

Company Registration No. 3897337 (England and Wales)

**BIG BROTHER RECORDINGS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2003**



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**BIG BROTHER RECORDINGS LIMITED**

**COMPANY INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2003**

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<b>Directors</b>	L Gallagher N Gallagher A Mckinlay M Russell A White
<b>Secretary</b>	A Mckinlay
<b>Company number</b>	3897337
<b>Registered office</b>	88/90 Baker Street London W1U 6TQ
<b>Auditors</b>	Dales Evans & Co Limited Chartered Accountants 88/90 Baker Street London W1U 6TQ
<b>Bankers</b>	Natwest Bank plc High Street Newport Gwent NP20 1GG

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**BIG BROTHER RECORDINGS LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2003**

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# **BIG BROTHER RECORDINGS LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003**

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The directors present their report and financial statements for the year ended 31 December 2003.

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

The company continued to trade as a record company. There was a decrease in trading activity during the year as there were no new releases. It is expected that trading activity for the ensuing year will increase as there are plans to release new catalogue in the year.

The loss for the year after taxation was £51,332 (2002 loss of £31,640). The directors do not recommend payment of a dividend.

### **Directors**

The following directors have held office during the year:

L Gallagher  
N Gallagher  
A Mckinlay  
M Russell  
A White

### **Directors' interests**

The directors' interests in the shares of the company were as stated below:

	<b>Ordinary shares of £ 1 each</b>	
	<b>31 December 2003</b>	<b>1 January 2003</b>
L Gallagher	80	80
N Gallagher	80	80
A Mckinlay	30	30
M Russell	30	30
A White	80	80

### **Auditors**

Dales Evans & Co Limited continued to act as 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.

# **BIG BROTHER RECORDINGS LIMITED**

## **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003**

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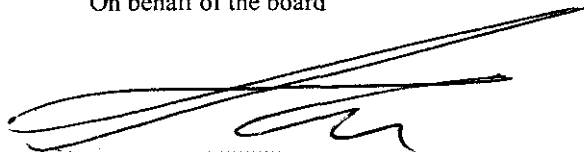
### **Directors' responsibilities**

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.

On behalf of the board



.....  
A McKinlay

Director 2.5/1/05

## **BIG BROTHER RECORDINGS LIMITED**

### **INDEPENDENT AUDITORS' REPORT**

#### **TO THE SHAREHOLDERS OF BIG BROTHER RECORDINGS LIMITED**

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We have audited the financial statements of Big Brother Recordings Limited on pages 4 to 12 for the year ended 31 December 2003. 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 United Kingdom 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.


#### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards 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 of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Dales Evans & Co Limited**

Registered Auditors

Chartered Accountants

88/90 Baker Street

London W1U 6TQ

25/1/05

Date

**BIG BROTHER RECORDINGS LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Notes	2003 £	2002 £
<b>Turnover</b>	<b>2</b>	2,079,245	9,455,717
Cost of sales		(1,408,949)	(6,281,153)
<b>Gross profit</b>		670,296	3,174,564
Distribution costs		(119,116)	(689,708)
Administrative expenses		(631,861)	(2,543,148)
<b>Operating loss</b>	<b>3</b>	(80,681)	(58,292)
Other interest receivable and similar income		31,033	28,399
Interest payable and similar charges	<b>4</b>	(1,684)	(1,747)
<b>Loss on ordinary activities before taxation</b>		(51,332)	(31,640)
Tax on loss on ordinary activities	<b>5</b>	-	-
<b>Loss on ordinary activities after taxation</b>	<b>11</b>	(51,332)	(31,640)

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 2003**

	Notes	2003 £	2002 £
<b>Fixed assets</b>			
Tangible assets	6	2,556	6,085
<b>Current assets</b>			
Stock	7	35,375	62,325
Debtors	8	246,275	1,626,896
Cash at bank and in hand		808,362	2,478,736
		<u>1,090,012</u>	<u>4,167,957</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(1,056,615)</u>	<u>(4,086,757)</u>
<b>Net current assets</b>		<u>33,397</u>	<u>81,200</u>
<b>Total assets less current liabilities</b>		<u><u>35,953</u></u>	<u><u>87,285</u></u>
<b>Capital and reserves</b>			
Called up share capital	10	300	300
Profit and loss account	11	35,653	86,985
<b>Shareholders' funds - equity interests</b>	12	<u><u>35,953</u></u>	<u><u>87,285</u></u>

The financial statements were approved by the Board on 25/1/05.....

