Company Registration Number: 8812704

Galaxy Midco Limited

Report and Financial Statements

2 February 2020

Company Information

Directors
G M Manson
I A Watson
A B Griggs

Auditors
RSM UK Audit LLP
9th Floor
3 Hardman Street
Manchester M3 3EB

Bankers
HSBC
4 Hardman Square
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Manchester M3 3EB

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Solicitors
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Atlantic House
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Registered Office
2 Peel Road
West Pimbo
Skelmersdale
Lancashire WN8 9PT
United Kingdom

Strategic report

The directors present their strategic report and the financial statements for the for the 53 weeks ended 2 February 2020.

Principal activities and review of the business

The company has acted as a parent undertaking during the period.

At the period end the company had a shareholder's deficit of £166,803,000 (2019 - £148,203,000).

On 7 February 2019, Electra Investments Limited subscribed for shareholder loan notes with a principal value of £3.5m, attracting interest at 20% per annum on a compound basis and redeemable in full on 31 December 2022

Key performance indicators

The directors monitor the following key performance indicators on a monthly basis and at the period-end they are as follows:

	Period ended 2 February 2020	*Period ended 27 January 2019*
	£000	*£000*
Interest payable	17,127	15,208
Cash	-	-
Debt	178,644	158,017
Net liabilities	(166,803)	(148,203)

Within the Company there are £176.6m of shareholder loan notes fully held by the ultimate parent company, Electra Private Equity plc who have provided assurance that they have no intention of requiring repayment except in the event of; the sale of part or all of the Group or its trading business, the initiation of prior debt acceleration/insolvency action by a third party, or any Group reorganisation that does not impact on the solvency of the Group companies.

Principal risks and uncertainties

The directors have identified the principal risks and uncertainties as being:

Financial instrument risks

The company finances its operations through the use of various financial instruments including cash and intercompany loans. The main purpose of these financial instruments is to raise finance for the company's operations. Liquidity risk is maintained via loans provided from other group members.

Brexit

The directors have conducted a thorough review of the risks associated with Brexit and are confident that it will not have a material impact on the ability of the Company to continue to trade, nor on financial performance. Notwithstanding this, there remains a risk that consumer confidence and demand may be reduced as a result of any broader impact on the UK economy as a whole.

In particular, the Company has amended inbound logistics arrangements to avoid potential congestion at European and UK seaports. Further, a detailed review of potential changes in import duty has concluded that any resulting increases will not be material to the Company's financial performance, with the majority of raw materials sourced from countries outside the EU with whom rates of duty are unlikely to change.

The Company has a small business exporting product direct to customers in the EU. At the time of signing the financial statements, arrangements were being put in place to enable the Company to continue to

Strategic report

operate this business. Whilst there is a significant likelihood of some disruption to these operations during the early part of 2021, the likely financial impact is again immaterial due to the small scale of this business activity.

Coronavirus

Since the balance sheet date, the global coronavirus pandemic has had a significant and material impact on the business. Further details are provided in the Director's report on pages 4 to 7.

Whilst residual risk relating to Coronavirus remains, the actions taken by the Directors since the balance sheet date have reduced this risk significantly. In particular

- The business's exposure to retail has been reduced from a portfolio of 82 stores at the end of January 2020 to a portfolio of 17 high performing stores and six garden centre concessions.
- The size of the company's workforce has reduced from 1,038 employees immediately prior to the first lockdown in March 2020 to 469, including a reduction in factory, distribution centre and head office workers, as well as the reduction in the retail estate, right-sizing the business for the future growth.
- The reduction in exposure to retail and in overheads has in total removed £16 million from the company's fixed cost base.
- The company has put in place strict Coronavirus health and safety measures, including remote working wherever possible, and social distancing and the wearing of appropriate personal protective equipment ("PPE") where it is necessary for colleagues to physically attend work. The company keeps these health and safety measures under constant review through a Coronavirus Committee, which is chaired by the Chief Financial Officer and meets weekly.

The Company's supply chain has proven to be robust during the pandemic. During the summer of 2020, purchases were put on hold as the Company had enough stock on hand to meet consumer demand. In August 2020, the supply chain was successfully reactivated and since this time has continued to perform strongly.

