

Company Registration No. 3897337 (England and Wales)

BIG BROTHER RECORDINGS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007



BIG BROTHER RECORDINGS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2007**

Directors	L Gallagher N Gallagher A Mckinlay M Russell
Secretary	A Mckinlay
Company number	3897337
Registered office	88/90 Baker Street London W1U 6TQ
Auditors	Ashleys (Hitchin) Limited Invision House, Wilbury Way Hitchin Hertfordshire SG4 0TY
Accountants	Dales Evans & Co Limited 88/90 Baker Street London W1U 6TQ
Bankers	Natwest Bank plc High Street Newport Gwent NP20 1GG

BIG BROTHER RECORDINGS LIMITED

CONTENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

	Page
Directors' report	1
Independent auditors' report	2
Profit and loss account	3
Balance sheet	4
Cash flow statement	5
Notes to the cash flow statement	6
Notes to the financial statements	7 - 11

BIG BROTHER RECORDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report and financial statements for the year ended 31 December 2007

Business review

The company released further material during the year. The directors were satisfied with the levels of sales and profitability despite the decreasing market. The directors are confident of their position within the market due to the unique nature of the company's product.

Principal activities

The company continued to trade as a record company during the year.

Directors

The following directors have held office during the year:

L Gallagher
N Gallagher
A McKinlay
M Russell

Auditors

Ashleys (Hitchin) Limited were re-appointed auditors for the company. They have expressed their willingness to continue in office and in accordance with section 385 of the Companies Act 1985, a resolution proposing their reappointment will be put to the Annual General Meeting.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing those financial statements, the directors are required to

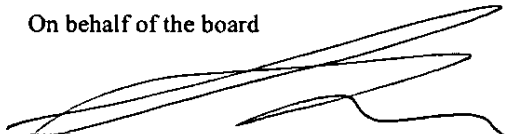
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which 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 1985. 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.

- there is no relevant audit information of which the company's auditors are unaware
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

18th September 2008

On behalf of the board



A McKinlay
Director

BIG BROTHER RECORDINGS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BIG BROTHER RECORDINGS LIMITED

We have audited the financial statements of Big Brother Recordings Limited on pages 3 to 11 for the year ended 31 December 2007. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 our 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 opinion we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

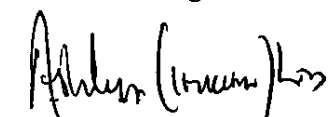
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



Ashleys (Hitchin) Limited
Invision House, Wilbury Way
Hitchin, Herts, SG4 0TY

29/09/08
Date

BIG BROTHER RECORDINGS LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007**

		2007	2006
	Notes	£	£
Turnover		3,010,576	9,268,997
Cost of sales		(2,036,555)	(6,005,409)
Gross profit		974,021	3,263,588
Distribution costs		(125,294)	(579,314)
Administrative expenses		(866,074)	(2,772,598)
Operating loss	2	(17,347)	(88,324)
Other interest receivable and similar income		168,607	65,058
Profit/(loss) on ordinary activities before taxation		151,260	(23,266)
Tax on profit/(loss) on ordinary activities	4	(42,674)	(1,757)
Profit/(loss) on ordinary activities after taxation	10	108,586	(25,023)

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

BIG BROTHER RECORDINGS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	£	2007 £	£	2006 £
Fixed assets					
Tangible assets	5		1,831		3,486
Current assets					
Stock	6	141,332		272,221	
Debtors	7	1,030,387		10,087,629	
Cash at bank and in hand		2,664,583		465,586	
		3,836,302		10,825,436	
Creditors: amounts falling due within one year	8	(3,710,220)		(10,809,595)	
Net current assets			126,082		15,841
Total assets less current liabilities			127,913		19,327
Capital and reserves					
Called up share capital	9		300		300
Profit and loss account	10		127,613		19,027
Shareholders' funds	11		127,913		19,327

The financial statements were approved by the Board on 18 September 2008.

