

# ACADEMY MUSIC HOLDINGS LIMITED

Consolidated Report and Financial Statements

31 December 2016

Registered No. 05141419

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# Academy Music Holdings Limited

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## COMPANY INFORMATION

### **DIRECTORS**

R B H Angus  
D J Desmond  
S R Douglas  
P R Latham  
S J Moran  
J M Hands

### **SECRETARY**

S H Emeny

### **AUDITOR**

Grant Thornton UK LLP  
Grant Thornton House  
Melton Street  
London  
NW1 2EP

### **BANKERS**

HSBC Bank plc  
Global Banking & Markets  
8 Canada Square  
London  
E14 5HQ

### **REGISTERED OFFICE**

211 Stockwell Road  
London  
SW9 9SL

# Academy Music Holdings Limited

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## **STRATEGIC REPORT** for the year ended 31 December 2016

### **REVIEW OF THE BUSINESS**

The principal activity of the group continues to be that of the operation of live music venues across the UK.

The consolidated profit for the financial year ended 31 December 2016 was £1,715,956 (2015 - £1,793,372). A dividend of £112,500 was paid during the year (2015 - £78,750).

As shown in the consolidated income statement on page 6, the group's turnover has increased by 20.0% to £47,654,247 and gross profit has increased by 19.8% to £41,655,415. Operating profit has decreased by 5.2% over the prior year to £4,737,807.

The consolidated statement of financial position on page 7 shows the group's financial position at the year end. Net liabilities are now £419,237 compared with net liabilities of £2,022,693 in the prior year.

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

Systems and procedures are in place to identify, assess and mitigate major business risks that could impact the group. Monitoring exposure to risk and uncertainty is an integral part of the group's structured management processes. The principal risks that the group faces are operational risk, competition, regulatory and legislative impacts, recruitment and retention of staff and maintenance of reputation.

By order of the Board



J M Hands  
Director

Date 21/4/2017

# Academy Music Holdings Limited

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## **DIRECTORS' REPORT**

The directors who served throughout the year ended 31 December 2016 were as follows:

R B H Angus  
S R Douglas  
D J Desmond  
P R Latham  
S J Moran  
J M Hands

## **FUTURE DEVELOPMENTS**

Notwithstanding the risk and uncertainties outlined below, the directors do not anticipate any significant change in the activities and results of the group in the foreseeable future.

## **GOING CONCERN**

In November 2015, the group underwent a refinancing of its external banking facility that was due to expire in 2016. The new 5 year £35,000,000 facility which is to be repaid over the term of the facility up to November 2020 ensures that the group will have sufficient ongoing funding. Management forecasts for the Academy Music Holdings Group, shows future cash inflows from group operating activities to be sufficient to cover the group's debt servicing requirements.

Based on the above the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## **FINANCIAL RISK MANAGEMENT**

The group has three main areas of financial risk: liquidity, interest rate and customer credit exposure. Details of management's objectives and policies in relation to these risks can be found in note 25 in the notes to the financial statements.


## **EMPLOYEE INVOLVEMENT AND EMPLOYMENT OF DISABLED PERSONS**

The employees of the group are systematically provided with information on matters which concern them as employees. Employees or their representation are regularly consulted when decisions are taken which are likely to affect their interests. The directors continue to provide information to employees in order to achieve employee awareness of financial and economic factors affecting the group. The group maintains a policy of giving fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. In the event of an employee becoming disabled, the company uses its best endeavors to ensure continued employment.

## **AUDITOR**

A resolution to re-appoint Grant Thornton UK LLP as the group's auditor will be proposed in accordance with section 485 of the Companies Act 2006.

By order of the Board



J.M Hands  
Director

Date 21/4/2017

# Academy Music Holdings Limited

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## DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Academy Music Holdings Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACADEMY MUSIC HOLDINGS LIMITED

We have audited the consolidated financial statements of Academy Music Holdings Limited for the year ended 31 December 2016 which comprise the Consolidated Income Statement, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cashflows and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

### Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Nicholas Page (Senior Statutory Auditor)

for and on behalf of Grant Thornton UK LLP, Statutory Auditor, Chartered Accountants  
London