By order of the Board

A B Griggs
Director

Directors' report

The directors present their strategic report and the financial statements for the period ending 2 February 2020.

As permitted by Section 414 of the Companies Act 2006, information can be found in the strategic report and form part of this report by cross reference.

Results and dividends

The loss for the period after taxation amounted to £18,600,000 (2019: £136,647,000). The directors do not recommend a final dividend.

Directors

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

S E Prowse (resigned 8 March 2019)
R C Perkins (resigned 2 October 2019)
G M Manson
N A Johnson (resigned 20 June 2019)
A J Buckley (resigned 20 May 2019)
I A Watson (appointed 7 May 2019)
A B Griggs (appointed 14 November 2019)

SECTION 172 COMPANIES ACT REPORT

The Board of Directors confirms that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006, being:

- The likely consequences of any decision in the long term.
- The interests of the Company's employees.
- The need to foster the Company's business relationships with suppliers, customers and others.
- The impact of the Company's operations on the community and the environment.
- The desirability of the Company maintaining a reputation for high standards of business conduct.
- The need to act fairly as between members of the Company.

Each of the Directors is mindful of their duties under section 172 (s172) to run the Company for the benefit of its shareholders, and in doing so, to take into account the long-term impact of any decisions on stakeholder relationships and the impact of its activities on its reputation for high standards of business conduct.

The Board of Directors includes Mr Gavin Manson, who is also a director of Electra Private Equity PLC, the main shareholder and ultimate controlling party of the Galaxy Topco Group. Whilst the Board of Directors regularly meets on a formal basis, it is their normal working practice to also discuss key issues and decisions on a more informal basis as and when the need arises. This is key to ensuring that the Company's shareholder's views are fully considered.

Events after the reporting period

Coronavirus

Since the balance sheet date, the global coronavirus pandemic has had a significant and material impact on the business.

Whilst residual risk relating to Coronavirus remains, the actions taken by the Directors since the balance sheet date have reduced this risk significantly. In particular

- The business's exposure to retail has been reduced from a portfolio of 82 stores at the end of January 2020 to a portfolio of 17 high performing stores and six garden centre concessions.
- The size of the company's workforce has reduced from 1,038 employees immediately prior to the first lockdown in March 2020 to 469, including a reduction in factory, distribution centre and

Directors' report (continued)

head office workers, as well as the reduction in the retail estate, right-sizing the business for the future growth.

- The reduction in exposure to retail and in overheads has in total removed £16 million from the company's fixed cost base.
- The company has put in place strict Coronavirus health and safety measures, including remote working wherever possible, and social distancing and the wearing of appropriate personal protective equipment ("PPE") where it is necessary for colleagues to physically attend work. The company keeps these health and safety measures under constant review through a Coronavirus Committee, which is chaired by the Chief Financial Officer and meets weekly.

The Galaxy Topco Group's supply chain has proven to be robust during the pandemic. During the summer of 2020, purchases were put on hold as the Group had enough stock on hand to meet consumer demand. In August 2020, the supply chain was successfully reactivated and since this time has continued to perform strongly.

Company Voluntary Arrangement ("CVA")

As a direct result of the Coronavirus pandemic and the consequent downturn in sales which primarily affected the retail business, the Directors of the Galaxy Topco Group undertook a Company Voluntary Arrangement through which the Group's trading subsidiary, Beaconsfield Footwear Limited, sought to reach agreement with landlords for the early exit from 51 retail leases.

This CVA passed with a vote of 99.5% in favour on 29 July 2020 and the period during which this outcome could be challenged ended on 25 August 2020. Landlords received a dividend of 27.8 pence in the pound. Other suppliers received payment in full.

The CVA was funded through loan notes in the Company of £2.0m subscribed by Electra Private Equity PLC with the remaining costs funded from operating cash flows.

Whilst the directors deeply regret the impact of this process on the employees who lost their jobs as a result, the CVA has put the Galaxy Topco Group in a much stronger position for the future, with 77% of revenues now coming from online, mail order and contact centre sales. The Group's fixed cost base has reduced by approximately £16million annually.

