

# April Music Limited

## REPORT AND FINANCIAL STATEMENTS

Year ended 30 September 2005



# April Music Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

P F Wallace  
M T Cass

### SECRETARY

SEA Standing

### REGISTERED OFFICE

Sanctuary House  
45-53 Sinclair Road  
London W14 0NS

### AUDITORS

Baker Tilly  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

# April Music Limited

## DIRECTORS' REPORT

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The directors submit their report and the financial statements of April Music Limited for the year ended 30 September 2005.

### PRINCIPAL ACTIVITIES

The principal activity of the company during the period was the management of performing artists.

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company had a poor trading year. The directors are reviewing the future trading position.

### RESULTS AND DIVIDENDS

The trading loss for the period before taxation was £673,893 (2004 restated: £26,345 loss; 2004 as previously reported: £121,606 loss).

The directors are precluded from the payment of a dividend.

### DIRECTORS

The following directors have held office during the year:

D Arlon	(resigned 31 March 2006)
AJ Taylor	(resigned 26 May 2006)
MT Cass	
PF Wallace	(appointed 26 May 2006)

AJ Taylor was also a director of the ultimate parent company, The Sanctuary Group plc. Details of his shareholdings in that company are given in its annual report.

Shareholdings of other directors in The Sanctuary Group plc were as follows:

Ordinary Shares of 12.5p each	2005	2004
MT Cass	2,000	42,000
D Arlon	33,474	33,474
Options over Ordinary Shares of 12.5p each	2005	2004
MT Cass	140,000	140,000
D Arlon	150,000	150,000

On the date of appointment Mr. PF Wallace did not hold any shares or options in The Sanctuary Group plc.

The Sanctuary Group plc held an Extraordinary General meeting on 17 March 2006 where all the resolutions put to shareholders in order to effect a Placing and Open Offer of 219,931,148 new Ordinary Shares of 50 pence per share, sub-division and consolidation of existing Ordinary Shares and an amendment to the borrowing powers of The Sanctuary Group plc as announced on 3 February 2006 were duly passed.

### AUDITORS

A resolution to appoint KPMG Audit Plc as auditors will be put to the members at the annual general meeting.

By order of the board



M T Cass  
Director

26 October 2006

# April Music Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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 period. 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.

# April Music Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF APRIL MUSIC LIMITED

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We have audited the financial statements on pages 5 to 13.

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 3.

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.

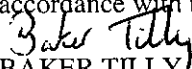
### **Basis of opinion**

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 loss 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

26 October 2006

**April Music Limited**  
**PROFIT AND LOSS ACCOUNT**  
For the year ended 30 September 2005

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	Notes	2005 £	2004 Restated £
TURNOVER	1	104,126	258,974
Cost of sales		(16,339)	-
Gross profit		<u>87,787</u>	<u>258,974</u>
Other operating expenses		(761,680)	(285,359)
OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>(673,893)</u>	<u>(26,385)</u>
Taxation	5	-	-
RETAINED LOSS FOR THE YEAR	10	<u>(673,893)</u>	<u>(26,385)</u>

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

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 has been no movement in shareholders' funds other than the retained loss for the year.

# April Music Limited

## BALANCE SHEET

30 September 2005

	<i>Notes</i>	2005 £	2004 Restated £
FIXED ASSETS			
Tangible assets	6	1,912	-
CURRENT ASSETS			
Debtors	7	233,652	564,430
CREDITORS: Amounts falling due within one year	8	(1,094,724)	(749,697)
NET CURRENT LIABILITIES		(861,072)	(185,267)
TOTAL ASSETS LESS CURRENT LIABILITIES		(859,160)	(185,267)
CAPITAL AND RESERVES			
Called up share capital	9	100	100
Profit and loss account	10	(859,260)	(185,367)
SHAREHOLDERS' FUNDS		(859,160)	(185,267)

Approved by the board on 26 October 2006



M T Cass  
Director

# April Music Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 2005

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### BASIS OF ACCOUNTING

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

### 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 statements.

### 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 and to fall in line with the accounting policies used by The Sanctuary Group plc, its ultimate parent company.

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 11 to the financial statements.

The company relies on the continued support of its parent company The Sanctuary Group plc. The directors continue to adopt the going concern concept in preparing these financial statements.

### TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

### ARTIST MANAGEMENT COMMISSION INCOME

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.

### TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Office equipment     25% straight line



# April Music Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

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### 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 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and loss before taxation were all derived from its principal activity, the management of performing artists, wholly undertaken in the United Kingdom.

2	LOSS ON ORDINARY ACTIVITIES	2005 £	2004 £
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Loss on ordinary activities before taxation is stated after charging:

Auditors' remuneration  
Depreciation

-	-
66	-

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Auditors remuneration has been borne by a group company.

