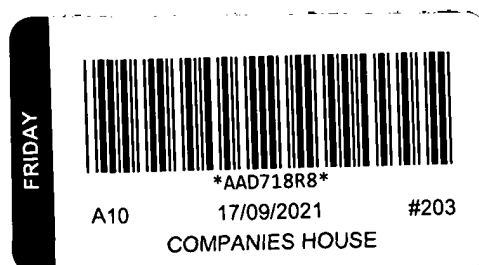


Registration number: 10409029

Trafalgar Entertainment Group Limited

Annual Report and Consolidated Financial Statements

Period from 29 December 2019 to 26 December 2020



Trafalgar Entertainment Group Limited

Directors Sir H H Panter
Dame R A Squire
A Thomson
S Smith
M S Baumstein

Company secretary H J Enright

Registered office Ashcombe Court
Woolsack Way
Godalming
GU7 1LQ

Independent Auditor Ernst & Young LLP
1 More London Place
London
SE1 2AF

Trafalgar Entertainment Group Limited

Strategic Report

for the period from 29 December 2019 to 26 December 2020

Overview of significant events

This is the third full year of trading for Trafalgar Entertainment Group Limited (“the Group”) which from 4 April 2018 is majority owned by Barings Asset-Based Income Fund (US), LP. The principal activity of the Group is to acquire and manage companies involved in live entertainment and theatre-related activity. The Group currently owns seven UK based trading subsidiaries and its strategy is to continue to acquire and expand businesses in the field of live entertainment.

The key activities of the Group's trading subsidiaries include live theatre productions, venue operations, ticketing, theatrical marketing, performing arts education and the broadcast of live entertainment.

2020 was a year dominated by the Covid-19 pandemic which continues to cause major disruption globally and had a significantly detrimental impact on the Group's activity in 2020. The entertainment industry was severely impacted by the pandemic and the Government's virus containment measures. These measures resulted in the enforced closure of theatre venues, which forced the cancellation of shows and rescheduling of productions and other events. Venue closures and event cancellations resulted in mass refunds to ticket holders during the year.

The loss of nearly all revenue streams for over three quarters of the financial year placed enormous strain on the Group, meaning cost mitigation and cashflow management became the Group's primary focus of 2020.

As part of these measures the Group was successful in raising funds during the year, including £9 million of additional equity in April 2020 from existing shareholders and a further £8 million of debt from HSBC through the Government's Coronavirus Large Business Interruption Loan Scheme (CLBILS) in August 2020. Furthermore, the Group took steps to reduce salary costs by taking advantage of the government's job retention scheme and also implemented a voluntary salary reduction across the Group, whilst at the same time negotiating payment deferrals with HMRC, local councils and other key suppliers.

Whilst the pandemic severely impacted all Group operations, pleasingly our performing arts education business, Stagecoach, adapted quickly to the rapidly changing environment and moved swiftly to online classes to supplement in-venue activity, enabling the continued generation of income, albeit at a reduced level, throughout the pandemic and recording positive earnings before interest and tax for the financial period.

Throughout the pandemic the Group retained a healthy balance sheet and cash position which is of vital importance looking ahead as the ongoing disruption to operations continues into the first half of 2021 whilst the vaccination program is rolled out.

Whilst the pandemic dominated 2020 the Group also made the following notable transactions during the year:

On 24 January 2020 the Group incorporated Trafalgar (FH) Limited as a wholly owned subsidiary, which on 5 February 2020 acquired the freehold to a property in south London for £2.7 million.

On 03 May 2020 the Group secured a long-term agreement to lease to and operate the Theatre Royal Sydney, in Australia, the first major step in Asia-Pacific expansion activity.

During 2020 the Group continued the development of a cinema and private members club in Chiswick, London. The development work is anticipated to complete during quarter two of 2021.

Also during 2020 the Group started the process of converting its Trafalgar Studios venue from a two-studio configuration to a larger single auditorium and renamed the venue Trafalgar Theatre. The reconfiguration work is anticipated to complete during quarter one of 2021.

Trafalgar Entertainment Group Limited

Strategic Report

for the period from 29 December 2019 to 26 December 2020

Business review

Overview

Revenue for the period from 29 December 2019 to 26 December 2020 was £15.5 million (2019: £45.0 million). The Group recorded an operating loss of £8.7 million (2019: £3.9 million) which reflects the heavy impact the coronavirus pandemic had on the Group's operations along with ongoing legal and advisory costs in connection with future acquisitions.

Core activities and future developments

Key strategies for the Group are producing content for presenting at both the Group's and third party venues, acquiring further venues in the UK and internationally, securing high quality content for broadcast and streaming, securing high quality ticketing inventory and expanding its network for the provision of high quality performing arts education in the UK and internationally.

Trafalgar Theatre Productions Limited (TTP) was significantly impacted by the pandemic following the closure of all theatres from March 2020 onwards. The pandemic and ongoing venue closures resulted in TTP only being involved in seven productions during the period (2019: 23 productions) five of which had to close prematurely due to the pandemic. In December 2020 TTP produced *Death Drop*, a new West End production designed for socially-distanced audiences which sold very well and was on course to return a profit before being closed by another UK lockdown. Whilst disappointing to close early it clearly demonstrated the pent-up demand and desire audiences have to return to live theatre which is promising looking ahead to 2021. In 2021 TTP has a strong pipeline of UK and international content including a slate of productions for the opening of Theatre Royal Sydney, a new production of *Jersey Boys* set to open in the refurbished and expanded Trafalgar Theatre and a new international tour of *The Rocky Horror Show*. All productions are planned to have flexible opening dates so as to be responsive to continuing restrictions linked to the pandemic.

Jonathan Church Theatre Production Limited (JCTP) had an initially encouraging start to the year with a short tour and West End run of *Blithe Spirit* selling very well, however its run was also curtailed by the pandemic. A UK tour of *The Lion, the Witch and the Wardrobe* originally planned from autumn 2020 had to be deferred for a year and the pandemic has also delayed other smaller-scale productions. Many opportunities are being explored and developed for 2021 and beyond including a UK and international production of *Singin' in the Rain* and the development of a new musical.

Trafalgar Studios Limited (TSL) owns Trafalgar Theatre located on Whitehall and almost immediately adjacent to Trafalgar Square. Following the closures of all venues due to the pandemic, TSL's primary activity during the financial year was the redevelopment of the venue from two auditoria under a single roof, to a single 625 seat studio auditorium. The reconfiguration will allow TSL to attract a stronger content pipeline due to its increased capacity.

Prior to the first national lockdown in March the venue presented the National Theatre's production of *A Taste of Honey* followed by *On Blueberry Hill*, the latter of which closed early due to the coronavirus pandemic.

The pandemic resulted in TSL refunding just over £150,000 for cancelled performances (5,000 tickets).

Trafalgar Releasing Limited (TRL) had a very challenging year with cinemas in the UK and worldwide dramatically impacted by the pandemic. With prolonged periods of cinema closure and reduced occupancies when open, the number of events released by TRL fell to just 37 in 2020 (2019: 71 events). Despite the difficult trading conditions TRL's fourth release from Korean boyband BTS, *Break The Silence*, screened in 104 countries and was a great success.

Trafalgar Entertainment Group Limited

Strategic Report

for the period from 29 December 2019 to 26 December 2020

In the UK the **More2Screen (M2S)** brand of TRL opened the year with the hit musical *Kinky Boots*, along with the 25 year anniversary of *Riverdance* and the critically acclaimed *Uncle Vanya*.

2021 has started with the UK and much of Europe and the rest of the World continuing to feel the impact of the pandemic with cinemas in most countries still closed. However, with the rollout of the vaccine and a return to a semblance of normality TRL is already in discussions with producers to secure content in readiness for cinemas reopening.

Stagecoach Theatre Arts Limited (STA) and its subsidiary companies started the year strongly with the student population exceeding 50,000 worldwide for the first time in its history. The pandemic however impacted the business significantly through quarters 2 and 3 as it looked to find ways to transition the business online with venues unavailable. During the final quarter of 2020, over 90% of the worldwide Franchise network were able to trade with the majority successfully transitioning between physical in-venue and online teaching as circumstances dictated.

This new operational flexibility puts the business in a strong position to successfully navigate the uncertain short term future created by the pandemic. As a result, the company expects to bounce back strongly as restrictions ease through 2021 returning to previous trading levels and refocusing on our growth strategy across both existing markets (UK, Germany and Canada) and new markets worldwide.

London Theatre Direct's (LTD) first full year with the Group was significantly impacted by the pandemic. The closure of all venues for the majority of 2020 resulted in a mass refund program, where £9.5 million was refunded to customers (150,000 tickets). As a result of the closures, website traffic was significantly down year on year with 5.8 million visitors to the website (2019: 12.3 million) purchasing 0.24 million tickets (2019: 0.73 million). In 2020 LTD further developed its technology meaning in 2021 LTD will be able to focus its recovery on increasing traffic and conversion as well as increasing access to ticketing inventory and exploring new acquisition opportunities.

Luke Shires Marketing (LSM) was also significantly impacted by the pandemic. In the period LSM generated retainer income for four existing clients, although at a reduced level, and six new clients were acquired during the period. The timing of all client projects in 2021 is under continuous review awaiting advice from the Government regarding the safe re-opening of the theatre industry.

Trafalgar Cinemas Limited (TCL) continues to focus on the development of a boutique cinema and private members' club on the site at Chiswick, with 2020 a year of construction in advance of opening its first cinema in the second quarter of 2021. Its five screens, augmented with a cafe bar and members' bar, are opening at what is anticipated to be a strong time for cinema. With pent-up demand for the shared collective experience of viewing a movie on the big screen, the release schedule for 2021 is shaping up to be a very strong offering. Releases include the follow ups to *Top Gun* and *Ghostbusters*, new Marvel releases, and, in October, the release of James Bond's *No Time To Die*.

Financial position

The position of the Group as at the balance sheet date is set out in the consolidated statement of financial position on pages 14 and 15 and in the related notes on pages 22 to 80.

As at 26 December 2020 the Group had cash and cash equivalents of £5.1 million (2019: £10.3 million).

Trafalgar Entertainment Group Limited

Strategic Report

for the period from 29 December 2019 to 26 December 2020

Code of Conduct and Corporate Sustainability

The Group maintains a code of conduct and adherence to a principled and ethical approach to doing business is one of our key business aims. We seek to incorporate the UN Global Compact's Ten Principles into our strategies, policies and procedures to set the stage for long-term sustainability.

Our People

The Group is committed to respecting our employees. We treat our employees fairly and honestly. We strive to maintain a safe, secure and healthy workplace, promoting equal opportunities in all aspects of employment. We also follow all applicable employment laws and regulations.

Environmental matters

The Group recognises that it has a responsibility to the environment beyond legal and regulatory requirements. We are committed to reducing our environmental impact and continually improving our environmental performance. We expect our suppliers and other stakeholders to do the same. Trafalgar Studios, a Group company, received a Gold Recycling Standard for 2019 from First Mile for recycling 97% waste and also eliminated single use plastic cups. Other Group companies have implemented new recycling procedures.

Human Rights & Modern Slavery

The Group is committed to respecting human rights and complying with The Modern Slavery Act 2015. We have zero tolerance to slavery and human trafficking and expect all of those in our supply chain to adhere to our values and policies surrounding this.

Anti-corruption and anti-bribery

The Group has a zero-tolerance approach to bribery and corruption. We are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate. We implement and enforce effective systems to counter bribery and corruption and have internal policies in place to educate our employees to recognise and deal with bribery and corruption.

Subsequent events

In January 2021 the Group received a further £12.5 million of equity funding from existing shareholders and in March 2021, the Group acquired HQ Theatre and Hospitality Holdings Limited, a group of regional UK theatres. The acquisition was made in line with the Group's strategy to acquire and expand in the field of arts and entertainment.

Principal risks and uncertainties

The principal risk to the business is the continued uncertainty surrounding the pandemic and re-opening expectations. The ongoing government lockdown at the start of 2021 and uncertainty around its duration makes planning for re-opening challenging. Whilst the rollout of the vaccine is real cause for optimism, the Group does not anticipate a return to some semblance of normality until quarter three of 2021 at the earliest. Further cause for optimism is derived from the pent-up demand for productions evidenced by the strong advance sales for productions currently on sale.

