

Company Registration No 3897337 (England and Wales)

**BIG BROTHER RECORDINGS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**



## **BIG BROTHER RECORDINGS LIMITED**

### **COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2008**

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<b>Directors</b>	L Gallagher N Gallagher A Mckinlay M Russell
<b>Secretary</b>	A Mckinlay
<b>Company number</b>	3897337
<b>Registered office</b>	88/90 Baker Street London W1U 6TQ
<b>Auditors</b>	Ashleys (Hitchin) Limited Invision House, Wilbury Way Hitchin Hertfordshire SG4 0TY
<b>Accountants</b>	Dales Evans & Co Limited 88/90 Baker Street London W1U 6TQ
<b>Bankers</b>	HSBC Private bank (UK) Limited 78 St James Street London SW1A 1JB

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**BIG BROTHER RECORDINGS LIMITED**

**CONTENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

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	<b>Page</b>
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 - 13

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# **BIG BROTHER RECORDINGS LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008**

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The directors present their report and financial statements for the year ended 31 December 2008

### **Principal activities and review of the business**

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

During the year the company released new material and exploited this and its back catalogue in both the UK and new territories. This has led to an increase in turnover.

The directors, however, consider that technological advances have impacted revenues. Additionally there is growing demand for digital product over physical sales which has led to reduced profitability.

The directors are confident they can overcome these market changes and are satisfied with the results for the year.

### **Results and dividends**

The results for the year are set out on page 3.

### **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.

### **Statement of directors' responsibilities**

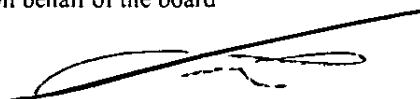
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- 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.

On behalf of the board



A McKinlay

Director

30/3/10

## **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 13 for the year ended 31 December 2008. 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 1, 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**

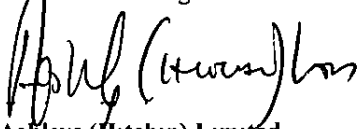
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

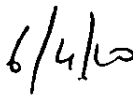
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2008 and of its loss 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

  
Date

**BIG BROTHER RECORDINGS LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

		<b>2008</b>	<b>2007</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>2</b>	12,979,126	3,010,576
Cost of sales		(8,982,397)	(2,036,555)
<b>Gross profit</b>		<u>3,996,729</u>	<u>974,021</u>
Distribution costs		(1,335,949)	(125,294)
Administrative expenses		(2,892,923)	(866,074)
<b>Operating loss</b>	<b>3</b>	<u>(232,143)</u>	<u>(17,347)</u>
Other interest receivable and similar income		58,131	168,607
Interest payable and similar charges		(1,199)	-
<b>(Loss)/profit on ordinary activities before taxation</b>		<u>(175,211)</u>	<u>151,260</u>
Tax on (loss)/profit on ordinary activities	<b>5</b>	<u>44,750</u>	<u>(42,674)</u>
<b>(Loss)/profit on ordinary activities after taxation</b>	<b>11</b>	<u><u>(130,461)</u></u>	<u><u>108,586</u></u>

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 2008**

	Notes	2008 £	£	2007 £	£
<b>Fixed assets</b>					
Tangible assets	6		3,648		1,831
<b>Current assets</b>					
Stocks	7	252,555		141,332	
Debtors	8	3,015,695		1,030,387	
Cash at bank and in hand		3,377,936		2,664,583	
		<u>6,646,186</u>		<u>3,836,302</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(6,652,382)</u>		<u>(3,710,220)</u>	
<b>Net current (liabilities)/assets</b>			(6,196)		126,082
<b>Total assets less current liabilities</b>			<u>(2,548)</u>		<u>127,913</u>
<b>Capital and reserves</b>					
Called up share capital	10		300		300
Profit and loss account	11		(2,848)		127,613
<b>Shareholders' funds</b>	12		<u>(2,548)</u>		<u>127,913</u>

Approved by the Board and authorised for issue on 30/03/10

  
M Russell  
Director

Company Registration No. 3897337

**BIG BROTHER RECORDINGS LIMITED****CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Net cash inflow from operating activities</b>	<b>705,585</b>	<b>2,628,629</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	58,131	168,607
Interest paid	(1,199)	-
<b>Net cash inflow for returns on investments and servicing of finance</b>	<b>56,932</b>	<b>168,607</b>
<b>Taxation</b>	<b>(45,252)</b>	<b>-</b>
<b>Capital expenditure</b>		
Payments to acquire tangible assets	(3,912)	-
<b>Net cash outflow for capital expenditure</b>	<b>(3,912)</b>	<b>-</b>
<b>Net cash inflow before management of liquid resources and financing</b>	<b>713,353</b>	<b>2,797,236</b>
<b>Increase in cash in the year</b>	<b>713,353</b>	<b>2,797,236</b>



