

ACADEMY MUSIC GROUP LIMITED

Report and Financial Statements

31 December 2017

Registered No. 03463738



Academy Music Group Limited

COMPANY INFORMATION

DIRECTORS

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

SECRETARY

S Emeny

AUDITOR

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

BANKERS

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

REGISTERED OFFICE

211 Stockwell Road
London
SW9 9SL

Academy Music Group Limited

STRATEGIC REPORT for the year ended 31 December 2017

REVIEW OF THE BUSINESS

The principal activity of the company continues to be that of the management of music venues.

The profit for the financial year ended 31 December 2017 was £6,638,287 (2016 - restated profit of £5,155,542). A dividend of £nil was paid during the year (2016 -£nil).

As shown in the company's income statement on page 6, the company's turnover has increased by 10.7% over the prior year to £48,399,616 and the operating profit has increased by 32.27% over the prior year to £7,404,029.

The statement of financial position on page 7 shows the company's financial position at the year end. Net assets have increased by 22.0% to £36,789,842.

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.

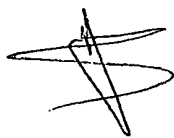
SUBSEQUENT EVENTS

In March 2018, the group underwent a refinancing of its bank loans. The old facility which was due to expire in November 2020 was replaced by a new 5 year £32,500,000 facility comprising of a £25,000,000 loan facility instrument repayable in quarterly instalments with a final £5,000,000 instalment in March 2023 and a £7,500,000 revolver credit facility. This entity is listed as a borrower and guarantor per the facilities agreement. The facilities are reflected in the financial statements of Electricland Limited and the consolidated financial statements of Academy Music Holdings Limited.

PRINCIPAL RISKS AND UNCERTAINTIES

Systems and procedures are in place to identify, assess and mitigate major business risks that could impact the company. Monitoring exposure to risk and uncertainty is an integral part of the company's structured management processes. The principal risks that the company faces are operational risk, competition, regulatory and legislative impacts, recruitment and retention of staff and maintenance of reputation, as well as financial risk (see note 24).

By order of the Board



J M Hands
Director

Date 12 April 2018

Academy Music Group Limited

DIRECTORS' REPORT

The directors who served during the year ended 31 December 2017 were as follows:

R B H Angus
S R Douglas
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 company in the foreseeable future.

GOING CONCERN

In March 2018, the group underwent a refinancing of its bank loans. The old facility which was due to expire in November 2020 was replaced by a new 5 year £32,500,000 facility comprising of a £25,000,000 loan facility instrument repayable in quarterly instalments with a final £5,000,000 instalment in March 2023 and a £7,500,000 revolver credit facility. This entity is listed as a borrower and guarantor per the facilities agreement. The facilities are reflected in the financial statements of Electricland Limited and the consolidated financial statements of Academy Music Holdings Limited.

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.

FINANCIAL RISK MANAGEMENT

The company forms part of a larger group and the principal risks and uncertainties facing it are therefore integrated with those facing the Live Nation group as a whole. Accordingly, the nature of risk and its management are further detailed in the Annual Review and accounts of Live Nation Entertainment, Inc. Group which are available from the Live Nation website (www.livenation.com).

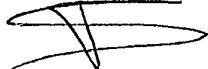
EMPLOYEE INVOLVEMENT AND EMPLOYMENT OF DISABLED PERSONS

The employees of the company 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 company. The company 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 endeavours to ensure continued employment.

AUDITOR

A resolution to re-appoint Grant Thornton UK LLP as the company'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 12 April 2018

Academy Music Group Limited

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 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. 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:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware.

