

K2 Agency Limited
REPORT AND FINANCIAL STATEMENTS

year ended 30 September 2004



Company Registration No. 4479392

K2 Agency Limited

DIRECTORS AND OFFICERS

DIRECTORS

AJ Taylor
JW Jackson

COMPANY 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

K2 Agency Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of K2 Agency Limited for the year ended 30 September 2004.

PRINCIPAL ACTIVITIES

The principal activity of the company is musicians' agent.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company had a reasonable trading period and the directors are confident of the future prospects.

RESULTS AND DIVIDENDS

The trading profit for the period before taxation was £9,977 (2003: loss £353,518)

The directors are precluded from the payment of a dividend. The profit for the financial period will be carried forward.

DIRECTORS AND THEIR INTERESTS

The following directors have held office throughout the year:

AJ Taylor
JW Jackson

Directors' interests in the shares of the Company at 30 September 2004, including family interests, were as follows:

	<i>Ordinary shares of 1p each</i>	
	30.9.04	30.9.03
AJ Taylor	-	-
JW Jackson	4,000	9,000

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

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

<i>Ordinary shares of 12.5p each</i>	30 Sept 2004	30 Sept 2003
JW Jackson	350,000	381,743

Options over Ordinary shares of 12.5p each

JW Jackson	-	122,448
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J W Jackson exercised his options on 16 August 2004

K2 Agency Limited

DIRECTORS' REPORT

AUDITORS

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

By order of the board



A J Taylor
Director

K2 Agency 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.

K2 Agency Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF K2 AGENCY LIMITED

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

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 4.

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.

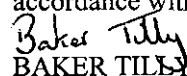
Basis of opinion

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 2004 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

11 February 2005

K2 Agency Limited
PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2004

	<i>Notes</i>	Year ended 30 September 2004 £	Period ended 30 September 2003 £
TURNOVER	1	1,540,358	624,858
Cost of sales		(79,814)	(25,000)
Gross profit		<u>1,460,544</u>	<u>599,858</u>
Administrative expenses		(1,472,398)	(941,399)
OPERATING LOSS		<u>(11,854)</u>	<u>(341,541)</u>
Interest payable	3	(4,581)	(11,977)
Interest receivable		26,412	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>9,977</u>	<u>(353,518)</u>
Taxation	6	(463)	-
RETAINED PROFIT/(LOSS) FOR THE PERIOD	11	<u><u>9,514</u></u>	<u><u>(353,518)</u></u>

The profit for the year and the loss for the previous period arise 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.

K2 Agency Limited

BALANCE SHEET

30 September 2004

	<i>Notes</i>	2004 £	2003 £
FIXED ASSETS			
Tangible assets	7	18,010	14,382
CURRENT ASSETS			
Debtors - amounts falling due within one year	8	298,397	145,846
Cash at bank and in hand		350,221	1,073,267
		648,618	1,219,113
CREDITORS: Amounts falling due within one year	9	(1,010,532)	(1,586,913)
NET CURRENT LIABILITIES		(361,914)	(367,800)
TOTAL NET LIABILITIES		(343,904)	(353,418)
CAPITAL AND RESERVES			
Called up share capital	10	100	100
Profit and loss account	11	(344,004)	(353,518)
EQUITY SHAREHOLDERS' FUNDS	12	(343,904)	(353,418)

Approved by the board on 11 February 2005


A J Taylor
Director

K2 Agency Limited

ACCOUNTING POLICIES

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 its parent company, The Sanctuary Group plc. The directors continue to adopt the going concern concept in preparing the financial statements.

TURNOVER

Turnover represents the invoiced value, (exclusive of Value Added Tax), of goods sold and services provided during the period.

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.

TRANSLATION OF FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate ruling at that date. *These translation differences are dealt with in the profit and loss account.*

TANGIBLE FIXED ASSETS

Fixed assets are depreciated to their residual value from the date of purchase by equal annual instalments over their estimated useful lives at the following rates:

Fixtures and fittings	10% per annum
Other equipment	10% per annum

K2 Agency Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004

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

Turnover represents amounts derived from the principal activity of the company and arise within the European Union.