**BIG BROTHER RECORDINGS LIMITED**

**NOTES TO THE CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

1	Reconciliation of operating loss to net cash inflow from operating activities	2008	2007		
		£	£		
	Operating loss	(232,143)	(17,347)		
	Depreciation of tangible assets	2,095	1,656		
	(Increase)/decrease in stocks	(111,223)	130,889		
	(Increase)/decrease in debtors	(1,939,737)	9,057,241		
	Increase/(decrease) in creditors within one year	2,986,593	(6,543,810)		
	Net cash inflow from operating activities	705,585	2,628,629		
2	Analysis of net funds				
		1 January 2008 £	Cash flow £	Other non-cash changes £	31 December 2008 £
	Net cash				
	Cash at bank and in hand	2,664,583	713,353	-	3,377,936
	Net funds	2,664,583	713,353	-	3,377,936
3	Reconciliation of net cash flow to movement in net funds	2008	2007		
		£	£		
	Increase in cash in the year	713,353	2,797,236		
	Movement in net funds in the year	713,353	2,797,236		
	Opening net funds/(debt)	2,664,583	(132,653)		
	Closing net funds	3,377,936	2,664,583		
	Cash at bank and in hand	3,377,936	2,664,583		

# BIG BROTHER RECORDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention

These accounts have been prepared on the going concern basis. This basis may not be appropriate because, as at 31 December 2008, the company's current liabilities exceeded its current assets by £6,196. If all creditors were to demand immediate repayment, the company might not be able to continue to trade. The directors, however, consider the going concern basis appropriate as they have indicated that they will continue to support the company's working capital requirements.

#### 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.

#### 1.5 Foreign currency translation

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

### 2 Turnover

#### Geographical market

	2008 £	2007 £
UK	9,187,923	3,010,576
EU	2,081,852	-
Rest of world	1,709,351	-
	<u>12,979,126</u>	<u>3,010,576</u>

**BIG BROTHER RECORDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>3</b>	<b>Operating loss</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	Operating loss is stated after charging		
	Depreciation of tangible assets	2,095	1,656
	Auditors' remuneration	7,850	9,200
	and after crediting		
	Profit on foreign exchange transactions	(20,576)	-
		<u></u>	<u></u>
<b>3</b>	<b>Directors' emoluments</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	Directors' emoluments	12,500	13,750
		<u></u>	<u></u>
<b>5</b>	<b>Taxation</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	<b>Domestic current year tax</b>		
	U K corporation tax	(45,571)	42,674
	<b>Foreign corporation tax</b>		
	Foreign corporation tax	821	-
		<u></u>	<u></u>
	<b>Current tax charge</b>	<b>(44,750)</b>	<b>42,674</b>
		<u></u>	<u></u>
		<b>(44,750)</b>	<b>42,674</b>
		<u></u>	<u></u>
	<b>Factors affecting the tax charge for the year</b>		
	(Loss)/profit on ordinary activities before taxation	(175,211)	151,260
		<u></u>	<u></u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2007 - 30.00%)	(52,563)	45,378
		<u></u>	<u></u>
	Effects of		
	Non deductible expenses	3,003	867
	Depreciation add back	629	496
	Capital allowances	(1,393)	(344)
	Foreign tax	821	-
	Variances in tax rates on losses relieved in prior years	4,753	-
	Marginal relief	-	(3,723)
		<u></u>	<u></u>
		<b>7,813</b>	<b>(2,704)</b>
		<u></u>	<u></u>
	<b>Current tax charge</b>	<b>(44,750)</b>	<b>42,674</b>
		<u></u>	<u></u>

**BIG BROTHER RECORDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2008**

**6 Tangible fixed assets**

	<b>Plant and machinery etc £</b>
<b>Cost</b>	
At 1 January 2008	19,869
Additions	3,912
	<u>23,781</u>
At 31 December 2008	<u>23,781</u>
<b>Depreciation</b>	
At 1 January 2008	18,038
Charge for the year	2,095
	<u>20,133</u>
At 31 December 2008	<u>20,133</u>
<b>Net book value</b>	
At 31 December 2008	<u>3,648</u>
At 31 December 2007	<u>1,831</u>

