

COMPANY REGISTRATION NUMBER: 09359693

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



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

Contents	Pages
Officers and professional advisers	1
Strategic report	2 to 3
Directors' report	4 to 5
Independent auditor's report to the members	6 to 8
Statement of income and retained earnings	9
Statement of financial position	10
Statement of cash flows	11
Notes to the financial statements	12 to 21

THE GALAXY (CITY) PUB COMPANY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr A D M Bruce
Mr J R Watson
Mr J A Dudgeon
Mr P W McDonald

Registered office

1st 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 GALAXY (CITY) PUB COMPANY LIMITED

STRATEGIC REPORT

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

Principal activity

The principal activity of the company continued to be the development and management of public houses.

Fair review of the business

During the period the company disposed of one site, bringing the number of sites under its management to three.

The key financial highlights are as follows:

	52 week period ended 29 March 2020	53 week period ended 31 March 2019
Turnover	£3.9m	£4.0m
Turnover growth	(3.0%)	16.2%
Gross profit margin	70.5%	71.1%
Loss before tax	(£691k)	(£162k)
EBITDA (1)	(£134k)	£246k
EBITDA before exceptional items (2)	£425k	£503k
Current ratio	1.39	0.69

(1) = EBITDA calculated as operating profit with depreciation added back.

(2) = EBITDA calculated as operating profit with depreciation and exceptional items (see note 12) added back.

The company had a satisfactory period, with turnover just below the prior year, despite the sale of The Bethnal Green Tavern on 03 January 2020 and the growing impact of Covid 19 towards the end of the period. The comparative period also enjoyed the benefits of the football world cup and good weather over the summer months. It was decided to dispose of The Bethnal Green Tavern due to its modest turnover and relatively high rent. There was some loss on disposal. After the government made it mandatory to close from 21 March the directors decided to include an estate revaluation leading to a £631k impairment which is included in the above highlights. Following the period end we have had a year characterised by closure and restricted openings, however the company successfully borrowed £0.5m via a CBILs loan and following a fundraising of around £0.87m the company remains on a stable financial footing with a relatively low 'cash-burn'. The company looks forward to re-opening fully in May 2021 with a good opportunity to take advantage of pent-up demand, and an expectation of strong trading coupled with a permanently lower cost base.

Principal risks and uncertainties

The company continually looks to mitigate and minimise potential risks and uncertainties, which we recognise, amongst others, to be: loss of key suppliers; loss of trade; loss of key personnel; theft; health and safety compliance; cyber breaches; loss of liquidity; regulatory and other changes in the macro-economic environment.

In mitigation of the above: the company has very good connections with numerous large and bespoke suppliers and an excellent credit history. It has access to a large pool of operational and managerial personnel to ensure business continuity. It has well-located sites in attractive and busy locations and continually assesses the quality and type of offer to ensure attractiveness. Theft is mitigated by robust systems and the low level of cash purchases now made, these same systems are GDPR-approved and contain encryption and other techniques to prevent cyber-crime. The company enjoys a strong relationship with its bank and is well connected in this area, and employs consultants to ensure health standards are vigorously upheld in its sites. Regarding the macro environment there is always risk of unfavourable legislation or higher interest rates or beer duty, however the company maintains significant levels of reserves, good freehold backing and light leverage of no more than 50% to ensure there is very good buffering in the event of a general downturn.

THE GALAXY (CITY) PUB COMPANY LIMITED

STRATEGIC REPORT *(continued)*

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

Covid 19

At the time of writing, the worldwide Covid 19 pandemic is ongoing, and the United Kingdom is emerging from its third lockdown with government restrictions being lifted. The lockdowns, the first of which commenced during the reporting period on 20 March 2020 and are currently ongoing, have seen the hospitality business including public houses severely impacted with mandatory closures. Consequently, the operations of the company have effectively been suspended for significant periods of the post year end period ended 28 March 2021, and have not yet resumed. Based on the information currently available, it is the intention of the directors, to the extent to which it is permitted, to reopen and resume trading during May 2021 as mentioned above. However, upon reopening of the company's public houses and the resumption of trade, it is anticipated that social distancing restrictions will continue for some time. That said, the directors are optimistic regarding consumer behaviours and the continuing demand of the public for a return to normality, including frequenting public houses.