As countries manage the virus internally, many of which have closed borders, significant uncertainty surrounds the return of international travelers who historically have been a significant part of the West End audiences. Virus mutations are changing the travel landscape almost daily and it is clear the focus of 2021 will likely rely heavily on domestic tourism following the relaxing of the government restrictions.

Trafalgar Entertainment Group Limited

Strategic Report

for the period from 29 December 2019 to 26 December 2020

Whilst the potential impacts of Covid-19 are uncertain, the Group has planned for a number of scenarios in 2021 and concluded that the Group has sufficient resources and support to continue in business as trade continues to be affected.

As the pandemic continues to disrupt the economy a related risk to the business is a reduction in theatre, cinema and performing arts school attendance in the event of a slow economic recovery. The pandemic has placed considerable financial strain on some of our customers and with Government borrowing at an all-time high, measures will need to be put into place to fund the borrowing which may put further financial pressure on leisure spend. However, the theatre market in particular has shown resilience in recent history during periods of recession and following terrorist attacks and we are confident that with the pent-up demand the industry will bounce back.

Following re-opening another risk is the availability of suitable content for Trafalgar Theatre and Trafalgar Releasing, which the Group seeks to mitigate through developing its own productions and through existing relationships with content providers. The reconfiguration of Trafalgar Theatre will attract stronger content due to its increased capacity with an anticipated long-running production of *Jersey Boys* already secured and on sale with healthy advance receipts.

The Group is seeking to expand through the acquisition of further complementary live entertainment businesses. While this strategy carries an element of risk, the Group's leadership team has significant experience both in structuring acquisitions and in successfully implementing post acquisition integration.

The pandemic has increased the potential credit risk that counterparties may not be able to pay amounts in full when due. However, TSL's customers pay in advance of the relevant performance and the majority of the tickets are sold via ATG Tickets which is a long-established organisation. The greatest potential credit risk lies within TRL and LTD in relation to collecting monies due from cinemas and partners respectively. TRL has increased its credit control resource since its acquisition with the result that debt is now being collected more quickly, and it has collected more debt than anticipated during the pandemic. LTD has also strengthened its credit control since joining the Group including taking the additional step of putting bonds in place with partners where deemed necessary. Given the mass refunds in 2020 and the closure of venues, LTD does not carry significant debtor balances at year end, minimising credit risk. Stagecoach, by virtue of its close relationship with its franchisee network, does not consider credit risk a significant exposure for its business.

The Group's objectives when managing capital are to maximise shareholder value whilst safeguarding the Group's ability to continue as a going concern.

Approved by the Board on 29 March 2021 and signed on its behalf by:



.....
Dame R A Squire
Director

Trafalgar Entertainment Group Limited

Directors Report

for the Period from 29 December 2019 to 26 December 2020

The directors present their report and the consolidated financial statements for the period from 29 December 2019 to 26 December 2020. The comparative period comprised the period from 30 December 2018 to 28 December 2019.

Directors of the Company

The directors, who held office during the period, were as follows:

Sir H H Panter

Dame R A Squire

B G Egan (resigned 15 October 2020)

A Thomson

S Smith

M S Baumstein (appointed 21 October 2020)

Going concern

The consolidated financial statements have been prepared on the going concern basis.

The Group has net assets of £57.8 million (2019: £56.0 million) and net current liabilities of £4.2 million (2019: net current assets of £0.4 million) as at the period end date, with a cash balance of £12.8 million at the end of February 2021.

The directors are required to consider the application of the going concern concept when signing financial statements. The majority shareholder has confirmed in writing to the Group its commitment to continue to provide cash flow funding, if required, to assist the Company in meeting its liabilities as they fall due, up to the funding cap of \$200 million, for a period of twelve months from the date of approval of the financial statements.

As noted in the Principal risks and uncertainties section of the Strategic Report the Group has performed analysis to consider potential downside scenarios resulting from the ongoing impact of the Pandemic on the Group's businesses. Management had modelled the most severe downside scenario which assumes longer lasting closures and trade impacts than the stretch scenarios so far indicated by the UK government, with no revenue assumed under this scenario for the remainder of 2021 and limited reduction in fixed costs not directly resulting from revenue.

Having considered the detailed forecasts, including severe downside scenarios, the level of shareholder funding provided during the period ended 26 December 2020 and the funding committed and available at the balance sheet date the directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Future developments

Information on future developments can be found in the Strategic Report.

Dividend

The directors do not recommend payment of a dividend (2019 - £nil).

Directors' third party indemnity provisions

Each Director has been provided with a qualifying third-party indemnity from the Company. The Company maintains Directors' and officers' liability insurance.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Trafalgar Entertainment Group Limited

Directors Report

for the Period from 29 December 2019 to 26 December 2020 (continued)

Statement of Directors' Responsibilities

The directors are responsible for preparing the Report and the Consolidated 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 international accounting standards in conformity with the requirements of the Companies Act 2006. 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 Group and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Report and Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Trafalgar Entertainment Group Limited

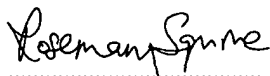
Directors Report

for the Period from 29 December 2019 to 26 December 2020 (continued)

Reappointment of the auditor

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 29 March 2021 and signed on its behalf by:



.....
Dame R A Squire
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAFALGAR ENTERTAINMENT GROUP LIMITED

Opinion

We have audited the financial statements of Trafalgar Entertainment Group Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 26 December 2020 which comprise of the Consolidated Statement of Total Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 26 December 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance in with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 2 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19, which is impacting consumer demand and the ability of consumers to access theatres. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 9, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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 group's and the parent 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 group or the parent 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

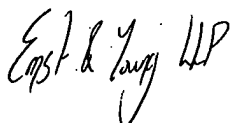
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (Companies Act 2006) and the relevant tax compliance regulations in the jurisdictions in which the group operates in. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters and bribery and corruption practices.
- We understood how Trafalgar Entertainment Group Limited is complying with those frameworks by making enquiries of management. We corroborated our enquiries through review of Board minutes and papers provided by management as well as considering the results of our audit procedures. There was no contrary evidence noted in our review of this evidence.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by performing a fraud risk assessment over each of the Company's revenue streams. We considered the risk of fraud through management override, and in response, we incorporated data analytics across manual journal entries into our audit approach. We performed data analytics over each material revenue stream in the Group and where instances of risk behaviour patterns were identified performed additional audit procedures over each risk. These procedures included testing of transactions back to underlying source information.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing in relation to the identified fraud risk with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; and challenging the assumptions and judgements made by management in respect of significant one-off transactions in the financial year such as the impairment of goodwill and intangible assets, impairment of investments, and other significant accounting estimates. Our procedures also involved enquiries of Company management and those charged with governance. We also leveraged our data analytics platform in performing our work on the order to cash processes to assist in identifying higher risk transactions for testing.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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.



*James Lovegrove (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor*

1 More London Place
London
SE1 2AF

29 March 2021

Trafalgar Entertainment Group Limited

Consolidated Statement of Total Comprehensive Income for the Period from 29 December 2019 to 26 December 2020

		Period to 26 December 2020 £ 000	Period to 28 December 2019 £ 000
	Note		
Revenue	4	15,489	45,010
Cost of sales		<u>(11,287)</u>	<u>(30,604)</u>
Gross profit		4,202	14,406
Share of loss from associates		(171)	(138)
Administrative expenses		<u>(12,718)</u>	<u>(18,155)</u>
Operating loss	5	(8,687)	(3,887)
Finance income	6	1	15
Finance costs	6	<u>(485)</u>	<u>(430)</u>
Loss before tax		(9,171)	(4,302)
Tax credit	10	<u>2,008</u>	<u>516</u>
Loss for the period		<u><u>(7,163)</u></u>	<u><u>(3,786)</u></u>
(Loss)/profit attributable to:			
Owners of the Company		(6,335)	(4,492)
Non-controlling interests		<u>(828)</u>	<u>706</u>
		<u><u>(7,163)</u></u>	<u><u>(3,786)</u></u>

The above results were derived from continuing operations.

There was no other comprehensive income during the period.

The notes on pages 22 to 80 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

Consolidated Statement of Financial Position as at 26 December 2020

	<i>Note</i>	<i>2020</i> <i>£ 000</i>	<i>2019</i> <i>£ 000</i>
Assets			
Non-current assets			
Property, plant and equipment	11	17,774	8,903
Right of use assets	12	6,444	6,921
Intangible assets	13	48,796	52,062
Equity accounted investments	14	655	451
Other non-current financial assets	29	5,883	5,953
		<u>79,552</u>	<u>74,290</u>
Current assets			
Short-term investments	15	176	493
Inventories	16	107	115
Trade and other receivables	18	4,069	10,662
Income tax asset		31	37
Cash and cash equivalents	19	5,129	10,336
Other current financial assets	29	334	-
		<u>9,846</u>	<u>21,643</u>
Total assets		<u>89,398</u>	<u>95,933</u>
Equity and liabilities			
Equity			
Share capital	20	53,720	48,163
Share premium	21	15,663	12,220
Retained earnings		(17,512)	(11,177)
Equity attributable to equity holders of the parent		51,871	49,206
Non-controlling interests		5,973	6,801
Total equity		<u>57,844</u>	<u>56,007</u>

The notes on pages 22 to 80 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

Consolidated Statement of Financial Position

as at 26 December 2020

	Note	2020 £ 000	2019 £ 000
Non-current liabilities			
Loans and borrowings	23	7,733	-
Lease liabilities	24	6,748	6,795
Deferred income		143	272
Other non-current financial liabilities	29	2,155	7,767
Deferred tax liabilities	10	765	3,822
		<u>17,544</u>	<u>18,656</u>
Current liabilities			
Trade and other payables	26	12,482	20,329
Loans and borrowings	23	267	-
Lease liabilities	24	531	494
Income tax liability		286	-
Deferred income		444	447
		<u>14,010</u>	<u>21,270</u>
Total liabilities		<u>31,554</u>	<u>39,926</u>
Total equity and liabilities		<u>89,398</u>	<u>95,933</u>

Approved by the Board on 29 March 2021 and signed on its behalf by:



Dame R. A. Squire

Director

Company registration number: 10409029

The notes on pages 22 to 80 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

Company Statement of Financial Position as at 26 December 2020

	Note	2020 £ 000	2019 £ 000
Assets			
Non-current assets			
Property, plant and equipment	11	262	283
Right of use assets	12	1,490	1,691
Intangible assets	13	304	178
Investments in subsidiaries	14	44,562	44,562
Other non-current financial assets	29	5,883	5,953
Deferred tax assets	10	3,066	833
		<u>55,567</u>	<u>53,500</u>
Current assets			
Trade and other receivables	18	20,239	9,303
Cash and cash equivalents	19	1,186	86
Other current financial assets	29	334	-
		<u>21,759</u>	<u>9,389</u>
Total assets		<u><u>77,326</u></u>	<u><u>62,889</u></u>
Equity and liabilities			
Equity			
Share capital	20	53,720	48,163
Share premium	21	15,663	12,220
Retained earnings		<u>(10,247)</u>	<u>(10,268)</u>
Total equity		<u>59,136</u>	<u>50,115</u>
Non-current liabilities			
Loans and borrowings	23	7,733	-
Lease liabilities	24	1,475	1,631
Other non-current financial liabilities	29	<u>2,011</u>	<u>7,346</u>
		<u>11,219</u>	<u>8,977</u>

The notes on pages 22 to 80 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

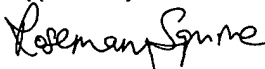
Company Statement of Financial Position

as at 26 December 2020

	Note	2020 £ 000	2019 £ 000
Current liabilities			
Trade and other payables	26	6,407	3,612
Loans and borrowings	23	267	-
Lease liabilities	24	297	185
		<u>6,971</u>	<u>3,797</u>
Total liabilities		<u>18,190</u>	<u>12,774</u>
Total equity and liabilities		<u>77,326</u>	<u>62,889</u>

The profit attributable to the Company during the period was £21,000 (2019: loss attributable to the Company of £2,562,000).

