

Registration number: 10409029

Trafalgar Entertainment Group Limited

Annual Report and Consolidated Financial Statements

Period from 27 December 2020 to 25 December 2021

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Trafalgar Entertainment Group Limited

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Dame R A Squire
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Trafalgar Entertainment Group Limited

Strategic Report

for the period from 27 December 2020 to 25 December 2021

Overview of significant events

This is the fourth 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 nineteen (2020: seven) UK or Channel Island-based and one Australian-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, performing arts education and the digital distribution of live entertainment.

2021 was a year that continued to be dominated by the Covid-19 pandemic which continues to cause major disruption globally and had a significantly detrimental impact on the Group's activity. The financial year commenced with the UK going into its third national lockdown in early January with trading significantly impacted during the first half of 2021 as the Government worked through its reopening roadmap that saw schools reopen on 8 March followed by venues reopening on 17 May with reduced capacity. It wasn't until 19 July that the government lifted all remaining social distancing restrictions allowing UK entertainment venues to open to full capacity audiences.

Following the lifting of social distancing restrictions the Group pressed forward with recovery plans which pleasingly saw a return to operational profitability in September, a trend that continued through the remaining months of the year end with November and December generating the second-highest and highest ever monthly EBITDA contributions in the Group's history.

Throughout the year the Group retained a healthy balance sheet and cash position through the support of its primary shareholder, which enabled it to deal with trading volatility and to respond swiftly to investment opportunities.

The Group made the following notable strategic acquisitions during the year (*See Note 16 for more information*):

On 27 March the Group acquired 100% of the share capital of HQ Theatre and Hospitality Holdings Group Limited. The acquisition comprised 15 legal entities including 10 trading subsidiaries responsible for the operation of 12 regional venues throughout the UK.

On 28 August the Group acquired 100% of the share capital of Helen O'Grady (CI) Limited. Helen O'Grady is an education provider whose mid-week, after-school offering of drama only complements the Group's existing performing arts education activity of singing, dancing and acting which predominantly takes place on weekends.

Additionally, during 2021 the Group completed three major venue construction projects:

In April the Group completed the process of converting its renamed Trafalgar Theatre venue from a two-studio configuration to a larger single auditorium and opened to the public in July when restrictions eased with the relaunch of hit musical *Jersey Boys*.

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In June the Group completed the development of a cinema and private members club in Chiswick, London, opening to the public on 25 June.

In December following a sustained period of challenging Covid-19 restriction in New South Wales, the Group opened the Theatre Royal Sydney, in Australia, with *Jagged Little Pill*, marking the commencement of trading in Australia and the first major step in its Asia-Pacific expansion.

Business review

Overview

Revenue for the period was £42.1 million (2020: £15.5 million). The Group recorded an operating loss of £19.2 million (2020: £8.7 million). Whilst trading results improved against 2020, the increase in operating loss is due to the revaluation of financial instruments as well as material legal and advisory costs and other exceptional costs incurred in connection with acquisitions and integrations and investments made during the year.

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 19 and 20 and in the related notes on pages 27 to 101.

At year end the Group had cash and cash equivalents of £21.2 million (2020: £5.1 million).

Core activities and future developments

Key strategies for the Group are producing high quality 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 digital distribution, securing ticketing inventory and expanding its network for the provision of high-quality performing arts education in the UK and internationally.

Productions

In 2021 Trafalgar Theatre Productions Limited (TTP) continued to feel the impact of the Covid-19 pandemic, in particular at the beginning of the year when venues were closed, and social distancing restrictions were in place for more than the first half of the year. Once venues re-opened performances remained vulnerable to cancellations as a result of Covid-19 self-isolation requirements. Despite the challenging trading environment TTP was involved in 9 productions in the year (2020: 7 productions) with some notable successes, especially a summer co-production run of *Anything Goes* at The Barbican Theatre, London which was a significant critical and commercial success. A new tour of *The Rocky Horror Show* opened in July 2021 and proved to be even more popular, generating profits by the end of the year with more expected in 2022. A new production of *Jersey Boys* opened the refurbished and expanded Trafalgar Theatre with strong sales. The show has recently extended its booking period to October 2022 and in November a touring production of the same show successfully opened which is due to continue to 2023. *Death Drop* re-opened in the West End and was able to recoup the 2020 losses and make a good profit - despite losing one of its weeks due to the company having to isolate with Covid-19. A major Australian touring production of *Jagged Little Pill* was the first production at the newly-refurbished and re-opened Theatre Royal Sydney and is planned to continue touring into early 2023. Production activity continues to be busy with UK and international opportunities continually explored and developed including a return to The Barbican of *Anything Goes* in 2022, combined with a UK regional tour and international dates to follow.

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Like TTP, **Jonathan Church Theatre Production Limited (JCTP)** was negatively impacted by continued trading restrictions due to Covid-19. A tour of *The Lion, The Witch and The Wardrobe* opened in November 2021, a year later than planned. Whilst it was very well-received, several important performances over the Christmas period at The Lowry Theatre, Salford had to be cancelled when several members of the cast became ill with Covid-19, and the weekly runs at Cardiff and Aberdeen had to be cancelled due to social distancing restrictions that were put in place in Wales and Scotland. In July 2021 *Singin' in the Rain* opened and performed well at Sadlers Wells Theatre, London, though a planned Autumn 2021 run in Canada has had to be deferred due to Covid-19 and will now follow a UK tour of the production opening in March 2022 following a Japanese season in early 2022. Opportunities continue to be explored and developed for 2022 and thereafter including the development of a major new musical and new productions of existing titles.

Venues

HQ Theatre and Hospitality Holdings Group Limited (HQ) joined the Group on 27 March 2021 when the UK was still in lockdown and the early part of Group ownership was spent integrating operations, systems and processes alongside comprehensive venue remobilisation planning to ensure a successful reopening following the lifting of all social distancing restrictions in late July. On 31 July the Cliffs Pavilion in Southend was the first HQ venue to re-open to the public. The other eleven venues re-opened throughout August and September with the New Theatre Cardiff the last to open on 19 September.

The Group's regional venues presented 1,169 performances welcoming 593,000 patrons through the doors. Standout shows included *Luther* in Bromley, *Jimmy Carr* in Dartford, *Henning Wehn*, *From the Jam*, *Scouting for Girls*, *Milton Jones*, *Russell Brand* and *Australian Pink Floyd* in G Live, *Jools Holland*, *Romesh Ranganathan*, *Australian Pink Floyd*, *Tim Peake*, *Deacon Blue*, *Rhod Gilbert*, *Catherine Jenkins* and *Marti Pellow* in Southend, *Jason Manford* in High Wycombe and *John Bishop* in Bromley, Dartford and G Live and Hastings.

In other developments a new three-year contract extension has been signed for G Live and a new two-year contract extension has been signed for the Beck theatre, Hayes.

Looking ahead to 2022, the regional venues look to continue the recovery by attracting new and exciting content driven by the appointment of a Programming Director to lead on a central programming strategy enabling a single point of contact for visiting producers.

Plans for a major refurbishment of the Cliffs Pavilion continue to enhance the venue's commercial performance and provide an enhanced customer experience.

Trafalgar Theatre Limited (TTL) owns Trafalgar Theatre located on Whitehall adjacent to Trafalgar Square. In April 2021 the Group completed its renovation program and reopened in July when restrictions lifted its doors with a relaunch of hit musical of *Jersey Boys*. Its increased capacity with new Art Deco surroundings, modernized box office and bar facilities have all been well received by its eager and loyal audience. In total 156 performances were staged in 2021. The show will continue its run in West End with current booking period extended to October 2022. Despite the continuing challenges faced by the industry, reconfiguration of the venue places Trafalgar Theatre in a much stronger position to attract commercially attractive productions.

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Trafalgar Cinemas Limited (TCL) opened The Chiswick Cinema on 25 June 2021. With a degree of uncertainty over the continued impact from Covid-19, several of the major film studios delayed the release of their films, with some key releases moving to 2022. The first few months saw a steady start for the cinema, with *In The Heights*, *Black Widow*, *Jungle Cruise* and *Shang-Chi and the Legend of the Ten Rings* the key films across the opening months. The much-anticipated arrival of James Bond's *No Time To Die* on 30 September 2021 saw admissions leap for the cinema, with the film being the top release at Chiswick for seven consecutive weeks. The cinema finished the year with good levels of business from *House of Gucci*, *West Side Story* and, in particular, *Spider-Man: No Way Home*.

Throughout the opening six months of the year the membership numbers have grown steadily and exceeded initial expectations. This trend has continued into 2022.

The initial five weeks of 2022 has seen an encouraging level of admissions achieved by the cinema. *Spider-Man* has continued to lead the way in Chiswick and has more recently been surpassed by the Oscar nominated Belfast. When ranked on a basis of average gross take per screen the cinema was regularly in the top three in 2021 when compared to the UK cinema circuits and for the opening five weeks of 2022 has topped the table. The film slate for 2022 is strong with *Top Gun Maverick*, *The Batman*, *Jurassic World: Dominion* and *Avatar 2* all anticipated to generate significant box office.

Digital Distribution

Trafalgar Releasing Limited (TRL)'s trading was heavily impacted with cinemas in the UK and worldwide being closed for prolonged periods. Despite challenging trading conditions, TRL released 33 events in 2021 (2020: 37 events). Notable screenings included the Korean girl band *Blackpink*, *Oasis Knebworth Concert*, *CS Lewis The Most Reluctant Convert* and the year ending with another K-pop band, *Monsta X*. With the opera houses throughout the world closed for much of the year, the company missed a core plank of its revenue stream in 2021. The final quarter of the year saw the return of screenings from The Metropolitan Opera, The Royal Opera House and The Bolshoi Ballet. In 2022, in response to the conflict in Ukraine, TRL has paused its relationship with the Bolshoi Ballet, cancelling all screenings for the indefinite future.

To respond to challenging trading conditions TRL live-streamed the on-line release *Rush: Cinema Strangiato*, its third live streamed event following its first two live streams in the prior year.

In October 2021, TRL opened a German office with a view to expanding into its third largest territory. The joint venture with Weischer Media currently employs two employees in Hamburg who will look to distribute both TRL's and locally sourced German content through the company LUF Kino GmbH.

TRL has managed some early successful releases in 2022, and the content pipeline looks particularly strong from March onwards.

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Education

Stagecoach Theatre Arts Limited (STA) started the year with schools being closed. STA responded quickly through moving all its classes online, enrolling over 24,000 students.