In mitigation of the impact of Covid 19, the directors have controlled the company's cashflows, and have taken advantage of government support schemes, including local government grants, the business rates waiver, the Coronavirus Job Retention Scheme, the VAT reduction on soft drinks and food to 5%, the VAT deferral and the Eat Out To Help Out scheme in August which was very popular.

The directors are hopeful that the short term reduction in VAT on food sales will see customers returning and help recover revenues.

This report was approved by the board of directors on 25 March 2021 and signed on behalf of the board by:



Mr J R Watson
Director

Registered office:
1st Floor
2 Wardrobe Place
London
United Kingdom
EC4V 5AH

THE GALAXY (CITY) PUB COMPANY LIMITED

DIRECTORS' REPORT

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

The directors present their report and the financial statements of the company for the period ended 29 March 2020.

Directors

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

Mr A D M Bruce
Mr J R Watson
Mr J A Dudgeon
Mr P W McDonald

Dividends

The directors do not recommend the payment of a dividend.

Future developments

The company will continue in its principal activity.

The directors continue to review the marketplace with a view to growing the business, identifying opportunities and manage the risks facing the business.

Financial instruments

The directors do not consider that a detailed description of the use of financial instruments is necessary for an assessment of the company's financial position and result for the period.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 24 to the 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 period. 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.

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 GALAXY (CITY) PUB COMPANY LIMITED

DIRECTORS' REPORT *(continued)*

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

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.

This report was approved by the board of directors on 25 March 2021 and signed on behalf of the board by:



Mr J R Watson
Director

Registered office:
1st Floor
2 Wardrobe Place
London
United Kingdom
EC4V 5AH

THE GALAXY (CITY) PUB COMPANY LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GALAXY (CITY) PUB
COMPANY LIMITED

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

Opinion

We have audited the financial statements of The Galaxy (City) Pub Company Limited (the 'company') for the period ended 29 March 2020 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows 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 29 March 2020 and of its loss for the period 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.

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 GALAXY (CITY) PUB COMPANY LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GALAXY (CITY) PUB
COMPANY LIMITED *(continued)*

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

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 period 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.

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.

THE GALAXY (CITY) PUB COMPANY LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GALAXY (CITY) PUB
COMPANY LIMITED *(continued)*

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

Auditor's responsibilities for the audit of the financial statements

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

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

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.

BSG Valentine UK LLP

Luke Richardson BSc FCA (Senior Statutory Auditor)

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

25 March 2021

THE GALAXY (CITY) PUB COMPANY LIMITED
STATEMENT OF INCOME AND RETAINED EARNINGS
PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

	Note	Period from 1 Apr 19 to 29 Mar 20 £	Period from 26 Mar 18 to 31 Mar 19 £
Turnover	4	3,852,882	3,973,819
Cost of sales		<u>(1,135,380)</u>	<u>(1,148,878)</u>
Gross profit		2,717,502	2,824,941
Administrative expenses		(2,818,593)	(2,661,492)
Other operating income	5	30,438	–
Impairment of tangible fixed assets		(630,716)	(256,910)
Profit on disposal of tangible assets		<u>72,367</u>	<u>–</u>
Operating loss	6	(629,002)	(93,461)
Interest payable and similar expenses	10	<u>(61,578)</u>	<u>(68,245)</u>
Loss before taxation		(690,580)	(161,706)
Tax on loss	11	<u>(49,871)</u>	<u>(6,901)</u>
Loss for the financial period and total comprehensive income		<u>(740,451)</u>	<u>(168,607)</u>
Retained earnings at the start of the period		13,263	181,870
Retained (losses)/earnings at the end of the period		<u>(727,188)</u>	<u>13,263</u>

All the activities of the company are from continuing operations.

The notes on pages 12 to 21 form part of these financial statements.

