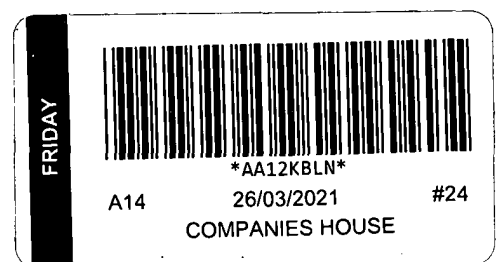


COMPANY REGISTRATION NUMBER: 09359669

THE SOVEREIGN (CITY) PUB COMPANY LIMITED
FILLETED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
29 MARCH 2020



THE SOVEREIGN (CITY) PUB COMPANY LIMITED
FINANCIAL STATEMENTS
PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

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THE SOVEREIGN (CITY) PUB COMPANY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr J Coad
Mr A Bruce
Mr J Watson
Mr P McDonald

Registered office

First Floor
2 Wardrobe Place
London
United Kingdom
EC4V 5AH

Auditor

BSG Valentine (UK) LLP
Chartered Accountants & Statutory Auditor
Lynton House
7 - 12 Tavistock Square
London
WC1H 9BQ

THE SOVEREIGN (CITY) PUB COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

29 MARCH 2020

	Note	29 Mar 20 £	£	31 Mar 19 £	£
FIXED ASSETS					
Intangible assets	6		–		117,260
Tangible assets	7		4,396,146		4,657,960
			<u>4,396,146</u>		<u>4,775,220</u>
CURRENT ASSETS					
Stocks		25,300		26,800	
Debtors	8	74,483		123,792	
Cash at bank and in hand		44,477		52,553	
		<u>144,260</u>		<u>203,145</u>	
CREDITORS: Amounts falling due within one year	9	<u>(924,877)</u>		<u>(770,489)</u>	
NET CURRENT LIABILITIES			<u>(780,617)</u>		<u>(567,344)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,615,529		4,207,876
CREDITORS: Amounts falling due after more than one year	10		<u>(724,436)</u>		<u>(756,143)</u>
NET ASSETS			<u>2,891,093</u>		<u>3,451,733</u>
CAPITAL AND RESERVES					
Called up share capital			48,085		48,085
Share premium account			4,591,547		4,591,547
Profit and loss account			<u>(1,748,539)</u>		<u>(1,187,899)</u>
SHAREHOLDERS' FUNDS			<u>2,891,093</u>		<u>3,451,733</u>

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with Section 1A of FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In accordance with section 444 of the Companies Act 2006, the statement of income and retained earnings has not been delivered.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The statement of financial position
continues on the following page.

The notes on pages 4 to 11 form part of these financial statements.

THE SOVEREIGN (CITY) PUB COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION *(continued)*

29 MARCH 2020

These financial statements were approved by the board of directors and authorised for issue on 25 March 2021, and are signed on behalf of the board by:

A handwritten signature in black ink, appearing to be 'J Watson', written in a cursive style.

Mr J Watson
Director

Company registration number: 09359669

The notes on pages 4 to 11 form part of these financial statements.

THE SOVEREIGN (CITY) PUB COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is First Floor, 2 Wardrobe Place, London, EC4V 5AH, United Kingdom.

2. Statement of compliance

These financial statements have been prepared in compliance with Section 1A of FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity. The financial period represents the 52 weeks to 29 March 2020 (prior period 53 weeks ended 31 March 2019).

Going concern

Notwithstanding that, as at the period end the company has net current liabilities of £780,617 (2019: £567,344) and for the period then ended reported an operating loss, the directors continue to prepare the financial statements on a going concern basis.

In addition, at the time of writing, the worldwide Covid 19 pandemic is ongoing, and having been through two national lockdowns during 2020, the United Kingdom is currently in its third national lockdown. The lockdowns, the impact of which is primarily after the reporting period, have seen the hospitality business, including public houses, severely impacted with mandatory closures and trading restrictions. The company's public houses, as mandated by the current UK lockdown are currently mandatorily closed. Furthermore, the outlook for the medium term continues to be uncertain with a number of potential headwinds for the industry. These headwinds being: the anticipated period of mandatory social distancing, changes to public behaviours, the impact of the wider economic downturn, and the potential for further Covid 19 lockdowns.