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 Group Limited

Independent auditor's report to the members of Academy Music Group Limited

Opinion

We have audited the financial statements of Academy Music Group Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Income and Retained Earnings, Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Academy Music Group Limited

Independent auditor's report to the members of Academy Music Group Limited continued

Opinions 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Steven Leith (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP, Statutory Auditor, Chartered Accountants
London

Date: 12 April 2018

Academy Music Group Limited

STATEMENT OF INCOME STATEMENT AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 Restated £
TURNOVER	4	48,399,616	43,719,462
Cost of sales		(5,401,384)	(5,131,539)
GROSS PROFIT		42,998,232	38,587,923
Administrative expense		(35,594,203)	(32,990,449)
OPERATING PROFIT	5	7,404,029	5,597,474
Income from fixed asset investments		271,250	387,500
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAX		7,675,279	5,984,974
Interest receivable and similar income	7	332,330	34,763
Interest payable	8	(158,826)	(162,385)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		7,848,783	5,857,352
Tax on profit on ordinary activities	9	(1,210,496)	(701,810)
PROFIT FOR THE FINANCIAL YEAR		6,638,287	5,155,542
Retained profits at 1 January		28,123,196	22,967,654
Dividends paid	10	-	-
RETAINED PROFIT AT 31 DECEMBER		34,761,483	28,123,196

All the company'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 Group Limited

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	2017 £	2016 Restated £
FIXED ASSETS			
Intangible fixed asset	11	2,893,986	3,789,814
Tangible fixed assets	12	23,916,875	25,254,304
Investments	13	2,423,903	2,423,903
		<u>29,234,764</u>	<u>31,468,021</u>
CURRENT ASSETS			
Stocks	14	607,357	489,943
Debtors	15	21,946,620	7,802,672
Cash at bank and in hand		11,107,524	8,892,112
		<u>33,661,501</u>	<u>17,184,727</u>
CREDITORS: amounts falling due within one year	16	<u>(21,525,647)</u>	<u>(14,102,642)</u>
NET CURRENT ASSETS		<u>12,135,854</u>	<u>3,082,085</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>41,370,618</u>	<u>34,550,106</u>
CREDITORS: amounts falling due after more than one year	17	(59,213)	(65,135)
PROVISIONS FOR LIABILITIES	18	<u>(4,521,563)</u>	<u>(4,333,416)</u>
NET ASSETS		<u>36,789,842</u>	<u>30,151,555</u>
CAPITAL AND RESERVES			
Called up share capital	19	291,700	291,700
Share premium account		1,736,659	1,736,659
Profit and loss account		34,761,483	28,123,196
		<u>36,789,842</u>	<u>30,151,555</u>
EQUITY SHAREHOLDER'S FUNDS		<u>36,789,842</u>	<u>30,151,555</u>

Signed on behalf of the Board of Directors:



J M Hands
Director

Date 12 April 2018

Registered No. 03463738

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

Academy Music Group Limited

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

1 COMPANY INFORMATION

Academy Music Group 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 requirement to present a statement of cash flows and related notes; and

The requirement to disclose key management personnel compensation in total.

Accounting judgements and key sources of estimation uncertainty

In the preparation of the financial statements management make certain judgements that impact these statements. While these judgements are continually reviewed, the facts and circumstances underlying these judgements may change, resulting in a change to the estimate that could impact the results of the Company. In particular:

Useful lives and impairment of intangible assets

Intangible assets are amortised over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Management did a review of Intangible assets during the year and no impairment was deemed necessary.

Recoverability of trade debtors

An allowance for bad debt is netted off against trade debtors. The bad debt allowance requires management's best estimate of the recoverability of trade debtors. The recoverability of trade debtors is based on debtor payment trends and knowledge of the business.

Provision of liabilities

Provision is made for leasehold dilapidations. The provision requires management's best estimate of the costs that will be incurred based on legislative and contractual requirements per the leasehold contracts. In addition, the discount rates used to establish the net present value of the obligations requires management's judgement. The discount rate was calculated using management's best estimate using the credit default swap rates of comparable companies and the risk free rate for the region.

Change in accounting policy

The company recognised dilapidation liabilities on the leasehold properties for the first time in 2017. This change in accounting policy is due to a revision of the previous policy on provisions and a change in circumstances. The company is nearing expiry/renewal for some of the leases for the first time. Certain accounts have been restated for which details are set out in note 26.

Group financial statements

The company is exempt from preparing Group financial statements under Section 400 of the Companies Act 2006 as it is a wholly owned subsidiary undertaking. Accordingly, these financial statements present information about the company and not its group.