THE GALAXY (CITY) PUB COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

29 MARCH 2020

	Note	29 Mar 20 £	31 Mar 19 £
Fixed assets			
Tangible assets	13	5,413,228	6,708,016
Current assets			
Stocks	14	40,300	52,494
Debtors	15	614,551	288,495
Cash at bank and in hand		103,345	158,561
		<u>758,196</u>	<u>499,550</u>
Creditors: amounts falling due within one year	16	<u>(543,537)</u>	<u>(727,520)</u>
Net current assets/(liabilities)		<u>214,659</u>	<u>(227,970)</u>
Total assets less current liabilities		5,627,887	6,480,046
Creditors: amounts falling due after more than one year	17	<u>(1,735,776)</u>	<u>(1,847,484)</u>
Net assets		<u>3,892,111</u>	<u>4,632,562</u>
Capital and reserves			
Called up share capital	20	48,085	48,085
Share premium account	21	4,571,214	4,571,214
Profit and loss account	21	<u>(727,188)</u>	<u>13,263</u>
Shareholders' funds		<u>3,892,111</u>	<u>4,632,562</u>

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:



Mr J R Watson
Director

Company registration number: 09359693

The notes on pages 12 to 21 form part of these financial statements.

THE GALAXY (CITY) PUB COMPANY LIMITED

STATEMENT OF CASH FLOWS

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

	29 Mar 20 £	31 Mar 19 £
Cash flows from operating activities		
Loss for the financial period	(740,451)	(168,607)
<i>Adjustments for:</i>		
Depreciation of tangible assets	495,295	339,783
Impairment of tangible assets	630,716	256,910
Interest payable and similar expenses	61,578	68,245
Gains on disposal of tangible assets	(72,367)	–
Tax on loss	49,871	6,901
Accrued (income)/expenses	(93,096)	26,045
<i>Changes in:</i>		
Stocks	12,194	(15,427)
Trade and other debtors	(326,056)	(47,693)
Trade and other creditors	(67,299)	(11,513)
Cash generated from operations	(49,615)	454,644
Interest paid	(61,578)	(68,245)
Tax paid	(32,811)	(28,661)
Net cash (used in)/from operating activities	<u>(144,004)</u>	<u>357,738</u>
Cash flows from investing activities		
Purchase of tangible assets	(158,856)	(685,934)
Proceeds from sale of tangible assets	400,000	–
Net cash from/(used in) investing activities	<u>241,144</u>	<u>(685,934)</u>
Cash flows from financing activities		
Proceeds from borrowings	(152,356)	102,831
Net cash (used in)/from financing activities	<u>(152,356)</u>	<u>102,831</u>
Net decrease in cash and cash equivalents	(55,216)	(225,365)
Cash and cash equivalents at beginning of period	<u>158,561</u>	<u>383,926</u>
Cash and cash equivalents at end of period	<u>103,345</u>	<u>158,561</u>

The notes on pages 12 to 21 form part of these financial statements.

THE GALAXY (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 1st Floor, 2 Wardrobe Place, London, EC4V 5AH, United Kingdom.

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 have been prepared on the historical cost basis.

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

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and the Strategic Report.

The company made an operating loss for the period to 29 March 2020 of £629,002 (2019: £93,461), and as at the period end has accumulated losses of £727,188 (2019: retained profit £13,263) as the balance of its profit and loss account.

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 date, the company has net current assets of £214,659 (2019: net current liabilities of £227,970), and at the same date the company has total shareholders' funds of £3,892,111 (2019: £4,632,562). Furthermore, the company has significant freehold assets which can either be realised or used to raise further finance if required. in the issue of shares.

The company continues to have the support of the investors and has successfully raised funds of £865,926 post year end (see note 24 for details). As a result of this demonstrable continued support of investors, the directors believe the company would be able to raise further funding if required.

THE GALAXY (CITY) PUB COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

3. Accounting policies *(continued)*

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 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 fixed assets - the directors have performed an impairment review on the company's assets, treating each pub site 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. 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 GALAXY (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:

- **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 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.

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.

THE GALAXY (CITY) PUB COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

3. Accounting policies *(continued)*

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
Short leasehold property	-	Over terms of the lease
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.

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.