Date: 21/4/17

# Academy Music Holdings Limited

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
<b>TURNOVER</b>	4	47,654,247	39,707,842
Cost of sales		(5,998,832)	(4,952,638)
<b>GROSS PROFIT</b>		41,655,415	34,755,204
Administrative expenses		(34,678,923)	(28,375,810)
Amortisation of goodwill		(2,238,685)	(1,383,468)
Total administrative expenses		(36,917,608)	(29,759,278)
<b>OPERATING PROFIT</b>	5	4,737,807	4,995,926
Interest receivable and similar income		1,517	34,612
Interest payable and similar charges	7	(2,196,295)	(3,235,813)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>		2,543,029	1,794,725
Tax on profit on ordinary activities	8	(827,073)	(1,353)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		1,715,956	1,793,372
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		1,715,956	1,793,372
Total comprehensive income for the financial year attributable to:			
Owners of the parent		1,626,774	1,692,823
Non-controlling interest		89,182	100,549
		1,715,956	1,793,372

All the group's operations are continuing.

There are no other items of comprehensive income other than as stated in the income statement.

The accompanying accounting policies and notes form part of the financial statements.

# Academy Music Holdings Limited

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	2016 £	2015 £
<b>FIXED ASSETS</b>			
Intangible assets	10	12,441,519	14,680,204
Tangible fixed assets	11	25,855,736	26,088,124
		<u>38,297,255</u>	<u>40,768,328</u>
<b>CURRENT ASSETS</b>			
Stocks	13	537,956	575,706
Debtors	14	4,283,517	4,029,534
Cash at bank and in hand		10,238,521	10,711,856
		<u>15,059,994</u>	<u>15,317,096</u>
<b>CREDITORS: amounts falling due within one year</b>	15	(18,928,919)	(18,214,612)
<b>NET CURRENT LIABILITIES</b>		<u>(3,868,925)</u>	<u>(2,897,516)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		34,428,330	37,870,812
<b>CREDITORS: amounts falling due after more than one year</b>	16	(34,077,651)	(39,324,269)
<b>PROVISIONS FOR LIABILITIES</b>	19	(769,916)	(569,236)
<b>NET LIABILITIES</b>		<u>(419,237)</u>	<u>(2,022,693)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	500,000	500,000
Profit and loss account	21	(1,207,821)	(2,834,595)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>		<u>(707,821)</u>	<u>(2,334,595)</u>
Non-controlling interests		288,584	311,902
		<u>(419,237)</u>	<u>(2,022,693)</u>

Signed on behalf of the Board of Directors:



J.M Hands  
Director

Date 21/4/2017

Registered No. 05141419

The accompanying accounting policies and notes form part of the financial statements.




# Academy Music Holdings Limited

## COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	2016 £	2015 £
<b>FIXED ASSETS</b>			
Investments	12	516,266	516,266
<b>CURRENT ASSETS</b>			
Cash at bank and in hand		65,248	65,279
		<u>65,248</u>	<u>65,279</u>
<b>CREDITORS: amounts falling due within one year</b>	15	(1,060,509)	(1,025,343)
		<u>(995,261)</u>	<u>(960,064)</u>
<b>NET CURRENT LIABILITIES</b>			
		<u>(478,995)</u>	<u>(443,798)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>(478,995)</u>	<u>(443,798)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	500,000	500,000
Profit and loss account	21	(978,995)	(943,798)
		<u>(478,995)</u>	<u>(443,798)</u>
<b>EQUITY SHAREHOLDERS' DEFICIT</b>			
		<u>(478,995)</u>	<u>(443,798)</u>

Signed on behalf of the Board of Directors:



J.M. Hands  
Director

Date 21/4/2017

Registered No. 05141419

The accompanying accounting policies and notes form part of the financial statements.

# Academy Music Holdings Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Profit and loss account	Amount attributable to owners of the parent	Non- controlling interest	Total
	£	£	£	£	£
<b>At 1 January 2015</b>	500,000	(4,527,418)	(4,027,418)	290,103	(3,737,315)
Profit for the year	-	1,692,823	1,692,823	100,549	1,793,372
Dividends paid	-	-	-	(78,750)	(78,750)
<b>At 31 December 2015</b>	500,000	(2,834,595)	(2,334,595)	311,902	(2,022,693)
Profit for the year	-	1,626,774	1,626,774	89,182	1,715,956
Dividends paid	-	-	-	(112,500)	(112,500)
<b>At 31 December 2016</b>	500,000	(1,207,821)	(707,821)	288,584	(419,237)