3	EMPLOYEES	2005 No.	2004 No.
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The average monthly number of persons (including directors) employed by the company during the period was:

Music management

4	3
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Staff costs for above persons:

Wages and salaries  
Social security costs  
Pension costs

262,797	151,719
32,352	18,198
2,921	3,089

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298,070	173,006
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# April Music Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

5	TAXATION	2005 £	2004 £
	a) Analysis of charge in year		
	Current tax:		
	UK corporation tax at 30% (2004 30%)	-	-
		<u>          </u>	<u>          </u>
	b) Factors affecting the charge for the year		
	Tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%)		
	The difference is explained below:	£	£
	Loss on ordinary activities before tax	(673,893)	(26,385)
		<u>          </u>	<u>          </u>
	Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK at 30% (2004 30%)	(202,168)	(7,916)
	Effects of:		
	Expenses not deductible for tax purposes	43,177	3,913
	Group relief surrendered to other group companies	158,991	4,003
		<u>          </u>	<u>          </u>
	Current tax (note 5a)	-	-
		<u>          </u>	<u>          </u>

At the balance sheet date the company had an unrecognised deferred tax asset in relation to losses and accelerated capital allowance at £217,406 (2004: £27). This has not been recognised due to the unpredictability of future income streams.

6	TANGIBLE FIXED ASSETS	Office Equipment £
	Cost	
	At 1 October 2004	213
	Additions	1,977
	Disposals	(213)
		<u>          </u>
	At 30 September 2005	1,977
		<u>          </u>
	Depreciation	
	At 1 October 2004	213
	Charged for the year	66
	Disposals	(213)
		<u>          </u>
	At 30 September 2005	66
		<u>          </u>
	Net book value 30 September 2005	
		<u>          </u>
		1,912
		<u>          </u>
	Net book value 30 September 2004	
		<u>          </u>
		-
		<u>          </u>

# April Music Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 2005

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7	DEBTORS	2005 £	2004 Restated £
	Due within one year:		
	Trade debtors	77,322	104,475
	Amounts due from other group undertakings	29,113	29,113
	Other debtors	96	25,514
	Prepayments and accrued income	127,121	405,328
		<u>233,652</u>	<u>564,430</u>
8	CREDITORS: Amounts falling due within one year	2005 £	2004 £
	Bank overdraft (note 15)	856,363	571,764
	Trade creditors	11,069	8,708
	Amounts due to other group undertakings	63,224	113,448
	Corporation tax	-	8,090
	Other taxation and social security	929	1,757
	Other creditors	23,801	36,543
	Accruals and deferred income	139,338	9,387
		<u>1,094,724</u>	<u>749,697</u>
9	SHARE CAPITAL	2005 £	2004 £
	Authorised: 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	Allotted, issued and fully paid: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

# April Music Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

10	PROFIT AND LOSS ACCOUNT	2005 £	2004 Restated £
	1 October 2004 - as originally stated	(185,367)	13,539
	Prior year adjustment	-	(172,521)
	1 October 2004 - as restated	(185,367)	(158,982)
	Loss for the financial year	(673,893)	(26,385)
	30 September 2005	(859,260)	(185,367)

## 11 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 £	Effect on profit £
Recognition of Artist Management commission income	95,221	95,221
Operating profit for the year		95,221
Profit and loss account reserve for year ended 30 September 2004		95,221
Profit and loss account reserve for periods prior to year ended 30 September 2004		(172,521)
Accumulated effect on profit and loss account reserve		(77,300)
Accumulated reduction in net assets		(77,300)

(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	163,753	95,221	258,974
Cost of sales	-	-	-
Gross profit	163,753	95,221	258,974
Total administrative expenses	(285,359)	-	(285,359)
Operating loss	(121,606)	95,221	(26,385)
Interest receivable	-	-	-
Loss on ordinary activities before taxation	(121,606)	95,221	(26,385)
Taxation	-	-	-
Retained Loss For The Year	(121,606)	95,221	(26,385)

# April Music Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

### 11. PRIOR YEAR ADJUSTMENTS (Cont.)

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

	As originally reported £	Artist Management Income £	As restated £
<b>Current assets:</b>			
Debtors: Amounts falling due within one year	641,730	(77,300)	564,430
Creditors – amounts falling due within one year	(749,697)	-	(749,697)
<b>Net current liabilities</b>	<b>(107,967)</b>	<b>(77,300)</b>	<b>(185,267)</b>
<b>Capital and reserves</b>			
Called up share capital	100	-	100
Profit and loss account	(108,067)	(77,300)	(185,367)
<b>Equity shareholders funds</b>	<b>(107,967)</b>	<b>(77,300)</b>	<b>(185,267)</b>

#### (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 £77,300. 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 £77,300 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.

# April Music Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

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### 11. PRIOR YEAR ADJUSTMENTS (Cont.)

	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			
<b>Profit and loss account</b>			
Total turnover	104,126	-	104,126
Total operating loss	(673,893)	-	(626,193)
<b>Balance sheet</b>			
Tangible assets	1,912	-	
<b>Fixed assets</b>	1,912	-	
Net current (liabilities) / assets	(861,072)	77,300	(783,772)
Total assets less current liabilities	(859,160)	77,300	(781,860)
Creditors – amounts falling due after one year	-	-	-
<b>Net (liabilities) / assets</b>	(859,160)	77,300	(781,860)

### 12. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

In the directors' opinion the 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.

### 13. 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.

### 14. 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.

### 15. CONTINGENT LIABILITIES

The company has guaranteed the bank indebtedness of The Sanctuary Group plc and certain of its fellow subsidiaries and has exercised a charge over the assets in favour of the bank. At 30 September 2005, the total net borrowings of these companies amounted to £114,272,000 (2004: £68,222,000).