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## Report and Financial Statements

*ADA Global Limited*

**25 September 2009**



# ADA Global Limited

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Registered No 05541956

## **DIRECTORS**

S Tully  
M Saunter  
R Evers  
J Reid

## **JOINT SECRETARIES**

Olswang Cosec Limited  
90 High Holborn  
London  
WC1V 6XX

S Tully

## **AUDITORS**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

## **REGISTERED OFFICE**

90 High Holborn  
London  
WC1V 6XX

# ADA Global Limited

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## DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 25 September 2009

### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £141,000 (2008 – £108,000) The directors do not recommend the payment of a dividend

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year was the sale and distribution of recorded music

The company's key financial and other performance indicators during the year were as follows

	2009 £000	2008 £000	Change %
Turnover	4,702	4,523	+4%
Loss after tax	141	108	+30%
Shareholders' deficit	(652)	(511)	+28%

Turnover has increased by 4% because the company has actively found new customers and expanded its business

Loss after tax has increased by 30% due to the loss after tax being near break-even and a slighter higher increase in distribution expense causing a disproportionate increase in loss after tax

Shareholders' deficit has increased by 28% due to the retained loss

### PRINCIPAL RISKS AND UNCERTAINTIES

The main risks and uncertainties facing the company relate to the speed with and extent to which new digital revenue streams replace traditional income based on physical (mainly CD) sales

### FUTURE DEVELOPMENTS

The directors aim to continue the current management policy of maintaining the existing roster and making further substantial investments in new artists

### DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 25 September 2009 were as follows

S Tully  
M Saunter  
J Reid  
R Evers

There are no directors' interests requiring disclosure under the Companies Act 2006

### DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to made himself aware of any relevant audit information and to establish that the auditor is aware of that information

DIRECTORS' REPORT

**RE-APPOINTMENT OF AUDITORS**

In accordance with s 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company

By order of the board

M Saunter  
Director



Date 23 JUNE 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to

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

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

**INDEPENDENT AUDITORS' REPORT**  
to the members of ADA Global Limited

We have audited the financial statements of ADA Global Limited for the year ended 25 September 2009, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities on page 4, the directors are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

**Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the company's affairs as at 25 September 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

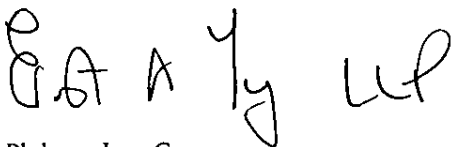
**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

- adequate accounting records have not been kept by the company, 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 or directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

  
Philippa Jane Green  
Ernst & Young LLP  
Registered Auditor  
London

23/6/10

# ADA Global Limited

## PROFIT AND LOSS ACCOUNT for the year ended 25 September 2009

		<i>year ended</i> <i>25 September</i> <i>2009</i> <i>£000</i>	<i>year ended</i> <i>26 September</i> <i>2008</i> <i>£000</i>
	<i>Notes</i>		
<b>TURNOVER</b>	2	4,702	4,523
Cost of sales		(3,363)	(3,186)
<b>GROSS PROFIT</b>		1,339	1,337
Distribution costs		(742)	(703)
Administrative expenses		(802)	(795)
<b>OPERATING LOSS</b>	3	(205)	(161)
Bank and other interest receivable		11	24
Group interest payable		-	(11)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(194)	(148)
Tax on loss on ordinary activities	6	53	40
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>	13	(141)	(108)

All activities are continuing

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The company had no recognised gains or losses other than the loss of £141,000 for the year ended 25 September 2009 and the loss of £108,000 for the year ended 26 September 2008

# ADA Global Limited

## BALANCE SHEET at 25 September 2009

		25 September 2009	26 September 2008
	Notes	£000	£000
<b>FIXED ASSETS</b>			
Tangible assets	7	32	45
<b>CURRENT ASSETS</b>			
Stocks	9	1	1
Debtors	10	1,034	773
Cash at bank and in hand		1,325	1,340
		2,360	2,114
<b>CREDITORS</b> amounts falling due within one year	11	(3,044)	(2,670)
<b>NET CURRENT LIABILITIES</b>		(684)	(556)
		(652)	(511)
<b>CAPITAL AND RESERVES</b>			
Called up share capital (£1)	12	–	–
Profit and loss account	13	(652)	(511)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	13	(652)	(511)