At the period end the company has total shareholders' funds of £2,891,093 (2019: £3,451,733) and has significant freehold assets which can either be realised or used to raise further finance if required.

The company continues to have the support of investors and has successfully raised funds of £894,426 from the issue of shares post year end (see note 13). As a result, of this demonstrable continued support of investors, the directors believe the company would be able to raise further funding if required.

Whilst in lockdown, the directors have taken steps to manage cash flow by renegotiating supplier deals, negotiating rent reductions, offering suppliers discounted settlements, reducing wages, and the use of the Coronavirus Job Retention Scheme. The company has also benefited from the VAT reduction to 5% on soft drinks and food, VAT deferral, business rates waiver, local government grants and the Eat Out To Help Out scheme in August.

THE SOVEREIGN (CITY) PUB COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

3. Accounting policies *(continued)*

The directors have prepared a forecast for the year to 31 March 2022 incorporating the impact of Covid 19. The forecast shows the company having sufficient cash to meet its obligations. The forecast assumes that the company will be able to resume trading in May, and that social distancing will continue until June. Forecasting in the current climate is inherently uncertain, however headroom is expected to be comfortable throughout.

The directors are satisfied that the company has adequate resources to enable it to meet its liabilities as they fall due for the foreseeable future.

Accordingly, the directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

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.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

- Going concern - as detailed in the accounting policy above, the directors judge that the company is a going concern.
- Impairment review of tangible and intangible fixed assets - the directors have performed an impairment review on the company's assets, treating each pub site along with any related goodwill as an income generating unit. In performing this impairment review the directors have estimated the value of each site by applying a profit multiple to their estimate of the sustainable profit of the site once trade resumes. Where the estimated value of the site is less than the carrying value, an impairment has been recognised. Impairments are allocated firstly to any goodwill allocated to the income generating unit, and then to the other assets of the income generating unit. The directors have made judgements in both the selection of the profit multiple to be applied and in estimating the sustainable profit. The assessment of sustainable profit includes a number of judgements regarding the resumption of trade, including the wider macro-economic environment, future trading restrictions, and consumer behaviours, all of which are uncertain. Ultimately, the directors judge that consumers will return when permitted, and that the carrying value of the company's assets will be recovered.
- Depreciation of land - the land forming part of the company's trading sites is depreciated along with the buildings upon it. This is on the basis that the directors judge this approach to be normal industry practice.

THE SOVEREIGN (CITY) PUB COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty *(continued)*

Key sources of estimation uncertainty

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:

- Goodwill and amortisation - acquired goodwill is initially recorded at cost and then amortised over its estimated useful economic life. The carrying value of goodwill is reviewed by reference to the estimated value in use of the asset, and the estimated potential realisable amount on disposal.
- Tangible fixed assets - tangible fixed assets are initially recorded at cost and are then depreciated over their estimated useful economic lives, as detailed in the below accounting policy.
- Deferred tax - deferred tax assets are recognised based upon the estimated timing and level of future taxable profits. Where there are uncertainties over the timing and availability of future taxable profits, no asset is recognised, and should the availability of future taxable profits become more certain, then an asset may be recognised.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

Turnover is primarily derived from pub operations, including food and beverage sales and the hosting of private function events, and accommodation income. Turnover in relation to food and beverage sales is recognised at the point of sale, turnover in relation to private function events is recognised when the event is held. Accommodation income is recognised in the period to which it relates.

Income 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.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

THE SOVEREIGN (CITY) PUB COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

3. Accounting policies *(continued)*

Goodwill *(continued)*

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed ten years.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill - Over 8 years

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

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.

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:

Freehold property	- 2% straight line
Fixtures and fittings	- 12% straight line
Equipment	- 50% straight line

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.

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.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

THE SOVEREIGN (CITY) PUB COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

3. Accounting policies *(continued)*

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

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.

Debt instruments are subsequently measured at amortised cost.

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.

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.

Loans and borrowings

Borrowings are initially recorded at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method.

Exceptional items

Exceptional items are disclosed separately in the financial statements in order to provide further understanding of the financial performance of the entity. They are material items of income or expense that have been shown separately because of their nature or amount.

