

Trinifold Management Limited

DIRECTORS' REPORT AND ACCOUNTS

For the year ended 30 September 2005



Company Registration No. 1154197 (England and Wales)

TRINFOLD MANAGEMENT LIMITED

COMPANY INFORMATION

Directors

WG Curbishley
RN Rosenberg
PF Wallace
MT Cass

Secretary

SEA Standing

Company number

1154197

Registered office

Sanctuary House
45-53 Sinclair Road
London
W14 0NS

Business address

12 Oval Road
Camden
London
NW1 7DH

Accountants

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

TRINIFOLD MANAGEMENT LIMITED

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For the year ended 30 September 2005

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TRINFOLD MANAGEMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts 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 period.

In preparing those accounts, 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 accounts 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 accounts 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TRINFOLD MANAGEMENT LIMITED

We have audited the financial statements on pages 4 to 15.

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 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 opinion we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 2.

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 and other members of the group is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

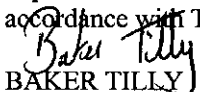
Basis of opinion

We conducted our audit in accordance with 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 affairs of the company at 30 September 2005 and of the company's profit for the year then ended and have been properly prepared in accordance with The Companies Act 1985.


BAKER TILLY
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

28 September 2006

TRINFOLD MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2005

	<i>Notes</i>	2005 £	2004 Restated £
Turnover	2	2,496,481	1,842,165
Cost of sales		(131,000)	-
Gross profit		2,365,481	1,842,165
Administrative expenses		(1,101,268)	(840,812)
Operating profit	3	1,264,213	1,001,353
Interest Payable	6	(42,553)	-
Interest Receivable		10,500	8,510
Profit on ordinary activities before taxation		1,232,160	1,009,863
Tax on profit on ordinary activities	7	17,041	113,620
Profit on ordinary activities after taxation, retained		1,249,201	1,123,483
Retained profit brought forward		3,792,140	2,668,657
Retained profit carried forward		5,041,341	3,792,140

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 SEPTEMBER 2005

	2005 £	2004 Restated £
Total recognised gains and losses relating to the financial year	1,249,201	1,123,483
Prior Year Adjustment	(1,319,938)	
Total recognised gains and losses since last annual report	(70,737)	

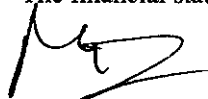
TRINFOLD MANAGEMENT LIMITED

BALANCE SHEET

30 September 2005

	Notes	2005 £	2005 £	2004 Restated £	2004 Restated £
Fixed assets					
Tangible assets	8		64,297		75,342
Current assets					
Debtors	9	2,423,893		1,864,985	
Cash at bank and in hand	10	2,874,997		2,822,219	
		<u>5,298,890</u>		<u>4,687,204</u>	
Creditors: Amounts falling due within one year	11	(321,746)		(970,306)	
Net Current assets			<u>4,977,144</u>		<u>3,716,898</u>
Total assets less current Liabilities			<u>5,041,441</u>		<u>3,792,240</u>
Capital and reserves					
Called up share capital	13		100		100
Profit and loss account	14		5,041,341		3,792,140
Shareholders' funds : all equity interests	15		<u>5,041,441</u>		<u>3,792,240</u>

The financial statements were approved by the Board on 28 September 2006



MT Cass
Director

TRINFOLD MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 30 September 2005

1 Accounting policies

1.1 Basis of preparation

The accounts have been prepared under the historical cost convention.

1.2 Prior Year Adjustment

The Directors have decided to change certain of the Company's accounting policies in order to increase the relevance, understandability and comparability of the Company's financial reporting. The changes in accounting policies have been applied to all financial reporting periods presented and the changes and their financial effects are described below.

Under the Company's previous policy, management commission income was recognised when agreement had been obtained, there was a high degree of certainty that such income would be received, and the Company considered it did not need to perform any further significant work to realise such income.

This policy was considered appropriate because of the longevity of the relationship between the Company's artist managers and the acts from whom a high proportion of the Company's management commissions were derived, and reflected the fact that the managers' efforts were expended in advance to secure the deals which generated income.