# Academy Music Holdings Limited

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## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Profit and loss account £	Total £
<b>At 1 January 2015</b>	500,000	(908,911)	(408,911)
Loss for the year	-	(34,887)	(34,887)
<b>At 31 December 2015</b>	500,000	(943,798)	(443,798)
Loss for the year	-	(35,197)	(35,197)
<b>At 31 December 2016</b>	500,000	(978,995)	(478,995)

# Academy Music Holdings Limited

## CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
<b>Cashflows from operating activities</b>		
Operating profit for the financial year	4,737,807	4,995,926
Amortisation of intangible fixed assets	2,238,685	1,486,727
Depreciation of tangible fixed assets	2,715,373	2,337,689
Loss on disposal of tangible fixed assets	10,357	-
Decrease / (increase) in stocks	37,749	(33,196)
(Increase) in debtors	(253,982)	(1,256,907)
Increase in creditors	617,927	1,452,783
Income taxes paid	(564,877)	(520,023)
<b>Net cash generated from operating activities</b>	<b>9,539,039</b>	<b>8,462,999</b>
<b>Cash flows from investing activities</b>		
Interest received	1,517	34,612
Purchases of tangible assets	(2,564,081)	(3,212,563)
Disposals of tangible fixed assets	100,000	-
Acquisition of subsidiary (net of cash acquired)	-	(5,514,570)
<b>Net cash used in investing activities</b>	<b>(2,462,564)</b>	<b>(8,692,521)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(1,980,678)	(9,901,414)
Dividends paid to non-controlling interests	(112,500)	(78,750)
Bank loans arrangement fees	-	(318,339)
Drawdown of bank loans	-	32,000,000
Repayment of bank loans	(5,456,632)	(16,000,000)
Repayment of shareholder loans	-	(1,804,333)
<b>Net cash generated (used in) / generated from financing activities</b>	<b>(7,549,810)</b>	<b>3,897,164</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(473,335)</b>	<b>3,667,642</b>

# Academy Music Holdings Limited

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## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

### 1 COMPANY INFORMATION

Academy Music Holdings Limited is a private company limited by shares incorporated in England and Wales. The registered office is 211 Stockwell Road, London, SW9 9SL.

### 2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Sterling (£).

#### **Disclosure exemptions within FRS 102:**

The company has adopted the following disclosure exemptions within FRS 102:

The requirements of section 11 - Basic Financial Instruments, paragraphs 11.39 to 11.48A.

#### **Accounting judgements**

The preparation of financial statements in conformity with FRS 102 requires the use of certain accounting judgements by management in the process of applying the company's accounting policies. The areas which may require judgements are the valuation of intangible and tangible fixed assets as well as investments, stock, the valuation of derivative financial instruments, the recoverability of trade debtors and other debtors and the provision of liabilities.

#### **Basis of consolidation**

The consolidated financial statements consolidate those of the company and all of its subsidiaries made up to 31 December 2016.

In the parent company financial statements, investments in subsidiaries are accounted for at the lower of cost and net realisable value.

No income statement and related notes are provided for Academy Music Holdings Limited as provided by section 408 of the Companies Act 2006. The loss of the company is disclosed in note 9 of the financial statements.

#### **Going concern**

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report on pages 2 and 3.

In November 2015, the group underwent a refinancing of its external banking facility that was due to expire in 2016. The new 5 year £35,000,000 facility which is to be repaid over the term of the facility up to November 2020 ensures that the group will have sufficient ongoing funding. Management forecasts for the Academy Music Holdings Group shows future cash inflows from group operating activities to be sufficient to cover the company's debt servicing requirements.

Based on the above the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### 3 PRINCIPAL ACCOUNTING POLICIES

#### Revenue recognition

##### *Turnover*

Turnover, which is stated net of value added tax, represents the fair value of amounts receivable for goods and services. Turnover is attributable to the group's principal activity and is predominantly generated in the UK. Turnover from the supply of services is recognised on delivery of those services. Where turnover represents the value of services provided under contracts it is phased equally over the duration of the contract at the value of the consideration due. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer.

Where a contract has only been partially completed at the statement of financial position date turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as Deferred Income and included as part of Creditors due within one year or after more than one year.