  
.....  
M Russell  
Director



**BIG BROTHER RECORDINGS LIMITED****CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	<b>2003</b>		<b>2002</b>	
	£	£	£	£
<b>Net cash (outflow)/inflow from operating activities</b>		(1,699,574)		2,209,685
<b>Returns on investments and servicing of finance</b>				
Interest received	31,033		28,399	
Interest paid	(1,684)		(1,747)	
	<u>          </u>		<u>          </u>	
<b>Net cash inflow for returns on investments and servicing of finance</b>		29,349		26,652
<b>Capital expenditure</b>				
Payments to acquire tangible assets	(149)		(1,540)	
	<u>          </u>		<u>          </u>	
<b>Net cash outflow for capital expenditure</b>		(149)		(1,540)
		<u>          </u>		<u>          </u>
<b>(Decrease)/increase in cash in the year</b>		(1,670,374)		2,234,797
		<u>          </u>		<u>          </u>

# **BIG BROTHER RECORDINGS LIMITED**

## **NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003**

<b>1</b>	<b>Reconciliation of operating loss to net cash (outflow)/inflow from operating activities</b>	<b>2003</b>		<b>2002</b>	
		<b>£</b>		<b>£</b>	
	Operating loss	(80,681)		(58,292)	
	Depreciation of tangible assets	3,678		3,384	
	Loss on disposal of tangible assets	-		1,547	
	Decrease in stock	26,950		27,981	
	Decrease/(increase) in debtors	1,380,621		(1,249,568)	
	(Decrease)/increase in creditors within one year	(3,030,142)		3,484,633	
	<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,699,574)</b>		<b>2,209,685</b>	
<b>2</b>	<b>Analysis of net funds</b>	<b>1 January 2003</b>		<b>31 December 2003</b>	
		<b>£</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>£</b>
	Net cash:				
	Cash at bank and in hand	2,478,736	(1,670,374)	-	808,362
	<b>Net funds</b>	<b>2,478,736</b>	<b>(1,670,374)</b>	<b>-</b>	<b>808,362</b>
<b>3</b>	<b>Reconciliation of net cash flow to movement in net funds</b>	<b>2003</b>		<b>2002</b>	
		<b>£</b>		<b>£</b>	
	(Decrease)/increase in cash in the year	(1,670,374)		2,234,797	
	<b>Movement in net funds in the year</b>	<b>(1,670,374)</b>		<b>2,234,797</b>	
	Opening net funds	2,478,736		243,939	
	<b>Closing net funds</b>	<b>808,362</b>		<b>2,478,736</b>	

# BIG BROTHER RECORDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 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:

Plant and machinery	25% on a straight line basis
Fixtures, fittings & equipment	20% on a straight line basis

#### 1.4 Stock

Stock is valued at the lower of cost and net realisable value.

### 2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss	2003	2002
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	3,678	3,384
Loss on disposal of tangible assets	-	1,547
Auditors' remuneration	8,750	6,000
Directors' emoluments	18,898	18,886
Equipment hire	2,593	2,527
	<u>          </u>	<u>          </u>

4 Interest payable	2003	2002
	£	£
On bank loans and overdrafts	24	1,747
Other interest	1,660	-
	<u>          </u>	<u>          </u>
	1,684	1,747
	<u>          </u>	<u>          </u>

# BIG BROTHER RECORDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

### 5 Taxation

5.1 There was no tax charge due to losses brought forward and those arising during the year.

5.2 The company is a close company in the terms of the Corporation Taxes Act 1988.

### 6 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost</b>			
At 1 January 2003	11,476	3,849	15,325
Additions	149	-	149
At 31 December 2003	11,625	3,849	15,474
<b>Depreciation</b>			
At 1 January 2003	7,059	2,181	9,240
Charge for the year	2,908	770	3,678
At 31 December 2003	9,967	2,951	12,918
<b>Net book value</b>			
At 31 December 2003	1,658	898	2,556
At 31 December 2002	4,417	1,668	6,085

