The Sanctuary Group Limited

(formerly known as The Sanctuary Group plc)

Directors' report and financial statements

Registered number 00284340

30 September 2007

Company information

Directors	BJ Muir RM Constant F Presland
Company Secretary	A Abioye
Auditors	KPMG Audit Plc 8 Salisbury Square London EC4Y 8BB
Company Number	00284340
Registered Address	1 Sussex Place London W6 9EA

Directors' report

The directors submit their report and the financial statements of The Sanctuary Group Limited for the year to 30 September 2007.

Principal activity and enhanced business review

The principal activity of the company during the year continued to be that of a holding company for investments. The directors do not anticipate any change in this principal activity in the foreseeable future.

The loss on ordinary activities before taxation for the year was £9,943,000 (2006: £119,492,000). The substantial reduction in the loss compared with the previous year reflected a much reduced impairment charge and the realisation in the current year of a net profit on the disposals of subsidiaries. These were partially offset by administration expenses (net of recharges for shared services) being higher than in the previous year because the company did not charge management fees to its subsidiaries.

Administration expenses / (credit)	**2007**	2006
	£'000	£'000
Gross expenses	**7,458**	13,317
Management charges to subsidiaries	-	(16,968)
Net expenses / (credit)	**7,458**	(3,651)

The main components of the £5,859,000 reduction in gross expenses were a £3,637,000 reduction in professional fees and a favourable £2,020,000 change in exchange differences, from a £291,000 loss in 2006 to a £1,729,000 gain in 2007. The higher level of professional fees in 2006 was mainly attributable to advisory fees relating to the placing and open offer of The Sanctuary Group plc shares in March 2006.

During the year the company was acquired by Centenary Music Holdings Limited, a company controlled by Vivendi SA. Subsequently the company disposed of most of its U.S. and some of its U.K. subsidiaries, realising a net profit on disposal of £44,243,000; and impaired its investments in subsidiaries by £38,691,000 (2006: £118,093,000). Other companies within the Vivendi SA group provided the company with funding, enabling it to repay its bank and convertible loans. Following the acquisition, the company's chairman and non-executive directors resigned and the company began to make most of its remaining employees redundant. Following the disposals in the year, the company had investments at the year end in subsidiaries which operate in a range of music-related businesses, details of which are given in Note 10.

Future expectations

It is anticipated that that the company's administration expenses will be further reduced in the coming year. As the company will operate with minimal employees, personnel and related costs will be lower, and, as the company is now a subsidiary within the Vivendi SA group, less third party professional advice will be required. However, the company will continue to incur costs in respect of its premises.

In other respects, the company's future trading will rely principally on the performance of the key businesses above:

- The recorded music businesses will focus on exploitation of their existing catalogues and eliminate most of their overheads. On that basis, they are expected to trade profitably.
- The management businesses, apart from maximising commission income from their existing artists, will seek to grow their rosters of managed artists. These businesses are expected to trade profitably as they have done in the past.
- The merchandising business will seek to take advantage of the opportunity to expand profitably by taking advantage of its access to the enlarged distribution network provided by its fellow subsidiaries within the Vivendi SA group.

Directors' report (continued)

The company's investments are carried in the balance sheet at values which reflect expected future profits and cash flows. Should the recorded music and artist management businesses not produce the expected levels of profits and cash flows, the company's investments in them will be further impaired. The company's investment in the merchandising business will not be impaired unless profits and cash flows fall short of expected levels.

Principal risks and uncertainties

Recorded music businesses
Revenues and profits may be adversely affected by continuing decline in the recorded music market. However, the impact of any such decline on these businesses will be mitigated by their ability to utilise the resources of fellow subsidiaries within the Vivendi SA group to minimise operating costs.

Artist management businesses
These businesses are likely to offset any reduction in commissions on artists' recorded music revenues through higher commissions on their revenues from other sources, such as live performance, merchandising and sponsorship. The success of these businesses is largely dependent on the contribution of key artist managers and specific managed artists. The loss of key managers or artists may adversely affect revenue and profits.

