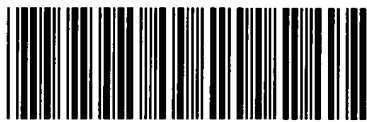


COMPANY REGISTRATION NUMBER: 02749258

**ACCESS TO MUSIC LIMITED
FINANCIAL STATEMENTS
31 JULY 2018**

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ACCESS TO MUSIC LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2018

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ACCESS TO MUSIC LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

JH Taylor
DR Powell
A Armstrong

Registered office

Heath Mill Studios
68 Heath Mill Lane
Digbeth
Birmingham
B9 4AR

Business address

26 Hulme Street
Manchester
M1 5BW

Auditor

DPC Accountants Limited
Chartered accountants & statutory auditor
Vernon Road
Stoke on Trent
Staffordshire
ST4 2QY

Bankers

Royal Bank of Scotland plc
38 Mosley Street
Manchester
M60 2BE

ACCESS TO MUSIC LIMITED

STRATEGIC REPORT

YEAR ENDED 31 JULY 2018

The directors present their strategic report for the year ended 31 July 2018.

Review of the business

The company's principal activities during the year continued to be state funded educational and vocational training provision, mainly in the subject areas of music and related creative industries.

On December 19th 2017, Armstrong Learning Limited (the company's parent company) acquired 100% of the share capital of Coaching Connexions Limited, who were a previous sub-contractor of Access to Music Limited specialising in the Sports curriculum area. This acquisition enables extra capacity within the Group to maintain double digit ESFA learner growth.

The key financial and other performance indicators during the year were as follows:

| | 2018 £ | 2017 £ | Change % |
|--|------------|------------|-------------|
| Turnover | 13,603,668 | 11,347,355 | 19.88 |
| Operating profit | 222,735 | 602,920 | (63.06) |
| Profit after tax | 348,151 | 742,444 | (53.10) |
| Equity shareholders' funds | 7,785,438 | 7,681,634 | 1.50 |
| Education Funding agency (EFA) Learner numbers | 2,625 | 2,372 | 10.67 |

Turnover increased by 19.88% during the year due to a refocus on core 16-18 Further Education activities.

Total operating profit decreased 63.06% during the year as a result of the strategic decision to grow 16-18 learner numbers over the EFSA funding allocation and by taking on one strategic sub-contract delivery partner. This decision will unwind in 18/19 and beyond as lagged EFSA funding is recognised.

Profit after tax decreased by 53.10% during the year due to the lower operating profit.

Shareholders' funds increased by 1.35% during the year after a dividend paid of £200,000 and the retained earnings in the year.

EFA learner numbers is a key indicator given the fixed rate income received by the Government for each learner. Growth is also capped in the year to a maximum of £1m so any over-delivery of learners in excess of the cap is expected to be funded by the provider in full. During the year ESFA learner numbers increased 10.7% as the strategic approach to focus on this provision was realised. Due to the 'lagged' funding method of the ESFA, the related turnover increase from these extra learners will be crystallised in year ending July 2019.

At the time of report writing the learner numbers in the current year have exceeded budget and will result in nearly £2.1m of over-delivery in 2019.

Principal risks and uncertainties

Competitive Risks

The availability of funding from the ESFA is by specific contract with high barriers to entry. As the largest ILP in England we are well placed to maintain our market share in core music provision courses while also expanding into new curriculum areas of Digital, Games Design and Sports.

ACCESS TO MUSIC LIMITED

STRATEGIC REPORT *(continued)*

YEAR ENDED 31 JULY 2018

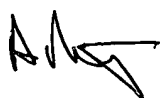
Legislative Risks

The core ESFA contracts are Government led and therefore open to change between parliamentary terms. It is not expected that any significant change will happen to 16-18 year old funding from the EFA over the next three years.

Exposure to price, credit, liquidity and cash flow risk

The national funding formula for 16-18 year olds can be reviewed annually with rate changes and cash receipt dates open to review. These are still set annually in advance for the year so impacts can be planned well in advance and risks mitigated.