##### *Interest income*

Revenue is recognised as interest accrues using the interest rate determined by the loan agreement or the prevailing interest rate.

##### *Income from fixed asset investments*

Revenue is recognised when the company's right to receive payment is established.

#### Business combinations

Acquisitions of businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given and liabilities incurred or assumed in exchange for control of the business plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill.

#### Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged to administrative expenses so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Venue use intangibles	- over remaining lease term, to a maximum of 10 years
Goodwill	- over remaining lease term, to a maximum of 10 years

Intangible assets relating to customer relationships were identified on the acquisition of the business combination to reflect the value of acquiring an already established venue business compared to entering into a new lease and building a new venue's customer base and profile. These intangibles are referred to as Venue use intangibles. They have been valued based on multiples of historic earnings that management have judged to be reasonable based on transactions for similar assets.

If there is an indication that there has been a significant change in amortisation rate of residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

If the net fair value of the identifiable assets and liabilities exceeds the cost of a business combination, the excess up to the fair value of non-monetary assets acquired is recognised in the consolidated income statement in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired is recognised in the consolidated income statement in the periods expected to be benefitted.

# Academy Music Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

### 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### **Tangible assets**

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

Freehold property and improvements	- over 40 years
Leasehold property and improvements	- over the term of the lease
Plant and machinery	- straight line over 5 - 10 years
Fixtures and fittings	- straight line over 5 - 10 years

#### **Impairment of assets**

At each reporting date, fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the income statement.

#### **Investments**

Investments are recognised initially at fair value which is normally the transaction price. Subsequently, they are recognised at cost less impairment unless a reliable measure of fair value becomes available.

#### **Stocks**

Stocks are stated at the lower of cost, using the first in first out method, and selling price less costs to complete and sell.

#### **Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### **Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### **Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating leases.

#### **Finance leases**

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

### 3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### *Operating leases*

Rentals under operating lease are charged to the consolidated income statement on a straight line basis over the lease term.

#### **Government grants**

Government grants in respect of capital expenditure are credited to deferred income and are released to the income statement over the expected useful lives of the relevant assets by equal annual instalments.

#### **Provisions for liabilities**

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the income statement in the period it arises.

#### **Taxation**

Taxation expense for the year comprises current and deferred tax recognised in the year. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred tax assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

#### **Pensions**

The group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the group to the fund in respect of the year.



# Academy Music Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

### 4 TURNOVER

Turnover, which excludes value added tax, represents the fair value of amounts due from the group's principal business, that of management of concert venues. All turnover is derived in the United Kingdom.

### 5 OPERATING PROFIT

The operating profit is stated after:

	2016	2015
	£	£
Amortisation of goodwill	1,598,126	1,383,468
Amortisation of intangible assets	640,559	103,259
Loss on disposal of fixed assets	10,357	-
Depreciation of tangible fixed assets:		
owned by the group	2,715,373	2,337,689
Fees payable to the company's auditor for the audit of the company's annual accounts	1,270	1,270
Fees payable to the company's auditor and its associates for other services:		
the audit of the company's subsidiaries	60,730	60,730
Operating lease rentals - land and buildings	2,873,977	2,442,927
Release of deferred income on government grant	(8,600)	(8,600)

# Academy Music Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

### 6 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2016	2015
	£	£
Wages and salaries	8,622,962	7,198,288
Social security costs	582,219	493,418
Pension costs	196,166	155,199
	<u>9,401,347</u>	<u>7,846,905</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016	2015
	Number	Number
Operations staff	214	175
Administrative staff	173	171
	<u>387</u>	<u>346</u>

Aggregate directors' emoluments included in the staff costs above are:

	2016	2015
	£	£
Emoluments, including benefits in kind	139,118	120,222
Pension contributions under defined contribution schemes	5,750	4,823
	<u>144,868</u>	<u>125,045</u>

During the year, 1 director received emoluments and benefits in respect of defined contribution pension schemes from the company (2015 - 1). The other directors' services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the year ended 31 December 2016 and 31 December 2015.