4. Employee numbers

The average number of persons employed by the company during the period amounted to 59 (2019: 53).

THE SOVEREIGN (CITY) PUB COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

5. Exceptional items

During the period, following a review by the directors, goodwill was impaired by £92,260 (2019: £nil) and tangible fixed assets were impaired by £49,881 (2019: £nil).

In order to give these items sufficient prominence, they have been shown as separate line item in the income statement.

6. Intangible assets

	Goodwill £
Cost	
At 1 April 2019 and 29 March 2020	<u>200,000</u>
Amortisation	
At 1 April 2019	82,740
Charge for the period	25,000
Impairment losses	<u>92,260</u>
At 29 March 2020	<u>200,000</u>
Carrying amount	
At 29 March 2020	<u>–</u>
At 31 March 2019	<u>117,260</u>

Following a review of the carrying values of the company's pub assets, which was performed by the directors as detailed in note 3 under judgements, a total impairment of £92,260 (2019: £nil) has been recognised in the income statement in respect of goodwill.

7. Tangible assets

	Freehold property £	Fixtures and fittings £	Equipment £	Total £
Cost				
At 1 April 2019	3,958,101	1,379,714	14,375	5,352,190
Additions	<u>–</u>	<u>36,659</u>	<u>10,334</u>	<u>46,993</u>
At 29 March 2020	<u>3,958,101</u>	<u>1,416,373</u>	<u>24,709</u>	<u>5,399,183</u>
Depreciation				
At 1 April 2019	262,416	417,606	14,208	694,230
Charge for the period	78,945	174,120	5,861	258,926
Impairment losses	<u>33,652</u>	<u>11,589</u>	<u>4,640</u>	<u>49,881</u>
At 29 March 2020	<u>375,013</u>	<u>603,315</u>	<u>24,709</u>	<u>1,003,037</u>
Carrying amount				
At 29 March 2020	<u>3,583,088</u>	<u>813,058</u>	<u>–</u>	<u>4,396,146</u>
At 31 March 2019	<u>3,695,685</u>	<u>962,108</u>	<u>167</u>	<u>4,657,960</u>

Following a review of the carrying values of the company's pub assets, which was performed by the directors as detailed in note 3 under judgements, a total impairment of £49,881 (2019: £nil) has been recognised in the income statement.

THE SOVEREIGN (CITY) PUB COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

8. Debtors

	29 Mar 20	31 Mar 19
	£	£
Trade debtors	460	5,048
Other debtors	74,023	118,744
	<u>74,483</u>	<u>123,792</u>

9. Creditors: Amounts falling due within one year

	29 Mar 20	31 Mar 19
	£	£
Bank loans and overdrafts	27,600	42,000
Trade creditors	28,741	169,234
Social security and other taxes	66,660	92,760
Other creditors	801,876	466,495
	<u>924,877</u>	<u>770,489</u>

See note 12 for details of secured liabilities

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

	29 Mar 20	31 Mar 19
	£	£
Bank loans and overdrafts	<u>724,436</u>	<u>756,143</u>

The bank loan is secured upon the properties of the company and by a fixed and floating charge over the assets of the company. The bank loan security contains a negative pledge.

11. Events after the end of the reporting period

Subsequent to the balance sheet date, there have been a number of further issues of share capital. A total number of 2,181,899 ordinary shares of £0.01 have been issued at a premium of £844,107.

The company is in the process of making an insurance claim for business interruption that has resulted from Covid 19. This primarily relates to business to business interruption that occurred during the subsequent period.

12. Summary audit opinion

The auditor's report for the year was unqualified.

The following paragraph was included in the auditor's report describing an emphasis of matter.

We draw attention to note 3 of the financial statements, which under significant judgements, describes assumptions made in the directors' review of the company's assets for impairment. Our opinion is not modified in respect of this matter.

The senior statutory auditor was Luke Richardson BSc FCA, for and on behalf of BSG Valentine (UK) LLP.

THE SOVEREIGN (CITY) PUB COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

13. Related party transactions

At the period end the company owed £745,389 (2019: £387,453) to a company under common control and with directors in common. These balances are unsecured, short term and non-interest bearing.

At the period end the company was owed £nil (2019: £1,597) by a company under common control and with directors in common. The balance is unsecured, short term and non-interest bearing.