Merchandising business
This business is dependent on key operating personnel and on its continuing relationships with existing and potential clients. While the loss of key people may adversely affect revenue and profits, the business now has an enhanced ability to replace them from within the Vivendi SA group.

Results and dividends

The directors are precluded from the payment of a dividend (2006: £ nil).

Directors

The directors who served during the year were as follows:

PF Wallace	(Resigned 20 March 2008)
F Presland	
BJ Muir	(Appointed 26 September 2007)
RM Constant	(Appointed 26 September 2007)
JAS Wallace	(Resigned 10 August 2007)
TM Sharp	(Resigned 10 August 2007)
RJ Ayling	(Resigned 10 August 2007)
J Preston	(Resigned 10 August 2007)

At 30 September 2007 none of the directors had any beneficial interests in the share capital of the company or the ultimate parent company, Vivendi SA.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the companies auditors are aware of that information.

By order of the Board on 11 November 2008

RM Constant
Director

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG Audit Plc
1 Puddle Dock
London
EC4V 3PD
United Kingdom

Independent auditor's report to the members of The Sanctuary Group Limited

We have audited the financial statements of The Sanctuary Group Limited for the year ended 30 September 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under 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 an auditor's 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 opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Director's Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the director 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

21 November 2008

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 30 September 2007

	Note	2007 £'000	2006 £'000
Turnover		-	5
Cost of sales		-	(7)
Gross loss		-	(2)
Administrative (expenses) / credit		(7,458)	3,651
Operating (loss) / profit		(7,458)	3,649
Provisions for investments in subsidiaries	4	(38,691)	(118,093)
Loss on disposal of fixed assets	4	(445)	(12)
Loss on disposal of subsidiaries	4	(82)	-
Profit on disposal of subsidiaries	4	44,325	-
Income from shares in group undertaking		-	140
Interest receivable and similar income	2	861	6,425
Interest payable and similar charges	3	(8,453)	(11,601)
Loss on ordinary activities before taxation	4	(9,943)	(119,492)
Tax on loss on ordinary activities for the financial year	7	(111)	(2)
Loss for the financial year		(10,054)	(119,494)

Turnover and loss on ordinary activities before taxation for the current and prior year relate exclusively to continuing operations.

There are no other gains and losses other than those recognised in the profit and loss account.

There is no difference between the loss as disclosed in the profit and loss account and the loss on a historical cost basis.

The notes on pages 8 to 20 form an integral part of these financial statements.

Balance Sheet
at 30 September 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Fixed assets					
Intangible assets	8		537		646
Tangible assets	9		444		1,790
Investments	10		57,157		71,011
			58,138		73,447
Current assets					
Debtors: amounts falling due within one year	11	20,077		47,285	
Debtors: amounts falling due after more than one year	11	-		1,567	
Total debtors		20,077		48,852	
Cash at bank and in hand		2,769		2,280	
		22,846		51,132	
Creditors: amounts falling due within one year	12	(83,515)		(53,204)	
Net current liabilities			(60,669)		(2,072)
Total assets less current liabilities			(2,531)		71,375
Creditors: amounts falling due after more than one year	12		-		(64,340)
Provisions for liabilities and charges	13		(1,175)		(779)
Net (liabilities) / assets			(3,706)		6,256
Capital and reserves					
Called up share capital	14		50,799		50,794
Share premium	15		224,665		224,665
Profit and loss account	16		(279,170)		(269,203)
Equity shareholder's (deficit) / funds			(3,706)		6,256

These financial statements were approved by the Board of directors on 11 November 2008 and were signed on its behalf by:

RM Constant
Director

The notes on pages 8 to 20 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial information.

Basis of accounting

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

The company relies on the continued support of its immediate parent, Centenary Music Holdings Limited, a company incorporated in England. The directors continue to adopt the going concern concept in preparing the financial statements.

As at 30 September 2007, the company had net current liabilities of £60,669,000 (2006: £2,072,000). The financial statements have been prepared on a going concern basis in view of a formal undertaking from Centenary Music Holdings Limited, a company wholly owned and controlled by the company's ultimate parent undertaking, Vivendi SA, confirming that it will provide sufficient funds to the company to enable it to meet its liabilities as they fall due for at least twelve months from the date of signing these financial statements, to enable it to continue to trade. The directors have no reason to believe that this company will not be in a position to provide the support referred to above and accordingly, they have prepared the financial statements on a going concern basis.