Business interruption insurance claim

The Galaxy Topco Group carries insurance with Royal Sun Alliance ("RSA") for business interruption. Following the legal case between the Financial Conduct Authority and various insurance underwriters, the Group's insurer has confirmed that the policy in place does provide cover for the business interruption losses caused by the pandemic. On 27 November 2020, the Group submitted an initial estimate of these losses to RSA. Work to finalise the insurance claim and agree the quantum of the payment due from RSA was continuing on the date that the financial statements were signed, with the first £2.5million having been received from the insurers during December 2020.

Financing

Since the year end, the Galaxy Topco Group completed a refinancing process. Debt repayments due under the existing bank facilities agreement were rescheduled. £1million of bank debt will be repaid each half year (in January and June) until June 2022, with the final balance due for repayment in January 2023.

Future developments

On 13 November 2020, the Galaxy Topco Group's parent undertaking, Electra Private Equity PLC confirmed that, consistent with the delivery of the Electra Private Equity PLC's realisation strategy, Stifel Nicolaus Europe Limited had been engaged to conduct early preparation for the realisation of its investment in the Group. The timing of the launch of any sales process will be determined over the coming months as trading patterns normalise in the Group's new business model focussed on direct to consumer channels.

Directors' report (continued)

Going concern

For the purposes of assessing the appropriateness of preparing the Company's accounts on a going concern basis, the Directors have considered Galaxy Topco Group's current cash position, available banking facilities, and the base financial forecasts through to January 2023, including the ability to adhere to bank covenants.

The Directors believe that following the execution of the Company Voluntary Arrangement, and the completion of the refinancing of bank debt (including the resetting of covenants), excluding the potential impact of Coronavirus (considered below), the Group has adequate resources to continue to trade for the foreseeable future and that the accounts should be prepared on a going concern basis.

Under the banking facilities, the following covenant tests apply:

- Cash flow cover must not fall below prescribed limits, tested quarterly with effect from September 2021;
- Net interest cover must not fall below prescribed limits, tested quarterly with effect from September 2021;
- The Leverage Ratio must not be above certain prescribed limits, tested quarterly with effect from September 2021;
- EBITDA must not fall below certain prescribed levels, with the first test to be applied on 31 March 2021 based on the preceding six months of trading and the last test to be applied on 30 June 2021 based on the preceding nine months of trading

The Group's forecasts show sufficient headroom against these covenant tests and as at 31 January 2021, the Group has cash and cash equivalents of £4.5million which the Directors consider to be sufficient to maintain liquidity during forthcoming seasonal cash low points.

The Group has £181.6m of shareholder loan notes as at 2 February 2020 with a redemption date of December 2022, 97.3% of these loan notes are held by the ultimate parent company, Electra Private Equity plc who have provided assurance that they have no intention of requiring repayment except in the event of; the sale of part or all of the Group or its trading business, the initiation of prior debt acceleration/insolvency action by a third party, or any Group reorganisation that does not impact on the solvency of the Group companies.

The directors of all companies within the Group have confirmed that mutual support regarding requests for payment will be provided in respect of existing intercompany indebtedness and any indebtedness that may arise between the group companies in the 12 month period following the signature of the financial statements, such that each entity can continue to operate as a going concern.

As noted above, the Coronavirus pandemic has had a significant impact on the financial performance of the Group, with the most severe effects being seen in the retail estate where shops were forced to close during three periods in England, Scotland and Wales (from 23 March 2020 until 4 July 2020, from 5 November 2020 until 2 December 2020 and from 5 January 2021 ongoing on the date that the financial statements were signed). The Group reacted quickly to this situation, temporarily closing the factory in Skelmersdale and undertaking a CVA to reduce the Group's exposure to the fixed costs associated with a large retail estate.

Throughout the pandemic the Group's distribution centre has continued to function, serving customers making purchases through direct channels. January 2021 trading was very strong with the Group exceeding its forecast by 26% despite the closure of retail. The Group has also negotiated improved payment terms with suppliers.