M Saunter  
Director



Date 23 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS  
at 25 September 2009

**1. ACCOUNTING POLICIES**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year is set out below

***Accounting convention***

The accounts are prepared under the historical cost convention and in accordance with accounting standards applicable in the United Kingdom

***Accounting period***

The company prepares accounts for either 52 or 53 week periods ending within one week of 30 September

***Going concern***

The financial statements are prepared on the going concern basis because Warner Music International Services Limited has committed to provide financial support to the company to enable it to meet its debts as they fall due, and for the foreseeable future

***Consolidated accounts***

Consolidated accounts have not been prepared as ADA Global Limited was, at 25 September 2009, a wholly-owned subsidiary of Warner Music Group Corp, a company registered in the United States of America, which prepares group accounts. Consequently these accounts only include information about the company as an individual undertaking and not about the group, as the exemption in section 401 of the Companies Act 2006 has been claimed

***Depreciation***

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows

Furniture and equipment	–	over 5 years
Plant and machinery	–	over 3-5 years

***Stocks***

Stocks are stated at the lower of cost, being invoiced purchase price plus attributable freight costs, and net realisable value

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal

***Foreign currencies***

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account

***Advances to labels***

Labels are assessed for their sales earning potential during a specified contract period. Advances to labels are held at net book value equal to expected future sales earnings. The advances are expensed if sales earnings fall below a level required for the recoupment of an advance and the label is deemed not to hold sufficient funds to repay the deficit balance

***Royalty income***

Credit is taken for royalty income that has been received from or declared by licensees and other parties

***Leasing commitments***

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term

NOTES TO THE FINANCIAL STATEMENTS  
at 25 September 2009

1. ACCOUNTING POLICIES (CONTINUED)

*Related parties*

The company has taken advantage of the exemption in FRS 8 not to disclose details of transactions between fellow wholly-owned group undertakings

*Cash flow statements*

The company has taken advantage of the exemption in Financial Reporting Standard No 1 Revised ("FRS 1") A cash flow statement has not been prepared as the company was at 25 September 2009 a wholly-owned subsidiary undertaking of Warner Music Group Corp , a company incorporated in the United States of America, which prepared a group cash flow statement

*Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse Deferred tax balances are not discounted

2. TURNOVER

Turnover, substantially all of which is within a single class of business, represents the invoiced amount of goods sold less returns, royalties receivable and fees for other services stated net of valued added tax

Sales by destination were as follows

	<i>year ended</i> <i>25 September</i>	<i>year ended</i> <i>26 September</i>
	<i>2009</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
United Kingdom	832	1,055
Rest of the world	3,870	3,468
	<u>4,702</u>	<u>4,523</u>

# ADA Global Limited

## NOTES TO THE FINANCIAL STATEMENTS at 25 September 2009

### 3. OPERATING LOSS

This is stated after charging

	<i>year ended</i> <i>25 September</i> <i>2009</i> <i>£000</i>	<i>year ended</i> <i>26 September</i> <i>2008</i> <i>£000</i>
Depreciation	14	12
Operating lease rental costs -- Land and buildings	76	76
Exchange loss	13	32
Restructuring costs	–	1
Provision releases	–	(14)

The parent company Warner Music UK Limited pays the auditors' remuneration for all the group companies and recharges a proportion of it to the group companies. The amount recharged in respect of audit fees was £7,000 (2008 – £7,000)

### 4. DIRECTORS' EMOLUMENTS

There are no employees of the company other than the directors. The directors received no remuneration for their services during the year (2008 – £nil)

### 5. STAFF COSTS

	<i>year ended</i> <i>25 September</i> <i>2009</i> <i>£000</i>	<i>year ended</i> <i>26 September</i> <i>2008</i> <i>£000</i>
Wages and salaries	411	373
Social security costs	48	40
Other pension costs	3	1
	<u>462</u>	<u>414</u>

The average monthly number of employees during the year was as follows

	<i>year ended</i> <i>25 September</i> <i>2009</i> <i>No</i>	<i>year ended</i> <i>26 September</i> <i>2008</i> <i>No</i>
Office and management	4	3
Selling, marketing and distribution	7	6
	<u>11</u>	<u>9</u>