Academy Music Group Limited

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

3 PRINCIPAL ACCOUNTING POLICIES

Going concern

The company'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.

The company has net assets, is profit making and has a considerable cash balance. The company's forecasts project that it will continue to trade profitably and be in a strong liquidity position.

Based on the above, and the borrowing facilities the group has in place at the point of approval of the financial statements, 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.

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 company's principal activity and is predominantly generated in the UK. All show based turnover include ticket sales and bar sales and are recognised at the date of the applicable event. Turnover representing the value of services provided under contracts is phased equally over the duration of the contract at the value of the consideration due.

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 or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

Academy Music Group Limited

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

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.

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.

Operating leases

Rentals under operating lease are charged to the 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 income statement over the expected useful lives of the relevant assets by equal annual instalments.

Academy Music Group Limited

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised when a company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company 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.

Property dilapidations provision

A provision is made for obligations to reinstate leasehold properties to their former condition at the end of the lease provision or other potential exit dates. This is made in reference to surveyors' reports and internal property team's best estimate of the expenditure required to settle the obligation.

Taxation

Taxation expense for the year comprises current and deferred tax recognised in the year. Tax is recognised in the 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 company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

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.

Academy Music Group Limited

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

4 TURNOVER

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

5 OPERATING PROFIT

The profit on ordinary activities before taxation is stated after:

	2017	2016
	£	£
Depreciation of tangible fixed assets:		
owned by the company	2,790,036	2,637,502
Amortisation of intangible assets	895,828	892,831
(Gain) / loss on disposal of fixed assets	(428,733)	10,357
Fees payable to the company's auditor for the audit of the company's annual accounts	47,480	47,480
Fees payable to the company's auditor and its associates for other services:		
the audit of other group companies	14,520	14,520
Operating lease rentals - land and buildings	2,660,447	2,643,977

6 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2017	2016
	£	£
Wages and salaries	8,273,959	7,809,719
Social security costs	562,566	540,048
Pension costs	221,677	188,609
	<u>9,058,202</u>	<u>8,538,376</u>

The company operates a stakeholder defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pension provider.

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

	2017	2016
	Number	Number
Operations staff	171	182
Administrative staff	164	160
	<u>335</u>	<u>342</u>

Directors' emoluments included in the staff costs above are:

	2017	2016
	£	£
Emoluments, including benefits in kind	146,625	139,118
Pension contributions under defined contribution schemes	7,331	5,750
	<u>153,956</u>	<u>144,868</u>

During the year, 1 director received emoluments and benefits in respect of defined contribution pension schemes from the company (2016 - 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 2017 and 31 December 2016.

Academy Music Group Limited

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

7 INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£	£
Interest receivable on group undertaking loans	332,330	34,763
	<u>332,330</u>	<u>34,763</u>

8 INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	£	£
Interest payable on group undertaking loans	260	9,717
Change in accounting policy	158,566	152,668
	<u>158,826</u>	<u>162,385</u>

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge in the year

	2017	2016
	£	Restated £
Current tax:		
UK Corporation Tax on profit for the year	1,181,567	579,022
Adjustments in respect of previous years	(653)	(47,697)
Total current tax	<u>1,180,914</u>	<u>531,325</u>
Deferred tax:		
Origination and reversal of timing differences	(9,789)	181,141
Adjustments to the estimated recoverable amounts of deferred tax arising in previous years	39,371	(10,656)
Total deferred tax	<u>29,582</u>	<u>170,485</u>
Total tax charge for the year (note 9 (b))	<u>1,210,496</u>	<u>701,810</u>

Academy Music Group Limited

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

9 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

(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 19.25% (2016 - 20%) to the profit before tax is as follows:

	2017	2016
	£	£
Profit on ordinary activities before taxation	7,848,783	5,857,352
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	1,510,622	1,171,470
Effects of:		
Expenses not deductible for tax purposes	59,696	168,854
Group relief utilised	(433,937)	(446,064)
Difference in tax rates	2,069	(2,845)
Adjustments to deferred tax in respect of previous years	39,371	(10,656)
Adjustments to tax in respect of previous years	(653)	(47,697)
Change in unrecognised deferred tax assets	149,663	127,078
Transfer pricing adjustment	(116,335)	(258,330)
Total tax charge for the year (note 9 (a))	<u>1,210,496</u>	<u>701,810</u>

(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 20% to 19% from 1 April 2017.