2 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004 £	2003 £
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Auditors' remuneration - audit fees	2,750	-
Depreciation of tangible fixed assets	2,113	1,011
	<u> </u>	<u> </u>

3 INTEREST PAYABLE

	2004 £	2003 £
Bank interest	4,581	11,977
	<u> </u>	<u> </u>

4 EMPLOYEES

The average weekly number of persons (including directors) employed by the

Company during the period was:

	2004 No	2003 No
Office and management:	4	4
	<u> </u>	<u> </u>
	2004 £	2003 £
Staff costs for the above persons:		
Wages and salaries	551,453	379,458
Social security costs	71,396	45,159
Other pension costs	3,555	1,528
	<u>626,404</u>	<u>426,145</u>

K2 Agency Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2004

5	DIRECTOR'S EMOLUMENTS	2004 £	2003 £
	Aggregate emoluments	458,500	305,805
	Emoluments disclosed above include the following amounts paid to the highest paid director:		
	Aggregate emoluments	458,500	305,805
6	TAXATION	2004 £	2003 £
	a) Analysis of charge in year		
	Current tax:		
	UK Corporation tax	463	-
	Deferred tax:		
	Origination and reversal of timing differences	-	-
		463	-
	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:		
	Profit/(loss) on ordinary activities before tax	9,977	(353,518)
	Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK at 30%	2,993	(106,555)
	Tax losses carried forward	-	106,555
	Utilisation of tax losses brought forward	(2,530)	-
	Current tax charge (see note 6a)	463	-

K2 Agency Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2004

7	TANGIBLE FIXED ASSETS	Office Equipment £	Fixtures and fittings £	Total £
	Cost			
	1 October 2003	10,496	4,897	15,393
	Additions	4,991	750	5,741
	30 September 2004	15,487	5,647	21,134
	Depreciation			
	1 October 2003	875	136	1,011
	Depreciation for the period	1,549	564	2,113
	30 September 2004	2,424	700	3,124
	Net book value			
	30 September 2004	13,063	4,947	18,010
	30 September 2003	9,621	4,761	14,382

		2004 £	2003 £
8	DEBTORS		
	Due within one year:		
	Trade debtors	-	14,797
	Amounts owed by associated undertakings	-	49,852
	Other taxation	169,579	35,982
	Other debtors	2,515	6,088
	Prepayments and accrued income	126,303	39,127
		298,397	145,846

Included within other debtors is £2,515 (2003: £4,942) due from JW Jackson, this was the maximum balance outstanding during the period.

9	CREDITORS: Amounts falling due within one year	2004 £	2003 £
	Trade creditors	27,550	45,911
	Amounts owed to associated undertakings	490,100	419,512
	Other taxation and social security	95,748	44,875
	Corporation tax	463	-
	Other creditors	370,613	1,019,099
	Accruals and deferred income	26,058	57,516
		1,010,532	1,586,913

K2 Agency Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 2004

10	SHARE CAPITAL	2004	2003
		£	£
	Authorised:		
	10,000 ordinary shares of 1pence each	100	100
		<u> </u>	<u> </u>
	Allotted, issued and fully paid:		
	10,000 ordinary share of 1 pence each	100	100
		<u> </u>	<u> </u>
11	PROFIT AND LOSS ACCOUNT		2004
			£
			(353,518)
			9,514
	1 October 2003		
	Profit for the financial year		
			<u> </u>
	30 September 2004		(344,004)
			<u> </u>
12	MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS		2004
			£
			(353,418)
			9,514
	Opening shareholders' funds		
	Profit for the financial year		
			<u> </u>
	Closing shareholders' funds		(343,904)
			<u> </u>
13	RELATED PARTY DISCLOSURES		
	<i>The company obtained various management services from Sanctuary Agency Services Ltd, The Sanctuary Group plc, Sanctuary Artist Management Ltd, and Focus Business Management Ltd, fellow associated companies within The Sanctuary Group plc group of companies. During the period these amounted to £ 660,000. The amount outstanding at the balance sheet date was £490,100.</i>		
14	ULTIMATE PARENT COMPANY AND CONTROLLING PARTY		
	In the directors' opinion the ultimate parent company at 30 September 2004 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.		