

**T**hings couldn't be going better for Jamie Palumbo. Not only does he own the Ministry of Sound, the London nightclub that regularly packs in 2,000 people a night, but also a host of lucrative spin-off businesses. There's a highly successful dance record label, a clothing line, a mail-order business, a shop in Covent Garden and a touring operation. More clubs are due to open in the Far East and the United States.

During the general election campaign, Palumbo made an impact on a wider public when he lent a car and driver to his friend Peter Mandelson. And, earlier this month, there was a minor fuss over Palumbo's appointment as a Citizens Charter judge, one of a panel which decides Charter Mark awards for efficiency in public services. The Cabinet office was quick to point out that Mandelson had "nothing to do" with the decision to appoint Palumbo.

This journey to fame and fortune was not accomplished without casualties, however. On September 18, the club celebrated its sixth birthday. But there were two conspicuous absentees from the celebration bash at the cavernous club in the Elephant and Castle: Justin Berkmann and Humphrey Waterhouse. For the inside story of the rise of the man from the Ministry is a tale of bruised egos and angry fall-outs, as the hunt for commercial success took precedence over youthful idealism.

The Ministry of Sound concept was the brainchild of Berkmann. While living in New York in the late Eighties he frequented a club called the Paradise Garage, where the DJ was Larry Levan, a man known as the father of house. It was at the Paradise that Berkmann discovered what one friend describes as his "vocation" to be a DJ and he resolved to set up a similar operation in London. But while Berkmann had the idea, he lacked the money to bring it to fruition and began a search for backers. It was Waterhouse who was to prove the catalyst.

In 1989, Waterhouse had set up Oakwood Holder Ltd with his close friend from Eton, Jamie Palumbo. The enterprise was designed to develop business ideas using the cash both men had made in the City. Palumbo spotted the potential immediately. Berkmann and Waterhouse, who was to become the administrative brain behind the club, spent the next year searching for a suitable site, planning the interior, installing the sound system and even designing the logo.

The Ministry was a hit with clubbers the moment it opened in a converted warehouse in September, 1991. And for the first two years all was harmony. But Palumbo wanted to exploit the club's commercial possibilities and that meant a move away from the club's origins. "The club that existed for the first two

**By night, Jamie Palumbo is an ever-smiling party animal as he prowls his nightclub, the Ministry of Sound. But behind the scenes he's not a man to be crossed. By Pete Sawyer**



# THE MAN FROM

years or so and the one you see today are like two completely different entities," says one who has followed the Ministry's fortunes since its earliest days.

Palumbo's master plan was implemented by Lynn Cosgrave, who now runs Ministry of Sound Recordings. There are conflicting versions of what happened next. One has it that an operation which started out as a venture run by a bunch of mates soon became as political as any office. Furious rows developed over the sort of music that should be played and the refurbishment of the club. Waterhouse went first, and then Berkmann. Waterhouse denies this talk of friction and says he left to go to live in Barcelona with a girlfriend.

Whatever the truth of the matter, Palumbo, perhaps wisely, kept himself above the fray and remains close to both men. He and Berkmann still have dinner regularly and Waterhouse even briefly returned to the fold last year to run the Ministry Heineken tour which was broadcast worldwide by MTV.

While most internal squabbles were kept out of the press, one dispute was conducted in full view of the public. Apart from the trio of Berkmann, Waterhouse and Palumbo, a fourth man, Ray de Maudsley, had become involved early on. He was present when Berkmann was

**Sound and vision: above, Jamie Palumbo, creator of Britain's hippest nightclub**

introduced to Palumbo but was sidelined by the other three. He was prepared to claim in court that the idea of an all-night dance club was his. While his case was dismissed when it reached the High Court in December, 1995, Mr Justice Knox savaged Palumbo and Waterhouse in his summing up. He said de Maudsley had been "rather shabbily treated", in that he had been "encouraged to think that he would be part of the defendants' enterprise but had only been disabused of that long after Palumbo and Waterhouse had decided that he would not".

These fallings out were not the club's only teething troubles. A combination of inadequate day-to-day management and a battle with local drug dealers, led to financial difficulties. In the end, Palumbo solved the drug problem by bussing in minders from outside London, but the club's financial problems persisted.

The Ministry's early corporate history is to be found in the accounts of a company called Dance Studio UK, another company set up by Palumbo and Waterhouse. Also involved in the early stages was Guy Monson, a close friend of Palumbo's and now chief investment manager of the Swiss private banking group Sarasin. Intriguingly, Dance Studio UK Ltd was compulsorily wound up by the High Court at the end of 1992, at the instigation



# THE MINISTRY

of its auditor, then Baker Tilly. Neither the directors, nor the liquidator, Rothman Pantall & Co, have filed a list of creditors or a Statement of Affairs, so we have no idea if any creditors lost out.

The main asset of Dance Studio UK Ltd — the Ministry of Sound itself — was transferred to a new company Danceclub Ltd, which now runs the club. Palumbo had to buy out his partner — represented by a Liberian-registered company called Valley Forge Incorporated — and devote himself to the business full time. Waterhouse declines to say who the mysterious partner was, but says it wasn't him. Interestingly, Palumbo appointed Richard Holman, his former auditor from Baker Tilly, as a director of the new company in June 1996.

The Ministry of Sound is now one of the most successful nightclubs ever. But you wouldn't know it by going through its accounts. The club made a loss of £208,000 on a turnover of £2.97 million, and Palumbo took a royalty of £118,000, according to accounts for the year ending August 31, 1996.

A separate company, Ministry of Sound Management Ltd, manages the Ministry of Sound's DJs. Lynn Cosgrave, promoter and founder of FX, is a part shareholder. That company, too, made a loss last year returning a deficit of

£14,000 on a turnover of £17,000. The story is the same elsewhere. Ministry of Sound Clothing Ltd made a loss of £147,000 on a turnover of £648,000; Ministry of Sound Tours made a loss of £53,000 on a turnover of £484,000; and Ministry of Music Publishing Ltd made a loss of £11,000 on a turnover of £24,000. The exception was the fledgling record label, Ministry of Sound Recordings Ltd, which made a profit of £51,000 on a turnover of £3.9 million.

The whole group is owned by a Jersey-registered company, Nimbus Holdings, either directly, or indirectly, through another UK company set up in May this year, Ministry of Sound Holdings Ltd. The combined accounts for the group last year revealed a turnover of around £8 million but, according to the directors, accounts for 1996-97 will show a huge leap as the spin-off projects mature. Watch this space. □

**Right: your average Ministry clubbers who include, apparently, Peter Mandelson below**