The company is exempt by virtue of s.228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

As the company is a wholly owned subsidiary of Vivendi SA, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transaction or balances with entities which form part of the group.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent company includes the company in its published consolidated financial statements.

Tangible fixed assets

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

Short leasehold improvements	-	over the term of the lease
Fixtures and fittings	-	10 - 33% per annum
Other equipment	-	10 - 33% per annum
Motor vehicles	-	25% per annum

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost.

Intangible fixed assets purchased as part of an acquisition are capitalised at their fair value where this can be measured reliably.

Trademarks and theatrical rights purchased by the company are amortised to nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of between 6 and 12 years.

Notes *(continued)*

Accounting policies *(continued)*

Taxation

The charge / (credit) for taxation is based on the profit / (loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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.

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 year 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 is a member of The Sanctuary Group Ltd group personal pension scheme which is a money purchase scheme. The contributions are taken to the profit and loss account as incurred.

2 Interest receivable and similar income

	2007	2006
	£'000	£,000
Interest receivable – group related	**819**	5,633
Bank interest	**42**	792
	861	6,425

Notes *(continued)*

3 Interest payable and similar charges

	2007 £'000	2006 £'000
Finance leases and hire purchase contracts	**19**	31
Interest on late payment of corporation and other taxes	**100**	39
On bank loans and overdrafts	**6,653**	10,756
Exchange losses on funding balances	**87**	775
Interest payable – group related	**1,594**	-
	8,453	11,601

4 Loss on ordinary activities before taxation

	2007 £'000	2006 £'000
Loss on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation – owned assets	**759**	755
– leased assets	**204**	259
Impairment of tangible fixed assets	**-**	104
Loss on disposal of tangible fixed assets	**445**	12
Amortisation of intangible assets	**109**	107
Operating leases – land and buildings	**800**	800
Operating leases – other	**8**	6
Profit on disposal of subsidiaries	**(44,325)**	-
Loss on disposal of subsidiaries	**82**	-
Provisions for investments in subsidiaries	**38,691**	118,093
Management charges receivable	**-**	(16,968)
Provision for restructuring	**876**	780

Auditor's remuneration		
Audit of these financial statements	**30**	30
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**494**	1,085
Under provided audit fee (2006: paid to other auditors)	**-**	262
Other services pursuant to legislation	**154**	134
All other services	**37**	268

Notes *(continued)*

5 Employees

	2007	2006
The average weekly number of person (including directors) employed by the company during the year was:		
Office and management	**39**	50

	2007 £'000	2006 £'000
Staff costs for the above persons were:		
Wages and salaries	**2,944**	2,649
Social security costs	**807**	305
Other pension costs	**54**	60
Redundancy costs	**366**	625
	4,171	3,639

6 Directors' emoluments

	2007 £'000	2006 £'000
Emoluments for qualifying services	**1,492**	877
Compensation for loss of office	**180**	550
	1,672	1,427

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to nil (2006: nil).

Two directors received no remuneration in respect of their services to the company. Their emoluments were paid and borne by a group undertaking, Universal Music Group International Limited.

Emoluments disclosed above include the following amounts paid to the highest paid director:

	2007 £'000	2006 £'000
Emoluments for qualifying services	**835**	550

Notes *(continued)*

Directors' emoluments (continued)

Mr F G Presland is a director of The Sanctuary Group Limited, Twenty-First Artists Limited and William A Bong Limited. The table below sets out the details of amounts he received from these related parties.

30 September 2007	Salary £'000	Bonus £'000	Benefits £'000	Total £'000
Twenty-First Artists Limited	300	100	-	400
William A Bong Limited	300	-	-	300
The Sanctuary Group Limited	335	500	-	835
	935	600	-	1,535

30 September 2006	Salary £'000	Bonus £'000	Benefits £'000	Total £'000
Twenty-First Artists Limited	292	4	175[1]	471
William A Bong Limited	270	-	-	270
The Sanctuary Group Limited (from 26 May 2006)	115	-	-	115
	677	4	175	856

[1]Contribution of £175,000 into Mr Presland's pension fund.

