

Company Registration No. 3897337 (England and Wales)

BIG BROTHER RECORDINGS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004



BIG BROTHER RECORDINGS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2004**

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

BIG BROTHER RECORDINGS LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2004**

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BIG BROTHER RECORDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and financial statements for the year ended 31 December 2004.

Principal activities

The company continued to trade as a record company.

Directors

The following directors have held office since 1 January 2004:

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:

	Ordinary shares of £ 1 each	
	31 December 2004	1 January 2004
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.

Directors' responsibilities

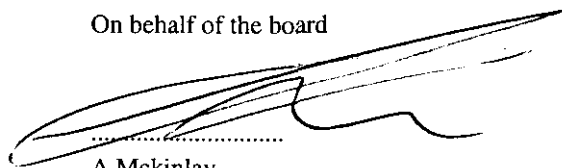
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

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 8 for the year ended 31 December 2004. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), 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.

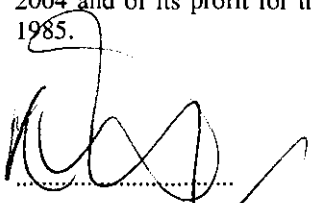
Basis of audit opinion

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Dales Evans & Co Limited
Registered Auditors
88/90 Baker Street
London W1U 6TQ

28-10-05

Date

BIG BROTHER RECORDINGS LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004**

		2004	2003
	Notes	£	£
Turnover		2,399,531	2,079,245
Cost of sales		(1,645,037)	(1,408,949)
Gross profit		<u>754,494</u>	<u>670,296</u>
Distribution costs		(139,269)	(119,116)
Administrative expenses		(634,076)	(631,861)
Operating loss	2	<u>(18,851)</u>	<u>(80,681)</u>
Other interest receivable and similar income		21,766	31,033
Interest payable and similar charges		(3)	(1,684)
Profit/(loss) on ordinary activities before taxation		<u>2,912</u>	<u>(51,332)</u>
Tax on profit/(loss) on ordinary activities	3	-	-
Profit/(loss) on ordinary activities after taxation	9	<u><u>2,912</u></u>	<u><u>(51,332)</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.

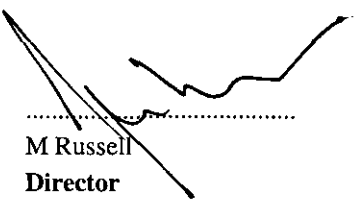
BIG BROTHER RECORDINGS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

		2004		2003	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	4		2,900		2,556
Current assets					
Stock	5	60,234		35,375	
Debtors	6	535,726		246,275	
Cash at bank and in hand		1,377,724		808,362	
		<u>1,973,684</u>		<u>1,090,012</u>	
Creditors: amounts falling due within one year	7	<u>(1,937,719)</u>		<u>(1,056,615)</u>	
Net current assets			<u>35,965</u>		<u>33,397</u>
Total assets less current liabilities			<u>38,865</u>		<u>35,953</u>
Capital and reserves					
Called up share capital	8		300		300
Profit and loss account	9		38,565		35,653
Shareholders' funds			<u>38,865</u>		<u>35,953</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 28-10-05.


M Russell
Director

BIG BROTHER RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

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

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

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 Operating loss	2004	2003
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	2,004	3,678
Loss on disposal of tangible assets	173	-
Auditors' remuneration	7,130	8,750
Directors' emoluments	18,852	18,898
	<hr/>	<hr/>

3 Taxation

3.1 There was no tax charge due taxable profits being within the limit for the 0% starting rate.

3.2 The company is a close company within the terms of the Corporation Taxes Act 1988.

BIG BROTHER RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2004**

4 Tangible fixed assets

**Plant and
machinery**

£

Cost

At 1 January 2004

15,474

Additions

2,520

Disposals

(2,217)

At 31 December 2004

15,777

Depreciation

At 1 January 2004

12,918

On disposals

(2,045)

Charge for the year

2,004

At 31 December 2004

12,877

Net book value

At 31 December 2004

2,900

At 31 December 2003

2,556

5 Stock

2004

2003

£

£

Finished goods and goods for resale

60,234

35,375

6 Debtors

2004

2003

£

£

Trade debtors

494,838

146,621

Other debtors

40,888

99,654

535,726

246,275

BIG BROTHER RECORDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2004**

7	Creditors: amounts falling due within one year	2004	2003
		£	£
	Trade creditors	117,378	100,968
	Other creditors	1,820,341	955,647
		<u>1,937,719</u>	<u>1,056,615</u>
8	Share capital	2004	2003
		£	£
	Authorised		
	1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	Allotted, called up and fully paid		
	300 Ordinary shares of £1 each	<u>300</u>	<u>300</u>
9	Statement of movements on profit and loss account		Profit and loss account
			£
	Balance at 1 January 2004		35,653
	Retained profit for the year		<u>2,912</u>
	Balance at 31 December 2004		<u>38,565</u>

BIG BROTHER RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

10 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

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

During the year Oasis charged Big Brother Recordings Limited marketing fees of £81,107. Furthermore Oasis recharged Big Brother Recordings Limited expenses of £1,718. As at 31 December 2004 there was no balance due between the two companies. Included in current liabilities is an amount of £159,069 in respect of accrued marketing fees charged by Oasis 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 £40,553. In addition to this Big Brother Recordings Limited recharged Sour Mash Records Limited expenses of £182. As at 31 December 2004 Sour Mash Records Limited owed Big Brother Recordings Limited £139. Included in current liabilities is an amount of £79,534 in respect of accrued marketing fees charged by Sour Mash Records 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 £12,331. In addition to this Big Brother Recordings Limited recharged Ignition Management expenses of £35,055 and paid expenses on their behalf of £2,329. As at 31 December 2004 Ignition Management owed Big Brother Recordings Limited £13,329.

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 £30,415. Furthermore Big Brother Recordings Limited recharged Ignition Records Limited expenses of £798. As at 31 December 2004 there was no balance due between the two companies. Included in current liabilities is an amount of £59,651 in respect of accrued management consultancy fees charged by Ignition Records Limited.