7 Stock	2003 £	2002 £
Finished goods and goods for resale	35,375	62,325

8 Debtors	2003 £	2002 £
Trade debtors	146,621	1,583,869
Other debtors	77,871	19,046
Prepayments and accrued income	21,783	23,981
	246,275	1,626,896

**BIG BROTHER RECORDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2003**

<b>9</b>	<b>Creditors: amounts falling due within one year</b>	<b>2003</b>	<b>2002</b>
		<b>£</b>	<b>£</b>
	Trade creditors	100,968	555,954
	Taxes and social security costs	24,248	19,164
	Other creditors	3,386	2,089
	Accruals and deferred income	928,013	3,509,550
		<u>1,056,615</u>	<u>4,086,757</u>
<b>10</b>	<b>Share capital</b>	<b>2003</b>	<b>2002</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>Profit and loss account</b>
			<b>£</b>
	Balance at 1 January 2003		86,985
	Retained loss for the year		<u>(51,332)</u>
	Balance at 31 December 2003		<u>35,653</u>
<b>12</b>	<b>Reconciliation of movements in shareholders' funds</b>	<b>2003</b>	<b>2002</b>
		<b>£</b>	<b>£</b>
	Loss for the financial year	(51,332)	(31,640)
	Opening shareholders' funds	<u>87,285</u>	<u>118,925</u>
	Closing shareholders' funds	<u>35,953</u>	<u>87,285</u>

**BIG BROTHER RECORDINGS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2003****13 Employees****Number of employees**

The average monthly number of employees during the year was:

	<b>2003 Number</b>	<b>2002 Number</b>
Employees	5	5
Directors	5	5
	<u>10</u>	<u>10</u>

**Employment costs**

	<b>2003 £</b>	<b>2002 £</b>
Wages and salaries	217,491	237,184
Social security costs	31,424	33,087
Other costs	7,011	11,199
	<u>255,926</u>	<u>281,470</u>

## **BIG BROTHER RECORDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003**

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#### **14 Related party transactions**

N Gallagher, L Gallagher, A White, A McKinlay and M Russell are all directors of Big Brother Recordings Limited and own 26.67%, 26.67%, 26.67%, 10% and 10% respectively of the issued ordinary share capital of the company. They also have the following interests:

##### Oasis Partnership

N Gallagher, L Gallagher and A White also trade as a partnership under the name 'Oasis'.

During the year Oasis Partnership charged Big Brother Recordings Limited marketing fees of £77,962. Furthermore Oasis Partnership recharged Big Brother Recordings Limited expenses of £3,758. In addition to this Big Brother Recordings Limited recharged Oasis Partnership expenses of £289. As at 31 December 2003 there were no amounts owed to or due from Oasis Partnership. Included in current liabilities is an amount of £77,962 in respect of accrued marketing fees due to Oasis Partnership from 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 Records Limited charged Big Brother Recordings Limited marketing fees of £38,981. Furthermore Sour Mash Records Limited recharged Big Brother Recordings Limited expenses of £196. In addition to this Big Brother Recordings Limited recharged Sour Mash Records Limited expenses of £359. As at 31 December 2003 Sour Mash Records Limited owed Big Brother Recordings Limited £16. Included in current liabilities is an amount of £38,981 in respect of accrued marketing fees due to Sour Mash Records Limited from 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 £1,480. In addition to this Big Brother Recordings Limited recharged Ignition Management expenses of £41,125. As at 31 December 2003 Ignition Management owed Big Brother Recordings Limited £8,327.

##### 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 marketing fees of £29,236. Furthermore Big Brother Recordings Limited recharged Ignition Records Limited expenses of £539. As at 31 December 2003 there were no amounts owed to or due from Ignition Records Limited. Included in current liabilities is an amount of £29,236 in respect of accrued marketing fees due to Ignition Records Limited from Big Brother Recordings Limited.

##### Definitely Maybe Touring Limited

N Gallagher, L Gallagher and A White are also directors of Definitely Maybe Touring Limited and own 33.33% each of the issued ordinary share capital of the company.

During the year Big Brother Recordings Limited recharged Definitely Maybe Touring Limited expenses of £2,863. As at 31 December 2003 there were no amounts owed to or due from Definitely Maybe Touring Limited.