In April 2005, The Sanctuary Group plc entered into an agreement with, among others, Mr Presland to purchase Twenty-First Artists Limited and its subsidiary company ("TFA") for an initial payment of £15.2 million. Pursuant to those arrangements certain further sums may be payable to the sellers of TFA, including Mr Presland. In certain circumstances, Mr Presland may also be entitled to share in a bonus pool for TFA.

Notes (continued)

7 Taxation

Analysis of charge / (credit) in the year

	2007 £'000	2006 £'000
Current tax		
UK corporation tax	**(961)**	(130)
Deferred tax		
Reversal of timing differences	**1,072**	132
Total current tax	**111**	2

Factors affecting the tax charge / (credit) for the current year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	**(9,943)**	(119,492)
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax of 30% (2006:30%)	**(2,983)**	(35,848)
Effects of:		
Expenses not deductible for tax purposes	**12,051**	35,419
Income not taxable	**(13,297)**	(42)
Depreciation in excess of capital allowances	**213**	225
Tax losses (utilised) / not utilised	**1,702**	246
Group relief	**2,314**	-
Payments received for group relief	**(961)**	(130)
Current tax charge / (credit)	**(961)**	(130)

Notes *(continued)*

8 Intangible fixed assets

	Trademarks and theatrical rights £'000
Cost	
1 October 2006 and 30 September 2007	1,265
Amortisation	
1 October 2006	619
Charged in the year	109
At 30 September 2007	728
Net book value	
At 30 September 2007	537
At 30 September 2006	646

9 Tangible fixed assets

	Furniture, fixtures and office equipment £'000	Motor vehicles £'000	Websites £'000	**Total £'000**
Cost				
1 October 2006	6,057	7	106	**6,170**
Additions	69	2	-	**71**
Disposals	(3,189)	(9)	(106)	**(3,304)**
30 September 2007	2,937	-	-	**2,937**
Depreciation				
1 October 2006	4,272	2	106	**4,380**
Charged in the year	961	2	-	**963**
Disposals	(2,740)	(4)	(106)	**(2,850)**
At 30 September 2007	2,493	-	-	**2,493**
Net book value				
At 30 September 2007	444	-	-	**444**
At 30 September 2006	1,785	5	-	**1,790**

At 30 September 2007 no tangible fixed assets were held under finance leases. At 30 September 2006 the total net book value of furniture, fixtures and office equipment included £252,000 in respect of assets held under finance leases. Depreciation for the year on assets held under finance leases was £239,000 (2006: £259,000).

Notes *(continued)*

10 Investments

	2007 Cost £'000	2007 Provision £'000	2007 Net book value £'000	2006 Cost £'000	2006 Provision £'000	2006 Net book value £'000
Shares in subsidiary undertakings						
At 1 October	338,448	(267,488)	70,960	239,471	(149,762)	89,709
Additions	26,000	-	26,000	99,344	-	99,344
Disposals	(104,734)	103,571	(1,163)	(367)	367	-
Charge in the year	-	(38,691)	(38,691)	-	(118,093)	(118,093)
At 30 September	259,714	(202,608)	57,106	338,448	(267,488)	70,960
Listed investments						
At 30 September 2006 and 2007	567	(516)	51	567	(516)	51
Total						
At 1 October	339,015	(268,004)	71,011	240,038	(150,278)	89,760
Additions	26,000	-	26,000	99,344	-	99,344
Disposals	(104,734)	103,571	(1,163)	(367)	367	-
Charge in the year	-	(38,691)	(38,691)	-	(118,093)	(118,093)
At 30 September	260,281	(203,124)	57,157	339,015	(268,004)	71,011

The listed investments had a market value at 30 September 2007 of £169,000 (2006: £42,000).

In the year ended 30 September 2007 the company invested £26,000,000 (2006: £99,344,000) in its subsidiaries and fully provided against these investments. The provision was further increased in both years based on reviews of the future cash flows expected to be generated by the company's subsidiaries.