Approved by the Board on 29 March 2021 and signed on its behalf by:



.....
Dame R A Squire - Director

Company registration number: 10409029

Trafalgar Entertainment Group Limited

Consolidated Statement of Changes in Equity

for the Period from 29 December 2019 to 26 December 2020

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total equity attributable to equity holders of the parent £ 000	Non-controlling interests £ 000	Total equity £ 000
At 30 December 2018	42,047	8,432	(6,891)	43,588	153	43,741
Adjustment on initial application of IFRS 9	-	-	206	206	-	206
Restated opening balance under IFRS 9	42,047	8,432	(6,685)	43,794	153	43,947
(Loss)/profit for the period	-	-	(4,492)	(4,492)	706	(3,786)
Total comprehensive (loss)/income	-	-	(4,492)	(4,492)	706	(3,786)
New share capital subscribed	6,116	3,788	-	9,904	-	9,904
Distribution of profit to non-controlling interests	-	-	-	-	(170)	(170)
Non-controlling interest arising on a business combination	-	-	-	-	6,112	6,112
At 28 December 2019	48,163	12,220	(11,177)	49,206	6,801	56,007
Loss for the period	-	-	(6,335)	(6,335)	(828)	(7,163)
Total comprehensive loss	-	-	(6,335)	(6,335)	(828)	(7,163)
New share capital subscribed	5,557	3,443	-	9,000	-	9,000
At 26 December 2020	53,720	15,663	(17,512)	51,871	5,973	57,844

The notes on pages 22 to 80 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

Company Statement of Changes in Equity

for the Period from 29 December 2019 to 26 December 2020

	<i>Share capital</i> £ 000	<i>Share premium</i> £ 000	<i>Retained earnings</i> £ 000	<i>Total</i> £ 000
At 30 December 2018	42,047	8,432	(7,706)	42,773
Loss for the period	-	-	(2,562)	(2,562)
Total comprehensive loss	-	-	(2,562)	(2,562)
New share capital subscribed	6,116	3,788	-	9,904
At 28 December 2019	48,163	12,220	(10,268)	50,115
Profit for the period	-	-	21	21
Total comprehensive income	-	-	21	21
New share capital subscribed	5,557	3,443	-	9,000
At 26 December 2020	53,720	15,663	(10,247)	59,136

The notes on pages 22 to 80 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

Consolidated Statement of Cash Flows

for the Period from 29 December 2019 to 26 December 2020

		Period to 26 December 2020 £ 000	Period to 28 December 2019 £ 000
	Note		
Cash flows from operating activities			
Loss for the period		(7,163)	(3,786)
<i>Adjustments to cash flows from non-cash items:</i>			
Depreciation, amortisation and impairment	5	4,470	3,653
Loss on disposal of property plant and equipment		109	1
Finance income	6	(1)	(15)
Finance costs	6	485	430
Fair value movement on investments in shows	15	-	853
Share of loss of equity accounted investees		171	138
Income tax credit	10	(2,008)	(516)
Fair value movement on options		(5,265)	287
Fair value movement on deferred consideration		(277)	-
Fair value movement on forward contracts		(334)	-
Impairment of investments in associates		-	35
		(9,813)	1,080
<i>Working capital adjustments:</i>			
Decrease/(increase) in inventories	16	8	(47)
Decrease in trade and other receivables	18	6,593	1,890
(Decrease)/increase in trade and other payables and deferred income		(8,520)	2,866
Cash (used in)/generated from operations		(11,732)	5,789
Income taxes paid	10	(757)	(277)
Net cash flow (used in)/from operating activities		(12,489)	5,512

The notes on pages 22 to 80 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

Consolidated Statement of Cash Flows

for the Period from 29 December 2019 to 26 December 2020

		Period to 26 December 2020 £ 000	Period to 28 December 2019 £ 000
	Note		
Cash flows from investing activities			
Interest received	6	1	15
Acquisitions of property plant and equipment		(8,719)	(1,981)
Proceeds from sale of property plant and equipment		-	1
Acquisition of intangible assets		(410)	(295)
Proceeds from sale of intangible assets		-	56
Acquisition of subsidiaries net of cash acquired		-	(18,885)
Distribution of profit to non-controlling interests		-	(170)
Investments in short-term productions		(100)	(1,163)
Acquisition of investments in joint ventures and associates	14	(394)	(275)
Distributions from associates		30	59
Distributions from productions		406	1,227
Net cash flows (used in)/from investing activities		(9,186)	(21,411)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs		9,000	9,904
Proceeds from bank borrowing draw downs		8,000	-
Payment of interest on bank overdrafts		(62)	(2)
Payment of interest on other current liabilities		(7)	-
Payment of principal portion of lease liabilities	24	(207)	(116)
Payment of interest portion of lease liabilities	24	(217)	(375)
Net cash flows from financing activities		16,507	9,411
Net decrease in cash and cash equivalents		(5,168)	(6,488)
Cash and cash equivalents at the beginning of the period		10,336	16,877
Effect of exchange rate fluctuations on cash held		(39)	(53)
Cash and cash equivalents at the end of the period		5,129	10,336

The notes on pages 22 to 80 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

1 General information

Trafalgar Entertainment Group Limited is a private company limited by shares, incorporated and domiciled in England and Wales under the Companies Act.

The address of its registered office is:

Ashcombe Court
Woolsack Way
Godalming
GU7 1LQ

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 for the Group and FRS101 for the Company and are in compliance with these requirements. The financial statements have been prepared on the historical cost basis.

The financial statements are presented in sterling (£) and all values are rounded to the nearest thousand pounds, unless otherwise stated.

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Statement of Comprehensive Income, Statement of Cashflows and related notes. The profit for the period ended 26 December 2020 of the Company was £21,000 (2019: loss for the period of £2,562,000).

Operating results

These financial statements cover a 52 week period from 29 December 2019 to 26 December 2020 (the last Saturday of the financial year). The normal accounting year comprises 52 weeks ending on the Saturday nearest 31 December. Periodically a 53 week period is necessary to realign the accounting year with the calendar. The comparative period comprised the 52 week period from 30 December 2018 to 28 December 2019.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

2 Accounting policies (continued)

Going concern

The consolidated financial statements have been prepared on the going concern basis. The Group has net assets of £57.8 million (2019: £56.0 million) and net current liabilities of £4.2 million (2019: net current assets of £0.4 million) as at the period end date, with a cash balance of £12.8 million at the end of February 2021.

The directors are required to consider the application of the going concern concept when signing financial statements. The majority shareholder has confirmed in writing to the Group its commitment to continue to provide cash flow funding, if required, to assist the Company in meeting its liabilities as they fall due, up to the funding cap of \$200 million, for a period of twelve months from the date of approval of the financial statements.

As noted in the Principal risks and uncertainties section of the Strategic Report the Group has performed analysis to consider potential downside scenarios resulting from the ongoing impact of the Pandemic on the Group's businesses. Management had modelled the most severe downside scenario which assumes longer lasting closures and trade impacts than the stretch scenarios so far indicated by the UK government, with no revenue assumed under this scenario for the remainder of 2021 and limited reduction in fixed costs not directly resulting from revenue.

Having considered the detailed forecasts, including severe downside scenarios, the level of shareholder funding provided during the period ended 26 December 2020 and the funding committed and available at the balance sheet date the directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The results of subsidiaries incorporated during the year are included within the Consolidated Statement of Comprehensive Income from the date the Company gains control. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method unless the subsidiary is used to produce a show over which the Group does not have control. The consideration transferred in a business combination is measured at fair value. Acquisition-related and setup costs are recognised in profit or loss as incurred and included in administrative expenses.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the fair value of the acquirer's previously held equity interest in the acquired entity (if applicable) over the net of the identifiable assets acquired as at the date of acquisition and the liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

2 Accounting policies (continued)

Subsidiary audit exemption guarantee

During the year the Directors of the Company have given a parent company guarantee to all subsidiary companies for an exemption from being audited under section 479A of the Companies Act 2006 relating to subsidiary companies.

This guarantee has been given to the following subsidiary companies:

- Trafalgar Theatre Productions Limited - 05642477
- Trafalgar Studios Limited - 10408631
- Trafalgar Releasing Limited - 07070980
- Trafalgar Cinemas Limited - 10866610
- Rainbow Education Limited - 11436506
- Stagecoach Theatre Arts Limited - 02924719
- Stagecoach Education Services Limited - 10110813
- Stagecoach Performing Arts Limited - 10266160
- RHUK18 Limited - 11483631
- London Theatre Direct Ltd - 03800560
- Luke Shires Marketing Ltd - 11862648
- More2Screen Limited - 05971704
- Jonathan Church Theatre Productions Limited - 12207823
- Trafalgar (FH) Limited - 12423321
- Trafalgar HOG Limited - 12445020
- Stagecoach North America LTD - 12514440

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

2 Accounting policies (continued)

Adoption of new and revised standards

None of the standards, interpretations and amendments effective for the first time from 29 December 2019, other than IFRS 16, have had a material effect on the financial statements. IFRS 16 was early adopted in the financial year ended 28 December 2019.

Standards issued but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, which are relevant to Trafalgar Entertainment Group have not been applied in these financial statements, as although they have been issued they were not yet effective for the financial statements for the period ended 26 December 2020. The Company plans to adopt these based of the effective dates shown below and does not currently plan on early adoption. The impact of the adoption of the these standards is not expected to be material.

<i>Standard</i>	<i>Effective date, annual period beginning on or after</i>
Amendments to IAS 1 - Classification	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2- Deciding which Accounting Policies to disclose	1 January 2023
Amendments to IAS 8 - Distinguishing between Accounting Policies and Accounting Estimates	1 January 2023
Amendments to IAS 16 - Proceeds before intended use	1 January 2022
Annual improvements 2018 - 2020 cycle	1 January 2022
Amendments to IAS 37 - Costs of Fulfilling Contract (Onerouse Lease Assessments)	1 January 2022

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

2 Accounting policies (continued)

Revenue recognition

Revenue comprises income from broadcasting of live events and pre-recorded content and associated activities, venue operation, ticketing operations, marketing operations, performing arts education, production-related services and fair value changes on investments in productions. All income is presented net of any returns. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Broadcasting of live events and pre-recorded content and associated activities

For live events broadcast at cinemas all revenue is net of VAT and is recognised in the month of screening either by way of invoices issued to cinemas or by way of an income accrual bringing the total performance income to a forecast end result. The forecast is produced with reference to advance ticket sales and results received to date and revenue is updated as further results are received. Other turnover in relation to event cinema and associated activities represents amounts receivable from film, TV and DVD rights net of VAT recognised on invoicing for film income, on receipt for DVD rights and on signature of contract and delivery of materials for TV income.

Venue operation

Turnover primarily represents the Company's share of ticket revenue and income from providing theatre related services including venue use, bar and merchandise sales excluding value added tax, credit card commission and agent commission. Share of ticket revenue is recognised following the performance of the show to which tickets relate together with the associated theatre related revenue.

Ticketing Operation

Turnover is presented on an agency basis and represents the sale of tickets (excluding value added tax), net of ticket purchase costs and venue commission payable (excluding value added tax). Revenue is recognised on the date on which the customer confirms their purchase or exchange.

For performances cancelled as a result of Covid-19, customers are provided with a choice of cash refunds, vouchers or a ticket exchange for a future performance date. Revenue is derecognised when performances are cancelled and the customer confirms a cash refund request. Vouchers are recognised as a liability initially and revenue is recognised on the date of redemption. Ticket exchanges retain original revenue recognition at the point of sale. At 26 December 2020, London Theatre Direct assessed the probability of cancellation for future performances. As a result, London Theatre Direct provided for 100% of ticketing income received for shows scheduled from January 2021 to April 2021.

Marketing Operation

Turnover represents service of marketing campaigns including provision of campaign strategies, sales and marketing, content and engagement and performance related bonuses and commission. Revenue for services provided is recognised evenly across the period the engagement relates to. Performance related bonuses and commission is recognised when targets are achieved.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

2 Accounting policies (continued)

Performing arts education

Revenue comprises mainly of franchising services, net of value added tax. Revenue is recognised as follows:

Education - Continuing franchise fees

Continuing franchise fees from Stagecoach are earned as a percentage of the network fees earned by the franchisees at local schools and relate to the provision of ongoing services and support to the franchisees under the terms of the franchise agreements. Revenue is recognised as the services are provided to franchisees.

Education - Advertising, Marketing and Promotional Fees

Advertising, Marketing and Promotional Fees are earned as a percentage of the network fees earned by the franchisees at local schools and relate to the provision of marketing services at a local level alongside national marketing campaigns and brand development. Revenue is recognised evenly across the period the fee relates.

Education - Initial franchise fees

Revenue is recognised once the individual franchise agreement is signed and attendance on the franchisee training course for new franchisees has been completed, which is the date when the Group has performed all services and satisfied all conditions relating to setting up a new franchise agreement.