### 7 INTEREST PAYABLE AND SIMILAR CHARGES

	2016	2015
	£	£
On bank loans and overdrafts	746,717	1,131,720
On other loans	1,379,578	2,106,053
Amortisation of loan issue expenses	- 70,000	420,872
Changes in fair value of derivative financial instruments	-	(422,832)
	<u>2,196,295</u>	<u>3,235,813</u>

# Academy Music Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

### 8 TAX ON PROFIT ON ORDINARY ACTIVITIES

#### (a) Analysis of tax charge in the year

	2016 £	2015 £
Current tax:		
UK Corporation Tax on profits for the year	674,099	474,059
Adjustments in respect of previous years	(47,706)	-
<b>Total current tax</b>	<b>626,393</b>	<b>474,059</b>
Deferred tax:		
Origination and reversal of timing differences	211,336	(420,608)
Adjustments in respect of previous years	(10,656)	-
Changes in tax rates and laws	-	(52,098)
<b>Total deferred tax</b>	<b>200,680</b>	<b>(472,706)</b>
<b>Total tax charge (note 8 (b))</b>	<b>827,073</b>	<b>1,353</b>

#### (b) Factors affecting the total tax charge for the year

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK Corporation tax of 20% (2015 - 20.25%) to the profit before tax is as follows:

	2016 £	2015 £
Profit on ordinary activities before taxation	2,543,029	1,794,725
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	508,606	363,370
Effects of:		
Expenses not deductible for tax purposes	512,516	439,405
Difference in tax rates	(4,435)	(54,923)
Adjustments to deferred tax charge in respect of previous years	(10,656)	-
Adjustments to tax in respect of previous years	(47,706)	-
Transfer pricing adjustment	(258,330)	(282,794)
Recognition of deferred tax on asset transfers	-	(463,705)
Change in unrecognised deferred tax assets	127,078	-
<b>Total tax charge for the year (note 8 (a))</b>	<b>827,073</b>	<b>1,353</b>

#### c) Tax rate changes

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015.

Further reductions to the UK Corporation tax rates were enacted as part of the Finance Act No 2 (2015) and Finance Act 2016. As such the main rate will fall from 20% to 19% from 1 April 2017 and from 19% to 17% from 1 April 2020.

Deferred tax is continuing to be provided at 19% as it is the rate the deferred tax items are expected to unwind at.

### 9 LOSS OF THE PARENT UNDERTAKING

The amount of the group result attributable to Academy Music Holdings Limited, which has been accounted for within its own financial statements, is a loss after tax of £35,197 (2015 - £34,887).

# Academy Music Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

### 10 INTANGIBLE ASSETS

Group	Goodwill £	Venue use intangibles £	Total £
Cost			
At 1 January 2016	25,812,476	3,155,701	28,968,177
At 31 December 2016	25,812,476	3,155,701	28,968,177
Amortisation			
At 1 January 2016	14,184,714	103,259	14,287,973
Charge for the year	1,598,126	640,559	2,238,685
At 31 December 2016	15,782,840	743,818	16,526,658
Net book value			
At 31 December 2016	10,029,636	2,411,883	12,441,519
At 31 December 2015	11,627,762	3,052,442	14,680,204

Included within the above is goodwill with a cost of £4,298,980 which is being amortised over 10 years or less. The remaining goodwill is being amortised over 20 years. Amortisation is charged to administrative expenses in the income statement.

On 2 November 2015, one of the group's subsidiary, Academy Music Group Limited, entered into an agreement to purchase the share capital of MAMA New Music Two Limited, a wholly owned subsidiary acquired from MAMA New Music Limited, a related party by virtue of it being 100% owned by LN-Gaiety Holdings Limited, which in turn owns 56% of the shares in the group's parent company.

Intangible assets relating to customer relationships were identified on the acquisition of the business combination to reflect the value of acquiring an already established venue business compared to entering into a new lease and building a new venue's customer base and profile. These intangibles are referred to as Venue use intangibles above. They have been valued based on multiples of historic earnings that management have judged to be reasonable based on transactions for similar assets.