Classroom teaching for the majority of the Franchise network returned from quarter 2 and this has resulted in record new student recruitment levels for the April 2021 and September 2021 terms. As a result, the worldwide Franchise network returned to its pre-Covid student level, exceeding 50,000 enrolled students for the September term. During this period, Franchisees opened 79 new schools, illustrating not just recovery but expansion.

With this backdrop, the outlook for 2022 is extremely positive and the Group expects to achieve new record student levels in quarter 1 as the impact of the pandemic continues to recede. This will also be a year to refocus on network growth as STA looks to attract new Franchisees across both existing markets (UK, Germany and Canada) and new markets globally.

Ticketing

Within **London Theatre Direct (LTD)** trading recovered significantly during second half of the year when West End theatres reopened at full capacity. Annual result shows over 850k tickets (2020: 240k) were sold with gross value returned well over 60% of pre pandemic level. In 2021, as well as further development in technology, LTD continuously expanded its partnership network, strengthened its leadership team and enhanced customer support; all of which will pave the way for strong recovery and sustainable growth in 2022 and beyond. Gaining greater access to ticket inventory, better serving theatrical productions and their loyal customers, further increase audience reach domestically and overseas remain as its focus.

Marketing

Luke Shires Marketing (LSM) was significantly impacted by the pandemic and in late 2021 and following the resignation of key staff for a change in lifestyle and a period of evaluation the Group decided to discontinue its marketing activity in 2022.

Trafalgar Entertainment Group Limited

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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.

Employee involvement and equal opportunities

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.

The Group seeks to recruit, develop and employ suitably qualified, capable and experienced people, irrespective of sex, age, race, disability, religion or belief, marital or civil partnership status or sexual orientation. The Group gives full and fair consideration to all applications for employment made by people with disabilities, having regard to their particular aptitudes and abilities.

Any candidate with a disability will not be excluded unless it is clear that the candidate is unable to perform a duty that is intrinsic to the role, having taken into account reasonable adjustments. Reasonable adjustments to the recruitment process will be made to ensure that no applicant is disadvantaged because of his or her disability. The Group's approach to training, career development and promotion do not disadvantage people with disabilities and those who have become disabled persons during the period when they were employed.

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 Theatre, 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.

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Subsequent events

Following the Russian invasion of Ukraine on 24 February 2022, the Group has assessed its financial exposure to the crisis. Its main exposure is within the Trafalgar Releasing subsidiary who have associations with the Bolshoi and Russian State Ballets, alongside the upcoming release of BTS in Russia. These events make up only a small part of the total Group and any impact on revenues and operating profits will not have a significant impact on the Group's overall trading position. The Group will continue to monitor the situation; however, the current assessment is that the Group is not overly exposed at present and given the small scale of these activities relative to the overall Group we do not consider this event to have any bearing on the Group's ability to continue as a going concern or the Group's longer-term viability.

There were no other subsequent events of note following the year end.

Principal risks and uncertainties

The principal risk to the business is the continued uncertainty surrounding the pandemic and new variants causing a return to enforced periods of lockdown. Whilst the Group acknowledges this risk, we remain very optimistic and do not anticipate a return to restrictive future lockdowns. The vaccination program has been a great success and with a booster program likely to be a part of life going forward, we anticipate living with Covid-19 will be the norm, much like the common flu, rather than an event that closes down the economy. Further cause for optimism is derived from the pent-up demand for productions evidenced by the strong advance sales for productions currently on sale and with other countries catching up with the UK on vaccination statistics and promoting a return to travel we anticipate the return of international travelers (who historically have been a significant part of West End audiences) in strong numbers throughout 2022.

Whilst the potential impacts of Covid-19 remain uncertain, the Group is well placed to navigate through any future challenges, has a strong balance sheet sufficient resources and support to continue in business should trade be affected by future variants and restrictions.

As the Group seeks to expand through the acquisition of further complementary live entertainment businesses, it identifies the ability to integrate these acquisitions as a principal risk. 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 Group has also taken steps to further mitigate integration risk by implementing systems conducive with business growth and has commenced a process to centralise key functions. These steps help enable the swift and successful integration of new businesses into the Group.

Another principal risk is the availability of suitable content for our Venues and Event Cinema operations, which the Group seeks to mitigate through developing its own productions and through existing relationships with content providers.

Trafalgar Entertainment Group Limited

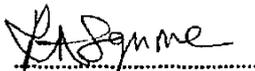
Strategic Report

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The pandemic has increased the potential credit risk that counterparties may not be able to pay amounts in full when due. However, TTL's and HQ's customers pay in advance of the relevant performance and the majority of TTL's 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. LTD has also strengthened its credit control since joining the Group including taking the additional step of putting bonds in place with partners if deemed necessary. Both TRL and LTD incurred negligible bad debt expense in the year. 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 ..10 March 2022..... and signed on its behalf by:



Dame R A Squire
Director

Trafalgar Entertainment Group Limited

Directors Report

for the Period from 27 December 2020 to 25 December 2021

The directors present their report and the consolidated financial statements for the period from 27 December 2020 to 25 December 2021. The comparative period comprised the period from 29 December 2019 to 26 December 2020.

Directors of the Company

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

Sir H H Panter

Dame R A Squire

A Thomson (resigned 22 September 2021)

S Smith

M S Baumstein

J A Niedzwiecki (appointed 22 September 2021)

Going concern

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

The Group has net assets of £103.1 million (2020: £57.8 million) and net current liabilities of £20.9 million (2020: net current assets of £4.2 million) as at the period end date, with a cash balance of £21.2 million at the end of January 2022.

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 \$215 million, for a period of 15 months to June 2023.

As noted in the Principal risks and uncertainties section of the Strategic Report the Group has performed analysis to consider downside scenarios which assumes the possibility, albeit remote, of a return to future periods of restrictions through the next 15 months to June 2023. Management have modelled a downside scenario to identify the maximum reduction in revenues that the Group could suffer including the full repayment of the bank loan, whilst remaining cash positive throughout the next 15 months. This scenario assumed revenues and non-committed variable costs were reduced by 50% through to June 2023 alongside a limited reduction in fixed costs not directly resulting from revenue. Management considers the likelihood of a return to sustained period of lockdown resulting on a 50% reduction in revenues to be very remote. In pandemic impacted 2021 actual revenue missed budget by 17%.

Having considered the detailed forecasts, including downside scenario, the remote likelihood of the downside scenario occurring, and the level of shareholder funding provided during the period ended 25 December 2021 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 (2020 - £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.

Trafalgar Entertainment Group Limited

Directors Report

for the Period from 27 December 2020 to 25 December 2021 (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 27 December 2020 to 25 December 2021 (continued)

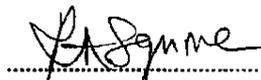
Disclosure of information to the auditor

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.

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 on10 March 2022..... 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 25 December 2021 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 31, 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 25 December 2021 and of the group's loss for the period 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 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.

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 15 months to June 2023.

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], 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 9, 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 non-compliance 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 purchase price accounting in relation to the completed acquisitions, 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*

10 March 2022

Trafalgar Entertainment Group Limited

Consolidated Statement of Total Comprehensive Income for the Period from 27 December 2020 to 25 December 2021

	Note	Period to 25 December 2021 £ 000	Period to 26 December 2020 £ 000
Revenue	4	42,108	15,489
Cost of sales		<u>(25,588)</u>	<u>(11,287)</u>
Gross profit		16,520	4,202
Share of profit/(loss) from associates		(784)	(171)
Administrative expenses		<u>(34,926)</u>	<u>(12,718)</u>
Operating loss	5	(19,190)	(8,687)
Finance income	6	3	1
Finance costs	6	<u>(1,017)</u>	<u>(485)</u>
Loss before tax		(20,204)	(9,171)
Tax (charge)/credit	10	<u>(97)</u>	<u>2,008</u>
Loss for the period		<u>(20,301)</u>	<u>(7,163)</u>
(Loss)/profit attributable to:			
Owners of the Company		(20,379)	(6,335)
Non-controlling interests		<u>78</u>	<u>(828)</u>
		<u>(20,301)</u>	<u>(7,163)</u>

The above results were derived from continuing operations.

The notes on pages 27 to 101 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

Consolidated Statement of Comprehensive Income

for the Period from 27 December 2020 to 25 December 2021

	<i>Period to 25 December 2021 £ 000</i>	<i>Period to 26 December 2020 £ 000</i>
Loss for the period	(20,301)	(7,163)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(426)</u>	<u>-</u>
<i>Total comprehensive loss for the period</i>	<u>(20,727)</u>	<u>(7,163)</u>
<i>Total comprehensive loss attributable to:</i>		
Owners of the company	(20,805)	(6,335)
Non-controlling interests	<u>78</u>	<u>(828)</u>
	<u>(20,727)</u>	<u>(7,163)</u>

The notes on pages 27 to 101 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

Consolidated Statement of Financial Position

as at 25 December 2021

	<i>Note</i>	<i>2021</i> £ 000	<i>2020</i> £ 000
Assets			
Non-current assets			
Property, plant and equipment	11	24,008	17,774
Right of use assets	12	35,216	6,444
Intangible assets	13	92,790	48,796
Equity accounted investments	14	1,442	655
Other non-current financial assets	28	2,594	5,883
		<u>156,050</u>	<u>79,552</u>
Current assets			
Short-term investments	15	552	176
Inventories	17	598	107
Trade and other receivables	18	14,406	4,069
Income tax asset	10	31	31
Cash and cash equivalents	19	21,178	5,129
Other current financial assets	28	-	334
		<u>36,765</u>	<u>9,846</u>
Total assets		<u><u>192,815</u></u>	<u><u>89,398</u></u>
Equity and liabilities			
Equity			
Share capital	20	94,383	53,720
Share premium	21	40,858	15,663
Foreign currency translation reserve		(497)	-
Retained losses		<u>(37,820)</u>	<u>(17,512)</u>
Equity attributable to equity holders of the parent		96,924	51,871
Non-controlling interests		<u>6,200</u>	<u>5,973</u>
Total equity		<u><u>103,124</u></u>	<u><u>57,844</u></u>

The notes on pages 27 to 101 form an integral part of these financial statements.