Education - Re-sale of territories fees

Revenue arises on the re-sale of territories by franchisees to new franchisees, by way of a “transfer fee” which is charged to the incumbent franchisee for the issuance of the legal paper work to allow the transfer of the franchise to take place. The incumbent franchisee is responsible for selling their territory to an approved and trained new franchisee and a fee is charged if training is required.

The work is performed and the revenue recognised in full at the point when the new franchisee has been trained and a sale and purchase agreement between the incumbent and new franchisee has been signed.

Education - Software Licence Fee

Revenue is recognised throughout the support year the services are provided to the franchisees.

Other revenue

Events & Theatre Production Activity, Managed Schools Activity and Other Income are recognised in line with performances when services are rendered.

Production-related services

Revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty (Note 3).

Production profits are recognised only when it is probable that a post recoupment profit will be made and can be measured reliably.

Charges are made to the productions in respect of services provided (such as management and accounting fees), these are recognised net of sales taxes and as those services are provided.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

2 Accounting policies (continued)

Foreign currency transactions and balances

For event broadcast turnover invoiced in a foreign currency the invoiced amount is converted to pounds sterling based on the exchange rate as at the beginning of the relevant month. On settlement of each invoice any exchange rate difference is accounted for as an exchange gain or loss. Other transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Retirement benefits

Payments to defined contribution services are recognised as an expense in line with the employment during the period. Differences between contributions payable in the period and contributions actually paid are shown as accruals in the Consolidated Statement of Financial Position.

Government Grants

The Group receives income-related grants from the government for employment-related grants. A grant is recognised in the statement of comprehensive income when there is reasonable assurance that the Group will comply with its conditions and that the grant will be received. Grants are presented in the statement of comprehensive income as a deduction from the related expenses. In 2020, the Group received £1.1m in grants relating to the Coronavirus Job Retention Scheme. The Group also participated in the VAT and PAYE deferral plans. During the year, the Group deferred £1.07 million in PAYE payments and £0.97 million in VAT payments. As at 26 December, the Group owed £0.82 million and £0.90 million to HMRC for deferred PAYE and VAT respectively.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax is based on taxable profit for the period calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the relevant tax bases used in the computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profits will be available against which those temporary differences can be utilised except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

2 Accounting policies (continued)

Investments

Investments in subsidiaries are valued at cost less any provision for impairment.

Short-term investments - Investments in shows and co-production agreements

Investments in shows are stated at fair value with gains and losses recognised in the statement of comprehensive income.

Depending on the nature of the entity and the extent to which the Group exerts control over it, for consolidation purposes a co-production may be classified as a subsidiary, a joint venture, an associate or an investment. In accordance with IFRS 10 this classification is determined by the extent to which control exists by reference to the individual co-production agreements and whether the relevant group company has authoritative veto over the other co-producers and other investors in the production.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence, significant influence is the power to participate in the financial and operational policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method an investment in an associate or joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit and loss and other comprehensive income of the associate or joint venture. The carrying value of investments in associates and joint ventures is assessed for impairment annually and adjusted if necessary.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is recorded within administrative expenses in the Statement of Total Comprehensive Income.

Depreciation is provided at rates calculated to write off the cost of fixed assets on a straight-line basis over their expected useful lives as follows:

Asset class - owned

Land and buildings

Furniture, fittings and equipment

Depreciation method and rate

50 years straight line

3 to 10 years, or straight line over the period to the end of the lease if this is shorter

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

2 Accounting policies (continued)

Asset class - right of use

Property

Office equipment

Motor vehicles

Depreciation method and rate

Over the remaining period of the lease, straight line

Over the remaining period of the lease, straight line

3 years, straight line

Intangible assets - film distribution rights

Film distribution rights are finite lived intangible assets and are amortised across three years, with 50% amortised in the year of release and 25% amortised in each of the two subsequent years. Amortisation is included within administrative expenses in the Statement of Total Comprehensive Income. An impairment review is carried out at the end of each year to ascertain whether future revenues justify the carried balance. In the event that this is not the case then the minimum guarantee is impaired either fully or in part.

Intangible assets - goodwill

Goodwill is not amortised, but is assessed annually for impairment and stated at cost less any accumulated impairment.

Intangible assets - computer software and developed technology

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that it is estimated will generate economic benefits exceeding costs are recognised as intangible assets.

Computer software is a finite lived intangible asset and is stated at cost less amortisation and amortised on a straight line basis over its estimated useful life, not exceeding five years. Amortisation is included within administrative expenses in the Statement of Total Comprehensive Income.

Developed technologies acquired in business combinations are initially recognised at fair value and are included in computer software. These are considered finite lived intangible assets and amortised on a straight line basis over their estimated useful life of five years. Amortisation is included within administrative expenses in the Statement of Total Comprehensive Income.

Intangible assets - brand/ domain name

Brands acquired in business combinations are initially recognised at fair value. These are considered finite lived intangible assets and amortised on a straight line basis over the estimated useful life of each brand. Amortisation is included within administrative expenses in the Statement of Total Comprehensive Income.

Intangible assets - relationships

Customer and supplier relationship intangible assets acquired in business combinations are initially recognised at fair value. These are considered finite lived intangible assets and amortised on a straight line basis over their estimated useful life of 6 to 7 years. Amortisation is included within administrative expenses in the Statement of Total Comprehensive Income.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated based on future cashflows with a suitable range of discount rates and the expectations of future performance.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

2 Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchases on a first in, first out basis.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Total Comprehensive Income.

Leases

Applying IFRS 16, for all leases (except as noted below), the Group:

- recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
- recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities.

Right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

For short term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the consolidated Statement of Total Comprehensive Income.

Arrangements containing leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement. If an arrangement is determined to contain a lease, the lease is accounted for in line with the accounting policies above.

Provisions

Provisions are recognised where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are made, they are charged to the provision carried in the Statement of Financial Position.

Deferred income

Amounts received by the Group for service to be performed in the future are classified as deferred income and recognised in the Consolidated Statement of Comprehensive Income in line with when the service is performed.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

2 Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, excluding property, plant and equipment, right of use assets, intangible assets, deferred tax assets, prepayments and deferred tax liabilities.

The group recognises financial assets and financial liabilities in the statement of financial position when, and only when, the Group becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the Group commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following two categories:-

- financial assets at amortised cost;
- financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into the following category:-

- financial liabilities at amortised cost
- financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

2 Accounting policies (continued)

Financial instruments (continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the Group may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through the profit or loss (FVTPL)

Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss

Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

Derecognition

Financial assets

The group derecognises a financial asset when;

- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the Statement of Total Comprehensive Income.

Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

2 Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

The group recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVPTL, namely:

- Accounts and other receivables

The group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Group recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Group recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the Group recognises the lifetime ECL.

The group measures loss allowances at an amount equal to the lifetime ECL. Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

2 Accounting policies (continued)

Financial instruments (continued)

For trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales for each company since joining the Group to 26 December 2020 and the corresponding historical credit losses experienced within this period. As more information becomes available, the Group will assess payment profiles of sales over a period of 36 months. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Derivative financial instruments

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets.

Derivative financial instruments are recognised in the statement of financial position at fair value. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

In statement of financial position, derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities.

The changes in the fair values of derivative financial instruments entered into for trading purposes are included in trading income.

The Group uses forward currency contracts to hedge its foreign currency risks. The Group's forward contracts do not qualify for hedge accounting. Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

Accounting estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of certain financial assets, liabilities, income and expenses.

Provisions for impairment

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

2 Accounting policies (continued)

Financial instruments (continued)

Fair value of financial assets and liabilities

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as brands, developed technologies, relationships and call option, and significant liabilities, such as deferred consideration and put options.

Involvement of external valuers is determined annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Group fair values assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in Note 28.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies (which are described in note 2), the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements

Control over special purpose production companies

There are six entities for which the entire share capital is owned by Trafalgar Theatre Productions Limited but the directors have assessed that the definition of control has not been met. Whilst the entire share capital is owned by the Group, the nature of these entities is that they are special purpose vehicles, set up to aid the co-production by the Group of shows alongside the controlling party/ parties. Each entity has a separate agreement with respect to the operation of the production. These have been accounted for in accordance with the Group's accounting policies for investments in shows and co-production agreements.

Joe Egg West End Limited, SS American 2021 Limited and TTP Productions Limited are considered associates. KI Pal Limited, Admission Play Limited and KI Tour 2018 Limited are not considered to be entities over which any control or significant influence is exerted by the Group. Accordingly, the Group has equity accounted for Joe Egg West End Limited, SS American 2021 Limited and TTP Productions Limited and has not included the results of the other special purpose vehicles within its consolidated results.

For the shows produced through these companies, an investment has been made by Trafalgar Theatre Productions Limited into the show however the definition of control has not been met as Trafalgar Theatre Productions had little creative influence over the production and with minor investments did not have significant exposure to variable returns.

Recognition of deferred tax asset

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

Impairment of goodwill and intangible assets arising on acquisition

Goodwill is assessed for impairment on an annual basis using an estimation of the future cashflows with a suitable range of discount rates and the expectations of future performance. As noted in the principal risks and uncertainties section of the Strategic Report the potential impacts of novel coronavirus are uncertain. If these impacts were to significantly affect the future cashflows of the cash generating units to which the goodwill relates there is a risk that the goodwill could be impaired. Based on scenario analysis performed by the Group, on trading forecasts for five years from 2021 to 2025, the directors do not currently expect any such impairments to occur. Intangible assets arising on acquisition are assessed in the same manner as goodwill.

Valuation of assets and liabilities acquired through acquisitions

Assets and liabilities acquired through acquisitions have been included at fair value which is calculated based on assumptions about the future performance of the acquired business. If the impacts of novel coronavirus were to significantly affect the future cashflows relating to assets acquired, in particular intangible assets, there is a risk that some of the assets could be impaired.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Valuation of options

The Group engaged an independent consultant to produce a valuation of put and call options on non-controlling interest acquired as part of the acquisition of London Theatre Direct. The options are fair valued at each reporting date until expiry using estimated future cashflows, risk free rate and annualised volatility.

Useful lives of computer software

Computer software acquired through business combinations and shown within intangible assets represent a forward facing customer relationship management solution. It is assumed to have a useful life of five years and the directors feel this is an appropriate method of amortisation (Note 13).

Useful lives of property, plant and equipment

The Company was incorporated on 4th October 2016 and the tangible fixed assets acquired by the Group are all new or nearly new with the exception of the venues at Trafalgar Studios. Theatres are known to be structures that last for many years and prior to the acquisition of Trafalgar Studios the venues were externally valued and the building and plant's condition were assessed by industry professionals prior to the acquisition and are periodically reviewed. Most equipment held within the Group has been acquired since the date of incorporation and relates to information technology and is assumed to have a useful life of 3 years which the directors feel is appropriate.

Carrying values of investments in shows

Investments in shows are carried at fair value and assessed on an ongoing basis with reference to variables such as the amount and frequency of investments returned to date, critical and audience reception to the show, the weekly profitability of each show and where known the level and composition of advance ticket sales.

Depreciation and Amortisation rates

Depreciation and amortisation rates are based on management's estimate of the useful economic lives for each asset and reviewed at least annually (Note 2).