Following recent government announcements regarding the roll out of Coronavirus vaccines, the Directors are optimistic about demand for the Group's spring / summer products. At the date of signing these financial statements the third national lockdown was ongoing. The directors continue to review the performance of the Group as the position changes. The latest forecast includes the impact of this latest lockdown and the directors continue to remain confident that there is sufficient headroom for the Group.

Directors' report (continued)

Therefore, the Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and scenarios, taking account of the impact of the pandemic on trading during 2020, reasonably possible changes in trading performances in the next 12 months and considering the available liquidity, and the resetting of bank covenants, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next 12 months following the date of approval of these financial statements. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint RSM UK Audit LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

A B Griggs
Director

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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.

Independent auditors' report

to the members of Galaxy Midco Limited

Opinion

We have audited the financial statements of Galaxy Midco Limited for the period ended 2 February 2020 which comprise the Income Statement, Statement of Comprehensive loss, Statement of Changes in Equity, 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 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 2 February 2020 and of the loss 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 group 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.

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.

Independent auditors' report (continued)

to the members of Galaxy Midco Limited

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.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, 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: http://www.frc.org.uk/auditorsresponsibilities This description forms part of our auditor's report.

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.

Independent auditors' report (continued)

to the members of Galaxy Midco Limited

RSM UK Audit LLP

Alastair Nuttall (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
9th Floor, 3rd Hardman Street
Manchester
M3 3EB

24 February 2021

Income statement

for the period ended 2 February 2020

	Notes	*Period ended 2 February 2020 £000*	*Period ended 27 January 2019 £000*
Administrative expenses		-	-
Operating loss	2	-	-
Impairment of amounts owed by group undertakings	8	(1,473)	(121,439)
Interest payable and similar charges	5	(17,127)	(15,208)
Loss on ordinary activities before taxation	2	(18,600)	(136,647)
Tax on loss on ordinary activities before taxation	6	-	-
Loss for the financial period		(18,600)	(136,647)

All amounts relate to continuing activities.

Statement of comprehensive income

for the period ended 2 February 2020

	Period ended 2 February 2020 £000	*Period ended 27 January 2019 £000*
Loss for the financial period	(18,600)	(136,647)
Total other comprehensive income/(loss)	-	-
Total comprehensive loss for the period	(18,600)	(136,647)

Statement of changes in equity

for the period ended 2 February 2020

		Called up share capital £000	Capital Contribution Reserve £000	Profit and loss account £000	Total equity £000
At 28 January 2018		–	–	(55,401)	(55,401)
Capital contribution	14	–	43,845	–	43,845
Loss for the period		–	–	(136,647)	(136,647)
At 27 January 2019		–	43,845	(192,048)	(148,203)
Loss for the period		–	–	(18,600)	(18,600)
At 2 February 2020		–	43,845	(210,648)	(166,803)

Statement of financial position

at 2 February 2020

	Notes	2 February 2020 £000	27 January 2019 £000
Fixed assets			
Investments	7	-	-
Current assets			
Debtors	8	11,841	9,814
Creditors: amounts falling due within one year	9	(2,828)	(2,828)
Net current assets		9,013	6,986
Total assets less current liabilities		9,013	6,986
Creditors: amounts falling due after more than one year	10,11	(175,816)	(155,189)
Net Liabilities		(166,803)	(148,203)
Capital and reserves			
Called up share capital	13	-	-
Capital contribution reserve	14	43,845	43,845
Profit and loss account		(210,648)	(192,048)
Shareholder's deficit		(166,803)	(148,203)

These financial statements were approved for issue by the Board of Directors and were signed on its behalf by:

A B Griggs

Director

Notes to the financial statements

for the period ended 2 February 2020

1. Accounting policies

Statement of compliance

Galaxy Midco Limited is a private limited liability company limited by shares incorporated in England. The Registered Office is 2 Peel Road, West Pimbo, Skelmersdale, Lancashire, WN8 9PT.

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the period ended 2 February 2020.