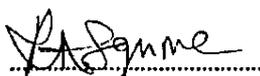
Trafalgar Entertainment Group Limited

Consolidated Statement of Financial Position

as at 25 December 2021

	Note	2021 £ 000	2020 £ 000
Non-current liabilities			
Loans and borrowings	23	7,675	7,733
Lease liabilities	24	13,112	6,748
Deferred income		-	143
Other non-current financial liabilities	28	6,534	2,155
Deferred tax liabilities	10	4,675	765
		<u>31,996</u>	<u>17,544</u>
Current liabilities			
Trade and other payables	26	47,729	12,482
Loans and borrowings	23	571	267
Lease liabilities	24	3,900	531
Income tax liability		39	286
Deferred income		5,456	444
		<u>57,695</u>	<u>14,010</u>
Total liabilities		<u>89,691</u>	<u>31,554</u>
Total equity and liabilities		<u>192,815</u>	<u>89,398</u>

Approved by the Board on ...10 March 2022.... and signed on its behalf by:



Dame R.A. Squire
Director

Company registration number: 10409029

The notes on pages 27 to 100 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

Company Statement of Financial Position

as at 25 December 2021

	Note	2021 £ 000	2020 £ 000
Assets			
Non-current assets			
Property, plant and equipment	11	271	262
Right of use assets	12	1,303	1,490
Intangible assets	13	308	304
Investments in subsidiaries	14	77,161	44,562
Other non-current financial assets	28	2,594	5,883
Deferred tax assets	10	4,648	3,066
		<u>86,285</u>	<u>55,567</u>
Current assets			
Trade and other receivables	18	51,676	20,239
Cash and cash equivalents	19	2,534	1,186
Other current financial assets	28	-	334
		<u>54,210</u>	<u>21,759</u>
Total assets		<u>140,495</u>	<u>77,326</u>
Equity and liabilities			
Equity			
Share capital	20	94,383	53,720
Share premium	21	40,858	15,663
Retained losses		<u>(22,598)</u>	<u>(10,247)</u>
Total equity		<u>112,643</u>	<u>59,136</u>
Non-current liabilities			
Loans and borrowings	23	7,200	7,733
Lease liabilities	24	1,309	1,475
Other non-current financial liabilities	28	6,509	2,011
		<u>15,018</u>	<u>11,219</u>

The notes on pages 27 to 101 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

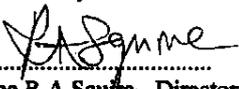
Company Statement of Financial Position

as at 25 December 2021

	<i>Note</i>	<i>2021</i> <i>£ 000</i>	<i>2020</i> <i>£ 000</i>
<i>Current liabilities</i>			
Trade and other payables	26	11,901	6,407
Loans and borrowings	23	533	267
Lease liabilities	24	400	297
		<u>12,834</u>	<u>6,971</u>
<i>Total liabilities</i>		<u>27,852</u>	<u>18,190</u>
<i>Total equity and liabilities</i>		<u>140,495</u>	<u>77,326</u>

The loss attributable to the Company during the period was £12,351,000 (2020: profit attributable to the Company of £21,000).

Approved by the Board on10 March 2022..... and signed on its behalf by:


.....
Dame R A Squire - Director
Company registration number: 10409029

The notes on pages 27 to 100 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

Consolidated Statement of Changes in Equity

for the Period from 27 December 2020 to 25 December 2021

	Share capital £ 000	Share premium £ 000	Foreign currency translation £ 000	Retained losses £ 000	Total equity attributable to equity holders of the parent £ 000	Non-controlling interests £ 000	Total equity £ 000
At 29 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)/income	-	-	-	(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
(Loss)/profit for the period	-	-	-	(20,379)	(20,379)	78	(20,301)
Other comprehensive income	-	-	(426)	-	(426)	-	(426)
Total comprehensive loss	-	-	(426)	(20,379)	(20,805)	78	(20,727)
New share capital subscribed	40,663	25,195	-	-	65,858	-	65,858
Translation reserve transfer	-	-	(71)	71	-	-	-
Non-controlling interest arising on a business combination	-	-	-	-	-	149	149
At 25 December 2021	94,383	40,858	(497)	(37,820)	96,924	6,200	103,124

The notes on pages 27 to 101 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

Company Statement of Changes in Equity

for the Period from 27 December 2020 to 25 December 2021

	<i>Share capital</i> £ 000	<i>Share premium</i> £ 000	<i>Retained losses</i> £ 000	<i>Total</i> £ 000
At 29 December 2019	48,163	12,220	(10,268)	50,115
Profit for the period	-	-	21	21
Total comprehensive loss	-	-	21	21
New share capital subscribed	5,557	3,443	-	9,000
At 26 December 2020	53,720	15,663	(10,247)	59,136
Loss for the period	-	-	(12,351)	(12,351)
Total comprehensive income	-	-	(12,351)	(12,351)
New share capital subscribed	40,663	25,195	-	65,858
At 25 December 2021	94,383	40,858	(22,598)	112,643

The notes on pages 27 to 101 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

Consolidated Statement of Cash Flows

for the Period from 27 December 2020 to 25 December 2021

		<i>Period to 25 December 2021 £ 000</i>	<i>Period to 26 December 2020 £ 000</i>
	<i>Note</i>		
Cash flows from operating activities			
Loss for the period		(20,301)	(7,163)
<i>Adjustments to cash flows from non-cash items:</i>			
Depreciation, amortisation and impairment	5	6,118	4,470
(Profit)/loss on disposal of property plant and equipment		(6)	109
Finance income	6	(3)	(1)
Finance costs	6	1,017	485
Fair value movement on investments in shows	15	180	-
Share of loss of equity accounted investees		70	171
Income tax credit	10	97	(2,008)
Fair value movement on options		6,328	(5,265)
Fair value movement on deferred consideration		75	(277)
Write off of deferred consideration		(96)	-
Fair value movement on forward contracts		334	(334)
Impairment of investments in associates		754	-
		<u>(5,433)</u>	<u>(9,813)</u>
<i>Working capital adjustments:</i>			
(Increase)/decrease in inventories	17	(431)	8
(Increase)/decrease in trade and other receivables	18	(9,759)	6,593
Increase/(decrease) in trade and other payables and deferred income		20,980	(8,520)
		<u>5,357</u>	<u>(11,732)</u>
Cash (used in)/generated from operations			
Income taxes paid	10	(331)	(757)
Net cash flow (used in)/from operating activities		<u>5,026</u>	<u>(12,489)</u>
Cash flows from investing activities			
Interest received	6	3	1
Acquisitions of property plant and equipment		(4,827)	(8,719)
Proceeds from sale of property plant and equipment		10	-
Acquisition of intangible assets		(290)	(410)
Acquisition of subsidiaries net of cash acquired	16	(27,710)	-
Payment of other consideration		(200)	-
Payment of deferred consideration		(25)	-
Investments in short-term productions		(631)	(100)
Acquisition of investments in joint ventures and associates	14	(2,221)	(394)

The notes on pages 27 to 101 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

Consolidated Statement of Cash Flows

for the Period from 27 December 2020 to 25 December 2021

	<i>Note</i>	<i>Period to 25 December 2021 £ 000</i>	<i>Period to 26 December 2020 £ 000</i>
Distributions from associates		610	30
Distributions from productions		<u>75</u>	<u>406</u>
Net cash flows (used in)/from investing activities		<u>(35,206)</u>	<u>(9,186)</u>
<i>Cash flows from financing activities</i>			
Proceeds from issue of ordinary shares, net of issue costs		65,858	9,000
Proceeds from bank borrowing draw downs		-	8,000
Repayment of bank borrowing		(267)	-
Payment of interest on bank overdrafts		(205)	(62)
Payment of interest on other current liabilities		(12)	(7)
Proceeds from other borrowing draw downs		514	-
Payment of principal portion of lease liabilities	24	(13,359)	(207)
Payment of other lease costs		(5,129)	-
Payment of interest portion of lease liabilities	24	(668)	(217)
Proceeds from increase in NCI		<u>150</u>	<u>-</u>
Net cash flows from financing activities		<u>46,882</u>	<u>16,507</u>
<i>Net increase/(decrease) in cash and cash equivalents</i>		16,702	(5,168)
<i>Cash and cash equivalents at the beginning of the period</i>		5,129	10,336
Effect of exchange rate fluctuations on cash held		<u>(653)</u>	<u>(39)</u>
<i>Cash and cash equivalents at the end of the period</i>		<u>21,178</u>	<u>5,129</u>

The notes on pages 27 to 101 form an integral part of these financial statements.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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 loss for the period ended 25 December 2021 of the Company was £12,351,000 (2020: profit for the period of £21,000).

Operating results

These financial statements cover a 52 week period from 27 December 2020 to 25 December 2021 (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 29 December 2019 to 26 December 2020.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

2 Accounting policies (continued)

Going concern

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

The Group has net assets of £103.1 million (2020: £57.8 million) and net current liabilities of £20.9 million (2020: net current assets of £4.2 million) as at the period end date, with a cash balance of £21.2 million at the end of January 2022.

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 \$215 million, for a period of 15 months to June 2023.

As noted in the Principal risks and uncertainties section of the Strategic Report the Group has performed analysis to consider downside scenarios which assumes the possibility, albeit remote, of a return to future periods of restrictions through the next 15 months. Management have modelled a downside scenario to identify the maximum reduction in revenues that the Group could suffer including the full repayment of the bank loan, whilst remaining cash positive throughout the next 15 months. This scenario assumed revenues and non-committed variable costs were reduced by 50% through to June 2023 alongside a limited reduction in fixed costs not directly resulting from revenue. Management consider the likelihood of a return to sustained period of lockdown resulting on a 50% reduction in revenues to be very remote.

Having considered the detailed forecasts, including downside scenario, the remote likelihood of the downside scenario occurring, and the level of shareholder funding provided during the period ended 25 December 2021 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.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

2 Accounting policies (continued)

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 27 December 2020 to 25 December 2021

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 Theatre 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
- HQ Theatres Bromley Limited - 09714367
- New Theatre Cardiff Limited - 12294193
- Lyceum Theatre Crewe Limited - 08415386
- Orchard Theatre Dartford Limited - 06794025
- HQ Theatres Guildford Limited - 07056670
- White Rock Theatre Hastings Limited - 06757436
- Beck Theatre Limited - 05766817
- HQ Hospitality Limited - 05649032
- HQ Theatres Limited - 05637233
- Southend Theatres Limited - 05638196
- Wyvern Theatre Limited - 05076446
- HQ Theatres & Hospitality Holdings Limited - 12219697
- HQ Theatres & Hospitality Ltd - 08386064
- HQ Theatres Trust - 07739274

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

2 Accounting policies (continued)

- Wycombe Arts Management Limited - 02636107
- Curious Alice Film Ltd - 13464369

Adoption of new and revised standards

None of the standards, interpretations and amendments effective for the first time from 27 December 2020 have had a material effect on the financial statements.