Provision for customer refunds

Estimated customer ticket refunds are based on forecasted theatre reopening dates as a result of easing of lockdown restrictions due to Covid-19. Revenue from tickets sold for performances programmed during forecast theatre closures are provided for at 100%.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

4 Revenue

The analysis of the Group's revenue for the period from continuing operations is as follows:

	<i>Period to 26 December 2020 £ 000</i>	<i>Period to 28 December 2019 £ 000</i>
Venue income	474	1,979
Ticketing income	1,660	9,436
Productions income	443	6,326
Event cinema income	8,685	20,613
Franchise support and provision of educational services	3,921	7,018
Marketing income	180	269
Fair value movements on investment in productions	-	(631)
Other income	126	-
	<u>15,489</u>	<u>45,010</u>

5 Operating loss

Arrived at after charging:

	<i>Period to 26 December 2020 £ 000</i>	<i>Period to 28 December 2019 £ 000</i>
Depreciation expense	729	702
Amortisation and impairment expense	3,741	2,951
Loss on disposal of property, plant and equipment	109	-
Auditor's remuneration	250	258
Expenses relating to short-term leases	35	45

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

6 Finance income and costs

	<i>Period to 26 December 2020 £ 000</i>	<i>Period to 28 December 2019 £ 000</i>
Finance income		
Interest income on bank deposits	1	15
Finance costs		
Interest on bank overdrafts and borrowings	(62)	(2)
Interest on lease liabilities	(377)	(375)
Interest expense on other financing liabilities	(7)	-
Foreign exchange losses	(39)	(53)
Total finance costs	(485)	(430)
Net finance costs	(484)	(415)

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	<i>Period to 26 December 2020 £ 000</i>	<i>Period to 28 December 2019 £ 000</i>
Wages and salaries	7,177	10,004
Social security costs	830	887
Pension costs, defined contribution scheme	301	316
Other short-term employee benefits	210	115
	8,518	11,322

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

7 Staff costs (continued)

The average number of persons employed by the Group during the period, analysed by category, was as follows:

	<i>Period to 26 December 2020 No.</i>	<i>Period to 28 December 2019 No.</i>
Production	11	34
Management, administration and support	126	117
Other departments	30	38
	<u>167</u>	<u>189</u>

8 Directors' remuneration

The directors' remuneration for the period was as follows:

	<i>Period to 26 December 2020 £ 000</i>	<i>Period to 28 December 2019 £ 000</i>
Remuneration	581	701
Contributions paid to defined contribution pension scheme	12	13
	<u>593</u>	<u>714</u>

During the period the number of directors who were receiving benefits was as follows:

	<i>Period to 26 December 2020 No.</i>	<i>Period to 28 December 2019 No.</i>
Accruing benefits under defined contribution pension scheme	<u>1</u>	<u>1</u>

In respect of the highest paid director:

	<i>Period to 26 December 2020 £ 000</i>	<i>Period to 28 December 2019 £ 000</i>
Remuneration	<u>326</u>	<u>371</u>

During the period ended 26 December 2020, B G Egan, A Thompson and M S Baumstein received no remuneration for their roles as directors of the Group (2019: nil).

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

9 Auditor's remuneration

	<i>Period to 26 December 2020 £ 000</i>	<i>Period to 28 December 2019 £ 000</i>
Audit of these financial statements	<u>250</u>	<u>258</u>
Non-audit services		
Financial statements preparation	43	36
Tax compliance services	28	28
Transaction advisory and non audit services	<u>25</u>	<u>60</u>
	<u>96</u>	<u>124</u>

10 Income tax

Tax credited in the statement of total comprehensive income:

	<i>Period to 26 December 2020 £ 000</i>	<i>Period to 28 December 2019 £ 000</i>
Current taxation		
UK corporation tax	-	(37)
UK corporation tax adjustment to prior periods	<u>356</u>	<u>14</u>
	<u>356</u>	<u>(23)</u>
Foreign tax	251	76
Foreign tax adjustment to prior periods	<u>442</u>	<u>-</u>
	<u>693</u>	<u>76</u>
Total current income tax	1,049	53
Deferred taxation		
Arising from origination and reversal of temporary differences	<u>(3,057)</u>	<u>(569)</u>
Tax credit in the statement of total comprehensive income	<u>(2,008)</u>	<u>(516)</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

10 Income tax (continued)

The tax on loss for the period is different to the standard rate of corporation tax in the UK of 19% (2019 - 19%).

The differences are reconciled below:

	<i>Period to 26 December 2020 £ 000</i>	<i>Period to 28 December 2019 £ 000</i>
Loss before tax	<u>(9,171)</u>	<u>(4,302)</u>
Corporation tax at standard rate of 19% (2019: 19%)	(1,742)	(817)
Increase in current tax from adjustment for prior periods	356	14
Decrease from effect of different UK tax rates on some earnings	-	(37)
Expenses not deductible	(1,035)	210
Effect of foreign tax rates	732	13
Deferred tax movement from unrecognised temporary difference from a prior period	(699)	31
Deferred tax movement relating to changes in tax rates or laws	<u>380</u>	<u>70</u>
Total tax credit	<u>(2,008)</u>	<u>(516)</u>

Factors that may affect the Group's future tax charges include the impact of corporate restructuring and/or refinancing, future planning activities, corporate acquisitions and disposals, the use of brought forward tax losses and changes in legislation and tax rates. The current loss before tax is primarily due to a substantial element of setup and acquisition costs which are expected to decrease in future years and with the growth of the existing business and anticipated acquisitions of further profit-making businesses the Group expects to be making taxable profits in the near future against which the carried forward losses will be utilised.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

10 Income tax (continued)

Deferred tax

Group

Deferred tax assets and liabilities

	<i>Liability</i> £ 000
2020	
Accelerated tax depreciation	(108)
Tax losses carry-forwards	3,941
Provisions	24
Other items	(4,622)
	<u>(765)</u>

Other items includes a £4,649,000 (2019: £4,681,000) deferred tax liability relating to brand intangibles and a £27,000 (2019: £17,000) deferred tax asset relating to pension contribution timing differences.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

	<i>Liability</i> £ 000
2019	
Accelerated tax depreciation	(39)
Tax losses carry-forwards	870
Provisions	11
Other items	(4,664)
	<u>(3,822)</u>

Deferred tax movement during the period:

	<i>At 29 December</i> 2019 £ 000	<i>Recognised in statement of comprehensive income</i> £ 000	<i>At 26 December</i> 2020 £ 000
Accelerated tax depreciation	(39)	(69)	(108)
Tax losses carry-forwards	870	3,071	3,941
Provisions	11	13	24
Other items	(4,664)	42	(4,622)
Net tax assets	<u>(3,822)</u>	<u>3,057</u>	<u>(765)</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

10 Income tax (continued)

Company

Deferred tax assets and liabilities

	<i>Asset</i> <i>£ 000</i>
<i>2020</i>	
Accelerated tax depreciation	(49)
Tax losses carry-forwards	3,093
Other items	22
	<u>3,066</u>
<i>2019</i>	<i>Asset</i> <i>£ 000</i>
Accelerated tax depreciation	(15)
Tax losses carry-forwards	836
Other items	12
	<u>833</u>

Deferred tax movement during the period:

	<i>At 29 December</i> <i>2019</i> <i>£ 000</i>	<i>Recognised in</i> <i>statement of</i> <i>comprehensive income</i> <i>£ 000</i>	<i>At 26 December</i> <i>2020</i> <i>£ 000</i>
Accelerated tax depreciation	(15)	(34)	(49)
Tax losses carry-forwards	836	2,257	3,093
Other items	12	10	22
Net tax assets	<u>833</u>	<u>2,233</u>	<u>3,066</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

11 Property, plant and equipment

Group

	<i>Land and buildings £ 000</i>	<i>Furniture, fittings and equipment £ 000</i>	<i>Total £ 000</i>
Cost			
At 30 December 2018	9,920	934	10,854
Additions	1,569	412	1,981
Acquired through business combinations	-	3	3
Disposals	-	(29)	(29)
Transfers between PPE classes	519	(519)	-
Transfers to right of use assets	(3,537)	-	(3,537)
At 28 December 2019	8,471	801	9,272
Additions	8,834	361	9,195
Disposals	-	(159)	(159)
At 26 December 2020	17,305	1,003	18,308
Depreciation			
At 30 December 2018	209	72	281
Charge for period	78	119	197
Eliminated on disposal	-	(27)	(27)
Transfers to right of use assets	(82)	-	(82)
At 28 December 2019	205	164	369
Charge for period	79	136	215
Eliminated on disposal	-	(50)	(50)
At 26 December 2020	284	250	534
Carrying amount			
At 26 December 2020	17,021	753	17,774
At 28 December 2019	8,266	637	8,903
At 30 December 2018	9,711	862	10,573

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

11 Property, plant and equipment (continued)

Company

*Furniture,
fittings and
equipment
£ 000*

Cost

At 30 December 2018	81
Additions	<u>250</u>
At 28 December 2019	331
Additions	<u>32</u>
At 26 December 2020	<u>363</u>

Depreciation

At 30 December 2018	10
Charge for period	<u>38</u>
At 28 December 2019	48
Charge for period	<u>53</u>
At 26 December 2020	<u>101</u>

Carrying amount

At 26 December 2020	<u>262</u>
At 28 December 2019	<u>283</u>
At 30 December 2018	<u>71</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

12 Right of use assets

Group	Office equipment £ 000	Property £ 000	Motor vehicles £ 000	Total £ 000
Cost				
Cost on adoption of IFRS 16 at 30 December 2018	6	2,695	126	2,827
Transfer from property, plant and equipment due to IFRS 16 adoption	-	3,537	-	3,537
Additions	14	999	-	1,013
Additions acquired through business combinations	-	131	-	131
At 28 December 2019	20	7,362	126	7,508
Additions	-	-	53	53
Disposals	-	(12)	(71)	(83)
At 26 December 2020	20	7,350	108	7,478
Depreciation				
Charge for period	5	436	64	505
Transfer from property, plant and equipment due to IFRS 16 adoption	-	82	-	82
At 28 December 2019	5	518	64	587
Charge for the period	6	450	58	514
Eliminated on disposal	-	-	(67)	(67)
At 26 December 2020	11	968	55	1,034
Carrying amount				
At 26 December 2020	9	6,382	53	6,444
At 28 December 2019	15	6,844	62	6,921

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

12 Right of use assets (continued)

Company

	<i>Office equipment £ 000</i>	<i>Property £ 000</i>	<i>Total £ 000</i>
Cost			
Cost on adoption of IFRS 16 at 30 December 2018	-	868	868
Additions	14	999	1,013
At 28 December 2019 and 26 December 2020	14	1,867	1,881
Depreciation			
Charge for period	3	187	190
At 28 December 2019	3	187	190
Charge for the period	5	196	201
At 26 December 2020	8	383	391
Carrying amount			
At 26 December 2020	6	1,484	1,490
At 28 December 2019	11	1,680	1,691

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

13 Intangible assets

Group

	<i>Goodwill</i> £ 000	<i>Brand/ Domain name</i> £ 000	<i>Relationships</i> £ 000	<i>Film distribution rights</i> £ 000	<i>Computer software and developed technology</i> £ 000	<i>Total</i> £ 000
Cost						
At 30 December 2018	8,997	14,100	-	555	738	24,390
Additions	-	-	-	117	178	295
Acquired through business combinations	15,030	4,562	8,545	-	3,245	31,382
Disposals	(56)	-	-	-	-	(56)
At 28 December 2019	23,971	18,662	8,545	672	4,161	56,011
Additions	-	-	-	274	201	475
At 26 December 2020	23,971	18,662	8,545	946	4,362	56,486
Amortisation and impairment						
At 30 December 2018	-	353	-	513	132	998
Amortisation charge	-	1,072	949	120	810	2,951
At 28 December 2019	-	1,425	949	633	942	3,949
Amortisation charge	-	1,186	1,239	157	978	3,560
Impairment	181	-	-	-	-	181
At 26 December 2020	181	2,611	2,188	790	1,920	7,690
Carrying amount						
At 26 December 2020	23,790	16,051	6,357	156	2,442	48,796
At 28 December 2019	23,971	17,237	7,596	39	3,219	52,062
At 30 December 2018	8,997	13,747	-	42	606	23,392

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

13 Intangible assets (continued)

The amortisation charges for the period on the Group's intangible film distribution rights are included within cost of sales. The amortisation charges on brands, relationships and computer software and developed technology are included within administrative expenses.

Goodwill impairment review

The Group annually assesses the carrying value of goodwill for impairment in line with the accounting policies set out in note 2.

A detailed review of the components making up the carrying value of these balances has been undertaken whereby the carrying amount of the cash generating units (CGUs), including goodwill, has been compared to the value in use of the CGU to which each component has been allocated.

The components that make up the goodwill balance are as follows:

- £3,232,000 allocated and assessed against the Stagecoach CGU
- £3,004,000 allocated and assessed against the Trafalgar Releasing CGU
- £2,523,000 allocated and assessed against the Trafalgar Theatre Productions CGU
- £14,599,000 allocated and assessed against the London Theatre Direct CGU
- £431,000 allocated and assessed against the More2Screen CGU

Value in use was determined by discounting the estimated future cash flows generated from that CGU and was based on the following key assumptions;

- cash flows were projected based on five year forecasts taking into account actual operating results for historic years;
- the fifth year forecast for CGU represents the stable long term position for the business;
- the cash flows were discounted to their Net Present Value using an adjusted weighted average cost of capital (WACC) for the Group of 9%;
- sensitivity analysis was performed by applying a range of WACCs and growth rates for the CGU.