Basis of preparation

The financial statements of Galaxy Midco Limited were approved for issue by the Board of Directors on 24 February 2021. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

The company's parent undertaking, Galaxy Topco Limited includes the company in its consolidated financial statements. The consolidated financial statements of Galaxy Topco Limited are available to the public and may be obtained from 2 Peel Road, West Pimbo, Skelmersdale, Lancashire, WN8 9PT. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The financial statements for the period ended 2 February 2020 have been prepared on a 53 week basis whereas the previous period was prepared on a 52 week basis. The inclusion of the additional week was done in order to realign the date the financial statements were prepared to, such that it remained close to the Company's accounting reference date.

Group financial statements

The company has taken the exemptions under FRS 102 not to prepare group financial statements as it is included within the financial statements of a parent undertaking, Galaxy Topco Limited.

These financial statements present information about the company as an individual undertaking and not about its group.

Going concern

For the purposes of assessing the appropriateness of preparing the Company's accounts on a going concern basis, the Directors have considered Galaxy Topco Group's current cash position, available banking facilities, and the base financial forecasts through to January 2023, including the ability to adhere to bank covenants.

The Directors believe that following the execution of the Company Voluntary Arrangement, and the completion of the refinancing of bank debt (including the resetting of covenants), excluding the potential impact of Coronavirus (considered below), the Group has adequate resources to continue to trade for the foreseeable future and that the accounts should be prepared on a going concern basis.

Under the banking facilities, the following covenant tests apply:

- Cash flow cover must not fall below prescribed limits, tested quarterly with effect from September 2021;
- Net interest cover must not fall below prescribed limits, tested quarterly with effect from September 2021;
- The Leverage Ratio must not be above certain prescribed limits, tested quarterly with effect from September 2021;
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Notes to the financial statements

for the period ended 2 February 2020

1. Accounting policies (continued)

The Group's forecasts show sufficient headroom against these covenant tests and as at 31 January 2021, the company has cash and cash equivalents of £4.5million which the Directors consider to be sufficient to maintain liquidity during forthcoming seasonal cash low points.

The Group has £181.6m of shareholder loan notes as at 2 February 2020 with a redemption date of December 2022, 97.3% of these loan notes are held by the ultimate parent company, Electra Private Equity plc who have provided assurance that they have no intention of requiring repayment except in the event of; the sale of part or all of the Group or its trading business, the initiation of prior debt acceleration/insolvency action by a third party, or any Group reorganisation that does not impact on the solvency of the Group companies.

The directors of all companies within the Group have confirmed that mutual support regarding requests for payment will be provided in respect of existing intercompany indebtedness and any indebtedness that may arise between the group companies in the 12 month period following the signature of the financial statements, such that each entity can continue to operate as a going concern.

As noted above, the Coronavirus pandemic has had a significant impact on the financial performance of the Group, with the most severe effects being seen in the retail estate where shops were forced to close during three periods in England, Scotland and Wales (from 23 March 2020 until 4 July 2020, from 5 November 2020 until 2 December 2020 and from 5 January 2021 ongoing on the date that the financial statements were signed). The Group reacted quickly to this situation, temporarily closing the factory in Skelmersdale and undertaking a CVA to reduce the Group's exposure to the fixed costs associated with a large retail estate.

Throughout the pandemic the Group's distribution centre has continued to function, serving customers making purchases through direct channels. January 2021 trading was very strong with the Group exceeding its forecast by 26% despite the closure of retail. The Group has also negotiated improved payment terms with suppliers.

Following recent government announcements regarding the roll out of Coronavirus vaccines, the Directors are optimistic about demand for the Group's spring / summer products. At the date of signing these financial statements the third national lockdown was ongoing. The directors continue to review the performance of the Group as the position changes. The latest forecast includes the impact of this latest lockdown and the directors continue to remain confident that there is sufficient headroom for the Group.

Therefore, the Directors believe that the Group is well placed to manage its business risks and, after making enquiries including a review of forecasts and scenarios, taking account of the impact of the pandemic on trading during 2020, reasonably possible changes in trading performances in the next 12 months and considering the available liquidity, and the resetting of bank covenants, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next 12 months following the date of approval of these financial statements. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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 for assets and liabilities as at the year-end date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

The following are the Company's key sources of estimation uncertainty:

Impairment of amounts owed by group undertakings
The Group performs impairment tests based on the recoverable amount of loans between companies within the Group. The recoverable amount is based on the net assets of the company in which the debt lies. The effect of the time value of money is not material and therefore the amounts are not discounted.