As a result of the growth in the Company's Artist management business, its roster now encompasses a wider and larger range of artists and managers. In addition, artists now generally require a more comprehensive and ongoing level of involvement from their managers, with correspondingly less emphasis on negotiating deals up front.

The new policy recognises income on an accruals basis when it becomes contractually due, which is in accordance with the requirements of UITF Abstract 40. The Directors consider this policy more appropriately reflects the Company's current arrangements.

The effect of this change on the accounts for the years ended 30 September 2004 and 2005 is comprehensively outlined in Note 21 to the financial statements and has arisen as a result of a change in accounting policy.

1.3 Turnover

Turnover represents the invoiced value of services provided net of VAT.

1.4 Artist Management Commission

Commission is recognised when the artist first becomes contractually entitled to receive income and thereafter on an accruals basis. Commission derived from touring activity is not accrued on concerts scheduled to take place after the balance sheet date.

1.5 Tangible fixed assets and depreciation

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

Leasehold improvements over the duration of the lease

Fixtures, fittings & equipment 25% reducing balance basis

Motor vehicles 25% reducing balance basis

TRINFOLD MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 30 September 2005

1.6 Leasing

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

1.7 Foreign currency translation

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

1.8 Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1.9 Going concern

The company relies on the continued support of the ultimate parent company, The Sanctuary Group plc. On 20 March 2006, The Sanctuary Group plc successfully concluded a placing and open offer of new ordinary shares which resulted in raising £110,000,000 in cash (before expenses) and additionally a debt release of £35,000,000. The directors therefore consider that the support of The Sanctuary Group plc allows them to continue to adopt the going concern concept in preparing the financial state

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 profit

	2005 £	2004 £
Operating profit is stated after charging:		
Depreciation of owned tangible fixed assets	15,485	19,312
Operating lease rentals:		
- Plant and machinery	16,710	10,306
- Other assets	84,000	84,000
Auditors' remuneration	7,500	7,500

TRINFOLD MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 30 September 2005

4	Directors' emoluments	2005	2004
		£	£
	Aggregate emoluments	530,500	205,250
	Emoluments disclosed above include the following amounts paid to the highest paid director:		
	Aggregate emoluments	300,000	102,625
5	Employees	2005	2004
		Number	Number
	Number of employees		
	The average monthly number of employees during the year was:		
	Administration	9	9
	Employment costs	£	£
	Wages and salaries	683,276	370,063
	Social security costs	68,063	41,860
		751,339	411,923
6	Interest Payable	2005	2004
		£	£
	Other interest	42,553	-

TRINFOLD MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 30 September 2005

7	Tax on profit on ordinary activities	2005 £	2004 £
	Analysis of charge in period		
	Current taxation		
	U.K. Corporation tax	-	-
	Adjustment in respect of previous years	(19,417)	(111,244)
	Total Current taxation	<u>(19,417)</u>	<u>(111,244)</u>
	Deferred taxation – reversal of timing difference	2,376	(2,376)
	Tax on profit on ordinary activities	<u>(17,041)</u>	<u>(113,620)</u>

Factors affecting tax charge for the period

The differences from the tax assessed at the standard rate of corporation tax in the UK of 30% (2004 : 30%) are explained below:

	£	£
Profit on ordinary activities before taxation	1,232,160	1,009,863
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 : 30%)	<u>369,648</u>	<u>302,959</u>
Effects of:		
Expenses not allowable for taxation purposes	4,754	-
Income not taxable	(270,071)	-
Capital allowances in excess of depreciation	(2,376)	2,376
Losses claimed from other group companies	(101,955)	(305,335)
Adjustment to tax charge in respect of previous years	(19,417)	(111,244)
Current tax charge for the period	<u>(19,417)</u>	<u>(111,244)</u>

TRINFOLD MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 30 September 2005