This report was approved by the board of directors on 11 April 2019 and signed on behalf of the board by:



A Armstrong
Director

ACCESS TO MUSIC LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 JULY 2018

The directors present their report and the financial statements of the company for the year ended 31 July 2018.

Directors

The directors who served the company during the year were as follows:

JH Taylor
DR Powell
A Armstrong

Dividends

Particulars of recommended dividends are detailed in note 13 to the financial statements.

Future developments

Likely future developments in the business of the entity have been disclosed in the strategic report of the consolidated financial statements.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 28 to the financial statements.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Disclosure of information in the strategic report

The company has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the company's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The strategic report can be found on page 2 of these financial statements.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the company and the profit or loss of the company for that period.

ACCESS TO MUSIC LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 JULY 2018

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 11 April 2019 and signed on behalf of the board by:



A Armstrong
Director

ACCESS TO MUSIC LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCESS TO MUSIC LIMITED

YEAR ENDED 31 JULY 2018

Opinion

We have audited the financial statements of ACCESS TO MUSIC LIMITED (the 'company') for the year ended 31 July 2018 which comprise the statement of income and retained earnings, statement of financial position and the related notes, 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 FRS 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 July 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

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.

ACCESS TO MUSIC LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCESS TO MUSIC LIMITED *(continued)*

YEAR ENDED 31 JULY 2018

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

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 have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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.

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.

ACCESS TO MUSIC LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCESS TO MUSIC LIMITED *(continued)*

YEAR ENDED 31 JULY 2018

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

ACCESS TO MUSIC LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCESS TO MUSIC LIMITED *(continued)*

YEAR ENDED 31 JULY 2018

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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.



Valerie Wood (Senior Statutory Auditor)

For and on behalf of
DPC Accountants Limited
Chartered accountants & statutory auditor
Vernon Road
Stoke on Trent
Staffordshire
ST4 2QY

14th April 2019

ACCESS TO MUSIC LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

YEAR ENDED 31 JULY 2018

| | Note | 2018 £ | 2017 £ |
|---|------|------------------|------------------|
| Turnover | 4 | 13,603,668 | 11,347,355 |
| Cost of sales | | (9,970,696) | (7,776,932) |
| Gross profit | | <u>3,632,972</u> | <u>3,570,423</u> |
| Administrative expenses | | (3,421,237) | (2,978,503) |
| Other operating income | 5 | 11,000 | 11,000 |
| Operating profit | 6 | <u>222,735</u> | <u>602,920</u> |
| Other interest receivable and similar income | 10 | 147,071 | 141,957 |
| Interest payable and similar expenses | 11 | (21,655) | (2,433) |
| Profit before taxation | | <u>348,151</u> | <u>742,444</u> |
| Tax on profit | 12 | (44,347) | (131,435) |
| Profit for the financial year and total comprehensive income | | <u>303,804</u> | <u>611,009</u> |
| Dividends paid and payable | 13 | (200,000) | – |
| Retained earnings at the start of the year | | <u>7,681,632</u> | <u>7,070,623</u> |
| Retained earnings at the end of the year | | <u>7,785,436</u> | <u>7,681,632</u> |

All the activities of the company are from continuing operations.

The notes on pages 12 to 24 form part of these financial statements.

ACCESS TO MUSIC LIMITED
STATEMENT OF FINANCIAL POSITION
31 JULY 2018

| | Note | 2018 £ | 2017 £ |
|--|------|------------------|------------------|
| Fixed assets | | | |
| Tangible assets | 14 | 1,639,820 | 1,262,115 |
| Investments | 15 | 2 | 2 |
| | | <u>1,639,822</u> | <u>1,262,117</u> |
| Current assets | | | |
| Debtors | 16 | 7,502,951 | 7,454,254 |
| Cash at bank and in hand | | <u>1,710,475</u> | <u>931,455</u> |
| | | 9,213,426 | 8,385,709 |
| Creditors: amounts falling due within one year | 17 | (2,271,045) | (1,636,740) |
| Net current assets | | <u>6,942,381</u> | <u>6,748,969</u> |
| Total assets less current liabilities | | 8,582,203 | 8,011,086 |
| Creditors: amounts falling due after more than one year | 18 | (703,932) | (242,000) |
| Provisions | 20 | <u>(92,833)</u> | <u>(87,452)</u> |
| Net assets | | <u>7,785,438</u> | <u>7,681,634</u> |
| Capital and reserves | | | |
| Called up share capital | 23 | 2 | 2 |
| Profit and loss account | 24 | <u>7,785,436</u> | <u>7,681,632</u> |
| Shareholders funds | | <u>7,785,438</u> | <u>7,681,634</u> |