Notes to the financial statements

for the period ended 2 February 2020

1. Accounting policies (continued)

Taxation

The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 6.

Significant Accounting Policies

Investments

Investments in subsidiaries are accounted for at cost less impairment.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the year-end date.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the year-end date, dividends have been accrued as receivable;
- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the year-end date.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts of the period.

Debt issue costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Notes to the financial statements

for the period ended 2 February 2020

1. Accounting policies (continued)

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Loan notes

Loan notes which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest method. Loan notes that are receivable within one year are not discounted.

Debt issue costs

Costs of issuing debt are capitalised in the statement of financial position, against the corresponding debt. Capitalised amounts are amortised over the term of the facility to which they relate.

Classification of shares as debt or equity

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

When shares are issued, any component that creates a financial liability of the company is presented as a liability in the statement of financial position; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Notes to the financial statements

for the period ended 2 February 2020

2. Operating loss and loss on ordinary activities before taxation

Fees payable to the company's auditor for the audit of the company's financial statements, £3,500 (2019: £3,486), and other services were borne by another group undertaking.

3. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were £nil (2019: £nil). The directors were remunerated through the Galaxy Topco Group's trading entity Beaconsfield Footwear Limited.

4. Staff costs

The company did not have any employees, other than directors, during the current or prior period.

5. Interest payable and similar charges

	Period ended 2 February 2020 *£000*	*Period ended 27 January 2019* *£000*
Shareholder loan notes (note 11)	16,721	14,802
Amortisation of debt issue costs	406	406
	17,127	15,208

Notes to the financial statements

for the period ended 2 February 2020

6. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	Period ended 2 February 2020	*Period ended 27 January 2019*
	£000	*£000*
Current tax:		
UK corporation tax at 19.00% (2019 – 19.00%)	-	-
Tax (overprovided)/underprovided in previous periods	-	-
Total current tax	-	-
Tax on loss on ordinary activities	-	-

(b) Factors affecting the total tax charge

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 19.00% (2019 – 19.00%). The differences are reconciled below:

	Period ended 2 February 2020	*Period ended 27 January 2019*
	£000	*£000*
Loss on ordinary activities before tax	(18,600)	(136,647)

	Period ended 2 February 2020	*Period ended 27 January 2019*
	£000	*£000*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019 – 19.00%)	(3,534)	(25,963)
Expenses not deductible for tax purposes	3,534	2,944
Transfer pricing adjustments	1,274	-
Group tax relief	(1,274)	(1,265)
Deferred tax not recognised	-	(131)
Interest imputed	-	1,342
Impairment of amounts owed by group undertakings	-	23,073
Current tax for the period (note 6(a))	-	-

Notes to the financial statements

for the period ended 2 February 2020

6. Tax (continued)

(c) Factors that may affect future tax charges

At Budget 2020, the government announced that the Corporation Tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%.

Deferred tax as at 2 February 2020 has been calculated at 19% (2019: 19%), being the enacted rate at which the deferred tax is expected to reverse.

7. Investments

	Subsidiary undertakings £000
Cost and net book value:	
At 27 January 2019 and 2 February 2020	-

Principal fixed asset investments:

Name of company	*Class of share*	*Proportion held*	*Country of incorporation*	*Nature of business*
Galaxy Bidco Limited ^	Ordinary	100%	UK	Parent undertaking
Hotter Group Holdings Limited *	Ordinary	100%	UK	Parent undertaking
Hotter Holdings Limited *	Ordinary	100%	UK	Parent undertaking
Beaconsfield Group Holdings Limited *	Ordinary	100%	UK	Parent undertaking
Hotter Limited *	Ordinary	100%	UK	Parent undertaking
Beaconsfield Footwear Limited *	Ordinary	100%	UK	Footwear retailer
Comfort Concept Limited *	Ordinary	100%	UK	Dormant

^ – held directly by Galaxy Midco Limited
* – held directly by other subsidiary undertakings

The registered office address of all investments held is 2 Peel Road, West Pimbo, Skelmersdale, Lancashire, WN8 9PT.