No goodwill acquired through business combinations is expected to be deductible for tax purposes.

During the period, the Group has recognised and impairment charge of £181,000 (2019: £nil) against goodwill. Impairment charges are recorded within administrative expenses in the consolidated statement of total comprehensive income. The directors have considered whether any reasonably possible changes in assumption could lead to an impairment. The sensitivity analysis performed did not identify any reasonably possible changes that would require disclosure in accordance with IAS 36.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

13 Intangible assets (continued)

Company

Computer
software
£ 000

Cost or valuation

At 30 December 2018

-

Additions

178

At 28 December 2019

178

Additions

185

At 26 December 2020

363

Amortisation

At 30 December 2018

-

Amortisation charge

-

At 28 December 2019

-

Amortisation charge

59

At 26 December 2020

59

Carrying amount

At 26 December 2020

304

At 28 December 2019

178

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

14 Investments

Summary of the Company investments

Subsidiaries £ 000

Cost and carrying amount

At 30 December 2018	21,117
Additions	23,445
At 28 December 2019 and 26 December 2020	<u>44,562</u>

The Directors are of the opinion the investments are not worth less than their carrying value.

On 24 January 2020 the Group incorporated Trafalgar (FH) Limited as a wholly owned subsidiary, which on 5 February 2020 acquired the freehold to a property in south London for £2.7 million. The principal activity of Trafalgar (FH) Limited is venue operation.

On 5 February 2020 the Group incorporated Trafalgar HOG Limited as a wholly owned subsidiary. Trafalgar HOG Limited was dormant throughout the year.

Group subsidiaries

Details of the Group subsidiaries as at 26 December 2020 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2020	2019
Trafalgar Theatre Productions Limited*	Show production and management	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%
Trafalgar Studios Limited*	Venue operations	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%
Moonlight Acquisitions Limited*	Dissolved on 22 September 2020	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	0%	100%

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

14 Investments (continued)

<i>Name of subsidiary</i>	<i>Principal activity</i>	<i>Registered office</i>	<i>Proportion of ownership interest and voting rights held</i>	
			<i>2020</i>	<i>2019</i>
Trafalgar Releasing Limited*	Event broadcasting	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%
Rainbow Education Limited*	Holding company	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%
Stagecoach Theatre Arts Limited	Operation of Franchisee Network in relation to the provision of education to children	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%
Stagecoach Education Services Limited	Operation of Stagecoach franchise schools and the provision of educational holiday camps.	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%
Trafalgar Cinemas Limited*	Venue operation	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%
Trafalgar Entertainment Asia-Pacific Pty Limited*	Venue sourcing	Angel Place Level 27 123 Pitt Street Sydney NSW 2000 Australia	100%	100%
Stagecoach Performing Arts Limited	Dormant company	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

14 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2020	2019
Stagecoach Theatre Arts Schools GmbH	Operating and franchising part-time performing arts schools for young people aged between 4 and 18	Manizer Landstrabe, 50 F60325 Frankfurt Germany	100%	100%
Stagecoach Theatre Arts (Canada) Limited	Operating and franchising part-time performing arts schools for young people aged between 4 and 18	1100-1959 Upper Water Street Halifax Nova Scotia B3J 3N2 Canada	100%	100%
Stagecoach Theatre Arts Schools Limited	Operating and franchising part-time performing arts schools for young people aged between 4 and 18	22 pth St 1000 Cambell Mithun Tower Minneapolis MN 554020000 USA	100%	100%
RHUK18 Limited	Theatrical production	55 Strand 8th Floor London WC2N 5LR United Kingdom	77%	77%
London Theatre Direct Ltd*	Sale of theatre tickets	55 Strand London WC2R 0LQ United Kingdom	51%	51%
Luke Shires Marketing Ltd*	Provision of marketing campaigns	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%
More2Screen Limited	Intellectual property holding company	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

14 Investments (continued)

<i>Name of subsidiary</i>	<i>Principal activity</i>	<i>Registered office</i>	<i>Proportion of ownership interest and voting rights held</i>	
			<i>2020</i>	<i>2019</i>
Jonathan Church Theatre Productions Limited*	Show production and management	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%
Trafalgar (FH) Limited*	Venue operation	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%
Trafalgar HOG Limited*	Dormant company	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%
Stagecoach North America Ltd	Dormant company	12 Floor Export House Wolsey Walk Woking GU21 6QX	100%	-%
Trafalgar Adelaide Theatres Pty Limited*	Dormant company	HWL Ebsworth Lawyers Level 14 264-278 George Street Sydney NSW 2000	100%	-%

All of the above listed ownership interests held are in Ordinary Share classes.

* indicates direct investment of Trafalgar Entertainment Group Limited

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

14 Investments (continued)

Group associates

£ 000

Aggregated movement in carrying value

At 30 December 2018	408
Additions	275
Impairment	(35)
Group share of loss	(138)
Distributions from associate	(59)
At 28 December 2019	451
Transfers from investments*	11
Additions	394
Group share of loss	(171)
Distributions from associate	(30)
At 26 December 2020	655

*Investments in SS American Limited 2021 were transferred from short term investments to investments in associates following the confirmation of the capitalisation structure of the production in 2020.

Details of the Group's associates as at 26 December 2020 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held by the Group	
			2020	2019
Rocky Horror Company Limited	Show production	Regina House 124 Finchley Road London NW3 5JS England and Wales	33.33%	33.33%
Joe Egg West End Limited	Show production	Ashcombe Court Woolsack Way Godalming Surrey GU7 1LQ England and Wales	39%	39%
TTP Productions Ltd*	Show production	Ashcombe Court Woolsack Way Godalming Surrey GU7 1LQ	51.9%	0%

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

14 Investments (continued)

SS American 2021 Ltd	Show production	55 Strand 8th Floor London England WC2N 5LR	36%	0%
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*Notwithstanding the ownership interest, TTP Productions Ltd's production agreements demonstrate that the Group do not have control over its shows, so the Directors have determined that control over TTP Productions Ltd does not exist.

Investment in associates' carrying value does not equate to the Group's share in equity as investment in shows are recorded within liabilities of the production entity, as opposed to share capital.

As disclosed in note 3, Trafalgar Theatre Productions Limited owns the entire share capital of Joe Egg West End Limited but the directors have assessed that the definition of control has not been met and as such this entity has been accounted for as an associate and equity accounted. Trafalgar Theatre Productions Limited contributed 39% of the capitalisation in the production.

Both associates' principal place of business is 55 The Strand, London, WC2N 5LR.

Rocky Horror Company Limited

	2020 £ 000	2019 £ 000
Current assets	463	488
Current liabilities	(461)	(487)
Equity	<u>2</u>	<u>1</u>
Group share in equity - 33.33%	<u>-</u>	<u>-</u>
Revenue	613	1,106
Profit/(loss)	-	179
Movement in investment carrying value		
Opening carrying value	408	408
Group share of profit/(loss)	-	59
Less distributions from associate	<u>-</u>	<u>(59)</u>
Closing carrying value	<u>408</u>	<u>408</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

14 Investments (continued)

Joe Egg West End Limited

	2020 £ 000	2019 £ 000
Current assets	3	12
Current liabilities	(3)	-
Equity	-	12
Group share in equity - 39%	-	5
Revenue	-	438
Profit/(loss)	(13)	(506)

Movement in investment carrying value

Opening carrying value	43	-
Investment in associate	-	275
Impairment	-	(35)
Group share of profit/(loss)	(13)	(197)
Less distributions from associate	(30)	-
Closing carrying value	-	43

TTP Productions Ltd

	2020 £ 000	2019 £ 000
Current assets	82	-
Current liabilities	(30)	-
Equity	52	-
Group share in equity - 51.9%	27	-
Revenue	161	-
Profit/(loss)	(311)	-

Movement in investment carrying value

Investment in associate	203	-
Group share of profit/(loss)	(157)	-
Closing carrying value	46	-

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

14 Investments (continued)

SS American 2021 Ltd

	2020 £ 000	2019 £ 000
Current assets	202	-
Current liabilities	(202)	-
Equity	-	-
Group share in equity - 36%	-	-
Profit/(loss)	-	-
Movement in investment carrying value		
Transfer from short-term investments	11	-
Investment in associate	191	-
Closing carrying value	202	-

Current assets and current liabilities represent amounts spent by SS American 2001 Ltd from investor funding in relation to the future production Anything Goes. It is anticipated that once the show is fully capitalised Trafalgar Theatre Productions Ltd will have a share of approximately 36% of the capitalisation.

Aggregate financial information for associates

	2020 £ 000	2019 £ 000
Group share of loss from continuing operations	(171)	(138)

The most recent financial year end of Rocky Horror Company Ltd is 30 September 2020, and it is the results to this date that have been included in these accounts. This is the most accurate information available at the time of preparing these accounts and represents a full 12 months of activity.

Joe Egg West End Limited is the production company for A day in the Death of Joe Egg that played in Trafalgar Studio 1. The production closed on 30 November 2019. The company has had no further activity subsequent to closing. The Group bore the overall cost for the production, therefore received 100% share of the loss in the period ended 26 December 2020.

TTP Productions Ltd is the production company for Death Drop that played at the Garrick and On Blueberry Hill, that played in Trafalgar Studios 1. Death Drop opened and closed in December 2020. On Blueberry Hill opened and closed in March 2020. Both productions' runs ended earlier than scheduled due to Covid-19 lockdowns in London. The productions have no trading activity subsequent to closures.

SS American 2021 Ltd is the production company for Anything Goes, scheduled for the Barbican in 2021. The production had no trading in 2020.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

15 Short-term investments

Short-term investments represent the Group's investment in shows and co-production agreements. The movements during the period were as follows:

	2020 £ 000	2019 £ 000
At 29 December 2019	493	935
Transfer to associate	(11)	-
Additions	100	1,432
Recoupments and revisions	(406)	(1,021)
Fair value movement	-	(853)
At 26 December 2020	<u>176</u>	<u>493</u>

16 Inventories

	<i>Group</i>		<i>Company</i>	
	2020 £ 000	2019 £ 000	2020 £ 000	2019 £ 000
Finished goods and goods for resale	<u>107</u>	<u>115</u>	<u>-</u>	<u>-</u>

Total inventories expensed during the period amounted to £111,000 (2019: £239,000).

17 Non adjusting events after the financial period

In January 2021 the Group received a further £12.5 million of equity funding from existing shareholders and in March 2021, the Group acquired HQ Theatre and Hospitality Holdings Limited, a group of regional UK theatres. The acquisition was made in line with the Group's strategy to acquire and expand in the field of arts and entertainment.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

18 Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
Trade receivables*	2,111	4,337	602	108
Allowance for expected credit losses	(88)	(50)	-	-
Net trade receivables	2,023	4,287	602	108
Receivables from related parties	-	-	19,238	8,812
Accrued income	695	3,111	-	-
Prepayments	547	972	103	104
VAT Receivable	-	-	87	103
Other receivables**	804	2,292	209	176
	<u>4,069</u>	<u>10,662</u>	<u>20,239</u>	<u>9,303</u>

*Trade receivables for the Company comprises of receivables from related parties arising from the ordinary course of business.

**Included in other receivables is cash in transit of £141,000 (2019: £1,204,000).

Impairment

Set out below is the movement in the allowance for expected credit losses of trade receivables and contract assets:

	<i>2020</i>	<i>2019</i>
	<i>£ 000</i>	<i>£ 000</i>
At 28 December 2019	50	101
Provision for expected credit losses	63	5
Reversal of previous provision	(22)	(56)
Write off bad debts	(3)	-
At 26 December 2020	<u>88</u>	<u>50</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

19 Cash and cash equivalents

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
Cash in hand	6	19	-	-
Cash at bank	<u>5,123</u>	<u>10,317</u>	<u>1,186</u>	<u>86</u>
	<u>5,129</u>	<u>10,336</u>	<u>1,186</u>	<u>86</u>

Included within cash at bank is £26,000 (2019: £500,000) held in a ring fenced account as a bond on behalf of a partner and £12,000 (2019: £nil) restricted cash held in deposit accounts.

