtors	1,942	22,872
Amounts owed by group undertakings	-	805,715
Other debtors	3,299,432	173,627
Prepayments and accrued income	50,733	-
	<u>3,352,107</u>	<u>1,002,214</u>

17. Cash

	2018 £	2017 £
Cash at bank and in hand	<u>13,050,108</u>	<u>8,065,383</u>

18. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	2,922,012	125,174
Amounts owed to group undertakings	3,152,918	-
Corporation tax	413,926	-
Other creditors	324,417	257,384
Accruals and deferred income	1,662,737	2,347,554
	<u>8,476,010</u>	<u>2,730,112</u>

4AD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

19. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
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.

20. Reserves

Profit and loss account

This reserve is the accumulated retained profit.

21. 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 £22,493 (2017 - £9,958). There were no contributions payable to the fund at the balance sheet date (2017 - £NIL).

22. 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 cost were passed through Beggars UK Limited and were transferred out to the company at the year end: Turnover £3,191,776 (2017 - £3,466,466); Cost of sales £1,654,514 (2017 - £1,705,791). 4AD Limited also paid commissions of £159,579 (2017 - £173,096) to Beggars UK Limited in respect of physical income.

During the year, the company paid management charges to Beggars UK Limited amounting to £529,709 (2017 - £588,422).

During the year, Beggars Group Media Limited, a fellow subsidiary, operated in a central role for licensing income for the group. Income of £2,203,793 (2017 - £2,248,914) and cost of sales £98,528 (2017 - £86,609) were transferred by Beggars Group Media Limited to the company in respect of this income. 4AD Limited also paid commissions of £226,016 (2017 - £224,892) to Beggars Group Media Limited in respect of licensing and performance income.

During the year, 4AD Limited paid commissions of £68,005 (2017 - £66,233) to Remote Control Records Pty Limited, a company in which the parent company, Beggars Group Limited, is a shareholder.

4AD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

23. 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.