The company's voting rights in respect of the investments are held in the same proportion as the company's share of the ordinary share capital of each company.

Notes to the financial statements

for the period ended 2 February 2020

8. Debtors

	2 February 2020	*27 January 2019*
	£000	*£000*
Amounts owed by group undertakings	11,841	9,814
	11,841	9,814

Amounts owed by group undertakings includes an impairment of £122,912,000 (2019: £121,439,000). This represents a write-down of the asset to its recoverable amount.

9. Creditors: amounts falling due within one year

	2 February 2020	*27 January 2019*
	£000	*£000*
Amounts owed to group undertakings	2,828	2,828
Corporation tax	-	-
	2,828	2,828

Whilst the directors have received confirmation from the directors of the relevant group company the intercompany creditor will not be called for repayment within 1 year, there are no formal repayment terms and as such, it has been classified as due within one year.

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

	2 February 2020	*27 January 2019*
	£000	*£000*
Loan notes (note 11)	175,816	155,189
	175,816	155,189

Notes to the financial statements

for the period ended 2 February 2020

11. Loan notes

Details of loans repayable are as follows:

	2 February 2020 *£000*	*27 January 2019* *£000*
Loan notes repayable within one year	-	-
Loan notes repayable within one to two years	-	-
Loan notes repayable within two to five years	176,612	156,391
Loan notes repayable in more than five years	-	-
	176,612	156,391
Less unamortised debt issue costs	(796)	(1,202)
	175,816	155,189

Shareholder loan notes issued up to and including July 2018 attract interest at 10% per annum on a compound basis and are redeemable in full on 31 December 2022. Included within the above balance is an amount of £16,721,000 (2019 - £14,802,000) that relates to the accrued interest during the year.

On 7 February 2019 shareholder loan notes with a principal value of £3.5m were issued, attracting interest at 20% per annum on a compound basis, and redeemable in full on 31 December 2022.

97.3% of these loan notes are held by the ultimate parent company, Electra Private Equity plc who have provided assurance that they have no intention of requiring repayment except in the event of; the sale of part or all of the Group or its trading business, the initiation of prior debt acceleration/insolvency action by a third party, or any Group reorganisation that does not impact on the solvency of the Group companies.

12. Financial instruments

	2 February 2020 *£000*	*27 January 2019* *£000*
Financial assets that are debt instruments measured at amortised cost		
Amounts owed by group undertakings	11,841	9,814
Financial liabilities measured at amortised cost		
Amounts owed to group undertakings	2,828	2,828
Loan notes	175,816	155,189

Notes to the financial statements

for the period ended 2 February 2020

13. Share capital

Authorised, allotted, called up and fully paid	*2 February 2020*		*27 January 2019*	
	No.	*£*	*No.*	*£*
Ordinary shares of £1.00 each	1	1	1	1

14. Reserves

	2 February 2020	*27 January 2019*
	£000	*£000*
Capital contribution reserve	43,845	43,845
	43,845	43,845

On 12 April 2018 Stewart John Houlgrave waived his right to accrued interest of £14,464,214 on Loan Notes in Galaxy Midco Limited with a capital value of £28,928,206. The waived interest of £14,464,214 was included as a capital contribution reserve. The principal value of the loan notes was then sold to Electra Private Equity plc on that date. On 08 June 2018, Electra Private Equity Plc waived all rights current and future to receive any principal or interest under these loan notes, and therefore a further £29,381,203 was booked to the capital contribution reserve.

The capital contribution reserve is not a distributable reserve.

	2 February 2020	*27 January 2019*
	£000	*£000*
Profit and loss account	(210,648)	(192,048)
	(210,648)	(192,048)

The profit and loss reserve comprises cumulative profits and losses, net of distributions to owners.

