

Registered number: 01460572

## **4AD LIMITED**

### **DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**



## 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 auditor</b>	SRLV Audit Limited Chartered Accountants & Statutory Auditor Elsley Court 20-22 Great Titchfield Street London W1W 8BE

## **4AD LIMITED**

### **CONTENTS**

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	Page
Strategic report	1 - 2
Directors' report	3 - 4
Directors' responsibilities statement	5
Independent auditor's report	6 - 9
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13 - 25

## **4AD LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **Business review**

It was a difficult year for promoting new releases, given that many of our acts were unable to travel and do in-person promotion or tour due to COVID-19 restrictions. Nevertheless, we were able to compensate through a greater degree of online marketing driven by increasing tailored content creation. Among our new releases, notable success was achieved with 'Miss Anthropocene' – Grimes.

We re-issued or remastered several of our catalogue titles. We have seen a significant growth in vinyl sales of our catalogue across the group and across almost all major territories. We are committed to promoting our catalogue on vinyl formats with our retail partners and pleased for the records to find a new audience.

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

##### ***Political and economic risks***

Business with our EU suppliers and customers are a critical element of the business. As expected, Brexit has made our supply routes into Europe more difficult and more costly. We do not expect that to change in the near term.

Restrictions on free travel to and within Europe for touring artists are expected to cause difficulties. These issues have yet to come to fruition due to ongoing COVID-19 travel restrictions. We are profoundly disappointed that our various governments have managed to break so comprehensively something that was working so well.

We are concerned with the uncertainty around post -Brexit plans for passing legislation like the Copyright Directive passed by the EU last year. We believe such laws are needed in the UK to protect IP rights.

However, our international customer base and the borderless global streaming market act as a limited hedge against these disruptive elements.

Nevertheless, we continue to work with UK Music and with AIM to voice concerns with policy makers.

##### ***DCMS Inquiry***

In July 2021, the DCMS Select Committee released recommendations following the enquiry into the economics of streaming. We are pleased the report recommends fairer treatment of artists, such as modern streaming royalty rates for legacy artists and writing off unrecovered balances - as has been our policy for many years.

However, the report has ignored submissions regarding where in the chain the risk and cost of investment in new music resides. Labels like us are the source of new A&R, and it can take years for such investment to recoup, if ever. Our model is one of risk-taking where in fact, only small numbers of breakout acts ever reach huge commercial success. But many others succeed on a smaller scale, and it is important that that continues to work. We are concerned that the DCMS recommendations could have unintended consequences by undermining parts of the current business model and the part that we and other independent labels play in breaking new music. If certain of those recommendation were put into law, this would have a significant impact on our ability to continue to operate under our current structure.

## 4AD LIMITED

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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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 2020, with comparatives for the year ended 31 December 2019, are set out below.

	2020	2019
Turnover	£17,768,655	£19,398,355
Operating profit	£1,409,699	£793,164
Number of album releases in the year	12	17

This report was approved by the board

22 July 2021

and signed on its behalf.

*Neela Ebbett*

**Neela Ebbett**  
Director

**4AD LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors present their report and the financial statements for the year ended 31 December 2020.

**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 £1,138,161 (2019 - £642,565).

The directors paid a dividend in the year of £1,000,000 (2019 - £NIL).

**Directors**

The directors who served during the year were:

Martin Mills  
Simon Halliday  
Paul Redding  
Neela Ebbett

**Future developments**

The directors are confident that by pursuing the management policies the company will achieve continued successes in the years ahead.

**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 the auditor**

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 auditor is 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 auditor is 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 2020**

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**Auditor**

Under section 487(2) of the Companies Act 2006, SRLV Audit Limited will be deemed to have been reappointed as auditor 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 22 July 2021 and signed on its behalf.