M Russell
Director

BIG BROTHER RECORDINGS LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007		2006	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		2,628,630		(2,080,183)
Returns on investments and servicing of finance				
Interest received	<u>168,607</u>		<u>65,058</u>	
Net cash inflow for returns on investments and servicing of finance		168,607		65,058
Taxation				
Cashflows to tax authorities	<u>-</u>		<u>(3,729)</u>	
Net cash outflow for taxation		-		(3,729)
Capital expenditure				
Payments to acquire tangible assets	<u>-</u>		<u>(1,428)</u>	
Net cash outflow for capital expenditure		-		(1,428)
Net cash inflow/(outflow) before management of liquid resources and financing		2,797,236		(2,020,282)
Increase/(decrease) in cash in the year		<u>2,797,236</u>		<u>(2,020,282)</u>

BIG BROTHER RECORDINGS LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

1	Reconciliation of operating loss to net cash inflow/(outflow) from operating activities	2007	2006
		£	£
	Operating loss	(17,347)	(88,324)
	Depreciation of tangible assets	1,656	1,855
	Decrease/(increase) in stocks	130,889	(187,176)
	Decrease/(increase) in debtors	9,057,242	(7,412,419)
	(Decrease)/increase in creditors within one year	(6,543,810)	5,605,881
	Net cash inflow/(outflow) from operating activities	2,628,630	(2,080,183)
2	Analysis of net funds/(debt)		
	1 January 2007	Cash flow	Other non-cash changes
	£	£	£
	Net cash		31 December 2007
			£
	Cash at bank and in hand	465,586	2,198,997
	Bank overdrafts	(598,239)	598,239
		(132,653)	2,797,236
	Bank deposits	-	-
	Net (debt)/funds	(132,653)	2,797,236
3	Reconciliation of net cash flow to movement in net funds/(debt)	2007	2006
		£	£
	Increase/(decrease) in cash in the year	2,797,236	(2,020,282)
	Movement in net funds/(debt) in the year	2,797,236	(2,020,282)
	Opening net (debt)/funds	(132,653)	1,887,629
	Closing net funds/(debt)	2,664,583	(132,653)
	Cash at bank and in hand	2,664,583	465,586
	Bank loans and overdrafts	-	(598,239)
		2,664,583	(132,653)

BIG BROTHER RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Office equipment	25% on a straight line basis
Fixtures and fittings	20% on a straight line basis

1.4 Stock

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks

2 Operating loss

	2007	2006
	£	£
Operating loss is stated after charging		
Depreciation of tangible assets	1,656	1,855
Auditors' remuneration	9,200	8,000
	<u> </u>	<u> </u>

3 Directors' emoluments

	2007	2006
	£	£
Directors' emoluments	13,750	18,627
	<u> </u>	<u> </u>

BIG BROTHER RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007**

4 Taxation	2007	2006
	£	£
4.1 U.K. corporation tax		
Charge for the year	42,674	1,757
	<u>42,674</u>	<u>1,757</u>
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	151,260	(23,266)
	<u>151,260</u>	<u>(23,266)</u>
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 27.59% (2006: 19.00%)	41,733	(4,421)
	<u>41,733</u>	<u>(4,421)</u>
Effects of		
Non deductible expenses	799	6,171
Depreciation	459	352
Capital allowances	(317)	(345)
	<u>941</u>	<u>6,178</u>
Current tax charge	<u>42,674</u>	<u>1,757</u>

4.2 The company is a close company within the terms of the Income and Corporation Taxes Act 1988

5 Tangible fixed assets

	Fixtures, fittings, tools and equipment £
Cost	
At 1 January 2007 and at 31 December 2007	19,868
Depreciation	
At 1 January 2007	16,382
Charge for the year	1,655
	<u>18,037</u>
At 31 December 2007	<u>18,037</u>
Net book value	
At 31 December 2007	1,831
	<u>1,831</u>
At 31 December 2006	3,486
	<u>3,486</u>