20 Share capital

Authorised, allotted, called up and fully paid shares

	<i>2020</i>		<i>2019</i>	
	<i>No. 000</i>	<i>£ 000</i>	<i>No. 000</i>	<i>£ 000</i>
A Ordinary Shares of £1 each	50,760	50,760	45,490	45,490
B Ordinary Shares of £1 each	2,766	2,766	2,479	2,479
C Ordinary Shares of £0.00 each	13,403	13	13,309	13
Deferred Shares of £0.00 each	<u>181,074</u>	<u>181</u>	<u>181,074</u>	<u>181</u>
	<u>248,003</u>	<u>53,720</u>	<u>242,351</u>	<u>48,163</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

20 Share capital (continued)

New shares issued

During the year the Company made the following changes to its share capital:

- Issued 5,269,700 £1 A Ordinary shares for a total consideration of £8,534,972, giving rise to a share premium of £3,265,272. Further information can be found in note 21.
- Issued 287,118 £1 B Ordinary shares for a total consideration of £465,027, giving rise to a share premium of £177,909. Further information can be found in note 21.
- Issued 93,806 £0.001 C Ordinary shares for a total consideration of £93.80.

Rights, preferences and restrictions

A and B Ordinary Shares have the following rights, preferences and restrictions:

The A Shares and B Shares shall have the same rights and restrictions other than as set out in the articles of association which can be found at Companies House.

A summary of the restrictions are as follows:

Until such time as each holder of B shares has been paid back in full the total of its respective Subscription Amount, any profits available for distribution which the Company may decide to distribute shall be applied in distributing such profits amongst the holders of B shares only.

Once each holder of B Shares has been paid back in full the total of its respective Subscription Amount, any profits available which the Company may decide to distribute shall be applied in distributing such profits amongst all the shareholders (pari passu as if the A shares and B shares constituted one class of shares) pro rata to their respective shareholdings.

At a general meeting, on a show of hands every shareholder who is present in person or by proxy shall have one vote, unless the proxy himself is a shareholder entitled to vote; on a poll every shareholder present in person or by proxy shall have one vote for each share of which he is the holder; and on a vote on a written resolution every shareholder has one vote for each share of which he is the holder.

C Ordinary Shares have the following rights, preferences and restrictions:

The C Ordinary Shares shall not confer on the holders thereof the right to receive notice of or to attend, speak or vote at general meetings of the Company nor to receive or vote on proposed written resolutions of the Company. The C Ordinary Shares shall not carry any right to receive dividends or other distributions.

C shares are management sweet equity, which are allocated according to the board's discretion. C shares only have value on a share or asset sale by the current majority shareholder, and then only to the extent that the IRR of the A & B shares exceeds 10%, in which case the C shares receive 20% of any proceeds after the A & B shares have recouped 10%.

Deferred Shares have the following rights, preferences and restrictions:

The Deferred Shares shall not confer on the holders thereof the right to receive notice of or to attend, speak or vote at general meetings of the Company nor to receive or vote on proposed written resolutions of the Company. The Deferred Shares shall not carry any right to receive dividends or other distributions.

As part of its capital restructuring in April 2018, the Company offered some of its existing shareholders the opportunity to roll over their existing shareholding through converting their old B shares partially into new B shares at an exchange ratio reflecting the uplift in value of the new B shares, and partially into Deferred Shares. Deferred Shares hold no voting or economic rights.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

21 Reserves

Share premium account

The share premium account represents the excess of the issue price over the par value on shares issued, less transaction costs arising on issue.

During the year Trafalgar Entertainment Group issued 5,269,700 A Ordinary Shares with a par value of £1 each at £1.6196 per share and 287,118 B Ordinary Shares with a par value of £1 each at £1.6196 per share, creating a share premium of £3,443,181.

All other reserves are as stated in the consolidated statement of changes in equity.

22 Non-controlling interests

Set out below is summarised financial information for a subsidiary that has non-controlling interests that are material to the group. The amounts disclosed are before inter-company eliminations. The proportion of ownership held by non-controlling interests represents 49%.

<i>Summarised Statement of Financial Position</i>	<i>2020 £ 000</i>	<i>2019 £ 000</i>
Current assets	1,958	7,565
Current liabilities	<u>(1,599)</u>	<u>(5,234)</u>
Current net assets	<u>359</u>	<u>2,331</u>
Non-current assets	146	228
Non-current liabilities	<u>-</u>	<u>(18)</u>
Non-current net assets	<u>146</u>	<u>210</u>
Net assets	<u>505</u>	<u>2,541</u>
Accumulated NCI	<u>5,973</u>	<u>6,801</u>
<i>Summarised Statement of Comprehensive Income</i>	<i>2020 £ 000</i>	<i>2019 £ 000</i>
Revenue	<u>1,653</u>	<u>9,370</u>
(Loss)/profit for the period	(2,037)	2,654
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive (loss)/income	<u>(2,037)</u>	<u>2,654</u>
(Loss)/profit allocated to NCI*	<u>(828)</u>	<u>687</u>

During the year ended 28 December 2019, the Group held 77% of RHUK18 Limited. Profit allocated to non-controlling interests in RHUK18 amounted to £19,000. RHUK18 Limited did not trade in the year ended 26 December 2020.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

23 Loans and borrowings

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
<i>Non-current loans and borrowings</i>				
Bank borrowings	<u>7,733</u>	<u>-</u>	<u>7,733</u>	<u>-</u>
	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
<i>Current loans and borrowings</i>				
Bank borrowings	<u>267</u>	<u>-</u>	<u>267</u>	<u>-</u>

Bank borrowings

During the year, the Company entered into a debenture with HSBC through the Government's Coronavirus Large Business Interruption Loan Scheme (CLBILS). The debenture contains a fixed and floating charge over all assets of the material subsidiaries of the Company. The Group complied with all capital and covenant requirements during the year.

Loan terms

Loan facility amount:	£8,000,000
Base rate (Bank of England base lending rate at 21 August 2020):	0.10%
Margin rate:	2.20%
Loan commencement date:	21 August 2020
Loan termination date:	21 August 2023
Repayment commencement date*:	21 August 2021

*£133,000 payable quarterly, balance repayable at the end of the term.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

24 Lease liabilities

Group

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

	2020 £ 000	2019 £ 000
<i>Payment</i>		
Payment of principal portion of lease liabilities	207	116
Payment of interest portion of lease liabilities	217	375
Low value leases	-	8
Short term leases	35	45
Total cash outflow	<u>459</u>	<u>544</u>

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	£ 000
As at 28 December 2019	7,289
Additions	53
Derecognised on lease termination	(16)
Accretion of interest	377
Payments	<u>(424)</u>
Carrying lease liabilities at 26 December 2020	<u>7,279</u>
Current	<u>531</u>
Non-current	<u>6,748</u>

The maturity analysis of lease liabilities are disclosed in note 30 .

The following are the amounts recognised in profit or loss:

	2020 £ 000	2019 £ 000
Depreciation expense of right of use assets	514	505
Interest expense on lease liabilities	377	375
Expense relating to short-term leases	35	45
Expense relating to leases of low-value assets	-	8
	<u>926</u>	<u>933</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

24 Lease liabilities (continued)

Company

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	£ 000
As at 28 December 2019	1,816
Accretion of interest	115
Payments	(159)
Carrying lease liabilities at 26 December 2020	<u>1,772</u>
Current	<u>297</u>
Non-current	<u>1,475</u>

25 Pension and other schemes

Defined contribution pension scheme

Group

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £301,000 (2019 - £316,000).

Contributions totalling £142,000 (2019 - £108,000) were payable to the scheme at the end of the period and are included in other payables in Note 26.

Company

Contributions totalling £116,000 (2019 - £71,000) were payable to the scheme at the end of the period and are included in other payables in Note 26.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

26 Trade and other payables

	<i>Group</i>		<i>Company</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
Trade payables	1,822	5,689	457	362
Accrued expenses	7,311	12,223	885	591
Amounts due to related parties	-	-	4,420	2,450
Social security and other taxes	1,439	1,589	528	135
Other payables	1,127	828	117	74
Refunds due to customers	783	-	-	-
	<u>12,482</u>	<u>20,329</u>	<u>6,407</u>	<u>3,612</u>

The Group's trade and other payables are due on normal commercial terms.

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note.

The Group's exposure to market and liquidity risks related to trade and other payables is disclosed in note 30.

27 Commitments and contingencies

Group

As at 26 December 2020, the Group has committed to spend AUD31million on a long term lease for a theatre venue in Australia and £511,000 on the reconfiguration of Trafalgar Theatre.

A subsidiary in the Group is in negotiations with third parties to fund the capitalisation of a production the subsidiary has invested in. Based on current stages of negotiation, it is likely that agreements will be reached with third parties and no further funding will be required from the subsidiary.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

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28 Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Assets	Valuation date	2020 Total	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
			(Level 1)	(Level 2)	(Level 3)
		£000	£000	£000	£000
Call option	26 December 2020	5,883	-	-	5,883
Investments in productions	26 December 2020	176	-	-	176
Forward contracts	26 December 2020	334	-	334	-

Liabilities	Valuation date	2020 Total	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
			(Level 1)	(Level 2)	(Level 3)
		£000	£000	£000	£000
Deferred consideration	26 December 2020	144	-	-	144
Put option	26 December 2020	2,011	-	-	2,011

There were no transfers between Level 1 and Level 2 during 2020 or 2019.

Trafalgar Entertainment Group Limited

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28 Fair value measurement (continued)

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 26 December 2020 are shown below:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Assets				
Call option	Black Scholes model	Probability adjusted EBITDA	2020: £1.5m - £2.9m (2019: £3.1m - £6.6m)	10% increase in probability-adjusted EBITDA would reduce the fair value of the call option by £543,000 (2019: £559,000)
				10% decrease in probability-adjusted EBITDA would increase the fair value of the call option by £595,000 (2019: £630,000)
		Volatility	2020: 56% (2019: 55%)	10% increase in assumed volatility would increase the fair value by £575,000 (2019: £1,120,000)
				10% decrease in assumed volatility would decrease the fair value by £567,000 (2019: £1,152,000)

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

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28 Fair value measurement (continued)

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Liabilities				
Deferred consideration	DCF method	Discount rate	2020: 17.9% (2019: 16%)	2% decrease in discount rate would result in an increase in fair value of the contingent consideration by £5,000 (2019: £16,000)
				2% increase in discount rate would result in a decrease in fair value of the contingent consideration by £5,000 (2019: £15,000)
		Forecast gross profit	2020: £2.1m (2019: £2.6m)	10% decrease in assumed forecast gross profit results in a decrease in the fair value of the contingent consideration by £144,000 (2019: £217,000)
				5% increase in assumed forecast gross profit results in an increase in the fair value of the contingent consideration by £42,000 (2019: £16,000)
Put option	Black Scholes model	Probability adjusted EBITDA	2020: £1.5m - £2.9m (2019: £3.1m - £6.6m)	10% increase in probability-adjusted EBITDA would increase the fair value of the put option by £497,000 (2019: £1,330,000)
				10% decrease in probability-adjusted EBITDA would decrease the fair value of the put option by £444,000 (2019: £1,258,000)
		Volatility	2020: 56% (2019: 55%)	10% increase in assumed volatility would increase the fair value by £576,000 (2019: £1,120,000)
				10% decrease in assumed volatility would decrease the fair value by £566,000 (2019: £1,152,000)

Fair value movements have been recognised in the Statement of Comprehensive Income as follows:

- £5,265,000 gain in respect of the put and call options.
- £277,000 gain in respect of the deferred consideration.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

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28 Fair value measurement (continued)

Reconciliation of fair value measurement of derivative assets and liabilities categorised within Level 3 of the fair value hierarchy:

	Financial assets	Financial liabilities	
	Call option	Put Option	Deferred Consideration
	£000s	£000s	£000s
As at 28 December 2019	5,953	7,346	421
Remeasurement recognised in statement of total comprehensive income during the period	(70)	(5,335)	(277)
As at 26 December 2020	<u>5,883</u>	<u>2,011</u>	<u>144</u>

29 Financial instruments

Group

Financial assets

This note presents the Group's financial assets excluding cash and cash equivalents, presented in note 19.