*Neela Ebbett*

**Neela Ebbett**  
Director

## **4AD LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

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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 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 AUDITOR'S REPORT TO THE MEMBERS OF 4AD LIMITED

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#### Opinion

We have audited the financial statements of 4AD Limited (the 'company') for the year ended 31 December 2020, 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 2020 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 auditor's 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## 4AD LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 4AD LIMITED (CONTINUED)

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#### 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 auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

#### Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 set out 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.

## 4AD LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 4AD LIMITED (CONTINUED)

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#### **Auditor's 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 auditor's 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

#### *Identifying and assessing potential risks related to irregularities*

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the entity's industry and sector, control environment, business performance and management incentives;
- the results of our specific enquiries of management and those charged with governance about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the potential opportunities and incentives that may exist within the organisation and identified the following areas: the recognition of revenue and provision against artist balances. In response to these risks we undertook detailed revenue and cut-off testing, as well as considering the appropriateness and rationale of provisions against artist balances. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override of controls.

We also obtained an understanding of the legal and regulatory frameworks in which the company operates, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

## 4AD LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 4AD LIMITED (CONTINUED)

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#### *Audit response to risks identified*

Our procedures to respond to risks identified, in addition to those noted above, included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of control: testing the appropriateness of journal entries and other adjustments, assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Whilst the procedures above describe the extent to which our procedures are capable of detecting irregularities, including fraud, there are inherent limitations in these audit procedures. The further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, misrepresentation or through collusion. We are not responsible for preventing irregularities, including fraud, or non-compliance with laws and regulations and cannot be expected to detect all irregularities or non-compliance with all laws and regulations.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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.

*SRLV Audit Limited*

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  
22 July 2021

**4AD LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Turnover	4	<b>17,768,655</b>	19,398,355
Cost of sales		<b>(7,395,286)</b>	(7,600,784)
<b>Gross profit</b>		<b>10,373,369</b>	11,797,571
Distribution costs		<b>(1,254,839)</b>	(2,128,635)
Administrative expenses		<b>(7,708,831)</b>	(8,875,772)
<b>Operating profit</b>	5	<b>1,409,699</b>	793,164
Interest receivable and similar income	9	<b>3,047</b>	11,246
Interest payable and similar charges	10	<b>(80)</b>	(1,462)
<b>Profit before tax</b>		<b>1,412,666</b>	802,948
Tax on profit	11	<b>(274,505)</b>	(160,383)
<b>Profit for the financial year</b>		<b>1,138,161</b>	642,565

There was no other comprehensive income for 2020 (2019 - £NIL).

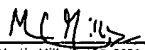
The notes on pages 13 to 25 form part of these financial statements.

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

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2020**

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Intangible assets	13	52,450	60,125
Tangible assets	14	272,203	302,327
		<u>324,653</u>	<u>362,452</u>
<b>Current assets</b>			
Stocks	15	403,364	451,089
Debtors: amounts falling due within one year	16	3,107,875	3,465,500
Cash at bank and in hand	17	9,277,157	12,707,311
		<u>12,788,396</u>	<u>16,623,900</u>
Creditors: amounts falling due within one year	18	(3,682,053)	(7,693,517)
<b>Net current assets</b>		<u>9,106,343</u>	<u>8,930,383</u>
<b>Total assets less current liabilities</b>		<u>9,430,996</u>	<u>9,292,835</u>
<b>Net assets</b>		<u><u>9,430,996</u></u>	<u><u>9,292,835</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	152	152
Profit and loss account		9,430,844	9,292,683
		<u>9,430,996</u>	<u>9,292,835</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 July 2021

  
Martin Mills (MD) (2, 2021 11:43 GMT+1)

**Martin Mills**  
Director

The notes on pages 13 to 25 form part of these financial statements.