These financial statements were approved by the board of directors and authorised for issue on 11 April 2019, and are signed on behalf of the board by:



A Armstrong
 Director

Company registration number: 02749258

The notes on pages 12 to 24 form part of these financial statements.

ACCESS TO MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2018

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Heath Mill Studios, 68 Heath Mill Lane, Digbeth, Birmingham, B9 4AR. The principal activity of the company is to provide a range of state funded education and vocational training, mainly in the subject areas of music and related creative industries.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements are prepared in sterling, which is the functional currency of the entity.

The financial statements are prepared under the historical cost basis.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Martinez Investments Limited which can be obtained from 26 Hulme Street, Manchester, M1 5BW. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.

Grants received

Grants relating to capital expenditure on tangible assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grants relate.

Dilapidation costs

Provision has been made at the year end for the cost of dilapidations which resulted from events prior to the Balance sheet date. Provision has also been made for one third of the dilapidation costs that will be due on leases which expire within three years of the Balance Sheet date. This will be reviewed annually by the directors.

Employee benefits

The company provides a range of benefits to employees.

Short term benefits, including holiday pay, are recognised as an expense in the profit and loss account in the period in which they are incurred.

Research and development

Research expenditure is written off in the period in which it is incurred.

ACCESS TO MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JULY 2018

3. Accounting policies *(continued)*

Changes in accounting estimates

On 1 August 2017 the directors reviewed the useful economic life of the fixtures and fittings. The useful economic life is considered to be three years from the date of purchase. The depreciation policy was changed from 20% straight line to 33% straight line and this has been applied prospectively. The director believes this to be a more accurate representation of the useful economic life.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

As described in the accounting policies of the financial statements, depreciation of tangible fixed assets has been based on estimated useful lives and residual values deemed appropriate by the directors. Estimated useful lives and residual values are reviewed annually and revised as appropriate. Revisions take into account actual asset lives and residual values as evidence by disposals during current and prior accounting periods.

Revenue recognition

Turnover represents income receivable for goods and services provided in the period, exclusive of Value Added Tax and trade discounts. Turnover is recognised in the academic year to which it relates.

Corporation tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that 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 the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

ACCESS TO MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JULY 2018

3. Accounting policies *(continued)*

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

| | | |
|-----------------------|---|------------------------------|
| Leasehold property | - | over the period of the lease |
| Instruments | - | Straight line over 5 years |
| Fixtures and fittings | - | Straight line over 3 years |
| Motor vehicles | - | 25% reducing balance |

Expenditure on assets is capitalised if individual items exceed £1,000 or where the combined cost of groups of related assets purchased for specific projects exceeds £1,000.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

ACCESS TO MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JULY 2018

3. Accounting policies *(continued)*

Impairment of fixed assets *(continued)*

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

ACCESS TO MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JULY 2018

3. Accounting policies *(continued)*

Financial instruments *(continued)*

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

| | 2018 | 2017 |
|-----------------------|------------|------------|
| | £ | £ |
| Rendering of services | 13,603,668 | 11,347,355 |

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Other operating income

| | 2018 | 2017 |
|------------------------|--------|--------|
| | £ | £ |
| Other operating income | 11,000 | 11,000 |

6. Operating profit

Operating profit or loss is stated after charging:

| | 2018 | 2017 |
|---------------------------------|---------|---------|
| | £ | £ |
| Depreciation of tangible assets | 434,842 | 296,809 |

7. Auditor's remuneration

| | 2018 | 2017 |
|--|--------|--------|
| | £ | £ |
| Fees payable for the audit of the financial statements | 31,030 | 14,000 |