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 25 December 2021. The Company plans to adopt these based on the effective dates shown below and does not currently plan on early adoption. The impact of the adoption of 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 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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 (Onerous Lease Assessments)	1 January 2022

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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. Transaction and booking fee income are recognised at the time of sale.

Cinema Venue Income

Turnover represents the revenue received from cinema tickets, bar and restaurant sales. Income from ticket sales are recognised when the film is screened and bar and restaurant sales are recognised at the point of sale. Annual cinema membership fee income is recognised in line with members utilising the benefits attached to various membership schemes.

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. Transaction and booking fee income are recognised at the time of sale.

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. As a result, London Theatre Direct provided for ticketing income received for shows scheduled in early 2022 that were cancelled due to Covid-19.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

2 Accounting policies (continued)

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.

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 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.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

2 Accounting policies (continued)

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.

Foreign currency transactions and balances

The Group's consolidated financial statements are presented in pound sterling (£), which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

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.

On consolidation, the assets and liabilities of foreign operations are translated into pound sterling at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income (OCI).

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 either other income or a deduction from the related expenses. In 2021, the Group received £1.4m in grants relating to the Coronavirus Job Retention Scheme, recognised as a deduction from salaries and wages. All deferred VAT and PAYE outstanding at 26 December 2020 was settled in 2021. In 2021, Theatre Royal Sydney received government grant income of £0.8m as a result of venue closures due to Covid-19. This income is recorded in other income. In 2021, regional venues received £1.2 million in government funding from the Cultural Recovery Fund. This is recorded in other income. All contingencies and conditions attached to the various grants were fulfilled by the Group in 2021.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

2 Accounting policies (continued)

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.

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.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

2 Accounting policies (continued)

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

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

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

2 Accounting policies (continued)

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 15 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 27 December 2020 to 25 December 2021

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.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

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.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

2 Accounting policies (continued)

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

Deferred income represents the Group's share of ticketing sales for future dated performances. The increase in the balance from 2020 to 2021 is as a result of the acquisition of HQ Theatres and the commencement of regular trading as the end of the pandemic approaches. The amount of revenue recognised in the reporting period from amounts included in deferred income balance at the beginning of the period was £444,000.

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.

Multi-employer defined benefit pension schemes accounted for as defined contribution pension schemes

Due to the lack of availability of information to be able to carry out an IAS 19 valuation to understand our specific allocation of the assets and liabilities, the Group has opted to account for multi-employer defined benefit plans as if they were defined contribution plans.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

2 Accounting policies (continued)

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 27 December 2020 to 25 December 2021

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 27 December 2020 to 25 December 2021

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 27 December 2020 to 25 December 2021

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 25 December 2021 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.

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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 27.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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.

Critical judgements

Control over special purpose production companies

There are seven entities for which the entire share capital is owned by Trafalgar Theatre Productions Limited but the directors have assessed that the definition of control not has 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, TTP Productions Limited and SS American Film 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. Admissions Play Limited and Joe Egg West End Limited have been dissolved in 2022.

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.

Conversely, there are entities where the entire or part of the share capital is not owned by a Group subsidiary, for which the Group has determined it has significant influence or control over. Factors considered when determining if the Group has control include contractual and operational factors, as well as the relevant activities of the entity.

In 2021, the Group has determined it has significant influence over five companies and has equity accounted for these.

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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

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 2022 to 2026, 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.

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.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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

Carrying values of investments in shows

The carrying value of investments in shows is assessed against a number of 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. In relation to certain productions, significant management judgement was required in determining probability of recouping its investment in these productions, with assessment of the above variables resulting in impairment of £0.8 million to the total investment carrying value on the consolidated statement of financial position at year end.

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

Customer refunds are provided for based on expectations of show cancellations in the first quarter of 2022 as a result of the pandemic. Revenue from tickets sold for estimated cancelled performances are provided for at 100%.

Leases - estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Useful lives of leasehold improvements on right of use (ROU) assets- Theatre Royal Sydney

The Group acquired a ROU asset in June 2021 and subsequently incurred significant costs in order to bring the Theatre to operational capacity, ready for opening in December 2021. These costs were essential in bringing the asset to the location and condition required for the theatre to be capable of operating in the manner intended by management of showing theatre performances. These improvements are related to the construction and internal fitout of the venue and include a full auditorium refit, the creation of bars, foyers and walkways and other costs and are intrinsically linked to the ROU asset, without which there would be no value in the lease, therefore management have assessed that these improvements meets criteria for capitalisation under IAS 16 and should be depreciated over the life of the lease, assigning a useful life of 50 years which the directors feel is appropriate.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

4 Revenue

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

	<i>Period to 25 December 2021 £ 000</i>	<i>Period to 26 December 2020 £ 000</i>
Theatre venue income	13,695	474
Cinema venue income	1,213	-
Ticketing income	9,989	1,660
Productions income	3,902	443
Event cinema income	6,558	8,685
Franchise support and provision of educational services	4,816	3,921
Marketing income	-	180
Fair value movements on investment in productions	(167)	-
Other income	2,102	126
	<u>42,108</u>	<u>15,489</u>

5 Operating loss

Arrived at after charging/(crediting):

	<i>Period to 25 December 2021 £ 000</i>	<i>Period to 26 December 2020 £ 000</i>
Depreciation expense	1,594	729
Amortisation and impairment expense	4,524	3,741
(Profit)/loss on disposal of property, plant and equipment	(6)	109
Auditor's remuneration	9	250
Expenses relating to short-term leases	60	35
Low-value lease payments	6	-
Impact of fair value movement in admin expense	27	-
	<u>6,641</u>	<u>-</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

6 Finance income and costs

	<i>Period to 25 December 2021 £ 000</i>	<i>Period to 26 December 2020 £ 000</i>
Finance income		
Interest income on bank deposits	3	1
Finance costs		
Interest on bank overdrafts and borrowings	(205)	(62)
Interest on lease liabilities	(773)	(377)
Interest expense on other financing liabilities	(12)	(7)
Foreign exchange losses	(27)	(39)
Total finance costs	(1,017)	(485)
Net finance costs	(1,014)	(484)

7 Staff costs

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

	<i>Period to 25 December 2021 £ 000</i>	<i>Period to 26 December 2020 £ 000</i>
Wages and salaries	15,298	7,177
Social security costs	1,547	830
Pension costs, defined contribution scheme	553	301
Other short-term employee benefits	306	210
	17,704	8,518

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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 25 December 2021 No.</i>	<i>Period to 26 December 2020 No.</i>
Production	36	11
Management, administration and support	209	126
Other departments	826	30
	<u>1,071</u>	<u>167</u>

8 Directors' remuneration

The directors' remuneration for the period was as follows:

	<i>Period to 25 December 2021 £ 000</i>	<i>Period to 26 December 2020 £ 000</i>
Remuneration	681	581
Contributions paid to defined contribution pension scheme	14	12
	<u>695</u>	<u>593</u>

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

	<i>Period to 25 December 2021 No.</i>	<i>Period to 26 December 2020 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 25 December 2021 £ 000</i>	<i>Period to 26 December 2020 £ 000</i>
Remuneration	<u>383</u>	<u>326</u>

During the period ended 25 December 2021 A Thompson, M S Baumstein and J Niedzwiecki received no remuneration for their roles as directors of the Group (2020: nil).

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

9 Auditor's remuneration

	<i>Period to 25 December 2021 £ 000</i>	<i>Period to 26 December 2020 £ 000</i>
Audit of these financial statements	<u>350</u>	<u>250</u>
Non-audit services		
Financial statements preparation	100	43
Tax compliance services	63	28
Transaction advisory and non audit services	<u>25</u>	<u>25</u>
	<u>188</u>	<u>96</u>

10 Income tax

Tax credited in the statement of total comprehensive income:

	<i>Period to 25 December 2021 £ 000</i>	<i>Period to 26 December 2020 £ 000</i>
Current taxation		
UK corporation tax	14	-
UK corporation tax adjustment to prior periods	<u>(98)</u>	<u>356</u>
	<u>(84)</u>	<u>356</u>
Foreign tax	185	251
Foreign tax adjustment to prior periods	<u>-</u>	<u>442</u>
	<u>185</u>	<u>693</u>
Total current income tax	<u>101</u>	<u>1,049</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(1,098)	(3,057)
Arising from changes in tax rates and laws	<u>1,094</u>	<u>-</u>
Total deferred taxation	<u>(4)</u>	<u>(3,057)</u>
Tax charge/(credit) in the statement of total comprehensive income	<u>97</u>	<u>(2,008)</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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 25 December 2021 £ 000</i>	<i>Period to 26 December 2020 £ 000</i>
Loss before tax	<u>(20,204)</u>	<u>(9,171)</u>
Corporation tax at standard rate of 19% (2019: 19%)	(3,839)	(1,742)
Increase in current tax from adjustment for prior periods	(98)	356
Decrease (increase) from effect of revenues exempt from taxation	(11)	-
Expenses not deductible	1,919	(1,035)
Effect of foreign tax rates	293	732
Deferred tax movement from unrecognised temporary difference from a prior period	438	(699)
Deferred tax movement relating to changes in tax rates or laws	1,094	380
Decrease from theatre tax credits received	(46)	-
Other reconciling items	<u>347</u>	<u>-</u>
Total tax charge/(credit)	<u>97</u>	<u>(2,008)</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 UK corporation tax rate is due to increase from 19% to 25% from 1 April 2023 for companies with profits in excess of £250,000, with The Finance Act 2021 proposing this increase in corporation tax rate having been substantively enacted.

Deferred tax

Group

Deferred tax assets and liabilities

<i>2021</i>	<i>Liability £ 000</i>
Accelerated tax depreciation	(708)
Tax losses carry-forwards	6,449
Provisions	74
Other items	<u>(10,490)</u>
	<u>(4,675)</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

10 Income tax (continued)

Other items include a £10,478,000 (2020: £4,649,000) deferred tax liability in relation to brand intangibles and a £12,000 (2020: £nil) deferred tax liability in relation to change in basis adjustment

Deferred tax assets arising on pensions have now been reclassified from other items to provisions.

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.