During the year the company disposed of its interests in Air Edel Associates Limited, Air Edel Recording Studios Limited, IronMaiden.com Limited and K2 Agency Limited, which were formerly U.K. subsidiaries, and in Sanctuary Group Inc., formerly its principal U.S. subsidiary.

The company's principal trading subsidiaries at 30 September 2007, except where indicated wholly owned by the company or subsidiaries of the company, and incorporated in England and Wales, were as follows.

Subsidiary undertaking	Principal activity
Sanctuary Artist Services Limited	Group administrative services
Sanctuary Artist Management Limited	Management of music groups
Platinum Travel International Limited	Travel agency
Sanctuary Music Publishing Limited	Music publisher
Kobalt Sanctuary (UB40) Limited[1]	Music publisher
Kobalt Sanctuary (WAR) Limited[1]	Music publisher
Sanctuary Studios Limited	Studio hire
Sanctuary Records Group Limited	Record label
Sanctuary Copyrights Limited	Rights owner
Bravado International Group Limited	Merchandising
Sanctuary Visual Entertainment Limited	Film and television production
Bravado Retail and Licensing Limited	Merchandising
Trinifold Management Limited	Management of music groups
Twenty-First Artists Limited	Management of music groups
Helter Skelter Limited	Booking agency

[1] At 30 September 2006 the company had a beneficial 50% share holding in these subsidiaries. They were considered to be subsidiaries at that date as the company exercised dominant control. The company's beneficial shareholdings in both companies increased to 100% during the year ended 30 September 2007.

Notes *(continued)*

11 Debtors

	2007 £'000	2006 £'000
Amounts falling due within one year		
Trade debtors	**23**	6
Amounts due from other group undertakings	**19,796**	45,523
Other debtors	**5**	674
Prepayments and accrued income	**253**	1,082
	20,077	47,285
Amounts falling due after more than one year		
Deferred tax	**-**	1,072
Prepayments and accrued income	**-**	495
	-	1,567

11.1 Deferred tax

	2007 £'000	2006 £'000
Deferred tax asset comprises:		
Accelerated capital allowances	**-**	407
Tax losses carried forward	**-**	665
	-	1,072
At 1 October	**1,072**	1,204
Deferred tax credited / (charged) to profit and loss account	**(1,072)**	(132)
At 30 September	**-**	1,072

Notes *(continued)*

12 Creditors

	2007 £'000	2006 £'000
Amounts falling due within one year		
Trade creditors	**286**	1,268
Amounts owed to other group undertakings	**79,640**	47,241
Corporation tax	**1,369**	1,369
Obligations under finance leases	**-**	186
Other taxation and social security costs	**681**	518
Other creditors	**962**	512
Accruals and deferred income	**577**	2,110
	83,515	53,204
Amounts falling due after more than one year		
Bank loans	**-**	57,000
Convertible loans	**-**	7,300
Obligations under finance leases	**-**	40
	-	64,340

The company's bank and convertible loans were repaid in full in August and September 2007 and additional funding was provided by other companies within the Vivendi SA group.

13 Provisions for liabilities and charges

	2007 £'000	2006 £'000
At 1 October	**779**	4,553
Charged to profit and loss account	**876**	779
Provision utilised	**(480)**	(4,553)
At 30 September	**1,175**	779

The provisions at 30 September 2007 relate to severance costs in respect of employees and directors made redundant after the year end (£800,000) and to an outstanding dispute with a former employee (£375,000).

Notes *(continued)*

14 Called up share capital

	2007 No.	2007 £'000	2006 No.	2006 £'000
Authorised				
Ordinary shares of 2p each	**494,986,745**	**9,900**	494,986,745	9,900
Deferred shares of 12.49p each	**371,099,000**	**46,350**	371,099,000	46,350
		56,250		56,250
Allotted, called up and fully paid				
Ordinary shares of 2p each	**222,424,267**	**4,449**	222,186,643	4,444
Deferred shares of 12.49p each	**371,099,000**	**46,350**	371,099,000	46,350
		50,799		50,794

In April 2006 the company granted RJ Ayling a conditional right to acquire 237,624 ordinary shares. This vested and was exercised on 10 August 2007 on the termination of Mr Ayling's appointment as a director of the company.

The holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to vote per share at meetings of the parent. All ordinary shares rank equally with regard to the company's residual assets.

The holders of the deferred shares are not entitled to payment of any dividend or other distribution or to receive notice or attend or vote at any general meeting of the company. In the event of a return of assets on a winding-up of the company or otherwise, they are entitled to receive the sum of 12.49p in respect of each deferred share held only after such holders of ordinary shares have received £100,000,000 in respect of each ordinary share held by them, respectively, save that in the event of a return of assets by means of purchase by the company of its own shares or a reduction of share capital the holders of the deferred shares shall rank for the aforesaid sum in priority to the holders of the ordinary shares. The deferred shares shall not confer any further rights to participate in the assets of the company.

On 17 March 2006 each authorised and issued existing ordinary share of 12.5p in the capital of The Sanctuary Group plc was subdivided and converted into one ordinary share of 0.01p and one deferred share of 12.49p. Immediately following this subdivision the issued and the authorised but unissued ordinary shares of 0.01p each were consolidated into ordinary shares of 2p each on the basis of one ordinary share for every 200 subdivided shares.

The right previously available to the holders of the company's convertible debt to convert debt into up to 3,650,000 ordinary shares was cancelled before 30 September 2007, as were 2,452,924 warrants previously in issue as part of the arrangements with the Convertible Loan Note holders and 16,278 warrants previously held by BMG UK and Ireland Limited.

15 Share premium

	2007 £'000	2006 £'000
Share premium	224,665	224,665

Notes *(continued)*

16 Profit and loss account

	2007 £'000	2006 £'000
1 October	**(269,203)**	(149,744)
Retained loss for the year	**(10,054)**	(119,494)
Share-based payments	**87**	35
30 September	**(279,170)**	(269,203)

17 Commitments under finance and operating leases

a) During the year the company settled all its outstanding finance leases. Commitments to future minimum lease payments under finance leases at 30 September 2006 were as follows:

	2007 £'000	2006 £'000
Amounts falling due:		
Within one year	-	205
Between two and five years	-	44
	-	249
Less: finance charges allocated to future periods	-	(23)
	-	226

The commitments, net of finance charges, are included in the balance sheets as follows:

	2007 £'000	2006 £'000
Due within one year	-	186
Due after more than one year	-	40
	-	226

b) At 30 September 2007 the company had annual lease commitments under non-cancellable operating leases as follows:

	2007 £'000	2006 £'000
Land and buildings: Expiring in more than five years	**800**	800
Other: Expiring in less than one year	**4**	-
Other: Expiring between one and five years	-	6

Notes *(continued)*

18 Pension commitments

The company is a member of The Sanctuary Group Limited personal pension scheme, the assets of which are held separately for each employee in an independently administered fund. The pension cost charge represents contributions payable by the company and amounted to £54,000 (2006:£60,000). No contributions remained payable at the year end.

19 Contingent liabilities

The company has guaranteed the bank indebtedness of certain fellow subsidiaries and has executed a charge over its assets in favour of the bank. At 30 September 2007 the total net borrowings of these companies amounted to £nil (2006: £73,456,000).

20 Post balance sheet event

Since 30 September 2007 the company has disposed of its interest in theatrical rights, which is shown in the balance sheet at 30 September 2007 at a net book value of £537,000. The consideration for the sale was £1. A condition of the sale agreement was the cancellation of the company's obligation to make a deferred payment of £500,000 in respect of the initial acquisition of these rights. This was shown in other creditors at 30 September 2007. Therefore, since 30 September 2007, the company has incurred expenses in respect of amortisation and loss on disposal amounting in aggregate to £37,000.

21 Immediate and ultimate parent company

The immediate parent company is Centenary Music Holdings Limited, a company incorporated and operating in England. The ultimate parent undertaking and controlling party is Vivendi SA, a company incorporated in France.

The smallest and largest group in which the results of the company will be consolidated will be that headed by Vivendi SA, incorporated in France. Copies of its annual report in English may be obtained from:
Vivendi SA
42 Avenue de Friedland
75380 Paris
Cedex 08
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