

Sanctuary Music Management Limited

REPORT AND FINANCIAL STATEMENTS

year ended 30 September 1999



Sanctuary Music Management Limited

DIRECTORS AND OFFICERS

DIRECTORS

AJ Taylor
RC Smallwood
A Najeeb
M Mecuriadis
MJ Haxby

COMPANY SECRETARIES

City Group Limited
SEA Standing

REGISTERED OFFICE

Sanctuary House
45-53 Sinclair Road
London W14 0NS

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Sanctuary Music Management Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Sanctuary Music Management Limited for the year ended 30 September 1999.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the management of entertainers and the provision of management and consultancy services within the music industry.

REVIEW OF THE BUSINESS

The company had a very good trading year. The directors are confident about the future trading prospects of the company.

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £501,383 (1998: loss £64,037).

The directors do not recommend the payment of a dividend.

DIRECTORS

The following directors have held office during the year:

AJ Taylor
RC Smallwood
A Najeeb
M Mecuriadis
MJ Haxby
AS Bartlett (resigned 30 July 1999)

None of the directors had any beneficial interests in the share capital of the company during the year.

Messrs AJ Taylor, RC Smallwood and A Najeeb are also directors of the ultimate parent company, The Sanctuary Group PLC. Details of their shareholdings in that company are given in its statutory accounts.

YEAR 2000

A centrally managed and co-ordinated programme was put in place to address the impact on the business of the year 2000. Computer systems, telecommunications and other technical systems were not adversely affected to a significant degree on 1 January 2000. The company is continuing to monitor the position as the year progresses. The company does not expect the cost of this monitoring and compliance to be material.

INTRODUCTION OF THE EURO

All relevant parts of the Group are able to handle Euro transactions.

Sanctuary Music Management Limited

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board



A. Taylor
Director

31-1-2000

Sanctuary Music Management Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 requirements of 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.

AUDITORS' REPORT TO THE MEMBERS OF SANCTUARY MUSIC MANAGEMENT LIMITED

We have audited the financial statements on pages 6 to 12.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 the company's affairs at 30 September 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY

Registered Auditors
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

31-1-2000

Sanctuary Music Management Limited

PROFIT AND LOSS ACCOUNT

for the year ended 30 September 1999

	<i>Notes</i>	Year 1999 £	Period 1998 £
TURNOVER	1	2,264,176	1,920,229
Administrative expenses		(1,746,634)	(1,956,754)
OPERATING PROFIT/(LOSS)		<u>517,542</u>	<u>(36,525)</u>
Interest payable	2	(12,560)	(27,512)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>504,982</u>	<u>(64,037)</u>
Taxation	6	(3,599)	-
RETAINED PROFIT/(LOSS) FOR THE PERIOD	12	<u>501,383</u>	<u>(64,037)</u>

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

There have been no movement in shareholders' funds other than the profit for the financial year and the loss for the preceding financial period.

The operating profit for the year arises from the company's continuing operations.

Sanctuary Music Management Limited

BALANCE SHEET

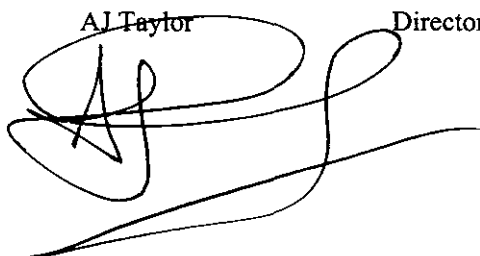
30 September 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible assets	7	36,738	36,605
Investments	8	30,000	-
		<u>66,738</u>	<u>86,605</u>
CURRENT ASSETS			
Debtors	9	2,318,981	2,764,894
Cash at bank and in hand		-	2,197
		<u>2,318,981</u>	<u>2,767,091</u>
CREDITORS: Amounts falling due within one year	10	(1,269,324)	(2,187,364)
NET CURRENT ASSETS		<u>1,049,657</u>	<u>579,727</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,116,395	616,332
CREDITORS: Amounts falling due after more than one year	10	(1,050)	(2,370)
		<u>1,115,345</u>	<u>613,962</u>
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account	12	1,115,245	613,862
EQUITY SHAREHOLDERS' FUNDS		<u>1,115,345</u>	<u>613,962</u>

Approved by the board on 31-1-2000

AJ Taylor

Director



Sanctuary Music Management Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

TURNOVER

Turnover represents the invoiced value, (exclusive of Value Added Tax), of goods sold and services provided during the year. Income is accounted for when it is contractually due to the company.

TANGIBLE FIXED ASSETS

Depreciation is provided on costs in equal instalments to write off each asset over its useful life, as follows:-

Motor vehicles	33.3% per annum
Furniture, fixtures, fittings and office equipment	10% per annum

FOREIGN CURRENCY

Assets and liabilities denominated in foreign currencies are translated at the rate 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 the profit and loss account.