ACCESS TO MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JULY 2018

8. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

| | 2018 | 2017 |
|-----------------------|------|------|
| | No. | No. |
| Total number of staff | 225 | 206 |

The aggregate payroll costs incurred during the year, relating to the above, were:

| | 2018 | 2017 |
|-----------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 4,838,487 | 4,459,048 |
| Social security costs | 425,940 | 381,964 |
| Other pension costs | 93,879 | 149,012 |
| | <u>5,358,306</u> | <u>4,990,024</u> |

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

| | 2018 | 2017 |
|---|----------------|----------------|
| | £ | £ |
| Remuneration | 196,432 | 197,928 |
| Company contributions to defined contribution pension plans | 55,277 | 55,330 |
| | <u>251,709</u> | <u>253,258</u> |

The number of directors who accrued benefits under company pension plans was as follows:

| | 2018 | 2017 |
|----------------------------|------|------|
| | No. | No. |
| Defined contribution plans | 2 | 2 |

10. Other interest receivable and similar income

| | 2018 | 2017 |
|-----------------------------------|----------------|----------------|
| | £ | £ |
| Interest from group undertakings | 146,834 | 141,957 |
| Corporation tax interest received | 237 | - |
| | <u>147,071</u> | <u>141,957</u> |

11. Interest payable and similar expenses

| | 2018 | 2017 |
|--|---------------|--------------|
| | £ | £ |
| Interest on banks loans and overdrafts | 9,754 | - |
| Other interest payable and similar charges | 11,901 | 2,433 |
| | <u>21,655</u> | <u>2,433</u> |

ACCESS TO MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JULY 2018

12. Tax on profit

Major components of tax expense

| | 2018 £ | 2017 £ |
|--|---------------|----------------|
| Current tax: | | |
| UK current tax expense | 57,000 | 133,004 |
| Adjustments in respect of prior periods | (18,034) | 9,434 |
| Total current tax | <u>38,966</u> | <u>142,438</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | 5,381 | (11,003) |
| Tax on profit | <u>44,347</u> | <u>131,435</u> |

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 19%).

| | 2018 £ | 2017 £ |
|--|----------------|----------------|
| Profit on ordinary activities before taxation | <u>348,151</u> | <u>742,444</u> |
| Profit on ordinary activities by rate of tax | 66,149 | 141,064 |
| Effect of expenses not deductible for tax purposes | (592) | 1,788 |
| Effect of capital allowances and depreciation | (1,551) | (550) |
| Effect of different UK tax rates on some earnings | – | 4,503 |
| Over/under provision in prior year | (18,034) | 9,434 |
| Group relief | (1,625) | (24,804) |
| Tax on profit | <u>44,347</u> | <u>131,435</u> |

13. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

| | 2018 £ | 2017 £ |
|----------------------------|----------------|-----------|
| Dividends on equity shares | <u>200,000</u> | <u>–</u> |

ACCESS TO MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JULY 2018

14. Tangible assets

| | Long leasehold property £ | Plant and machinery £ | Fixtures and fittings £ | Motor vehicles £ | Total £ |
|------------------------|------------------------------------|-----------------------------|-------------------------------|------------------------|------------------|
| Cost | | | | | |
| At 1 August 2017 | 2,570,958 | 383,372 | 1,332,678 | 5,840 | 4,292,848 |
| Additions | 313,463 | – | 393,988 | 105,096 | 812,547 |
| At 31 July 2018 | <u>2,884,421</u> | <u>383,372</u> | <u>1,726,666</u> | <u>110,936</u> | <u>5,105,395</u> |
| Depreciation | | | | | |
| At 1 August 2017 | 1,544,082 | 356,243 | 1,124,568 | 5,840 | 3,030,733 |
| Charge for the year | 255,638 | 12,441 | 156,213 | 10,550 | 434,842 |
| At 31 July 2018 | <u>1,799,720</u> | <u>368,684</u> | <u>1,280,781</u> | <u>16,390</u> | <u>3,465,575</u> |
| Carrying amount | | | | | |
| At 31 July 2018 | <u>1,084,701</u> | <u>14,688</u> | <u>445,885</u> | <u>94,546</u> | <u>1,639,820</u> |
| At 31 July 2017 | <u>1,026,876</u> | <u>27,129</u> | <u>208,110</u> | – | <u>1,262,115</u> |