# Academy Music Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

### 11 TANGIBLE FIXED ASSETS

Group	Freehold property and improvements £	Leasehold property and improvements £	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost</b>					
At 1 January 2016	8,728,196	28,019,778	11,375,659	5,071,232	53,194,865
Additions	968,152	275,280	259,764	1,090,146	2,593,342
Disposals	(112,342)	-	(58,323)	(8,128)	(178,793)
At 31 December 2016	<u>9,584,006</u>	<u>28,295,058</u>	<u>11,577,100</u>	<u>6,153,250</u>	<u>55,609,414</u>
<b>Depreciation</b>					
At 1 January 2016	2,003,568	11,862,182	10,232,817	3,008,174	27,106,741
Charge for the year	267,289	1,355,826	460,160	632,098	2,715,373
Disposals	(16,957)	-	(50,416)	(1,063)	(68,436)
At 31 December 2016	<u>2,253,900</u>	<u>13,218,008</u>	<u>10,642,561</u>	<u>3,639,209</u>	<u>29,753,678</u>
<b>Net book value</b>					
At 31 December 2016	<u>7,330,106</u>	<u>15,077,050</u>	<u>934,539</u>	<u>2,514,041</u>	<u>25,855,736</u>
At 31 December 2015	<u>6,724,628</u>	<u>16,157,596</u>	<u>1,142,842</u>	<u>2,063,058</u>	<u>26,088,124</u>

# Academy Music Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

### 12 FIXED ASSET INVESTMENTS

Investment in  
subsidiary  
companies  
£

#### Company

Cost

At 1 January 2016 and 31 December 2016

516,266

#### Subsidiary undertakings

At 31 December 2016, except where indicated, the company held 100% of the issued share capital of the following companies:

Name	Principal activity	Country of company registration	Holdings	Holding
Academy Music Group Limited*	Management of music venues	England	Ordinary shares	100%
Electricland Limited	Holding company	England	Ordinary shares	100%
The Academy Music Fund Limited	Charitable fund	England	Limited by guarantee	N/A
Tecjet Limited*	Venue operator	Scotland	Ordinary shares	77.5%
ABC3 Limited*	Holding company	Scotland	Ordinary shares	100%
MAMA New Music Two Limited*	Holding company	England	Ordinary shares	100%

\* Companies where the share capital is held indirectly.

### 13 STOCKS

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Goods held for resale	537,956	575,706	-	-

Stock recognised in cost of sales during the year as an expense was £5,998,832 (2015 - £4,952,638)

### 14 DEBTORS

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	911,435	1,098,442	-	-
Amounts owed by group undertakings	1,488,940	1,727,292	-	-
Prepayments and accrued income	1,871,723	1,194,671	-	-
Other debtors	11,419	9,129	-	-
	4,283,517	4,029,534	-	-

All amounts owed to group undertakings are unsecured, non interest bearing and all are repayable on demand.

An impairment loss of £154,468 (2015 - £46,764) was recognised against trade debtors.

# Academy Music Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

### 15 CREDITORS: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Bank loans and overdraft (see note 17)	3,930,000	3,932,292	-	-
Trade creditors	1,611,055	1,337,663	-	-
Amounts owed to group undertakings	801,122	518,862	1,060,509	1,025,343
Corporation tax	280,698	219,181	-	-
Taxation and social security	1,692,217	1,743,789	-	-
Accruals and deferred income	4,120,520	4,755,636	-	-
Other creditors	6,493,307	5,707,189	-	-
	<u>18,928,919</u>	<u>18,214,612</u>	<u>1,060,509</u>	<u>1,025,343</u>

The bank loans and overdraft are secured by a fixed and floating charge over the assets of the group.

All amounts owed to group undertakings are unsecured, non interest bearing and repayable on demand.

### 16 CREDITORS: amounts falling due after more than one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Bank loans (see note 17)	21,345,036	26,731,201	-	-
Loan notes (see note 17)	12,667,480	12,520,037	-	-
Accruals and deferred income	65,135	73,031	-	-
	<u>34,077,651</u>	<u>39,324,269</u>	<u>-</u>	<u>-</u>

### 17 LOANS

Creditors include finance capital which is due for repayment as follows:

	2016	2015
	£	£
Amounts repayable:		
In one year or less	4,000,000	4,001,826
In more than one year but not more than two years	4,000,000	4,000,000
In more than two years but not more than five years	17,543,369	23,000,000
In more than five years	12,667,480	12,520,037
	<u>38,210,849</u>	<u>43,521,863</u>
Unamortised loan issue expenses within one year	(70,000)	(69,534)
Unamortised loan issue cost after more than one year	(198,333)	(268,799)
	<u>37,942,516</u>	<u>43,183,530</u>
Disclosed as:		
Loans falling due within one year	3,930,000	3,932,292
Loans falling due after more than one year	34,012,516	39,251,238
	<u>37,942,516</u>	<u>43,183,530</u>

# Academy Music Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

### 17 LOANS (CONTINUED)

The loan instruments at the end of the year comprise the following:

Loan notes of £10,637,176 which are due for repayment in August 2021 and accrued interest of £2,030,304.