A further reduction to the UK Corporation tax rate was enacted as part of the Finance Act 2016. As such the main rate will fall from 19% to 17% from 1 April 2020.

10 DIVIDENDS

	2017	2016
	£	£
Paid during the year	-	-

Dividends to the value of £35,000,000 were declared post year end (March 2018).

Dividends to the value of £550,000 were received post year end (March 2018).

Academy Music Group Limited

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

11 INTANGIBLE FIXED ASSETS

	Goodwill £	Venue use intangibles £	Total £
Cost:			
At 1 January 2017	1,667,817	3,155,701	4,823,518
At 31 December 2017	1,667,817	3,155,701	4,823,518
Amortisation:			
At 1 January 2017	289,886	743,818	1,033,704
Charge for year	256,582	639,246	895,828
At 31 December 2017	546,468	1,383,064	1,929,532
Net book value at 31 December 2017	1,121,349	1,772,637	2,893,986
Net book value at 31 December 2016	1,377,931	2,411,883	3,789,814

On 2 November 2015, Academy Music Group Limited entered into an agreement to purchase the business and assets of five concert venues from MAMA New Music Two Limited, a wholly owned subsidiary it 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 Group Limited

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

12 TANGIBLE FIXED ASSETS

	Freehold property and improvements	Leasehold property and improvements Restated	Plant and machinery	Fixtures and fittings	Total
	£	£	£	£	£
Cost:					
At 1 January 2017	9,584,006	27,388,374	11,040,624	5,797,839	53,810,843
Additions	148,478	2,460,424	448,723	351,249	3,408,874
Disposals	(2,096,000)	(372,600)	(5,330)	(26,743)	(2,500,673)
At 31 December 2017	7,636,484	29,476,198	11,484,017	6,122,345	54,719,044
Depreciation:					
At 1 January 2017	2,253,900	12,738,849	10,140,697	3,423,093	28,556,539
Charge for year	256,583	1,584,379	348,656	600,418	2,790,036
Disposals	(139,733)	(372,600)	(5,330)	(26,743)	(544,406)
At 31 December 2017	2,370,750	13,950,628	10,484,023	3,996,768	30,802,169
Net book value:					
At 31 December 2017	5,265,734	15,525,570	999,994	2,125,577	23,916,875
At 31 December 2016	7,330,106	14,649,525	899,927	2,374,746	25,254,304

The company's assets are held as security for the external banking facility of the Academy Music Holdings Group which the company is a subsidiary of.

Academy Music Group Limited

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

13 FIXED ASSET INVESTMENTS

	Investment in subsidiary companies £
Cost:	
At 1 January 2017	2,423,904
At 31 December 2017	<u>2,423,904</u>
Amounts provided:	
At 1 January 2017	<u>1</u>
At 31 December 2017	<u>1</u>
Net book value at 31 December 2017	<u>2,423,903</u>
Net book value at 31 December 2016	<u>2,423,903</u>

Subsidiary undertakings

The following are subsidiary undertakings of the company:

Name	Principal activity	Country of company registration	Registered Address	Holding
Tecjet Limited	Venue operator	Scotland	(2)	77.5%
ABC3 Limited	Holding company	Scotland	(2)	100%

Dissolved during the year

MAMA New Music Two Limited	Holding company	England and Wales	(1)	100%
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(1) 2nd Floor, Regent Arcade House, 19-25 Argyll Street, London, W1F 7TS

(2) Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ

On 2 November 2015, Academy Music Group Limited acquired 100% of the issued share capital of MAMA New Music Two Limited for consideration of £1, and immediately transferred the business and assets of that company to under the company's ownership directly. The investment cost has been impaired.