Other financial assets at fair value through profit and loss

Derivatives held for trade

	Group		Company	
	2020 £ 000	2019 £ 000	2020 £ 000	2019 £ 000
Call option	5,883	5,953	5,883	5,953
Foreign exchange forward contracts	<u>334</u>	<u>-</u>	<u>334</u>	<u>-</u>
Total other financial assets	<u>6,217</u>	<u>5,953</u>	<u>6,217</u>	<u>5,953</u>
Current	<u>334</u>	<u>-</u>	<u>334</u>	<u>-</u>
Non-current	<u>5,883</u>	<u>5,953</u>	<u>5,883</u>	<u>5,953</u>

As these financial assets are held at fair value through profit and loss, their carrying amount is equal to their fair value.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

29 Financial instruments (continued)

Valuation methods and assumptions

Call option:

The group has written call and put options over the non-controlling interest in London Theatre Direct, which permits the holders to put or call the shares in the subsidiary back to the Group three years after acquisition date. The amount that may become payable under the options on exercise are initially recognised at the present value of the redemption amount within Other non-current financial assets and Other non-current financial liabilities. The fair value of the call and the put options at acquisition date were derived using the Black-Scholes model. The options were initially valued using a strike price of £22.1m and a risk-free interest rate of 0.8%, adjusted for a put/call parity. During the period there was an adjustment to reduce the fair value of the Call option by £70,000.

Foreign exchange forward contracts:

The foreign exchange forward contract reflects the positive change in fair value of the instrument that is not designated in a hedge relationship, but is, nevertheless, intended to reduce the level of foreign currency risk for expected expenditure. The foreign exchange forward contract was valued using mark to market valuation methodology with reference to the prevailing exchange rate on 26 December 2020. Fair value gains of £334,000 have been recognised in the Statement of Total Comprehensive Income relating to the foreign exchange forward contract.

Receivables at amortised cost

	Carrying value	
	2020	2019
	£ 000	£ 000
Trade and other receivables	3,479	9,690

Management assessed that the fair values of trade and other receivables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial liabilities

Other financial liabilities at fair value through profit and loss

Derivatives held for trade

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Deferred consideration	144	421	-	-
Put option	2,011	7,346	2,011	7,346
Total other financial liabilities	2,155	7,767	2,011	7,346
Current	-	-	-	-
Non-current	2,155	7,767	2,011	7,346

As these financial liabilities are held at fair value through profit and loss, their carrying amount is equal to their fair value.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

29 Financial instruments (continued)

Valuation methods and assumptions

Deferred consideration:

In the event the operations of More2Screen Limited achieve certain performance criteria during the period 1 November 2019 to 31 December 2022, as specified in an 'earn out' clause in the sale agreement, additional cash consideration will be payable. Should the performance criteria be met, the Group will pay £200,000 in additional cash consideration. At the time of the purchase the fair value of the consideration was determined to be £421,000. It has been recognised as a financial liability at fair value through profit or loss. The contingent consideration is discounted at a weighted average cost of capital of 17.9%. During the period there was an adjustment to reduce the fair value of the Deferred consideration by £277,000.

Put option:

The group has written call and put options over the non-controlling interest in London Theatre Direct, which permits the holders to put or call the shares in the subsidiary back to the Group three years after acquisition date. The amount that may become payable under the options on exercise are initially recognised at the present value of the redemption amount within Other non-current financial assets and Other non-current financial liabilities. The fair value of the call and the put options at acquisition date were derived using the Black-Scholes model. The options were initially valued using a strike price of £22.1m and a risk-free interest rate of 0.8%, adjusted for a put/call parity. During the period there was an adjustment to reduce the fair value of the Put option by £5,335,000.

Financial liabilities at amortised cost

	<i>Carrying value</i>	
	<i>2020</i>	<i>2019</i>
	<i>£ 000</i>	<i>£ 000</i>
Trade and other payables	11,043	18,740
Bank borrowings	8,000	-
Lease liabilities	7,279	7,289
	<u>26,322</u>	<u>26,029</u>

Management assessed that the fair values of trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

30 Financial risk management and impairment of financial assets

The Group's activities expose it to a variety of financial risks including market risk, credit risk, interest rate risk, liquidity risk and currency risk. The Group's overall risk management programme focusses on minimising potential adverse effects on the Group's financial performance.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 29 December 2019 to 26 December 2020

30 Financial risk management and impairment of financial assets (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Group comprises of interest rate risk. Financial instruments affected by market risk relates to loans and borrowings.

The sensitivity analyses relates to the position as at 26 December 2020.

The sensitivity analyses have been prepared on the basis that the amount of net debt and the ratios of fixed to floating interest rates of debt is constant.

With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowing, as follows:

2020	Increase/decrease in basis points	Effect on profit before tax
		£000s
Loans and borrowings	+ 5	(1)
	- 5	1

Credit risk

Credit risk exists within Trafalgar Releasing Ltd and More2Screen Limited, however this risk is mitigated given that debtor balances are largely offset by corresponding creditor balances which are only payable in the event that the relevant debtor is collected. Within Trafalgar Studios tickets are purchased in advance of the performance taking place and so the credit risk within this entity is limited.

Credit risk also exists within Stagecoach Theatre Arts Ltd. The majority of the customers have been transacting with the company for several years, with losses rarely occurring and most customers paying by direct debit. The Company works closely with its franchisees and assesses receivables using the ECL model as prescribed by IFRS 9. All receivables which management consider to be irrecoverable are fully provided for and all other trade receivables are considered to be recoverable. Luke Shires Marketing Limited invoices in advance of work performed and risk is therefore limited to the period of work performed falling within credit payment terms, if any.

Credit risk exists within London Theatre Direct as a result of its significant trading volumes. London Theatre Direct has mitigated this risk by implementing a strict credit policy and by putting bonds in place with partners where deemed necessary.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

2020	Current £ 000	30-60 days £ 000	61-90 days £ 000	>90 days £ 000	Total £ 000
Gross trade receivables	738	833	248	292	2,111
Expected credit loss	(3)	(3)	(4)	(78)	(88)
Total net of expected credit loss	<u>735</u>	<u>830</u>	<u>244</u>	<u>214</u>	<u>2,023</u>

Trafalgar Entertainment Group Limited

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30 Financial risk management and impairment of financial assets (continued)

	<i>Current</i> <i>£ 000</i>	<i>30-60 days</i> <i>£ 000</i>	<i>61-90 days</i> <i>£ 000</i>	<i>>90 days</i> <i>£ 000</i>	<i>Total</i> <i>£ 000</i>
<i>2019</i>					
Gross trade receivables	3,200	717	178	242	4,337
Expected credit loss	-	-	(2)	(48)	(50)
Total net of expected credit loss	<u>3,200</u>	<u>717</u>	<u>176</u>	<u>194</u>	<u>4,287</u>

Liquidity risk

Maturity analysis for financial liabilities

The following table sets out the of the remaining undiscounted cash flow contractual maturities of the Group's financial liabilities by type.

	<i>Carrying</i> <i>amount</i> <i>£ 000</i>	<i>Gross</i> <i>nominal</i> <i>outflow</i> <i>£ 000</i>	<i>Less than</i> <i>1 month</i> <i>£ 000</i>	<i>1-3</i> <i>months</i> <i>£ 000</i>	<i>3 months -</i> <i>1 year</i> <i>£ 000</i>	<i>1-5 years</i> <i>£ 000</i>	<i>More than</i> <i>5 years</i> <i>£ 000</i>
<i>2020</i>							
Trade and other payables	11,043	11,043	3,215	2,617	5,211	-	-
Lease liabilities	7,279	17,232	114	259	391	2,173	14,295
Bank borrowings	8,000	8,480	-	46	404	8,030	-
Foreign exchange forward contracts	<u>18,720</u>	<u>18,720</u>	<u>-</u>	<u>-</u>	<u>18,720</u>	<u>-</u>	<u>-</u>

	<i>Carrying</i> <i>amount</i> <i>£ 000</i>	<i>Gross</i> <i>nominal</i> <i>outflow</i> <i>£ 000</i>	<i>Less than</i> <i>1 month</i> <i>£ 000</i>	<i>1-3</i> <i>months</i> <i>£ 000</i>	<i>3 months -</i> <i>1 year</i> <i>£ 000</i>	<i>1-5 years</i> <i>£ 000</i>	<i>More than</i> <i>5 years</i> <i>£ 000</i>
<i>2019</i>							
Trade and other payables	18,740	18,740	5,660	610	12,470	-	-
Lease liabilities	<u>7,289</u>	<u>17,759</u>	<u>20</u>	<u>212</u>	<u>496</u>	<u>2,176</u>	<u>14,855</u>

Trafalgar Entertainment Group Limited

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30 Financial risk management and impairment of financial assets (continued)

The foreign exchange forward contracts disclosed in the above table are the gross undiscounted cash flows. The following table shows the corresponding reconciliation of those amounts to their carrying amounts:

	<i>3 months - 1 year £ 000</i>
<i>2020</i>	
Outflow	(18,720)
Inflow	19,054
Net	<u>(334)</u>

Capital risk management

Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent company. The primary objective of the Group's capital management is to maximise shareholder value. When the parent company issues new capital it invites all equity holders to participate to avoid any dilution of shareholdings. During the year the Company issued capital in line with its capital management policy (see note 20).

Trafalgar Entertainment Group Limited

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30 Financial risk management and impairment of financial assets (continued)

Currency risk

Currency risk is present within Trafalgar Releasing Ltd with around 50% of screen revenues generated in the UK and the remainder overseas. Overseas screenings are all invoiced in either Euros or USD and so currency risk is limited to those two currencies. Stagecoach Theatre Arts limited has operations in Germany and Canada, presenting Euro and CAD currency risk. Management consider these operations not significant to the Group and will continue to consider and evaluate options to mitigate currency risk as these businesses grow.

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and investing activities (when capital expenditure is denominated in a foreign currency).

The Group entered into a foreign currency forward in relation to projected purchases in the next 12 months that do not satisfy the requirements for hedge accounting. The foreign currency forwards are accounted for as held for trading, with gains and losses recognised in profit or loss.

The derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting payable that is denominated in the foreign currency.

The following table demonstrates the sensitivity to a reasonably possible change in AUD exchange rates, with all other designated variables held constant. The impact of the Group's profit before tax is due to changes in the fair value of non-designated foreign currency derivatives.

	Change in AUD Rate	Effect on profit before tax
		£000s
2020	+ 5%	(891)
	- 5%	985

The movement in the pre-tax effect is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship. Although the derivative has not been designated in a hedge relationship, it acts as an economic hedge and will offset the underlying transactions when they occur.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings linked to the Bank Rate, which exposes the Group to cash flow interest rate risk. Interest rate risk is mitigated as the Bank Rate has remained at a consistent rate for 12 months and by nature does not fluctuate regularly. The Group continues to monitor the Bank Rate.

Liquidity risk

Management monitors rolling forecasts of the Group's cash and cash equivalents on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group, in accordance with Group policy. The Group takes into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Trafalgar Entertainment Group Limited

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31 Related party transactions

Key management personnel compensation

	2020 £ 000	2019 £ 000
Salaries and other short term employee benefits	2,637	2,723
Post-employment benefits	92	89
	<u>2,729</u>	<u>2,812</u>

During the period Trafalgar Theatre Productions Ltd charged £90,000 (2019: £120,000) of management fees to and had income of £nil (2019: £59,000) (shown as income from associates) from Rocky Horror Company Ltd, and RHUK18 Limited paid £100,000 (2019: £407,000) of royalties and share of merchandise income to Rocky Horror Company Limited. As at 26 December 2020 £nil (2019: £26,000) was due to Rocky Horror Company Limited from RHUK18 Limited. Sir H H Panter is a director of Rocky Horror Company Ltd.

During the period Trafalgar Entertainment Group Ltd paid NWH Consulting Ltd £nil (2019: £1,000) in respect of consultancy services. N W H Humby is a director of Trafalgar Releasing Ltd and a director of NWH Consulting Ltd.

During the period the Group made payments of £nil (2019: £3,000) to Concord Theatricals Limited (CTL) for the license of a theatrical performance catalogue and broadcast royalties. The ultimate controlling party of CTL is Concord. Concord became a related party following Barings Asset-Based Income Fund (US), LP acquiring the controlling stake in the Group and shares mutual Directors.

During the period both Sir H H Panter and Dame R A Squire paid for and were issued with 272,160 A ordinary shares each and H J Enright paid for and was issued with 53,104 A ordinary shares.

32 Ultimate controlling party

Barings Asset-Based Income Fund (US), LP is considered to be the ultimate controlling party by virtue of its 82.98% holding in the issued share capital of Trafalgar Entertainment Group Limited.

Trafalgar Entertainment Group Limited heads the smallest and largest Group into which these results are consolidated.