8	Tangible fixed assets	Leasehold improvements	Fixtures, fittings & equipment	Motor vehicles	Total
		£	£	£	£
	Cost				
	At 1 October 2004	43,508	404,904	32,312	480,724
	Additions	-	4,440	-	4,440
	At 30 September 2005	43,508	409,344	32,312	485,164
	Depreciation				
	At 1 October 2004	37,340	352,402	15,640	405,382
	Charge for the year	2,776	8,541	4,168	15,485
	At 30 September 2005	40,116	360,943	19,808	420,867
	Net book value				
	At 30 September 2005	3,392	48,401	12,504	64,297
	At 30 September 2004	6,168	52,502	16,672	75,342
9	Debtors			2005	2004
				£	Restated £
	Trade debtors			1,061,018	289,997
	Amounts owed by group companies			-	15,116
	Other debtors			63,675	101,763
	Deferred Tax			-	2,376
	Prepayments and accrued income			1,299,200	1,455,733
				2,423,893	1,864,985
10	Cash at bank and in hand			2005	2004
				£	£
	Bank and cash			2,845,840	2,810,576
	Clients designated bank accounts			29,157	11,643
				2,874,997	2,822,219

TRINFOLD MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 30 September 2005

11	Creditors: amounts falling due within one year	2005 £	2004 Restated £
	Amounts owed to group companies	30,427	72,766
	Corporation tax	46,649	563,403
	Other taxes and social security costs	148,039	96,763
	Other creditors	45,656	174,199
	Accruals and deferred income	50,975	63,175
		<u>321,746</u>	<u>970,306</u>
12	Provision for liabilities and charges	2005 £	2004 £
	Deferred Taxation		
	Accelerated capital allowances	-	2,376
		<u>-</u>	<u>2,376</u>
	At 1 October 2004	2,376	-
	Deferred tax (charged)/credited to profit and loss account	(2,376)	2,376
		<u>-</u>	<u>2,376</u>
	At 30 September 2005 – Debtor – see note 9	-	2,376
13	Share capital	2005 £	2004 £
	Authorised		
	100 Ordinary shares of £1 each	100	100
		<u>100</u>	<u>100</u>
	Allotted, called up and fully paid		
	100 Ordinary shares of £1 each	100	100
		<u>100</u>	<u>100</u>

TRINFOLD MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 30 September 2005

14	Profit and loss account	2005 £	2004 Restated £
	1 October 2004 - As originally stated	4,211,840	3,268,357
	Prior year adjustment (see note 21)	(419,700)	(599,700)
	1 October 2004 - As restated	3,792,140	2,668,657
	Profit for the financial year	1,249,201	1,123,483
	30 September 2005	5,041,341	3,792,140

15	Reconciliation of movements in shareholders' funds	2005 £	2004 Restated £
	Profit for the financial period	1,249,201	1,123,483
	Net movement in shareholders' funds	1,249,201	1,123,483
	Opening shareholders' funds	3,792,240	2,668,757
	Closing shareholders' funds	5,041,441	3,792,240

16	Commitments under operating leases	Land and buildings 2005 £	2004 £
	At 30 September 2005 the company had annual commitments under non-cancelable operating leases as follows:		
	Expiry date:		
	Within 1 year	84,000	-
	Between 2 and 5 years	-	84,000

17	Related party disclosures
	In preparing these financial statements, the directors have taken advantage of the exemptions available under paragraph 3(c) of the Financial Reporting Standard No.8 Related Party Disclosures.

18	Cash Flow statements
	In accordance with Financial Reporting Standard No.1, cash flow statements have not been prepared as the cash flows of the company are included in those of the ultimate parent company, The Sanctuary Group plc.

TRINFOLD MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 30 September 2005

19 Ultimate parent company and controlling party

In the directors' opinion the immediate and ultimate parent company at 30 September 2005 was The Sanctuary Group plc a company registered in England and Wales.