14 STOCKS

	2017 £	2016 £
Goods held for resale	<u>607,357</u>	<u>489,943</u>

Stock recognised in cost of sales during the year as an expense was £5,384,464 (2016 - £5,131,539)

Academy Music Group Limited

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

15 DEBTORS

	2017	2016
	£	£
Trade debtors	772,841	857,136
Amounts owed by group undertakings	19,159,065	5,168,970
Prepayments and accrued income	1,996,459	1,766,859
Other debtors	18,255	9,707
	<u>21,946,620</u>	<u>7,802,672</u>

Included within amounts owed by group undertakings falling due within one year is £18,269,362 (2016 - £3,681,215) of interest bearing loans. Interest is charged at 3month GBP LIBOR plus 3%. The remaining amounts are non-interest bearing. All amounts owed to group undertakings are unsecured.

An impairment loss of £202,654 (2015 - £146,804) was recognised against trade debtors.

16 CREDITORS: amounts falling due within one year

	2017	2016
	£	Restated £
Trade creditors	1,712,381	1,432,038
Amounts owed to group undertakings	898,037	936,287
Corporation tax	582,913	194,324
Taxation and social security	1,992,864	1,551,960
Accruals and deferred income	5,036,507	3,709,670
Other creditors	11,302,945	6,278,363
	<u>21,525,647</u>	<u>14,102,642</u>

Included within amounts owed to group undertakings falling due within one year is £nil (2016 - £245,976) of interest bearing loans. Interest is charged at 3month GBP LIBOR plus 3%. The remaining amounts are non-interest bearing. All amounts owed to group undertakings are unsecured.

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

	2017	2016
	£	£
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	17,910	26,510
	<u>60,910</u>	<u>69,510</u>

17 CREDITORS: amounts falling due after more than one year

	2017	2016
	£	£
Accruals and deferred income	59,213	65,135
	<u>59,213</u>	<u>65,135</u>

Academy Music Group Limited

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

18 PROVISIONS FOR LIABILITIES

	2017	2016 Restated
	£	£
Leasehold dilapidations (note 18 a)	4,468,886	4,310,321
Deferred taxation (note 18 b)	52,677	23,095
	<u>4,521,563</u>	<u>4,333,416</u>

(a) Leasehold dilapidations

	Restated £
At 1 January 2017	4,310,321
Unwind of discount on provisions – see note 8	158,565
	<u>4,468,886</u>

At 31 December 2017

(b) Deferred taxation

Deferred taxation provided for at 19% (2016 - 19%) in the financial statements is set out below:

	2017	2016 Restated
	£	£
Deferred tax liability / (asset) at 1 January	23,095	(147,390)
Income statement charge	29,582	170,485
	<u>52,677</u>	<u>23,095</u>

Deferred tax liability at 31 December

	2017	2016
	£	£
Capital allowances in excess of depreciation	742,122	678,685
Pension costs	(15,181)	(7,304)
Short term timing differences	(674,264)	(648,286)
	<u>52,677</u>	<u>23,095</u>

Provision for deferred tax liability

The amount of the net reversal of deferred tax expected to occur in 2018 is £349,000, 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:

	2017	2016
	£	£
Capital losses	(461,088)	(265,959)
	<u>(461,088)</u>	<u>(265,959)</u>

Deferred tax not provided at 19% (2016 - 19%)

Academy Music Group Limited

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

19 SHARE CAPITAL

	2017	2016	2017	2016
	Number	Number	£	£
<i>Allotted, called up and fully paid</i>				
Equity ordinary shares of £1 each	291,700	291,700	291,700	291,700

20 RESERVES

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

Share premium account - includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium.

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

21 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.

Included within turnover are venue hire fees of £1,521,986 (2016 - £704,352) from SJM Concerts Limited, a company in which S J Moran, a director, is the majority shareholder. Included within creditors at 31 December 2017 was a balance of £329,645 (2016 - £87,235) due to SJM Concerts Limited.