**4AD LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Profit and loss account £	Total equity £
<b>At 1 January 2019</b>	<b>152</b>	<b>8,650,118</b>	<b>8,650,270</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	642,565	642,565
<b>Total comprehensive income for the year</b>	-	642,565	642,565
<b>At 1 January 2020</b>	<b>152</b>	<b>9,292,683</b>	<b>9,292,835</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	1,138,161	1,138,161
<b>Total comprehensive income for the year</b>	-	1,138,161	1,138,161
Dividends: Equity capital	-	(1,000,000)	(1,000,000)
<b>At 31 December 2020</b>	<b>152</b>	<b>9,430,844</b>	<b>9,430,996</b>

## 4AD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 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 and principal place of business is 17/19 Alma Road, London, SW18 1AA.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention 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 2020 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 2020

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#### 2. Accounting policies (continued)

##### 2.3 Going concern

The directors note that the impact of the COVID-19 virus has resulted in many of the company's artists being unable to travel and do in-person promotion or tour due to the restrictions in place. In addition, the company experienced a slowdown in sync activity following the disruption to the film and TV production business caused by these restrictions. The company expect both these issues to resolve in a post-pandemic world, notwithstanding Brexit-related restrictions on free travel. The company has the benefit of a strong back catalogue generating a significant portion of its sales, and neither streaming nor overall physical product sales were negatively impacted. At the year end and as at the date of signature of the financial statements, the company's activities remain positive and both the company and wider group have strong cash reserves.

On this basis, the directors are satisfied that the company will be able to satisfy its financial obligations for at least 12 months from the date of signature of the financial statements, which have been prepared on the going concern basis.

##### 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.

## 4AD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 2. Accounting policies (continued)

##### 2.5 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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##### 2.6 Tangible fixed assets

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

At each reporting date the 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 the statement of comprehensive income 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 statement of comprehensive income.

##### 2.7 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 the statement of comprehensive income.

## 4AD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 2. Accounting policies (continued)

##### 2.8 Debtors

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

##### 2.9 Cash

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

##### 2.10 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 and loans to related 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.

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.

##### 2.11 Creditors

Short term creditors are measured at the transaction price.

##### 2.12 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.

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.

## 4AD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 2. Accounting policies (continued)

##### 2.13 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 statement of comprehensive income 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.

##### 2.14 Finance costs

Finance costs are charged to the statement of comprehensive income 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. 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.

## 4AD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 2. Accounting policies (continued)

##### 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.

#### 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, 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.

## 4AD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 3. Judgements in applying accounting policies (continued)

##### *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.

#### 4. Turnover

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

	2020 £	2019 £
Sales and licensing income	10,243,671	11,138,499
US distributed sales	7,524,984	8,259,856
	<u>17,768,655</u>	<u>19,398,355</u>

79.4% of the company's turnover (2019 - 81.5%) is attributable to geographical markets outside the United Kingdom.

#### 5. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation of tangible fixed assets	33,750	25,174
Amortisation of intangible assets	7,675	7,675
Exchange differences	98,000	153,703
Defined contribution pension cost	<u>45,152</u>	<u>38,903</u>

#### 6. Auditor's 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 2020

### 7. Employees

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

	2020 £	2019 £
Wages and salaries	691,910	902,399
Social security costs	60,917	58,253
Cost of defined contribution scheme	45,152	38,903
	<u>797,979</u>	<u>999,555</u>

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

	2020 No.	2019 No.
Directors	4	4
A&R, marketing and promotion	11	10
	<u>15</u>	<u>14</u>

### 8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	171,576	392,967

The highest paid director received remuneration of £171,576 (2019 - £392,967).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2019 - £NIL).

### 9. Interest receivable and similar income

	2020 £	2019 £
Other interest receivable	3,047	11,246

### 10. Interest payable and similar charges

	2020 £	2019 £
Bank interest payable	80	1,462

# 4AD LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 11. Taxation

	2020 £	2019 £
<b>Corporation tax</b>		
Current tax on profits for the year	58,199	23,699
Adjustments in respect of previous periods	-	10
	<u>58,199</u>	<u>23,709</u>
Double taxation relief	(33,117)	(23,699)
Group taxation relief	216,306	136,674
	<u>241,388</u>	<u>136,684</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	33,117	23,699
	<u>33,117</u>	<u>23,699</u>
<b>Total current tax</b>	<u>274,505</u>	<u>160,383</u>