THE GALAXY (CITY) PUB COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

3. Accounting policies *(continued)*

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.

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.

4. Turnover

Turnover arises from:

	Period from 1 Apr 19 to 29 Mar 20 £	Period from 26 Mar 18 to 31 Mar 19 £
Sale of goods	<u>3,852,882</u>	<u>3,973,819</u>

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

THE GALAXY (CITY) PUB COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

5. Other operating income

	Period from 1 Apr 19 to 29 Mar 20 £	Period from 26 Mar 18 to 31 Mar 19 £
Government grant income	<u>30,438</u>	<u>-</u>

6. Operating profit

Operating profit or loss is stated after charging:

	Period from 1 Apr 19 to 29 Mar 20 £	Period from 26 Mar 18 to 31 Mar 19 £
Depreciation of tangible assets	<u>495,295</u>	<u>339,783</u>

7. Auditor's remuneration

	Period from 1 Apr 19 to 29 Mar 20 £	Period from 26 Mar 18 to 31 Mar 19 £
Fees payable for the audit of the financial statements	<u>4,970</u>	<u>4,800</u>

8. Staff costs

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

	29 Mar 20 No.	31 Mar 19 No.
Production staff	<u>85</u>	<u>81</u>

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

	Period from 1 Apr 19 to 29 Mar 20 £	Period from 26 Mar 18 to 31 Mar 19 £
Wages and salaries	1,419,758	1,335,917
Social security costs	104,328	87,184
Other pension costs	24,144	14,496
	<u>1,548,230</u>	<u>1,437,597</u>

9. Directors' remuneration

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

	Period from 1 Apr 19 to 29 Mar 20 £	Period from 26 Mar 18 to 31 Mar 19 £
Remuneration	<u>192,135</u>	<u>159,503</u>

THE GALAXY (CITY) PUB COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

9. Directors' remuneration *(continued)*

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

	29 Mar 20 No.	31 Mar 19 No.
Defined contribution plans	<u>2</u>	<u>2</u>

10. Interest payable and similar expenses

	Period from 1 Apr 19 to 29 Mar 20 £	Period from 26 Mar 18 to 31 Mar 19 £
Interest on banks loans and overdrafts	61,578	68,098
Interest payable on penalties/late filings	–	147
	<u>61,578</u>	<u>68,245</u>

11. Tax on loss

Major components of tax expense

	Period from 1 Apr 19 to 29 Mar 20 £	Period from 26 Mar 18 to 31 Mar 19 £
Current tax:		
UK current tax expense	49,871	13,924
Adjustments in respect of prior periods	–	(7,023)
Total current tax	<u>49,871</u>	<u>6,901</u>
Tax on loss	<u>49,871</u>	<u>6,901</u>

Reconciliation of tax expense

The tax assessed on the loss on ordinary activities for the period is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	Period from 1 Apr 19 to 29 Mar 20 £	Period from 26 Mar 18 to 31 Mar 19 £
Loss on ordinary activities before taxation	<u>(690,580)</u>	<u>(161,706)</u>
Loss on ordinary activities by rate of tax	(131,210)	(30,724)
Adjustment to tax charge in respect of prior periods	–	(7,023)
Effect of expenses not deductible for tax purposes	71,023	48,813
Effect of capital allowances and depreciation	110,058	(4,165)
Tax on loss	<u>49,871</u>	<u>6,901</u>

THE GALAXY (CITY) PUB COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

12. Exceptional items

During the period, following a review by the directors, tangible fixed assets were impaired by £630,716 (2019: £256,910).

During the period, the company disposed of tangible fixed assets resulting in a profit on disposal of £72,367 (2019: £nil).