# ADA Global Limited

## NOTES TO THE FINANCIAL STATEMENTS at 25 September 2009

### 6 TAX ON LOSS ON ORDINARY ACTIVITIES

	<i>year ended</i> <i>25 September</i> <i>2009</i> <i>£000</i>	<i>year ended</i> <i>26 September</i> <i>2008</i> <i>£000</i>
<b>a) The credit based on the results for the year is as follows:</b>		
<u>Taxation based on the loss for the year</u>		
Group relief receipts	(53)	(40)
Total Current Tax Credit	<u>(53)</u>	<u>(40)</u>
<u>Deferred Tax</u>		
Timing differences, origination and reversal	-	-
Total Deferred Tax	<u>-</u>	<u>-</u>
Total Tax Credit on Loss on Ordinary Activities	<u>(53)</u>	<u>(40)</u>

#### **b) Circumstances affecting current credit**

The standard rate of current tax for the year based on the UK standard rate of corporation tax is 28% (2008 29%). The current tax credit for the year differs from the standard rate for the reasons in the reconciliation below

	<i>year ended</i> <i>25 September</i> <i>2009</i> <i>£000</i>	<i>year ended</i> <i>26 September</i> <i>2008</i> <i>£000</i>
Loss on Ordinary activities before tax	(194)	(148)
Tax on loss on ordinary activities at standard rate	(54)	(43)
Factors affecting charge		
Disallowable expenses	-	3
Other timing differences	1	-
Total Current Tax Credit	<u>(53)</u>	<u>(40)</u>

# ADA Global Limited

## NOTES TO THE FINANCIAL STATEMENTS at 25 September 2009

### 7. TANGIBLE FIXED ASSETS

	<i>Plant, machinery, furniture and equipment £000</i>
Cost	
At 27 September 2008	67
Additions	1
At 25 September 2009	68
Depreciation	
At 27 September 2008	22
Provided during the year	14
At 25 September 2009	36
Net book value	
At 25 September 2009	32
At 26 September 2008	45

### 8. INVESTMENTS

Details of the investments in which the company directly holds more than 20% of the nominal value of any class of share capital are as follows

<i>Name of company</i>	<i>Country of registration</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Hannibal Records Limited	England and Wales	Ordinary shares	100%	Dormant

### 9. STOCKS

	<i>25 September 2009 £000</i>	<i>26 September 2008 £000</i>
Finished goods and goods for resale	1	1

# ADA Global Limited

## NOTES TO THE FINANCIAL STATEMENTS at 25 September 2009

### 10. DEBTORS

	<i>25 September 2009 £000</i>	<i>26 September 2008 £000</i>
Trade debtors	900	639
Amounts owed by group undertakings	—	1
Group relief receivable	53	40
Prepayments and accrued income	43	93
VAT recoverable	38	—
	<u>1,034</u>	<u>773</u>

### 11. CREDITORS amounts falling due within one year

	<i>25 September 2009 £000</i>	<i>26 September 2008 £000</i>
Bank overdraft	15	—
Trade creditors	713	660
Amounts due to group undertakings	1,976	1,619
Other taxes and social security	12	12
Accruals and deferred income	328	379
	<u>3,044</u>	<u>2,670</u>

### 12. SHARE CAPITAL

	<i>25 September 2009 No</i>	<i>26 September 2008 No</i>
Authorised 1,000 ordinary shares of £1 each	1,000	1,000
	<u>£</u>	<u>£</u>
Allotted, called up and fully paid 1 ordinary shares of £1	1	1

# ADA Global Limited

## NOTES TO THE FINANCIAL STATEMENTS at 25 September 2009

### 13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 27 September 2008	–	(511)	(511)
Loss for the year	–	(141)	(141)
At 25 September 2009	–	(652)	(652)

### 14. OTHER FINANCIAL COMMITMENTS

The commitments under non-cancellable operating leases for the next year are as follows

	<i>Land and Buildings</i>	
	<i>25 September 2009 £000</i>	<i>26 September 2008 £000</i>
Operating leases which expire within one year	–	56
	–	56

### 15. PARENT UNDERTAKING AND CONTROLLING PARTY

At 25 September 2009 the company was 100% owned by Warner Music UK Limited, the immediate parent undertaking

On 25 September 2009 Warner Music Group Corp , a company incorporated in the United States of America, was the ultimate parent undertaking and the parent undertaking of the smallest group of undertakings of which the company was a member and for which group financial statements are drawn up Copies of Warner Music Group Corp 's financial statements can be obtained from 1209 Orange Street, Wilmington, DE 19801, USA