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

Deferred tax movement during the period:

	<i>At 27 December</i> 2020 £ 000	<i>Recognised in</i> <i>statement of</i> <i>comprehensive</i> <i>income</i> £ 000	<i>Recognised on</i> <i>business</i> <i>combinations</i> £ 000	<i>Reclassification</i> £ 000	<i>At 25 December</i> 2021 £ 000
Accelerated tax depreciation	(108)	(243)	(357)	-	(708)
Tax losses carry-forwards	3,941	1,967	541	-	6,449
Provisions	24	13	11	26	74
Other items	<u>(4,622)</u>	<u>(1,733)</u>	<u>(4,109)</u>	<u>(26)</u>	<u>(10,490)</u>
Net tax assets	<u>(765)</u>	<u>4</u>	<u>(3,914)</u>	<u>-</u>	<u>(4,675)</u>

Company

Deferred tax assets and liabilities

2021	<i>Asset</i> £ 000
Accelerated tax depreciation	(68)
Tax losses carry-forwards	4,680
Other items	36
	<u>4,648</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

10 Income tax (continued)

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

Deferred tax movement during the period:

	<i>At 27 December</i> <i>2020</i> <i>£ 000</i>	<i>Recognised in</i> <i>statement of</i> <i>comprehensive income</i> <i>£ 000</i>	<i>At 25 December</i> <i>2021</i> <i>£ 000</i>
Accelerated tax depreciation	(49)	(19)	(68)
Tax losses carry-forwards	3,093	1,587	4,680
Other items	22	14	36
Net tax assets	<u>3,066</u>	<u>1,582</u>	<u>4,648</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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 29 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
Additions	2,953	1,874	4,827
Acquired through business combinations	-	2,373	2,373
Disposals	-	(49)	(49)
At 25 December 2021	20,258	5,201	25,459
Depreciation			
At 29 December 2019	205	164	369
Charge for period	79	136	215
Eliminated on disposal	-	(50)	(50)
At 26 December 2020	284	250	534
Charge for period	274	688	962
Eliminated on disposal	-	(45)	(45)
At 25 December 2021	558	893	1,451
Carrying amount			
At 25 December 2021	19,700	4,308	24,008
At 26 December 2020	17,021	753	17,774
At 29 December 2019	8,266	637	8,903

Included within Land and buildings are properties with a carrying value of £2,813,000 which relate to assets leased to third parties under operating leases.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

11 Property, plant and equipment (continued)

Company

	<i>Furniture, fittings and equipment £ 000</i>
Cost	
At 29 December 2019	331
Additions	<u>32</u>
At 26 December 2020	363
Additions	<u>69</u>
At 25 December 2021	<u>432</u>
Depreciation	
At 29 December 2019	48
Charge for period	<u>53</u>
At 26 December 2020	101
Charge for period	<u>60</u>
At 25 December 2021	<u>161</u>
Carrying amount	
At 25 December 2021	<u>271</u>
At 26 December 2020	<u>262</u>
At 29 December 2019	<u>283</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

12 Right of use assets

Group	Office equipment £ 000	Property £ 000	Motor vehicles £ 000	Total £ 000
Cost				
At 29 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
Additions	12	28,314	-	28,326
Disposals	(6)	(339)	(67)	(412)
Additions acquired through business combinations	-	1,088	-	1,088
At 25 December 2021	26	36,413	41	36,480
Depreciation				
At 29 December 2019	5	518	64	587
Charge for period	6	450	58	514
Eliminated on disposal	-	-	(67)	(67)
At 26 December 2020	11	968	55	1,034
Charge for the period	6	604	22	632
Eliminated on disposal	(3)	(337)	(62)	(402)
At 25 December 2021	14	1,235	15	1,264
Carrying amount				
At 25 December 2021	12	35,178	26	35,216
At 26 December 2020	9	6,382	53	6,444

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

12 Right of use assets (continued)

Company	<i>Office equipment £ 000</i>	<i>Property £ 000</i>	<i>Total £ 000</i>
Cost			
At 29 December 2019 and 27 December 2020	14	1,867	1,881
Additions	12	-	12
At 25 December 2021	26	1,867	1,893
Depreciation			
At 29 December 2019	3	187	190
Charge for period	5	196	201
At 27 December 2020	8	383	391
Charge for the period	5	194	199
At 25 December 2021	13	577	590
Carrying amount			
At 25 December 2021	13	1,290	1,303
At 26 December 2020	6	1,484	1,490

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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 29 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
Additions	26,530	-	-	109	181	26,820
Acquired through business combinations	-	346	21,113	-	239	21,698
At 25 December 2021	50,501	19,008	29,658	1,055	4,782	105,004
Amortisation and impairment						
At 29 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
Amortisation charge	-	1,196	2,295	142	822	4,455
Impairment	-	-	-	69	-	69
At 25 December 2021	181	3,807	4,483	1,001	2,742	12,214
Carrying amount						
At 25 December 2021	50,320	15,201	25,175	54	2,040	92,790
At 26 December 2020	23,790	16,051	6,357	156	2,442	48,796
At 29 December 2019	23,971	17,237	7,596	39	3,219	52,062

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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:

- £3,233,000 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
- £26,417,000 allocated and assessed against the HQ Theatres and Hospitality CGU
- £273,000 allocated and assessed against the Helen O'Grady 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 an impairment charge of £nil (2020: £181,000) 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.

Apart from the HQ Theatres and Hospitality CGU, the sensitivity analysis performed did not identify any reasonably possible changes that would require disclosure in accordance with IAS 36. In relation to the HQ Theatres and Hospitality CGU a 0.5% decrease in discount rate would result in headroom of £4.8 million, whilst a 0.5% increase in discount rate would result in an impairment of £0.9 million. A 1.5% decrease in revenue would result in an impairment of £0.8 million, whilst a 1.5% increase in revenue would result in headroom of £4.4 million.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

13 Intangible assets (continued)

Company

	<i>Computer software £ 000</i>
Cost or valuation	
At 29 December 2019	178
Additions	<u>185</u>
At 26 December 2020	363
Additions	<u>81</u>
At 25 December 2021	<u>444</u>
Amortisation	
At 29 December 2019	-
Amortisation charge	<u>59</u>
At 26 December 2020	59
Amortisation charge	<u>76</u>
At 25 December 2021	<u>136</u>
Carrying amount	
At 25 December 2021	<u>308</u>
At 26 December 2020	<u>304</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

14 Investments

Summary of the Company Investments

Subsidiaries £ 000

Cost and carrying amount

At 29 December 2019 and 26 December 2020	44,562
Additions	<u>32,599</u>
At 25 December 2021	<u>77,161</u>

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

On 27 March 2021, the Group acquired HQ Theatres group for £32.599 million. The principal activity of the HQ Theatres group is venue operation.

Group subsidiaries

Details of the Group subsidiaries as at 25 December 2021 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Trafalgar Theatre Productions Limited*	Show production and management	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%
Trafalgar Theatre Limited*	Venue operations	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%
Trafalgar Releasing Limited*	Event broadcasting	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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>2021</i>	<i>2020</i>
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%
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%

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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>2021</i>	<i>2020</i>
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	44.3%	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%
Jonathan Church Theatre Productions Limited*	Show production and management	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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>2021</i>	<i>2020</i>
Trafalgar (FH) Limited*	Venue operation	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%
Trafalgar HOG Limited*	Dormant company	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	100%
Stagecoach North America Ltd	Dormant company	12 Floor Export House Wolsey Walk Woking GU21 6QX	100%	100%
Trafalgar Adelaide Theatres Pty Limited*	Dormant company	HWL Ebsworth Lawyers Level 14 264-278 George Street Sydney NSW 2000	100%	100%
LUF Kino Gmbh	Event broadcasting	LUF Kino GmbH Eibberg 7 22767 Hamburg Germany	74.9%	-%
Helen O'Grady (C.I.) Limited	Limited Operating and franchising part-time performing arts schools for young people aged between 4 and 18	Crossways Centre Braye Road Vale GY3 5PH Guernsey	100%	-%
HQ Theatres Bromley Limited	Theatre operation management	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%
New Theatre Cardiff Limited	Dormant company	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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>2021</i>	<i>2020</i>
Lyceum Theatre Crewe Limited	Theatre operation management	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%
Orchard Theatre Dartford Limit	Theatre operation management	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%
HQ Theatres Guildford Limited	Theatre operation management	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%
White Rock Theatre Hastings Limited	Theatre operation management	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%
Beck Theatre Limited	Theatre operation management	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%
HQ Hospitality Limited	Catering services	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%
HQ Theatres Limited	Theatre management	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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>2021</i>	<i>2020</i>
Southend Theatres Limited	Theatre operation management	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%
Wyvern Theatre Limited	Theatre operation management	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%
HQ Theatres & Hospitality Holdings Limited*	Holding company	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%
HQ Theatres & Hospitality Ltd	Holding company	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%
HQ Theatres Trust	Charitable company	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%
Wycombe Arts Management Limited	Theatre operation management	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%
Curious Alice Film Limited	Event film production	Ashcombe Court Woolsack Way Godalming GU7 1LQ United Kingdom	100%	-%

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

14 Investments (continued)

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

* indicates direct investment of Trafalgar Entertainment Group Limited

Group associates

	£ 000
Aggregated movement in carrying value	
At 29 December 2019	451
Transfers from investments*	11
Additions	394
Group share of loss	(171)
Distributions from associate	(30)
	<hr/>
At 26 December 2020	655
Additions	2,221
Impairment	(754)
Group share of loss	(70)
Distributions from associate	(610)
	<hr/>
At 25 December 2021	<u>1,442</u>

*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 25 December 2021 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held by the Group	
			2021	2020
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%

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

14 Investments (continued)

TTP Productions Ltd*	Show production	Ashcombe Court Woolsack Way Godalming Surrey GU7 1LQ	86%	51.9%
SS American 2021 Ltd	Show production	55 Strand 8th Floor London England WC2N 5LR	23%	36%
Make Em Laugh Ltd	Show production	Noel Coward Theatre 85-88 St Martin's Lane London WC2N 4AU	35.71%	0%
KMCB Productions Ltd	Show production	27 Mortimer Street London W1T 3BL	23.33%	0%
SS American Film Limited	Show production	55 Strand 8th Floor London EC2N 5LR	50%	0%
Jagged Little Pill Australia Pty Ltd	Show production	Level 13 333-339 George Street Sydney NSW 2000	23%	0%
JB London II Prod UK Ltd	Show production	Elsley Court 20-22 Great Titchfield Street London W1W 8BE	12%	0%

*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.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

14 Investments (continued)

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.