In November 2015, the company underwent a refinancing of its bank loans. The old facility which was due to expire in February 2016 was replaced by a new 5 year £35,000,000 facility comprising of £25,000,000 loan note instrument repayable in quarterly £1,000,000 instalments with a final £5,000,000 instalment in November 2020 and a £10,000,000 revolving credit facility. During the year ended 31 December 2016, £4,456,631 was repaid leaving a balance on the loan note of instrument of £19,543,369. £6,000,000 of the revolver facility was drawn down at 31 December 2016.

Interest on these instruments is charged at normal commercial rates as agreed with the lenders from time to time. The bank loans are secured by a fixed and floating charge over the assets of the company and its subsidiary undertakings.

Interest payable on these floating rate facilities is periodically based on Libor plus a margin of between 1.15% to 2.75% depending on the financial ratios of the group at the time that the interest rates are set.

As at 31 December 2014, the company was entered into an interest rate swap arrangement with the counterparties to the old bank loans disclosed above. During the prior year, these interest rate swap agreements expired and no new arrangements were entered into.

### 18 DEFERRED GRANT INCOME

Government grants, included within accruals and deferred income, are receivable as follows:

	2016	2015
	£	£
Amounts repayable:		
In one year or less	8,600	8,600
In more than one year but not more than two years	8,600	8,600
In more than two years but not more than five years	25,800	25,800
In more than five years	26,510	35,110
	<u>69,510</u>	<u>78,110</u>



# Academy Music Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

### 19 PROVISIONS FOR LIABILITIES

#### Deferred taxation

Deferred taxation provided for at 19% (2015 - 19%) in the financial statements is set out below:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Deferred tax liability at 1 January 2016 / 2015	569,236	1,041,942	-	-
Income statement charge / (credit)	200,680	(420,608)	-	-
Changes in tax rates and laws	-	(52,098)	-	-
	<u>769,916</u>	<u>569,236</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Excess of capital allowances over depreciation	717,753	993,054	-	-
Short term timing differences	59,467	42,348	-	-
Pension costs	(7,304)	(2,461)	-	-
Losses transferred in	-	(429,780)	-	-
Depreciation in excess of capital allowances transferred in	-	(33,925)	-	-
	<u>769,916</u>	<u>569,236</u>	<u>-</u>	<u>-</u>

The amount of the net reversal of deferred tax expected to occur in 2017 is £365,000 relating to the reversal of existing timing differences on tangible fixed assets and short term timing differences.

Details of the deferred tax asset not provided in the accounts are given below:

	2016	2015
	£	£
Trade losses	-	(807,270)
Capital losses regarding business combinations	(265,959)	(138,881)
	<u>(265,959)</u>	<u>(946,151)</u>

There is no expiry date on these losses.

### 20 SHARE CAPITAL

	2016	2015
	£	£
<i>Allotted, called up and fully paid</i>		
440,811 "B" Ordinary shares of £0.50 each	220,406	220,406
559,189 "C" Ordinary shares of £0.50 each	279,594	279,594
	<u>500,000</u>	<u>500,000</u>

The "B" Ordinary shares and "C" Ordinary shares rank pari passu in all respects, except as stated below:

The holders of more than 50% of the "C" Ordinary shares are entitled to appoint two executive or non executive directors and a chairman by majority decision.

Any holder of 20% or more "B" Ordinary shares is entitled to appoint one non executive director.

# Academy Music Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

### 21 RESERVES

Called up share capital - represents the nominal value of shares that have been issued.

Profit and loss account - includes all current and prior periods retained profits and losses.

### 22 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under FRS 102 not to disclose transactions with group undertakings as a subsidiary which is 100% owned by its immediate parent undertaking.

S J Moran owns 184,649 "B" Ordinary shares in the company. Included within the group's turnover are venue hire fees of £704,352 (2015 - £1,021,278) from SJM Concerts Limited, a company in which S J Moran is a shareholder. Included within creditors at 31 December 2016 was a balance of £87,235 (2015 - £246,149) due to SJM Concerts Limited.