15. Related party transactions

The company has taken advantage of the exemption conferred under FRS 102 in respect of disclosure of transactions with other wholly owned members of the Galaxy Topco Limited Group.

As at 2 February 2020, the shareholder loan notes (note 11) are held solely by Electra Investments Limited (a subsidiary of Electra Private Equity PLC). During the period, interest totalling £16,721,000 (2019: £14,802,000) accrued on these loan notes.

Notes to the financial statements

for the period ended 2 February 2020

16. Ultimate parent undertaking and controlling party

At 2 February 2020, the entire issued share capital of the company is owned by Galaxy Topco Limited; a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent undertaking is Galaxy Topco Limited. 99.999% of the issued share capital of the company is held by Electra Private Equity plc, the controlling party.

The smallest and largest group in which the results of the company are consolidated is Galaxy Topco Limited. The group financial statements of Galaxy Topco Limited can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

17. Events after the reporting period

<u>Coronavirus</u>

Since the balance sheet date, the global coronavirus pandemic has had a significant and material impact on the business.

Whilst residual risk relating to Coronavirus remains, the actions taken by the Directors since the balance sheet date have reduced this risk significantly. In particular

- The business's exposure to retail has been reduced from a portfolio of 82 stores at the end of January 2020 to a portfolio of 17 high performing stores and six garden centre concessions.
- The size of the company's workforce has reduced from 1,038 employees immediately prior to the first lockdown in March 2020 to 469, including a reduction in factory, distribution centre and head office workers, as well as the reduction in the retail estate, right-sizing the business for the future growth.
- The reduction in exposure to retail and in overheads has in total removed £16 million from the company's fixed cost base.
- The company has put in place strict Coronavirus health and safety measures, including remote working wherever possible, and social distancing and the wearing of appropriate personal protective equipment ("PPE") where it is necessary for colleagues to physically attend work. The company keeps these health and safety measures under constant review through a Coronavirus Committee, which is chaired by the Chief Financial Officer and meets weekly.

The Galaxy Topco Group's supply chain has proven to be robust during the pandemic. During the summer of 2020, purchases were put on hold as the Group had enough stock on hand to meet consumer demand. In August 2020, the supply chain was successfully reactivated and since this time has continued to perform strongly.

Notes to the financial statements

for the period ended 2 February 2020

17. Events after the reporting period (continued)

Company Voluntary Arrangement ("CVA")

As a direct result of the Coronavirus pandemic and the consequent downturn in sales which primarily affected the retail business, the Directors of the Galaxy Topco Group undertook a Company Voluntary Arrangement through which the Group's trading subsidiary, Beaconsfield Footwear Limited, sought to reach agreement with landlords for the early exit from 51 retail leases.

This CVA passed with a vote of 99.5% in favour on 29 July 2020 and the period during which this outcome could be challenged ended on 25 August 2020. Landlords received a dividend of 27.8 pence in the pound. Other suppliers received payment in full.

The CVA was funded through loan notes in Galaxy Midco Limited of £2.0m subscribed by Electra Private Equity PLC with the remaining costs funded from operating cash flows.

Whilst the directors deeply regret the impact of this process on the employees who lost their jobs as a result, the CVA has put the Galaxy Topco Group in a much stronger position for the future, with 77% of revenues now coming from online, mail order and contact centre sales. The Group's fixed cost base has reduced by approximately £16million annually.

Business interruption insurance claim

The Galaxy Topco Group carries insurance with Royal Sun Alliance ("RSA") for business interruption. Following the legal case between the Financial Conduct Authority and various insurance underwriters, the Group's insurer has confirmed that the policy in place does provide cover for the business interruption losses caused by the pandemic. On 27 November 2020, the Galaxy Topco Group submitted an initial estimate of these losses to RSA. Work to finalise the insurance claim and agree the quantum of the payment due from RSA was continuing on the date that the financial statements were signed, with the first £2.5million having been received from the insurers during December 2020.

Financing

Since the year end, the Company completed a refinancing process. Debt repayments due under the existing bank facilities agreement were rescheduled. £1million of bank debt will be repaid each half year (in January and June) until June 2022, with the final balance due for repayment in January 2023.