

## The companies

1. This appendix provides financial information on the main parties. A chart is provided at the end of this appendix, which shows the group structure post-merger.

### Academy

2. Academy Music Holdings Ltd (Academy) is an owner and manager of live music and club venues in the UK. It has a small in-house promotions business, Academy Events, which promotes events at Academy venues only. Academy does not have a festivals business.

### Shareholders

3. Academy is currently owned by a mixture of private equity funds, investors involved in the industry, and management, as shown in Table 1.

TABLE 1 Shareholdings in Academy

	<i>A shares</i>	<i>B shares</i>	<i>C shares</i>	<i>% held</i>
<i>The managers</i>				
John Northcote	67,840	32,160		10.0
Patrick Marling	10,000			1.0
Steven Forster	10,000			1.0
<i>The promoters</i>				
Robert Angus		120,000		12.0
Gaiety Investments Ltd (Ireland)		120,000		12.0
Simon Moran		120,000		12.0
<i>The vendors</i>				
F&C Private Equity Fund			81,286	8.1
RL Private Equity Fund			418,744	41.9
RL Private Equity SBS Fund			9,970	1.0
Brian Mattingley			10,000	1.0
	87,840	392,160	520,000	100.0

Source: Academy.

4. The main private equity investor is a private equity fund management firm called RJD (formerly Royal London Private Equity). Its shares are held in two funds, RL Private

Equity Fund and RL Private Equity SBS Fund. The second private equity investor is F&C Private Equity Trust.

- Each class of share ranks at the same rate in terms of voting and on a winding up, although the directors appointed by the C shareholders (of which there are two, out of seven directors) have a casting vote on the board and must be present for board meetings to be quorate.

## **Financial performance**

### *Historical*

- Academy has four main revenue streams: bar sales, venue hire, other show revenue, and sponsorship. Other show revenue includes merchandising, ticket rebates, and any recharges such as extra security.
- Table 2 shows the revenue by year and type. Bar sales is the largest revenue stream, amounting to [X] per cent of revenue in FY05. Venue hire amounted to [X] per cent of Academy's revenues in FY05. Sponsorship revenue amounted to [X] per cent of Academy's revenues in FY05—[X] per cent of which is generated from Coors, the primary sponsor of the group.

TABLE 2 **Split of revenues by year and type, FY03 to FY05\***

	£'000			
	<i>FY03 Actual</i>	<i>FY04 Actual</i>	<i>FY05 Actual</i>	<i>FY06 Forecast</i>
Bar sales				
Venue hire				
Other show revenue				
Sponsorship			X	
Other income				
Total				

Source: Academy.

\*Academy has a 30 September year end, thus FY05 is the year ended 30 September 2005. The figures for FY05 have been adjusted from the audited accounts as the audited accounts for FY05 were for a 13-month period, whereas the information presented in this appendix is on an annual basis for easier comparability. Academy Events revenues are consolidated into the accounts of the venue at which the event occurred.

8. Bar sales provided the most gross contribution in FY05 in absolute terms, as shown in Table 3.

TABLE 3 **Gross contribution and percentages by revenue type, FY05**

	Revenue £'000	Gross contribution £'000	%
Bar sales			
Venue hire			
Sponsorship			
Other income			
Totals/overall percentage			

Source: Academy.

\*Other show revenue is included in venue hire.

9. Table 4 shows Academy's group profit and loss for the four years to FY06.

TABLE 4 **Summary profit and loss, FY03 to FY06**

	Actual FY03	Actual FY04	Actual FY05	Forecast FY06
Turnover	11,045	14,474	17,489	
Direct costs				
Gross contribution				
Gross contribution (%)				
Overheads				
EBITDA				
EBITDA (%)				
Depreciation and amortization				
EBIT				

Source: Academy.

### Strategy

10. The investment report prepared by RJD Partners in preparation for a refinancing in 2004 stated that [X].

### Financing and cash flow

11. Academy's cash flows have changed significantly since [X].

12. A summary balance sheet is shown in Table 5.

TABLE 5 Summary balance sheet for Academy as at 30 September 2005

	£'000
Fixed assets	37,496
Current assets	5,200
Creditors (due within 1 year)	-7,385
Net current liabilities	-2,185
Total assets less current liabilities	35,312
Creditors (due after more than 1 year)	-34,065
Provisions (deferred tax)	-1,155
Net assets	91

Source: Academy Music Holdings Limited report and accounts, year ended 30 September 2005.

### ***Related party transactions***

13. SJM Concerts Ltd, Metropolis Music Ltd (a subsidiary of Customblock Ltd, Robert Angus's company) and DF Concerts Ltd have all paid Academy venue hire fees. The basis for the pricing has been described as [X]. During the year ended 30 September 2005, amounts paid were £[X], £[X] and £[X] respectively.

14. Academy has bought services [X] from companies in the Live Nation group, all of which appear to be on a commercial basis. There are also two transactions regarding hire of Academy venues, by Live Nation and Mean Fiddler, which paid £[X] and £[X] respectively, at Academy's standard venue rental prices.

## **Live Nation in the UK**

### ***Historical financial performance***

#### *Venues*

15. Live Nation (Venues) UK Ltd is the Live Nation company that operates venues. The performance for the five years to 31 December 2005, as shown in its published accounts, is set out in Table 6.

TABLE 6 Live Nation (Venues) Ltd—performance for the five years to 31 December 2005

	£'000				
	2001	2002	2003	2004	2005
Turnover	56,147	53,389	50,522	53,133	53,473
Gross profit	33,451	34,213	33,673	35,941	35,780
Operating profit	−416	−8,416	3,430	8,795	5,079
Operating profit margin (%)	N/A	N/A	6.8	16.9	9.5

Source: Live Nation published accounts.