R B H Angus owns 120,000 "B" Ordinary shares in the company. R B H Angus also owns 100% of the share capital of Customblock Limited, which in turn own 120,000 "B" Ordinary shares in Academy Music Holdings Limited. Included within the group's turnover are venue hire fees of £205,947 (2015 - £344,183) from Metropolis Music Limited, a company controlled by R B H Angus. Included within creditors at 31 December 2016 was a balance of £nil (2015 - £nil) due to Metropolis Music Limited.

LN-Gaiety Holdings Limited controls 56% of the shares in the company. Included within the group's turnover are venue hire fees of £628,344 (2015 - £488,864) and sponsorship income of £5,921,012 (2015 - £5,309,316) from Live Nation (Music) UK Limited, the company that controls LN-Gaiety Holdings Limited. During the year Live Nation (Music) UK Limited charged Academy Music Group Limited £338,307 for management fees (2015 - £319,010). Included within debtors at 31 December 2016 was a balance of £1,591,998 (2015 - £1,227,383) due from Live Nation (Music) UK Limited. Included within creditors at 31 December 2016 an amount of £252,697 (2015 - £nil) due to Live Nation (Music) UK Limited.

LN-Gaiety Holdings Limited owns 10% of the shares in Festival Republic Limited. Included within turnover are venue hire fees of £4,875 (2015 - £488,864) from Festival Republic Limited. Included within debtors at 31 December 2016 is an amount of £1,200 (2015 - £nil) due from Festival Republic Limited.

LN-Gaiety Holdings Limited controls 78% of the shares in DF Concerts Limited. Included within turnover are venue hire fees of £226,612 (2015 - £205,917) from DF Concerts Limited. At the year end an amount of £57,778 (2015 - £12,012) was due to DF Concerts Limited.

Details of the related party transaction between MAMA New Music Limited and the group for the purchase of MAMA New Music Two Limited can be found in note 10.

### 23 CONTINGENCIES AND CAPITAL COMMITMENTS

The group has a cross guarantee for bank overdraft purposes with other group companies. All group companies are jointly and severally liable for the bank overdrafts outstanding at 31 December 2016.

The group has a group VAT registration and is therefore jointly and severally liable for all the other group companies' unpaid debts in this connection.

There were no other contingent liabilities or capital commitments as at 31 December 2016 or 31 December 2015.

# Academy Music Holdings Limited

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

### 24 LEASE COMMITMENTS

The total of future aggregate amounts of minimum lease payments under non-cancellable operating leases are as follows:

Group	Land and	Land and
	buildings	buildings
	2016	2015
	£	£
Operating lease which expire:		
Within one year	2,890,477	2,916,477
Between two and five years inclusive	11,388,273	11,688,505
After five years	31,883,055	34,235,904
	<u>46,161,805</u>	<u>48,840,886</u>

### 25 FINANCIAL RISK MANAGEMENT

The Group has exposure to three main areas of risk - liquidity risk, customer credit exposure and interest rate risk.

#### Liquidity risk

The objective of the Group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the Group has credit facilities available from group companies.

#### Customer credit exposure

The majority of revenue is received in advance of services being delivered, however the Group may offer credit terms to its customers which allow payment of the debt after delivery of the services. The Group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its floating rate borrowings as these are periodically based on the short-term interbank rate, Libor. The Group mitigates this risk using forecasting and financial modelling to assess the impact of any future changes in this rate.

### 26 ULTIMATE PARENT UNDERTAKING

The company's immediate parent company is LN-Gaiety Holdings Limited, a company incorporated in England and Wales.

The ultimate parent undertaking and ultimate controlling party of this company is Live Nation Entertainment Inc., incorporated in the state of Delaware, United States of America.

The largest group of undertakings for which group accounts have been drawn up is that headed by Live Nation Entertainment Inc. Copies of the consolidated financial statements for Live Nation Entertainment, Inc. are available from 9348 Civic Center Drive, Beverly Hills, California, 90210, United States of America.

The smallest group of undertakings for which group accounts have been drawn up is LN-Gaiety Holdings Limited, incorporated in England and Wales. Copies of the consolidated financial statements for LN-Gaiety Holdings Limited are available from 2nd Floor, Regent Arcade House, 19-25 Argyll Street, London, W1F 7TS.