Included within turnover are venue hire fees of £57,320 (2016 - £205,947) from Metropolis Music Limited, a company controlled by RBH Angus, a director. Included within creditors at 31 December 2017 was a balance of £251 (2016 - £nil) due to Metropolis Music Limited.

LN-Gaiety Holdings Limited controls 56% of the shares in the group's parent company, Academy Music Holdings Limited. Included within turnover are venue hire fees of £808,510 (2016 - £628,344) and sponsorship income of £6,140,776 (2016 - £5,921,012) 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 £358,046 for management fees (2016 - £338,307). Included within debtors at 31 December 2017 was a balance of £1,652,050 (2016 - £1,591,998) due from Live Nation (Music) UK Limited. Included within creditors at 31 December 2017 is an amount of £444,799 (2016 - £252,697) 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 £13,000 (2016 - £4,875) from Festival Republic Limited. Included within debtors at 31 December 2017 is an amount of £19,382.66 (2016 - £1,200) 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 £239,795 (2016 - £226,612) from DF Concerts Limited. At the year end an amount of £144,340 (2016 - £57,778) was due to DF Concerts Limited.

Details of the related party transaction between MAMA New Music Limited and Academy Music Group Limited for the purchase of MAMA New Music Two Limited can be found in notes 11 and 13.

22 CONTINGENCIES AND CAPITAL COMMITMENTS

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

The company had no capital commitments and contingent liabilities at 31 December 2017 and 31 December 2016.

Academy Music Group Limited

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

23 OPERATING LEASE COMMITMENTS

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

	2017	2016	2017	2016
	Equipment	Equipment	Land and buildings	Land and buildings
	£	£	£	£
Operating lease which expire:				
Within one year	226,808	-	2,728,038	2,660,477
Between two and five years inclusive	797,128	-	10,269,178	10,468,273
After five years	-	-	25,472,525	27,819,722
	<u>1,023,936</u>	<u>-</u>	<u>38,469,741</u>	<u>40,948,472</u>

24 FINANCIAL RISK MANAGEMENT

The company has exposure to two main areas of risk - liquidity risk and customer credit exposure.

Liquidity risk

The objective of the company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The company 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 company has credit facilities available from group companies.

Customer credit exposure

The majority of revenue is received in advance of services being delivered, however the company may offer credit terms to its customers which allow payment of the debt after delivery of the services. The company 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.

25 ULTIMATE PARENT UNDERTAKING

The company's immediate parent company is Electricland 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 that headed by Academy Music Holdings Limited, incorporated in England and Wales. Copies of the consolidated financial statements for Academy Music Holdings Limited are available from 2nd Floor, Regent Arcade House, 19-25 Argyll Street, London, W1F 7TS.

Academy Music Group Limited

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

26 CHANGE IN ACCOUNTING POLICY

The following table summarises the adjustments made to the income statement and retained earnings and statement of financial position on implementation of the new accounting policy:

	Profit and loss	PROVISIONS FOR LIABILITIES: Leasehold dilapidations	PROVISIONS FOR LIABILITIES: Deferred tax	DEBTORS	Tangible fixed assets (Total)
	£	£	£	£	£
Balances as previously reported 31 December 2015	25,861,255	-	(531,357)	3,950,228	24,919,325
Impact from change in policy	(2,893,602)	(4,157,653)	678,746	-	585,305
Reclassification of Deferred tax to Debtors	-	-	(147,389)	147,389	-
Restated balance at 31 December 2015	22,967,653	(4,157,653)	-	4,097,617	25,504,630
Balances as previously reported 31 December 2016	31,140,459	-	(730,848)	7,802,672	24,669,000
Impact from change in policy (pre 1 January 2016 as above)	(2,893,602)	(4,157,653)	531,357	147,389	585,305
Impact from change in policy 2016	(123,661)	(152,668)	-	29,007	-
Reclassification of Deferred tax from Debtors to Provision for	-	-	176,396	(176,396)	-
Restated balance at 31 December 2016	28,123,196	(4,310,321)	(23,095)	7,802,672	25,254,305