

Ministry

broken, that illegal drug-dealing was taking place in the club.

It also alleged that Palumbo had made "untrue and false" representations to Valley Forge Inc that the club would be drug-free. According to Valley Forge's Statement of Claim, Palumbo told one of Bank's representatives that the club "had to accept a certain basic level of drug selling because otherwise visitors to the club would be unable to dance all night in an alcohol-free club, as they were encouraged to do".

Palumbo strenuously denied the allegations and defended the proceedings, but it was clear, whatever the merits of the claim, that he faced the prospect of seriously adverse publicity. In any event, he settled out of court. Neither Valley Forge nor Palumbo would reveal the terms of settlement, but we understand that Valley Forge accepted around £40,000 in final settlement.

At the end of 1992, Dance Studio UK Ltd was put into liquidation following a winding up petition lodged by the company's auditors, Milne Ross, now part of Baker Tilly. Not that club-goers would have noticed any change — a new company appeared, called Danceclub Ltd, owned initially by Palumbo's long-term associate, Humphrey Waterhouse.

The trading name "Ministry of Sound" was sold to the new company by the liquidator, SB Ryman of Rothman Pantall & Co, for £1,000. The rest is history. That name is now being franchised around the world and is probably worth millions.

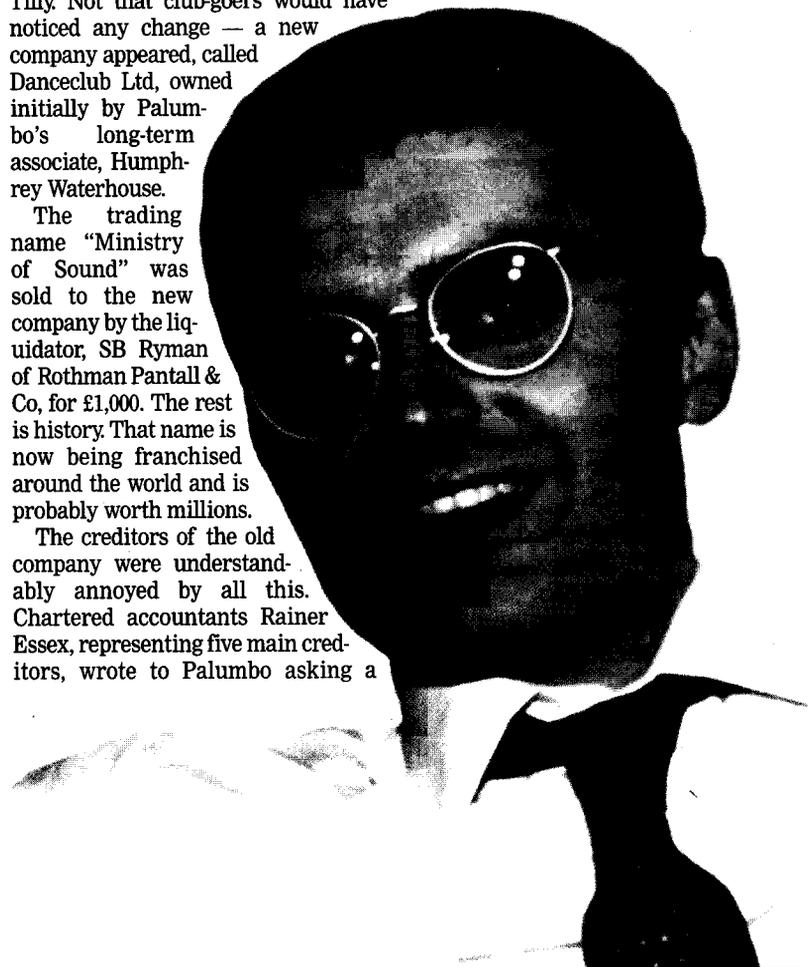
The creditors of the old company were understandably annoyed by all this. Chartered accountants Rainer Essex, representing five main creditors, wrote to Palumbo asking a

number of detailed questions about the new company. Palumbo wrote back in November 1992 admitting that he owned the name "Ministry of Sound", but pointing out that he was "neither a director nor shareholder of, nor did he have any financial interest in the new company..." Therefore, he did not feel he had to answer any questions.

Palumbo may well have been factually correct, but he was being economical with the *actualité*. On paper, Danceclub was managed by Waterhouse, with whom Palumbo shared an address in South Kensington. Palumbo himself became a director of Danceclub in May 1995.

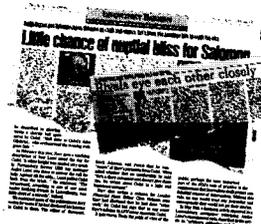
One creditor was so incensed by these goings-on that he wrote to the Department of Trade and Industry to complain about the way Dance Studio UK had been liquidated. Another creditor is still owed some £5,000 and plans to sue Danceclub for the money.

Meanwhile, Palumbo continues his climb to the top of the New Labour establishment. The Ministry of Sound goes from strength to strength, aided by acres of sympathetic press coverage. Its CD range is doing well and the nightclub is as packed as ever. The "yoof" magazine launches soon and Palumbo's latest scheme is to turn the Royal Yacht Britannia into a school of music. Perhaps a school of business would be more appropriate, Mr Palumbo. □



The bank that buys up journalists

Phil Cooper doesn't believe that one of the biggest banks in the world was paying his journalist friends to write for him. But after a series of disturbing meetings and a trip to Germany, he changed his mind. Here is his extraordinary tale.



With friends like these...

Journalist Ian Kerr, whom we discovered shamelessly promoting Cedel bank at the expense of his journalistic ethics but to the credit of his bank account, has of late neglected Cedel in his weekly column in *Euroweek*.

However, just before our first article on Cedel was published, Kerr did write about the Edmond Israel Foundation's annual "Vision for Europe" award ceremony, the prize this year going to German Chancellor Helmut Kohl.

The Foundation is sponsored by Cedel and Kerr was full of admiration for Edmond Israel himself, a former chairman of Cedel, whom he says: "makes one of those brilliant, short, no-prepared notes speeches which makes less accomplished public speakers writhe with embarrassment. The fact that he can be as eloquent in five or six languages only increases our admiration".

Kerr goes on to say, somewhat predictably: "No less gifted an orator is Andre Lussi, the cavalier chief executive of Cedel bank whose crusade for Europe would have turned even the most obstinate non-believers."

Kerr helpfully tells us that Lussi has been busy with Cedel's \$300 million rights issue. He adds: "We offer to buy any Cedel shares which were not taken up in the rights issue, but Lussi graciously tells us that every Cedel shareholder has made the same request."

After the awards ceremony came the "superb dinner", hosted by Cedel's John Gilchrist. But, Kerr says, "we miss meeting our friends", one of them being Damien Wigny, chairman of Kredietbank. "We hope to see them on our next visit to the Duchy," Kerr adds.

Wigny, a former director of Cedel, was perhaps a little too tied up to attend the dinner. Two weeks ago he was arrested by the Belgian authorities and charged with tax fraud, money laundering and criminal conspiracy.

PS Can the person who sent us the two-page anonymous letter get in touch?