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

| | Motor vehicles £ |
|------------------------|------------------------|
| At 31 July 2018 | <u>94,579</u> |
| At 31 July 2017 | – |

15. Investments

| | Shares in group undertakings £ |
|-----------------------------------|---|
| Cost | |
| At 1 August 2017 and 31 July 2018 | <u>2</u> |
| Impairment | |
| At 1 August 2017 and 31 July 2018 | <u>–</u> |

ACCESS TO MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JULY 2018

15. Investments *(continued)*

| | Shares in group undertakings £ |
|------------------------------------|---|
| Carrying amount At 31 July 2018 | 2 |
| At 31 July 2017 | <u>2</u> |

The company owns 100% of the ordinary issued share capital of Live Atom Limited, a company incorporated in England and Wales. The company was dormant during the year.

16. Debtors

| | 2018 £ | 2017 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | 59,454 | 101,573 |
| Amounts owed by group undertakings | 5,307,807 | 5,135,750 |
| Prepayments and accrued income | 257,153 | 689,802 |
| Directors loan account | 1,476,067 | 1,209,627 |
| Other debtors | 402,470 | 317,502 |
| | <u>7,502,951</u> | <u>7,454,254</u> |

The debtors above include the following amounts falling due after more than one year:

| | 2018 £ | 2017 £ |
|------------------------------------|------------------|------------------|
| Amounts owed by group undertakings | <u>5,041,310</u> | <u>4,873,852</u> |

The company charges 3% interest per annum on the amounts due from group undertakings.

17. Creditors: amounts falling due within one year

| | 2018 £ | 2017 £ |
|--|------------------|------------------|
| Bank loans and overdrafts | 334,915 | – |
| Trade creditors | 662,442 | 520,178 |
| Accruals and deferred income | 1,035,091 | 916,409 |
| Corporation tax | 50,029 | 63,023 |
| Social security and other taxes | 163,514 | 118,358 |
| Obligations under finance leases and hire purchase contracts | 9,549 | – |
| Other creditors | 15,505 | 18,772 |
| | <u>2,271,045</u> | <u>1,636,740</u> |

An unlimited inter-company guarantee exists between the company and Armstrong Learning Limited; Armstrong Works Limited; Live Atom Limited; and The British Academy Of New Music Limited.

ACCESS TO MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JULY 2018

17. Creditors: amounts falling due within one year *(continued)*

A Debenture dated 6 February 2009 in favour of the Royal Bank of Scotland exists over the property and assets of the company.

The bank loan is repayable over three years by monthly instalments. The interest rate is 2.75% above LIBOR.

18. Creditors: amounts falling due after more than one year

| | 2018 | 2017 |
|--|----------------|----------------|
| | £ | £ |
| Bank loans and overdrafts | 394,254 | – |
| Accruals and deferred income | 231,000 | 242,000 |
| Obligations under finance leases and hire purchase contracts | 78,678 | – |
| | <u>703,932</u> | <u>242,000</u> |

Deferred income relates to a government grant received that is being recognised over 30 years.

19. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

| | 2018 | 2017 |
|--|---------------|----------|
| | £ | £ |
| Not later than 1 year | 12,082 | – |
| Later than 1 year and not later than 5 years | 80,704 | – |
| | <u>92,786</u> | <u>–</u> |
| Less: future finance charges | (4,559) | – |
| Present value of minimum lease payments | <u>88,227</u> | <u>–</u> |

20. Provisions

| | Deferred tax (note 21) £ |
|------------------|--------------------------------|
| At 1 August 2017 | 87,452 |
| Additions | 5,381 |
| At 31 July 2018 | <u>92,833</u> |

ACCESS TO MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JULY 2018

21. Deferred tax

The deferred tax included in the statement of financial position is as follows:

| | 2018 | 2017 |
|----------------------------------|---------------|---------------|
| | £ | £ |
| Included in provisions (note 20) | <u>92,833</u> | <u>87,452</u> |

The deferred tax account consists of the tax effect of timing differences in respect of:

| | 2018 | 2017 |
|--------------------------------|---------------|---------------|
| | £ | £ |
| Accelerated capital allowances | <u>92,833</u> | <u>87,452</u> |

22. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £93,879 (2017: £149,012).