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

The following narrative sets out the current assets, liabilities, equity and earnings of the Group's associates as well as details of their share of earnings/(losses) together with the carrying amount of the investment.

Rocky Horror Company Limited

	2021 £ 000	2020 £ 000
Current assets	250	463
Current liabilities	<u>(248)</u>	<u>(461)</u>
Equity	<u>2</u>	<u>2</u>
Group share in equity - 33.33%	<u>-</u>	<u>-</u>
Revenue	138	613
Movement in investment carrying value		
Opening carrying value	408	408
Group share of profit/(loss)	(8)	-
Less distributions from associate	<u>8</u>	<u>-</u>
Closing carrying value	<u>408</u>	<u>408</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

14 Investments (continued)

Joe Egg West End Limited

	2021 £ 000	2020 £ 000
Current assets	-	3
Current liabilities	-	(3)
Equity	-	-
Group share in equity	-	-
Profit/(loss)	-	(13)
Movement in investment carrying value		
Opening carrying value	-	43
Group share of profit/(loss)	-	(13)
Less distributions from associate	-	(30)
Closing carrying value	-	-

TTP Productions Ltd

	2021 £ 000	2020 £ 000
Current assets	143	82
Current liabilities	(415)	(30)
Equity	(272)	52
Group share in equity - 86%	(235)	27
Revenue	845	161
Profit/(loss)*	(272)	(311)
Movement in investment carrying value		
Opening carrying value	46	-
Investment in associate	287	203
Group share of profit/(loss)	(241)	(157)
Less distributions from associate	(46)	-
Closing carrying value	46	46

* 86% represents the effective share in equity based on profits and losses received on productions accounted for as associates within TTP Productions Ltd.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements for the Period from 27 December 2020 to 25 December 2021

14 Investments (continued)

SS American 2021 Ltd

	2021 £ 000	2020 £ 000
Current assets	934	202
Current liabilities	<u>(296)</u>	<u>(202)</u>
Equity	<u>638</u>	<u>-</u>
Group share in equity - 36%	<u>235</u>	<u>-</u>
Revenue	7,994	-
Profit/(loss)	638	-
Movement in investment carrying value		
Opening carrying value	202	-
Transfer from short-term investments	-	11
Investment in associate	373	191
Group share of profit/(loss)	235	-
Less distributions from associate	<u>(573)</u>	<u>-</u>
Closing carrying value	<u>237</u>	<u>202</u>

Make Em Laugh Ltd

	2021 £ 000	2020 £ 000
Current assets	1,872	-
Current liabilities	<u>(1,872)</u>	<u>-</u>
Equity	<u>-</u>	<u>-</u>
Group share in equity - 35.71%	<u>-</u>	<u>-</u>
Revenue	1,174	-
Profit/(loss)	-	-
Movement in investment carrying value		
Investment in associate	<u>250</u>	<u>-</u>
Closing carrying value	<u>250</u>	<u>-</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

14 Investments (continued)

KMCB Productions Ltd

	2021 £ 000	2020 £ 000
Current assets	188	-
Current liabilities	<u>(171)</u>	<u>-</u>
Equity	<u>17</u>	<u>-</u>
Group share in equity - 23.33%	<u>5</u>	<u>-</u>
Revenue	301	-
Profit/(loss)	17	-
Movement in investment carrying value		
Investment in associate	35	-
Group share of profit/(loss)	<u>5</u>	<u>-</u>
Closing carrying value	<u>40</u>	<u>-</u>

SS American Film Limited

	2021 £ 000	2020 £ 000
Current assets	584	-
Current liabilities	<u>(731)</u>	<u>-</u>
Equity	<u>(147)</u>	<u>-</u>
Group share in equity - 50%	<u>(74)</u>	<u>-</u>
Revenue	386	-
Profit/(loss)	(147)	-
Movement in investment carrying value		
Investment in associate	340	-
Group share of profit/(loss)	<u>(74)</u>	<u>-</u>
Closing carrying value	<u>266</u>	<u>-</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

14 Investments (continued)

JB London II Prod UK Ltd

	2021 £ 000	2020 £ 000
Current assets	2,637	-
Current liabilities	<u>(2,529)</u>	<u>-</u>
Equity	<u>108</u>	<u>-</u>
Group share in equity - 12%	<u>13</u>	<u>-</u>
Revenue	3,580	-
Profit/(loss)	108	-

Movement in investment carrying value

Investment in associate	182	-
Group share of profit/(loss)	<u>13</u>	<u>-</u>
Closing carrying value	<u>195</u>	<u>-</u>

Other Investments

	2021 AUD 000	2020 AUD 000
Current assets	8,636	-
Current liabilities	<u>(8,636)</u>	<u>-</u>
Equity	<u>-</u>	<u>-</u>
Group share in equity - 23%	<u>-</u>	<u>-</u>
Revenue	2,697	-
Profit/(loss)	-	-

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

14 Investments (continued)

	2021 £ 000	2020 £ 000
Movement in investment carrying value		
Investment in associate	754	-
Impairment	<u>(754)</u>	<u>-</u>
Closing carrying value	<u>-</u>	<u>-</u>
Aggregate financial information for associates		
	2021 £ 000	2020 £ 000
Group share of profit/(loss) from continuing operations	<u>(70)</u>	<u>(171)</u>

The most recent financial year end of Rocky Horror Company Ltd is 30 September 2021, 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, and the company was dissolved in March 2022.

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 27 December 2020 to 25 December 2021

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:

	<i>2021</i> <i>£ 000</i>	<i>2020</i> <i>£ 000</i>
At 26 December 2020	176	493
Transfer to associate	-	(11)
Additions	631	100
Recoupments and revisions	(75)	(406)
Fair value movement	<u>(180)</u>	<u>-</u>
At 25 December 2021	<u>552</u>	<u>176</u>

16 Acquisition of subsidiaries

HQ Theatres and Hospitality Holdings Limited

On 27 March 2021, the Group acquired 100% of the issued share capital of HQ Theatres and Hospitality Holdings Limited, obtaining control. The principal activity of HQ Theatres and Hospitality Holdings and its subsidiaries (the "HQ Group") is venue operations and ticket sales.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	<i>2021</i> <i>£000</i>
Assets and liabilities acquired	
Financial assets	1,642
Inventory	60
Right of use assets	1,088
Property, plant and equipment	2,372
Intangible assets	123
Identifiable intangible assets	20,977
Financial liabilities	(16,136)
Deferred tax liability	<u>(3,782)</u>
Total identifiable assets	6,344
Goodwill	<u>26,255</u>
Total consideration	<u>32,599</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

16 Acquisition of subsidiaries (continued)

	2021 £000
Satisfied by:	
Cash	28,022
Deferred consideration*	4,377
Other	200
Total consideration transferred	<u>32,599</u>
Cash flow analysis:	
Cash consideration	28,022
Less: cash and cash equivalent balances acquired	<u>(1,098)</u>
Net cash outflow arising on acquisition	<u>26,924</u>

Acquisition-related costs (included in administrative expenses) amount to £193,000.

Goodwill arising from the acquisition of HQ Theatres represents workforce and economic goodwill.

For the period between the date of acquisition and the balance sheet date the HQ Group contributed £14,783,000 revenue and £355,000 of pre-tax losses, which is included in the Group's loss for the period.

If the acquisition of HQ Theatres and Hospitality Holdings Limited had been completed on the first day of the financial year, Group revenues for the period would have been £42,840,000 and the Group loss would have been £21,269,000.

*Deferred consideration arrangement is included in other non-current financial liabilities and other payables on the Consolidated Statement of Financial Position.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

16 Acquisition of subsidiaries (continued)

Helen O'Grady

On 28 August 2021, the Group acquired 100% of the issued share capital of Helen O'Grady (CI) Limited ("Helen O'Grady"), obtaining control. The principal activity of Helen O'Grady is the operating and franchising of part time performing arts schools for young people.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	2021 £000
Assets and liabilities acquired	
Financial assets	47
Identifiable intangible assets	598
Financial liabilities	(10)
Deferred tax liability	(113)
Total identifiable assets	<u>522</u>
Goodwill	<u>272</u>
Total consideration	<u>794</u>
Satisfied by:	
Cash	<u>794</u>
Cash flow analysis:	
Cash consideration	794
Less: cash and cash equivalent balances acquired	(13)
Net cash inflow arising on acquisition	<u>781</u>

Acquisition-related costs (included in administrative expenses) amount to £31,000.

Goodwill arising from the acquisition of Helen O'Grady represents workforce and economic goodwill.

For the period between the date of acquisition and the balance sheet date Helen O'Grady contributed £69,000 revenue and £37,000 of losses, which is included in the Group's loss for the period.

If the acquisition of Helen O'Grady had been completed on the first day of the financial year, Group revenues for the period would have been £42,216,000 and the Group loss would have been £19,559,000.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

17 Inventories

	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
Finished goods and goods for resale	598	107	-	-

Inventories represent food and beverages at theatres and the cinema as well as uniforms and other sundries in our education business. Total inventories expensed during the period amounted to £1,459,000 (2020: £111,000).

18 Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
Trade receivables*	4,107	2,111	492	602
Allowance for expected credit losses	(61)	(88)	(73)	-
Net trade receivables	4,046	2,023	419	602
Receivables from related parties***	-	-	50,649	19,238
Accrued income	2,639	695	-	-
Prepayments	1,340	547	162	103
VAT Receivable	-	-	69	87
Other receivables**	6,381	804	377	209
	<u>14,406</u>	<u>4,069</u>	<u>51,676</u>	<u>20,239</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 £1,681,000 (2020: £141,000), £786,000 in producer agency tickets (2020: £nil) and £1,300,000 (2020: £nil) in amounts owed to regional venues from the local council (2020: £nil).

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

18 Trade and other receivables (continued)

***Included in the Company only receivables from related parties is a receivable of £24.0 million from Trafalgar Entertainment Asia-Pacific Pty Ltd ('TEAP'). Management have prepared a discounted cashflow to assess the recoverability of the receivable and have determined it to be recoverable. The estimate of the net present value of future cashflows is driven by revenue expectations for TEAP and the discount rate used. The estimate is sensitive to the key assumptions used where a 0.5% increase in the discount rate to 9.5% would reduce the headroom to £0.4 million and a 1% decrease in forecast revenue would reduce the headroom to £1.2 million.