### Factors affecting the tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>1,412,666</u>	<u>802,948</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	268,407	152,560
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	3,598	16,733
Deferred tax not recognised	2,501	(8,919)
Other permanent differences	(1)	9
<b>Total tax charge for the year</b>	<u>274,505</u>	<u>160,383</u>

### 12. Dividends

	2020 £	2019 £
Dividends paid on ordinary equity shares	<u>1,000,000</u>	<u>-</u>



**4AD LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**13. Intangible assets**

	Catalogue £
<b>Cost</b>	
At 1 January 2020	76,754
At 31 December 2020	<u>76,754</u>
<b>Amortisation</b>	
At 1 January 2020	16,629
Charge for the year	7,675
At 31 December 2020	<u>24,304</u>
<b>Net book value</b>	
At 31 December 2020	<u>52,450</u>
At 31 December 2019	<u>60,125</u>

**14. Tangible fixed assets**

	Freehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>					
At 1 January 2020	492,091	40,490	33,936	52,531	619,048
Additions	-	-	664	2,962	3,626
At 31 December 2020	<u>492,091</u>	<u>40,490</u>	<u>34,600</u>	<u>55,493</u>	<u>622,674</u>
<b>Depreciation</b>					
At 1 January 2020	270,500	844	29,891	15,486	316,721
Charge for the year	9,442	10,122	1,606	12,580	33,750
At 31 December 2020	<u>279,942</u>	<u>10,966</u>	<u>31,497</u>	<u>28,066</u>	<u>350,471</u>
<b>Net book value</b>					
At 31 December 2020	<u>212,149</u>	<u>29,524</u>	<u>3,103</u>	<u>27,427</u>	<u>272,203</u>
At 31 December 2019	<u>221,591</u>	<u>39,646</u>	<u>4,045</u>	<u>37,045</u>	<u>302,327</u>

**4AD LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**15. Stocks**

	2020 £	2019 £
Finished goods and goods for resale	<u>403,364</u>	<u>451,089</u>

**16. Debtors**

	2020 £	2019 £
Trade debtors	-	5,623
Other debtors	<u>3,107,875</u>	<u>3,459,877</u>
	<u>3,107,875</u>	<u>3,465,500</u>

**17. Cash**

	2020 £	2019 £
Cash at bank and in hand	<u>9,277,157</u>	<u>12,707,311</u>

**18. Creditors: amounts falling due within one year**

	2020 £	2019 £
Trade creditors	163,222	120,487
Amounts owed to group undertakings	1,816,052	5,691,227
Corporation tax	3,279	37
Other creditors	237,022	235,501
Accruals and deferred income	<u>1,462,478</u>	<u>1,646,265</u>
	<u>3,682,053</u>	<u>7,693,517</u>

## 4AD LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### 19. Share capital

	2020 £	2019 £
<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.

#### 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 £45,152 (2019 - £38,903). There were no contributions payable to the fund at the balance sheet date (2019 - £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 costs were passed through Beggars UK Limited and were transferred out to the company at the year end: Turnover £3,399,761 (2019 - £4,439,381); Cost of sales £1,765,254 (2019 - £2,461,514). 4AD Limited also paid commissions of £169,988 (2019 - £221,980) to Beggars UK Limited in respect of physical income.

During the year, the company paid management charges to Beggars UK Limited amounting to £597,529 (2019 - £705,398).

During the year, Beggars Group Media Limited, a fellow subsidiary, operated in a central role for licensing income for the group. Income of £1,733,253 (2019 - £2,232,855) and cost of sales £171,102 (2019 - £93,603) were transferred by Beggars Group Media Limited to the company in respect of this income. 4AD Limited also paid commissions of £173,325 (2019 - £228,922) to Beggars Group Media Limited in respect of licensing and performance income.

During the year, 4AD Limited paid commissions of £72,991 (2019 - £31,217) 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 2020**

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#### **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.