23. Called up share capital

Issued, called up and fully paid

| | 2018 | | 2017 | |
|----------------------------|-------------|-------------|----------|-------------|
| | No. | £ | No. | £ |
| Ordinary shares of £1 each | <u>2</u> | <u>2.00</u> | <u>2</u> | <u>2.00</u> |

24. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

25. Capital commitments

There were none, either contracted, or authorised but not contracted.

26. Operating leases

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

| | 2018 | 2017 |
|--|------------------|------------------|
| | £ | £ |
| Not later than 1 year | 607,428 | 397,191 |
| Later than 1 year and not later than 5 years | 724,227 | 838,530 |
| Later than 5 years | <u>244,589</u> | <u>213,462</u> |
| | <u>1,576,244</u> | <u>1,449,183</u> |

27. Contingencies

The company guarantees bank borrowings of fellow group companies. The liabilities of the group covered by these guarantees totalled £Nil (2017: £Nil).

ACCESS TO MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JULY 2018

28. Events after the end of the reporting period

After the year end but before the approval of the financial statements, the company settled the existing bank loan and took out a new bank loan of £2,000,000. The new bank loan is repayable over five years by monthly instalments at an interest rate of 2.75 above LIBOR.

There were no further material events up to 11 April 2019, being the date of approval of the financial statements by the Board.

29. Directors' advances, credits and guarantees

During the year the directors entered into the following advances and credits with the company:

| | 2018 | | |
|-------------|-------------------------|--------------------------------------|---------------------|
| | Balance brought forward | Advances/ (credits) to the directors | Balance outstanding |
| | £ | £ | £ |
| A Armstrong | <u>1,209,627</u> | <u>266,440</u> | <u>1,476,067</u> |
| | | | |
| | 2017 | | |
| | Balance brought forward | Advances/ (credits) to the directors | Balance outstanding |
| | £ | £ | £ |
| A Armstrong | <u>1,017,054</u> | <u>192,573</u> | <u>1,209,627</u> |

By virtue of the loan account, an additional liability to taxation exists under section 455 of CTA 2010 in the sum of £86,593 which will be repaid or discharged when the loan is repaid. The loan will not be repaid within nine months of the year end and so the additional section 455 tax of £86,593 has been provided for.

ACCESS TO MUSIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

YEAR ENDED 31 JULY 2018

30. Related party transactions

Details of the transactions between fellow group companies have not been disclosed in line with paragraph 33.1A of FRS102.

During the year, transactions took place with the following related parties:

i) DSR Investments Pension Scheme, a connected party

The two parties are connected because A Armstrong, the company director, is a trustee of the pension scheme. £27,500 was due to the connected party at the start of the year. During the year the company was charged rent of £56,250 to the pension scheme on an arms length basis, and paid £83,750. £nil was due to the connected party at the end of the year.

ii) Armstrong Learning SSAS, a connected company

The two parties are connected because A Armstrong, the company director, is a trustee of the pension scheme. £23,125 was due to the connected party at the start of the year. During the year the company was charged rent of £18,500 by the pension scheme on an arms length basis, and paid £41,625. £nil was due to the connected party at the end of the year.

31. Controlling party

The parent company is Armstrong Learning Limited which owned all of the issued share capital of the company throughout the current and prior year. Armstrong Learning Limited was incorporated in England and Wales.

The ultimate parent company is Martinez Investments Limited, a company incorporated in England and Wales, and is the only group company that prepares consolidated financial statements, including the accounts of the company, which are available from beta.companieshouse.gov.uk.

The ultimate controlling party is A Armstrong by virtue of his majority shareholding in the ultimate parent company.