Impairment

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

	2021 £ 000	2020 £ 000
At 27 December 2020	88	50
Provision for expected credit losses	48	63
Reversal of previous provision	(75)	(22)
Write off bad debts	-	(3)
At 25 December 2021	<u>61</u>	<u>88</u>

19 Cash and cash equivalents

	<i>Group</i>		<i>Company</i>	
	2021 £ 000	2020 £ 000	2021 £ 000	2020 £ 000
Cash in hand	24	6	-	-
Cash at bank	<u>21,154</u>	<u>5,123</u>	<u>2,534</u>	<u>1,186</u>
	<u>21,178</u>	<u>5,129</u>	<u>2,534</u>	<u>1,186</u>

Included within cash at bank is £51,000 (2020: £26,000) held in a ring fenced account as a bond on behalf of a partner and £36,000 (2020: £12,000) restricted cash held in deposit accounts.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

20 Share capital

Authorised, allotted, called up and fully paid shares

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
A Ordinary Shares of £1 each	89,009	89,009	50,760	50,760
B Ordinary Shares of £1 each	5,179	5,179	2,766	2,766
C Ordinary Shares of £0.001 each	13,778	14	13,403	13
Deferred Shares of £0.001 each	181,074	181	181,074	181
	<u>289,040</u>	<u>94,383</u>	<u>248,003</u>	<u>53,720</u>

New shares issued

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

- Issued 38,249,622 £1 A Ordinary shares in the year for a total consideration of £61,949,091, giving rise to a share premium of £23,699,469. Further information can be found in note 21.
- Issued 2,413,339 £1 B Ordinary shares in the year for a total consideration of £3,908,645, giving rise to a share premium of £1,495,306. Further information can be found in note 21.
- Issued 375,225 £0.001 C Ordinary shares for a total consideration of £375.

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.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

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20 Share capital (continued)

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.

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.

In January 2021 Trafalgar Entertainment Group issued 7,319,169 A Ordinary Shares with a par value of £1 each at a cost of £1.6196 per share and 398,783 B Ordinary Shares with a par value of £1 each at a cost of £1.6196 per share, creating a share premium of £4,782,048.

In March 2021 Trafalgar Entertainment Group issued 19,303,613 A Ordinary Shares with a par value of £1 each at a cost of £1.6196 per share and 763,069 B Ordinary Shares with a par value of £1 each at a cost of £1.6196 per share, creating a share premium of £12,433,318.

In April 2021 Trafalgar Entertainment Group issued 11,559,133 A Ordinary Shares with a par value of £1 each at a cost of £1.6196 per share, creating a share premium of £7,162,038.

In June 2021 Trafalgar Entertainment Group issued 67,707 A Ordinary Shares with a par value of £1 each at a cost of £1.6196 per share and 1,251,487 B Ordinary Shares with a par value of £1 each at a cost of £1.6196 per share, creating a share premium of £817,371.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

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%.

	2021 £ 000	2020 £ 000
Summarised Statement of Financial Position		
Current assets	7,278	1,958
Current liabilities	<u>(6,637)</u>	<u>(1,599)</u>
Current net assets	<u>641</u>	<u>359</u>
Non-current assets	<u>101</u>	<u>146</u>
Net assets	<u>742</u>	<u>505</u>
Accumulated NCI*	<u>5,949</u>	<u>5,973</u>
Summarised Statement of Comprehensive Income		
Revenue	<u>7,758</u>	<u>1,653</u>
(Loss)/profit for the period	(49)	(2,037)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive (loss)/income	<u>(49)</u>	<u>(2,037)</u>
(Loss)/profit allocated to NCI*	<u>(24)</u>	<u>(828)</u>

The Group has minority interest shareholders in two subsidiaries that are not considered quantitatively or qualitatively material. Accumulated NCI is £251,000 (2020: £nil) and profit allocated to NCI is £101,000 (2020: £nil) in respect of those subsidiaries.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

23 Loans and borrowings

	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
<i>Non-current loans and borrowings</i>				
Bank borrowings	7,200	7,733	7,200	7,733
Other borrowings	475	-	-	-
	<u>7,675</u>	<u>7,733</u>	<u>7,200</u>	<u>7,733</u>
	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
<i>Current loans and borrowings</i>				
Bank borrowings	533	267	533	267
Other borrowings	38	-	-	-
	<u>571</u>	<u>267</u>	<u>533</u>	<u>267</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 is required to report against four financial covenants under the loan facility agreement. These four covenants are Cashflow Cover, Interest Cover, Loan to Market Value and Capital Expenditure. At the year end the Group was in compliance with all but the capital expenditure covenant. Whilst overall the Group was well inside the capital expenditure limit, on a project by project basis it breached the covenant due to a cashflow timing difference in relation to the Chiswick Cinema project. HSBC subsequently waived this breach with no penalty or further action being taken.

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

23 Loans and borrowings (continued)

Loan terms

Loan facility amount:	£8,000,000
Base rate (Bank of England base lending rate at 21 August 2020):	0.10%
Base rate (Bank of England base lending rate at 16 December 2021):	0.25%
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.

Other borrowings

One of the subsidiaries acquired as part of the HQ Theatres acquisition holds third party debt with a local council.

Loan terms

Interest rate:	3.00% per annum, compounded
Loan termination date:	March 2029

The loan will be repaid in full by the termination date.

24 Leases

Group as a lessee

Total cash outflows related to leases

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

<i>Payment</i>	<i>2021</i> <i>£ 000</i>	<i>2020</i> <i>£ 000</i>
Payment of principal portion of lease liabilities	13,359	207
Payment of interest portion of lease liabilities	668	217
Low value leases	6	-
Short term leases	60	35
Total cash outflow	<u>14,093</u>	<u>459</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

24 Leases (continued)

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

	2021 £ 000	2020 £ 000
Carrying lease liabilities brought forwards	7,279	7,289
Additions	23,205	53
Derecognised on lease termination	(18)	(16)
Accretion of interest	773	377
Payments	(14,027)	(424)
Other	(200)	-
Carrying lease liabilities carrying forwards	<u>17,012</u>	<u>7,279</u>
Current	<u>3,900</u>	<u>531</u>
Non-current	<u>13,112</u>	<u>6,748</u>

The maturity analysis of lease liabilities are disclosed in note 29.

The following are the amounts recognised in profit or loss:

	2021 £ 000	2020 £ 000
Depreciation expense of right of use assets	631	514
Interest expense on lease liabilities	773	377
Expense relating to short-term leases	60	35
Expense relating to leases of low-value assets	6	-
	<u>1,470</u>	<u>926</u>

Group as a lessor

During the 2020 financial year, the Group purchased a freehold that was leased out to a third party. The Group has chosen to remain in the lease as a result of the pandemic. The following table reflects the rental income relating to the lease:

	2021 £ 000
Within 1 year	108
From 1 to 2 years	108
From 2 to 3 years	108
From 3 to 4 years	81
	<u>405</u>

Included within other income is £109,000 relating to lease income recognised during the year (2020 - £nil).

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

24 Leases (continued)

Company as a lessee

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

	£ 000	£ 000
As at 27 December 2020	1,772	1,816
Additions	12	-
Accretion of interest	107	115
Payments	<u>(182)</u>	<u>(159)</u>
Carrying lease liabilities at 25 December 2021	<u>1,709</u>	<u>1,772</u>
Current	<u>400</u>	<u>297</u>
Non-current	<u>1,309</u>	<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 £553,000 (2020 - £301,000).

Contributions totalling £147,000 (2020 - £142,000) were payable to the scheme at the end of the period and are included in other payables in Note 26.

Company

Contributions totalling £37,000 (2020 - £116,000) 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 27 December 2020 to 25 December 2021

25 Pension and other schemes (continued)

Defined benefit pension schemes accounted for as defined contribution pension schemes

The Company acquired the entire issued share capital in HQ Theatres & Hospitality Holdings Limited (HQTHH) on 27th March 2021. Four subsidiary companies of HQTHH (Southend Theatres Limited, Orchard Theatre Dartford Limited, White Rock Theatre Hastings Limited and HQ Theatres Limited, which formed part of that acquisition) participate in four separate Local Government Pension Scheme (LGPS) funds through their status as admitted bodies. These four participating employers are responsible for paying contributions to meet the ongoing cost of benefits building up for active members.

Contributions for these four funds are reviewed every three years following an actuarial valuation, and the next valuation is due to commence on 31st March 2022. At the last valuation assessed on 31st March 2019, all four of the funds were in surplus on an ongoing basis in relation each employer's share of the fund. For two of the four funds, no contributions are currently payable. There are no minimum contribution levels.

On 23rd August 2021, New Theatre Cardiff Limited (a subsidiary of HQTHH and of the Company) (NTCL) completed an agreement with Cardiff City Council to operate the New Theatre in Cardiff, the effective date of the transfer of such operation being 16th August 2021. On 22nd September 2021, NTCL signed an agreement to become an admitted body to the Cardiff and Vale of Glamorgan Local Government Pension Scheme fund in relation to the members of that fund whose contracts of employment were assumed by NTCL as part of the agreement to operate that theatre, again effective from 16th August 2021. Contributions to this fund are also reviewed by cyclical actuarial valuation.

On admission to the relevant fund, an admitted body receives an allocation of liability in the fund reflecting the pension entitlements of the employees who transfer, and an asset pool of equivalent actuarial value to fund those liabilities. Following this transfer, the risk attached to this pool of assets and liabilities becomes the responsibility of the admitted body. While the wider performance of the relevant fund (based on the cyclical valuations) determines the level at which employer contributions should be set, the admitted body is responsible only for contributions required to meet the cost of benefits for its own employees who are members of the relevant scheme, and not for employees of the Council or other third party admitted bodies.

On the expiry or termination of an employer's underlying agreement to operate the relevant theatre, that employer becomes an "exiting employer" under the LGPS rules. The administering authority to the relevant fund is then required to obtain an actuarial assessment as at the exit date to determine the shortfall, if any, in the exiting employer's participation.