### Promotion

16. Live Nation (Music) UK Ltd is the Live Nation company that provides concert promotion services. The performance for the five years to 31 December 2005, as shown in its published accounts, is set out in Table 7. All its turnover relates to concert promotion (including festivals). It also holds a 50.1 per cent share in Hamsard.

TABLE 7 Live Nation (Music) Ltd—performance for the five years to 31 December 2005

	£'000				
	2001	2002	2003	2004	2005
Turnover	30,931	56,976	75,145	72,292	104,067
Gross profit	2,134	5,951	3,307	8,694	11,008
Operating profit/loss	2,018	1,450	−2,569	204	3,141
Operating profit margin (%)	6.5	2.5	N/A	0.28	3.0

Source: Live Nation published accounts.

### Hamsard/Mean Fiddler

17. Hamsard was incorporated on 30 December 2004 and acquired the Mean Fiddler Music Group PLC in February 2005. Its shares are owned by Live Nation (Music) UK Limited (50.1 per cent) and Gaiety Investments Limited (Ireland) (49.9 per cent). The Hamsard shareholders' agreement dated 8 April 2005 sets out the manner in which Live Nation and Gaiety manage the Hamsard business jointly.<sup>1</sup>

<sup>1</sup>[8]

18. Hamsard has interests in the concerts, festivals, touring, and venue management business, although it owns no venues directly. Its venues and festivals businesses are run separately. It has not yet published any accounts.

TABLE 8 Forecast performance for Hamsard, year ended 31 December 2006

	£'000	
	Venues	Festivals
Revenues Variable expense Contribution margin Fixed expense EBITDA D&A EBIT	<div style="font-size: 4em; line-height: 1;">(</div> <div style="font-size: 2em; line-height: 1; display: inline-block; vertical-align: middle;">✂</div> <div style="font-size: 4em; line-height: 1;">)</div>	

Source: Hamsard.

### **Music agency services**

19. Live Nation provides music agency services. International Talent Booking Limited (ITB) is a wholly-owned subsidiary of Gricind Limited (Gricind). In the year ended 31 December 2005, Gricind generated turnover and operating profits of £4.6 million and £1 million respectively.
20. Live Nation used to own a number of agency businesses under the 'Solo' banner. These companies were sold on 31 December 2005.

### **Future strategy**

21. Live Nation told us that Hamsard [✂].

### **Gaiety**

22. Gaiety is an Irish company owned by Mr Denis Desmond and his wife Caroline Downey. It holds a 12 per cent share in Academy and a 49.9 per cent share in

Hamsard. In the year ended 31 March 2004 it generated overall turnover of €37.6 million (£26.1 million) and operating profit of €6.2 million (£4.3 million).<sup>2</sup>

23. In the UK Gaiety is active in:
- (a) promoting live music events in Scotland, through its 67-per-cent-owned subsidiary DF Concerts Ltd;
  - (b) ticket agency, through its 67-per-cent-owned subsidiary Deadwood Tickets Ltd;
  - (c) promotion and organization of the T in the Park festival, through its 67-per-cent-owned subsidiary Big Day Out Ltd;
  - (d) venue management through its 67 per cent ownership (via its subsidiary, Bar None Management Ltd) of King Tuts Wah Wah Hut; and
  - (e) promotion and organization of musical entertainment, through two 34-per-cent-owned subsidiaries, Maztec Ltd and Roseclaim Ltd.<sup>3</sup>
24. Gaiety told us that it operated the promotions and venue management businesses separately.

### ***Gaiety's strategy***

25. Gaiety's strategy in relation to venues, promotion and festivals in the UK is to [✂].

### ***DF Concerts Ltd***

26. Gaiety acquired its 67 per cent shareholding in DF Concerts in July 2001. The remaining 33 per cent is owned by Simon Moran. For the 15 months ended 31 March 2005 DF Concerts generated turnover of £10.5 million (£8.1 million of which came from ticket sales) and operating profits of £118,000.

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<sup>2</sup>At an average exchange rate for the year of 1.439 euros to the pound. This includes substantial amounts of non-UK turnover.

<sup>3</sup>For the 67-per-cent-owned companies, the remaining 33 per cent is held by Simon Moran. For the two 34-per-cent-owned companies, the remaining shares are held equally (33 per cent) by Simon Moran and Robert Angus.

### ***Deadwood Tickets Ltd***

27. Deadwood Tickets is owned 67 per cent by Gaiety and 33 per cent by Simon Moran. In the 15 months to 31 March 2005 it generated turnover of £273,000 and made an operating loss of £99,000.

### ***Big Day Out Ltd***

28. Big Day Out Ltd is owned 67 per cent by Gaiety and 33 per cent by Simon Moran. In the 15 months to 31 March 2005 it generated turnover of £5.8 million and made an operating profit of £217,000.

### ***Bar None Management Ltd***

29. Bar None Management is owned 67 per cent by Gaiety and 33 per cent by Simon Moran. In the 15 months to 31 March 2005 it generated turnover of £750,000 and made an operating profit of £35,000.

### ***Roseclaim Limited***

30. Roseclaim Limited is owned by Denis Desmond (34 per cent), Simon Moran, and Robert Angus (33 per cent each). In the year ended 30 November 2005, it generated turnover of £8.7 million (£5.8 million of which came from ticket sales) and an operating loss of £146,000.

### ***Maztec Limited***

31. Maztec Limited is owned in the same proportions as Roseclaim Limited. In the year ended 31 December 2005, it generated turnover of £7.9 million and an operating loss of £126,000.

Group structure chart (post-merger)