Copies of the group financial statements of The Sanctuary Group plc are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ

20 Contingent liabilities

During the year, the company has provided cross guarantees in respect of bank loans and overdrafts of certain group undertakings. The amount outstanding at 30 September 2005 was £114,272,000 (2004: £68,222,000)

21 Prior Year Adjustments

The effect of the Company's changes in accounting policy are as follows:

(a) Effect on profit and loss account for the year ended 30 September 2004

	Effect on turnover (decrease) £	Effect on profit (decrease) £
Recognition of Artist Management commission income	(900,238)	(900,238)
Operating profit for the year		(900,238)
Taxation		180,000
Profit and loss account reserve for year ended 30 September 2004		(720,238)
Profit and loss account reserve for periods prior to year ended 30 September 2004		(599,700)
Accumulated effect on profit and loss account reserve		(1,319,938)
Accumulated reduction in net assets		(1,319,938)

TRINFOLD MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 30 September 2005

21 Prior Year Adjustments (cont.)

(b) Reconciliation of restated and previously reported profit and loss account for the year ended 30 September 2004

Details	As originally reported £	Artist Management Income £	As restated £
Total turnover	2,742,403	(900,238)	1,842,165
Gross profit	2,742,403	(900,238)	1,842,165
Total administrative expenses	(840,812)	-	(840,812)
Operating profit	1,901,591	(900,238)	1,001,353
Other Income	8,510	-	8,510
Profit On Ordinary Activities Before Taxation	1,910,101	(900,238)	1,009,863
Taxation	(66,380)	180,000	113,620
Retained Profit For The Year	1,843,721	(720,238)	1,123,483

(c) Reconciliation of restated and previously reported balance sheet as at 30 September 2004

	As originally reported £	Artist Management Income £	As restated £
Fixed assets:			
Tangible assets	75,342	-	75,342
Current assets:			
Cash at bank	2,822,219	-	2,822,219
Debtors: Amounts falling due within one year	3,364,923	(1,499,938)	1,864,985
	6,187,142	(1,499,938)	4,687,204
Creditors – amounts falling due within one year	(1,150,306)	180,000	(970,306)
Net current assets	5,036,836	(1,319,938)	3,716,898
Net Assets	5,112,178	(1,319,938)	3,792,240
Capital and reserves			
Called up share capital	100	-	100
Profit and loss account	5,112,078	(1,319,938)	3,792,140
Equity shareholders funds	5,112,178	(1,319,938)	3,792,240

TRINFOLD MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS

For the year ended 30 September 2005

21 Prior Year Adjustments (cont.)

(d) Effect of changes in accounting policies on the results for the year ended 30 September 2005

To the extent that it is practicable to quantify the effect of the changes in accounting policies on the results for the year ended 30 September 2005, these are set out in the table below.

The table does not show the effects of the change in policy for recognition of management commission income on the results for the year ended 30 September 2005 as it is not practicable for the Company to accurately quantify these. The Company discontinued, before the end of the financial year, its procedures for capturing the information which, under the old policy, would have formed the basis for the recognition of accrued income in the profit and loss account and the year end balance sheet, and is therefore not able to determine the amount of income or associated profit that would have been recognised in the year under the old policy, nor the corresponding effect on net current assets in the year end balance sheet.

As disclosed in note (c), this change in accounting policy for management commission income has resulted in a reduction in accrued income as at 30 September 2004 of £1,499,938. As a result, income recognised in years prior to 30 September 2004 has been eliminated. This has had the impact of increasing income and associated profit in the year ended 30 September 2005 by £1,499,938 compared to the income and profit that would have been recognised under the old policy. If the old policy had continued in effect, income would have been accrued in the profit and loss account for the year, which would have offset this impact either partially or in full. However as indicated above, the Company is not able to determine the amount of income or associated profit that would have been accrued in the profit and loss account and the year end balance sheet under the old policy.

	Reported under new policies £	Effect on balance sheet of prior year adjustments in respect of Management Income £	Restated under old policies £
Year ended 30 September 2005			
Profit and loss account			
Total turnover	2,496,481	-	2,496,481
Total operating profit	1,232,160	-	1,232,160
Balance sheet			
Tangible assets	64,297	-	64,297
Fixed assets	64,297	-	64,297
Net Current assets	4,977,144	1,319,938	6,297,082
Net assets	5,041,441	1,319,938	6,361,379