BIG BROTHER RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007**

6	Stock	2007	2006
		£	£
	Finished goods and goods for resale	141,332	272,221
		<u> </u>	<u> </u>
7	Debtors	2007	2006
		£	£
	Trade debtors	804,146	10,039,522
	Other debtors	1,067	4,949
	Other taxes and social security costs	92,193	-
	Prepayments and accrued income	132,981	43,158
		<u> </u>	<u> </u>
		1,030,387	10,087,629
		<u> </u>	<u> </u>
8	Creditors: amounts falling due within one year	2007	2006
		£	£
	Bank loans and overdrafts	-	598,239
	Trade creditors	1,195,129	3,927,106
	Corporation tax	44,431	1,757
	Other taxes and social security costs	13,628	327,069
	Other creditors	13,077	18,739
	Accruals and deferred income	2,443,955	5,936,685
		<u> </u>	<u> </u>
		3,710,220	10,809,595
		<u> </u>	<u> </u>
9	Share capital	2007	2006
		£	£
	Authorised		
	1,000 Ordinary shares of £1 each	1,000	1,000
		<u> </u>	<u> </u>
	Allotted, called up and fully paid		
	300 Ordinary shares of £1 each	300	300
		<u> </u>	<u> </u>

BIG BROTHER RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007**

10 Statement of movements on profit and loss account

**Profit and
loss account
£**

Balance at 1 January 2007	19,027
Retained profit for the year	108,586
Balance at 31 December 2007	<u>127,613</u>

11 Reconciliation of movements in shareholders' funds

**2007
£**

**2006
£**

Profit/(loss) for the financial year	108,586	(25,023)
Opening shareholders' funds	19,327	44,350
Closing shareholders' funds	<u>127,913</u>	<u>19,327</u>

BIG BROTHER RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

12 Related party transactions

N Gallagher, L Gallagher, A McKinlay and M Russell are all directors of Big Brother Recordings Limited and own 40%, 40%, 10% and 10% respectively of the issued ordinary share capital of the company. They also have the following interests

Oasis

N Gallagher and L Gallagher also trade as a partnership under the name 'Oasis'

During the year Oasis charged Big Brother Recordings Limited marketing fees of £140,095. As at 31 December 2007 there was no balance owed to or due from Oasis. Included in other creditors is an amount of £346,530 in respect of accrued marketing fees charged by Oasis to Big Brother Recordings Limited.

Sour Mash Records Limited

N Gallagher, A McKinlay and M Russell are also directors of Sour Mash Records Limited and own 80%, 10% and 10% respectively of the issued ordinary share capital of the company.

During the year Sour Mash Limited charged Big Brother Recordings Limited marketing fees of £140,095. In addition to this Big Brother Recordings Limited recharged Sour Mash Records Limited expenses of £2,416. As at 31 December 2007 Sour Mash Records Limited owed Big Brother Recordings Limited £912. Included in other creditors is an amount of £346,530 in respect of accrued marketing fees charged by Sour Mash Records Limited to Big Brother Recordings Limited.

Ignition Management

A McKinlay and M Russell also trade as a partnership under the name 'Ignition Management'

During the year Ignition Management recharged Big Brother Recordings Limited expenses of £129,923. In addition to this Big Brother Recordings Limited recharged Ignition Management expenses of £8,015. As at 31 December 2007 Big Brother Recordings Limited owed Ignition Management £19,221.

Ignition Records Limited

A McKinlay and M Russell are also directors of Ignition Records Limited and own 50% each of the issued ordinary share capital of the company.

During the year Ignition Records Limited charged Big Brother Recordings Limited management consultancy fees of £70,047. As at 31 December 2007 there was no balance owed to or due from Ignition Records Limited. Included in other creditors is an amount of £173,295 in respect of accrued management fees charged by Ignition Records Limited to Big Brother Recordings Limited.

Oasis Merchandising Limited

N Gallagher and L Gallagher have a controlling interest in Oasis Merchandising Limited.

During the year Oasis Merchandising Limited charged Big Brother Recordings Limited website promotion fees of £25,786. As at 31 December 2007 £1,244 was owed to Oasis Merchandising Limited.