DEFERRED TAXATION

Deferred taxation is provided on timing differences arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

LEASED ASSETS AND OBLIGATIONS

Assets acquired under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal amounts over the lease term.

PENSION COSTS

The company operates a defined contribution scheme and company contributions are charged to the profit and loss account as incurred.

Sanctuary Music Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1999

1 TURNOVER AND PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and profit/(loss) before taxation were all derived from its principal business: the management of entertainers and the provisions of management and consultancy services within the music industry carried out in the United Kingdom.

	1999 £	1998 £
2 INTEREST PAYABLE		
On bank loans and overdrafts repayable within five years	560	27,512
Other interest	12,000	-
	<u>12,560</u>	<u>27,512</u>

	1999 £	1998 £
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3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) on ordinary activities before taxation is stated after charging:

Depreciation and amounts written off tangible fixed assets:

owned assets	4,400	3,150
Auditors' remuneration	4,100	9,000
Directors' remuneration	<u>333,595</u>	<u>239,016</u>

	1999 £	1998 £
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4 DIRECTORS' REMUNERATION

Emoluments as executives (excluding pension contributions)	236,497	197,481
Contributions to defined contribution pension schemes	<u>97,098</u>	<u>41,535</u>
	<u>333,595</u>	<u>239,016</u>

	No.	No.
Number of directors who are members of defined contribution pension schemes	<u>2</u>	<u>2</u>

Sanctuary Music Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1999

5	EMPLOYEES	1999 No.	1998 No.
	The average weekly number of persons (including directors) employed by the company during the year was		
	Music management	16	14
		<hr/>	<hr/>
		1999	1999
		£	£
	Staff costs for the above persons:		
	Wages and salaries	362,988	322,721
	Social security costs	17,590	24,607
	Other pension costs	109,880	44,035
		<hr/>	<hr/>
		490,458	391,363
		<hr/>	<hr/>

6	TAXATION	1999 £	1998 £
	Adjustment in respect of previous years	3,599	-
		<hr/>	<hr/>

There is no current year charge to taxation in view of the losses surrendered to other group companies for £Nil consideration.

7	TANGIBLE FIXED ASSETS	<i>Furniture, fixtures fittings & office equipment £</i>
	Cost:	
	1 October 1998	60,336
	Additions	4,533
	30 September 1999	<hr/> 64,869
	Depreciation	
	1 October 1998	23,731
	Charged in the year	4,400
	30 September 1999	<hr/> 28,131
	Net book value	
	30 September 1999	<hr/> 36,738
	30 September 1998	<hr/> 36,605

Included in tangible fixed assets are fixtures, fittings and equipment held under finance leases having a net book value of £2,853 (1998: £3,804).

Sanctuary Music Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1999

		1999 £	1998 £
8	INVESTMENTS		
	Investments in ChannelFly.Com plc	30,000	-
		<u>30,000</u>	<u>-</u>
9	DEBTORS	1999 £	1998 £
	Due within one year:		
	Trade debtors	325,125	366,319
	Amounts owed by fellow subsidiaries	569,305	83,230
	Corporation tax	15,446	19,045
	Other debtors	428,773	181,311
	Prepayments and accrued income	980,332	1,769,110
		<u>2,318,981</u>	<u>2,419,015</u>
	Due after more than one year:		
	Trade debtors	-	345,879
		<u>2,318,981</u>	<u>2,764,894</u>
		1999 £	1998 £
10	CREDITORS: Amounts falling due within one year		
	Bank loans and overdrafts	375,134	16,385
	Trade creditors	76,716	62,394
	Amounts owed to parent company and fellow subsidiaries	531,220	1,948,475
	Other taxation and social security	44,392	28,785
	Other creditors	95,614	102,814
	Accruals and deferred income	145,110	27,243
	Obligations under finance leases	1,138	1,268
		<u>1,269,324</u>	<u>2,187,364</u>
		1999 £	1998 £
	CREDITORS: Amounts falling due after more than one year		
	Obligations under finance leases	1,050	2,370
		<u>1,050</u>	<u>2,370</u>
11	SHARE CAPITAL	1999 £	1998 £
	Authorised, allotted, issued and fully paid:		
	100 ordinary shares of £1 each	100	100
		<u>100</u>	<u>100</u>

Sanctuary Music Management Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 1999

12	PROFIT AND LOSS ACCOUNT	1999 £	1998 £
	1 October 1998	613,862	677,899
	Profit/(loss) for the financial year	501,383	(64,037)
	30 September 1999	<u>1,115,245</u>	<u>613,862</u>

13 IMMEDIATE PARENT COMPANY

The company is a subsidiary of Sanctuary Services Limited, a company incorporated and operating in England.

14 ULTIMATE PARENT COMPANY

In the directors' opinion the ultimate parent company at 30 September 1999 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.

15 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.

16 CONTINGENT LIABILITY

The bank overdrafts of the Group undertakings are secured by cross-guarantees between group companies. At 30 September 1999 the net liability of the group including the company amounted to £4,270,000.