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

13. Tangible assets

	Freehold property £	Short leasehold property £	Fixtures and fittings £	Equipment £	Total £
Cost					
At 1 April 2019	5,395,636	914,919	1,564,051	27,978	7,902,584
Additions	–	8,195	128,574	22,087	158,856
Disposals	–	(400,000)	(291,751)	(1,263)	(693,014)
At 29 March 2020	<u>5,395,636</u>	<u>523,114</u>	<u>1,400,874</u>	<u>48,802</u>	<u>7,368,426</u>
Depreciation					
At 1 April 2019	329,329	356,278	481,529	27,432	1,194,568
Charge for the period	109,391	181,805	192,730	11,369	495,295
Disposals	–	(330,150)	(34,516)	(715)	(365,381)
Impairment losses	–	315,181	304,819	10,716	630,716
At 29 March 2020	<u>438,720</u>	<u>523,114</u>	<u>944,562</u>	<u>48,802</u>	<u>1,955,198</u>
Carrying amount					
At 29 March 2020	<u>4,956,916</u>	<u>–</u>	<u>456,312</u>	<u>–</u>	<u>5,413,228</u>
At 31 March 2019	<u>5,066,307</u>	<u>558,641</u>	<u>1,082,522</u>	<u>546</u>	<u>6,708,016</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 £630,716 (2019: £nil) has been recognised in the income statement.

14. Stocks

	29 Mar 20 £	31 Mar 19 £
Finished goods and goods for resale	<u>40,300</u>	<u>52,494</u>

15. Debtors

	29 Mar 20 £	31 Mar 19 £
Trade debtors	2,224	671
Prepayments and accrued income	83,677	55,945
Other debtors	<u>528,650</u>	<u>231,879</u>
	<u>614,551</u>	<u>288,495</u>

THE GALAXY (CITY) PUB COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

16. Creditors: amounts falling due within one year

	29 Mar 20	31 Mar 19
	£	£
Bank loans and overdrafts	145,245	185,893
Trade creditors	131,321	164,478
Accruals and deferred income	36,442	129,538
Corporation tax	51,733	34,673
Social security and other taxes	167,421	178,297
Other creditors	11,375	34,641
	<u>543,537</u>	<u>727,520</u>

See note 17 for details of secured liabilities.

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

	29 Mar 20	31 Mar 19
	£	£
Bank loans and overdrafts	<u>1,735,776</u>	<u>1,847,484</u>

Bank loans and overdrafts falling due after more than one year, includes £938,650 (2019: £990,211) due for repayment after more than five years. This debt is repayable by instalments and is due to be repaid by October 2030. At the balance sheet date the applicable interest rate is 3.05%.

The bank loans are 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.

18. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £22,855 (2019: £13,776).

19. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	29 Mar 20	31 Mar 19
	£	£
Recognised in other operating income:		
Government grants recognised directly in income	<u>30,438</u>	<u>-</u>

20. Called up share capital

Issued, called up and fully paid

	29 Mar 20		31 Mar 19	
	No.	£	No.	£
Ordinary shares of £1 each	48,085	48,085	48,085	48,085

THE GALAXY (CITY) PUB COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
PERIOD FROM 1 APRIL 2019 TO 29 MARCH 2020

21. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

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

22. Analysis of changes in net debt

	At 1 Apr 2019	Cash flows	Other changes	At 29 Mar 2020
	£	£	£	£
Cash at bank and in hand	158,561	(55,216)	–	103,345
Debt due within one year	(185,893)	152,356	(111,708)	(145,245)
Debt due after one year	(1,847,484)	–	111,708	(1,735,776)
	<u>(1,874,816)</u>	<u>97,140</u>	<u>–</u>	<u>(1,777,676)</u>

23. Operating leases

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

	29 Mar 20	31 Mar 19
	£	£
Not later than 1 year	77,500	177,500
Later than 1 year and not later than 5 years	310,000	710,000
Later than 5 years	716,875	794,375
	<u>1,104,375</u>	<u>1,681,875</u>

24. 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.

Subsequent to the balance sheet date, the company has increased its bank borrowings by £500,000.

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.

25. Related party transactions

At the period end the company was owed £423,091 (2019: £92,179) by companies under common control and with directors in common. These balances are unsecured, short term and non-interest bearing.

At the period end the company owed £1,181 (2019: £696) to a company under common control with directors in common. This balance is unsecured, short term and non-interest bearing.

Key management compensation for the period, including directors was £201,599 (2019: £163,435).

In the opinion of the directors, the company is not under the control of any one party.