<b>7 Stock</b>	<b>2008 £</b>	<b>2007 £</b>
Finished goods and goods for resale	<u>252,555</u>	<u>141,332</u>

<b>8 Debtors</b>	<b>2008 £</b>	<b>2007 £</b>
Trade debtors	1,330,185	804,146
Corporation tax	45,571	-
Other debtors	18,919	1,067
Other taxes and social security costs	93,711	92,193
Prepayments and accrued income	1,527,309	132,981
	<u>3,015,695</u>	<u>1,030,387</u>

**BIG BROTHER RECORDINGS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2008**

<b>9</b>	<b>Creditors' amounts falling due within one year</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	Trade creditors	703,426	1,195,129
	Corporation tax	-	44,431
	Other taxes and social security costs	13,508	13,628
	Other creditors	4,652	13,077
	Accruals and deferred income	5,930,796	2,443,955
		<u>6,652,382</u>	<u>3,710,220</u>
<b>10</b>	<b>Share capital</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	<b>Authorised</b>		
	1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	<b>Allotted, called up and fully paid</b>		
	300 Ordinary shares of £1 each	<u>300</u>	<u>300</u>
<b>11</b>	<b>Statement of movements on profit and loss account</b>	<b>2008</b>	<b>2007</b>
	Balance brought forward	127,613	19,027
	Retained (loss)/ profit for the year	<u>(130,461)</u>	<u>108,586</u>
	Balance carried forward	<u>(2,848)</u>	<u>127,613</u>
<b>12</b>	<b>Reconciliation of movements in shareholders' funds</b>	<b>2008</b>	<b>2007</b>
		<b>£</b>	<b>£</b>
	(Loss)/profit for the financial year	(130,461)	108,586
	Opening shareholders' funds	<u>127,913</u>	<u>19,327</u>
	Closing shareholders' funds	<u>(2,548)</u>	<u>127,913</u>

**BIG BROTHER RECORDINGS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2008****13 Employees****Number of employees**

The average monthly number of employees during the year was

	<b>2008 Number</b>	<b>2007 Number</b>
Employees	4	4
Directors	4	4
	<u>8</u>	<u>8</u>

**Employment costs**

	<b>2008 £</b>	<b>2007 £</b>
Wages and salaries	<u>362,225</u>	<u>280,326</u>

## BIG BROTHER RECORDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

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#### 14 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'

As at 31 December 2008 there was £3,120 due from Oasis. Included in other creditors is an amount of £140,228 in respect of marketing fees charged by Oasis to Big Brother Recordings Limited. During the year Big Brother Recordings Limited were charged £197,493 and £7,208 for royalties and administrative expenses respectively by Oasis. Big Brother Recordings Limited also charged Oasis £41,613 for re-imbursement of administrative expenses.

##### 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.

Big Brother Recordings Limited recharged Sour Mash Records Limited expenses of £7,333. Also during the year Big Brother Recordings Limited were charged £1,409 in expenses. As at 31 December 2008 Big Brother Recordings Limited owed Sour Mash Records Limited £192. Included in other creditors is an amount of £140,228 in respect of 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 £127,021. In addition to this Big Brother Recordings Limited recharged Ignition Management expenses of £2,431. As at 31 December 2008 Big Brother Recordings Limited owed Ignition Management £31,094.

##### 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 Limited £4,927. In addition to this Big Brother Recordings Limited recharged £180 of expenses. As at 31 December 2008 £1,080 was owed to Ignition Records Limited. Included in other creditors is an amount of £70,140 in respect of 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 expenses of £2,268. In addition to this Big Brother Recordings Limited recharged £309 of expenses. Also during the year Big Brother Recordings Limited made sales to Oasis Merchandising Limited for £258,500. As at 31 December 2008 £24,121 was due from Oasis Merchandising Limited.

**BIG BROTHER RECORDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2008**

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**14 Related party transactions**

**(continued)**

The Noise And Confusion Touring Co. Limited

N Gallagher and L Gallagher have a controlling interest in The Noise And Confusion Touring Co. Limited

During the year The Noise And Confusion Touring Co. Limited charged Big Brother Recordings Limited £40,379 in relation to promotional fees. As at 31 December 2008 the balance was zero.

Oasis Partnership 2008

N Gallagher and L Gallagher also trade in a partnership under the name 'Oasis Partnership 2008'.

During the year the Oasis Partnership 2008 charged Big Brother Recordings Limited £3,000,000 in respect of recording advances. As at 31 December 2008 the balance was zero.