For all five of the pension funds to which members of the Company's group are admitted bodies:

- (i) the Company considers that the relevant funds are defined benefit schemes;
- (ii) it was not possible to obtain contemporaneous valuation information to measure any liability of a group company on a defined benefit basis at year end or at the point of the acquisition of HQTHH, or (in the case of Cardiff) NTCL's admission to the relevant fund, because such valuations are carried out cyclically and as part of a wider valuation of the entire fund - albeit, in the context of the acquisition of HQTHH, all four of the relevant funds were, at the date of the last valuation in March 2019, in surplus on an ongoing basis;
- (iii) the ongoing contributions from the relevant employers within the group are expected to continue at their current rates, subject only to any adjustments identified as necessary following the revaluation effective from 31st March 2022;
- (iv) there is no information currently within the Company's knowledge about any deficit or surplus in any plan that may affect the amount of future contributions;

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

25 Pension and other schemes (continued)

- (v) the Company does not have precise metrics for the level of each admitted body's participation in the relevant fund compared to other participating entities, but (as the participating employees in each case are employed at a single theatre in the relevant location, and are limited in number) its overall level of participation compared to the total membership of the relevant LGPS fund will be very low.

26 Trade and other payables

	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
Trade payables	5,810	1,822	997	457
Accrued expenses	14,905	7,311	567	885
Amounts due to related parties	-	-	6,817	4,420
Social security and other taxes	2,866	1,439	298	528
Other payables*	7,695	1,127	231	116
Refunds due to customers	110	783	-	-
Deferred consideration	2,991	-	2,991	-
Producer's share of advance sales	13,352	-	-	-
	<u>47,729</u>	<u>12,482</u>	<u>11,901</u>	<u>6,406</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 29.

* Included in other payables is £6,800,000 of voucher and gift card liabilities.

27 Fair value measurement

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

Assets	Valuation date	2021 Total	Quoted	Significant	Significant
			prices in active markets	observable inputs	unobservable inputs
			(Level 1)	(Level 2)	(Level 3)
		<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Call option	25 December 2021	2,594	-	-	2,594
Investments in productions	25 December 2021	552	-	-	552

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

27 Fair value measurement (continued)

Assets	Valuation date	2020 Total	Quoted	Significant	Significant
			prices in active markets (Level 1)	observable inputs (Level 2)	unobservable inputs (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	2021 Total	Quoted	Significant	Significant
			prices in active markets (Level 1)	observable inputs (Level 2)	unobservable inputs (Level 3)
		£000	£000	£000	£000
Deferred consideration	25 December 2021	4,475	-	-	4,475
Put option	25 December 2021	5,050	-	-	5,050

Liabilities	Valuation date	2020 Total	Quoted	Significant	Significant
			prices in active markets (Level 1)	observable inputs (Level 2)	unobservable inputs (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 2021 or 2020.

Trafalgar Entertainment Group Limited

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for the Period from 27 December 2020 to 25 December 2021

27 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 25 December 2021 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	2021: £2.1m - £3.8m (2020: £1.5m - £2.9m)	10% increase in probability-adjusted EBITDA would reduce the fair value of the call option by £445,000 (2020: £543,000) 10% decrease in probability-adjusted EBITDA would increase the fair value of the call option by £537,000 (2020: £595,000)
		Volatility	2021: 50% (2020: 56%)	10% increase in assumed volatility would increase the fair value by £696,000 (2020: £575,000) 10% decrease in assumed volatility would decrease the fair value by £696,000 (2020: £567,000)

Trafalgar Entertainment Group Limited

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for the Period from 27 December 2020 to 25 December 2021

27 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	2021: 1.9%	<p>1% decrease in discount rate would result in an increase in fair value of the deferred consideration by £20,000</p> <p>1% increase in discount rate would result in a decrease in fair value of the deferred consideration by £20,000</p>
Put option	Black Scholes model	Probability adjusted EBITDA	2021: £2.1m - £3.8m (2020: £1.5m - £2.9m)	<p>10% increase in probability-adjusted EBITDA would increase the fair value of the put option by £1,180,000 (2020: £497,000)</p> <p>10% decrease in probability-adjusted EBITDA would decrease the fair value of the put option by £1,089,000 (2020: £444,000)</p>
		Volatility	2021: 50% (2020: 56%)	<p>10% increase in assumed volatility would increase the fair value by £696,000 (2020: £576,000)</p> <p>10% decrease in assumed volatility would decrease the fair value by £696,000 (2020: £566,000)</p>

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

- £6,328,000 loss in respect of the put and call options.
- £334,000 loss in respect of the forward contracts.
- £75,000 loss in respect of the deferred consideration.

During the 2021 financial year, the terms of the call and put options were renegotiated with the minority interest shareholders. The earn period was extended to December 2021 to take into consideration the impact of Covid-19 on trading. The fair value movements reflected the revised terms of the call and the put option.

Trafalgar Entertainment Group Limited

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for the Period from 27 December 2020 to 25 December 2021

27 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 27 December 2020	5,883	(2,011)	(144)	
Additions	-	-	(4,377)	
Payments made	-	-	25	
Amounts written off	-	-	96	
Remeasurement recognised in statement of total comprehensive income during the period	(3,289)	(3,039)	(75)	
As at 25 December 2021	<u>2,594</u>	<u>(5,050)</u>	<u>(4,475)</u>	

28 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	
	2021 £ 000	2020 £ 000	2021 £ 000	2020 £ 000
Call option	2,594	5,883	2,594	5,883
Foreign exchange forward contracts	-	334	-	334
Total other financial assets	<u>2,594</u>	<u>6,217</u>	<u>2,594</u>	<u>6,217</u>
Current	<u>-</u>	<u>334</u>	<u>-</u>	<u>334</u>
Non-current	<u>2,594</u>	<u>5,883</u>	<u>2,594</u>	<u>5,883</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 27 December 2020 to 25 December 2021

28 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 £3,289,000.

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 losses 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	
	2021 £ 000	2020 £ 000
Trade and other receivables	13,067	3,479

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	
	2021 £ 000	2020 £ 000	2021 £ 000	2020 £ 000
Deferred consideration	4,475	144	4,450	-
Put option	5,050	2,011	5,050	2,011
Total other financial liabilities	9,525	2,155	9,500	2,011
Current	2,991	-	2,991	-
Non-current	6,534	2,155	6,509	2,011

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

28 Financial instruments (continued)

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

Valuation methods and assumptions

Deferred consideration:

The Group has recognised deferred consideration in respect of two acquisitions.

In respect of the acquisition of More2Screen in the financial period ended 28 December 2019, 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 have been 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 and was 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%. The More2Screen deferred consideration agreement was revised in 2021. As a result of the revision, the deferred consideration was fixed at £50,000. At 25 December 2021, £25,000 is still payable.

In respect of the acquisition of HQ Group in the financial period ended 25 December 2021, the Group agreed to pay deferred consideration of £4.5 million in three equal instalments. At the time of the purchase, the fair value of the consideration was determined to be £4.4m. It has been recognised as a financial liability at fair value through profit or loss. The deferred consideration is discounted at a weighted average cost of capital of 1.9%. During the period there was an adjustment to increase the fair value of deferred consideration by £75,000.

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 increase the fair value of the put option by £3,039,000.

Financial liabilities at amortised cost

	<i>Carrying value</i>	
	<i>2021</i>	<i>2020</i>
	<i>£ 000</i>	<i>£ 000</i>
Trade and other payables	44,853	11,043
Bank borrowings	7,733	8,000
Lease liabilities	17,012	7,279
Other borrowings	513	-
	<u>70,111</u>	<u>26,322</u>

Trafalgar Entertainment Group Limited

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

28 Financial instruments (continued)

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.

29 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.

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 25 December 2021.

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:

2021	Increase/decrease in basis points	Effect on profit before tax
		£000s
Loans and borrowings	+ 5	(30)
	- 2	5

Trafalgar Entertainment Group Limited

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

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 Theatre Limited 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.

Trade receivables in regional venues largely relates to subsidy agreements with local councils. Credit risk in the regional venues is therefore considered to be low.

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

	<i>Current</i>	<i>30-60 days</i>	<i>61-90 days</i>	<i>>90 days</i>	<i>Total</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
<i>2021</i>					
Gross trade receivables	1,679	2,191	223	14	4,107
Expected credit loss	(15)	(46)	-	-	(61)
Total net of expected credit loss	<u>1,664</u>	<u>2,145</u>	<u>223</u>	<u>14</u>	<u>4,046</u>
	<i>Current</i>	<i>30-60 days</i>	<i>61-90 days</i>	<i>>90 days</i>	<i>Total</i>
<i>2020</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>	<i>£ 000</i>
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

Notes to the Financial Statements

for the Period from 27 December 2020 to 25 December 2021

29 Financial risk management and Impairment of financial assets (continued)

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.

	Carrying amount £ 000	Gross nominal outflow £ 000	Less than 1 month £ 000	1-3 months £ 000	3 months - 1 year £ 000	1-5 years £ 000	More than 5 years £ 000
2021							
Trade and other payables	44,863	44,863	20,357	8,718	12,695	3,093	-
Lease liabilities	17,012	33,775	288	3,574	739	4,600	24,574
Bank borrowings	<u>8,247</u>	<u>8,274</u>	<u>41</u>	<u>139</u>	<u>446</u>	<u>7,462</u>	<u>159</u>
	Carrying amount £ 000	Gross nominal outflow £ 000	Less than 1 month £ 000	1-3 months £ 000	3 months - 1 year £ 000	1-5 years £ 000	More than 5 years £ 000
2020							
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>

Trafalgar Entertainment Group Limited

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

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).

Currency risk

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).

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.

In the 2021 financial year, the Group commenced trading in Australia through the opening of the Theatre Royal Sydney. Tickets sold and costs incurred are all in Australian dollars. Trading in Australia commenced at the end of the financial year, and therefore exposure to AUD currency risk is limited. Management will continue to monitor the currency fluctuations in 2022 and will take appropriate measures to protect the Group against foreign currency exposure if required.

The Group entered into a foreign currency forward in 2020. The forward expired in April 2021 and no further contracts have been entered into.

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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30 Related party transactions

Key management personnel compensation

	2021	2020
	£ 000	£ 000
Salaries and other short term employee benefits	2,928	2,637
Post-employment benefits	120	92
	<u>3,048</u>	<u>2,729</u>

During the period Trafalgar Theatre Productions Limited charged £100,000 (2020: £90,000) of management fees to and had a share of loss of £8,205 (2020: £nil) (shown as share of profit/loss from associates) from Rocky Horror Company Limited, and RHUK18 Limited paid £117,679 (2020: £100,000) of royalties and share of merchandise income to Rocky Horror Company Limited. Sir H H Panter is a director of Rocky Horror Company Ltd.

During the year JB London II Prod UK Limited (JBL) paid Trafalgar Theatre Limited £750,750 (2020: £nil) of rent and other charges. JB London II Prod UK Limited paid Trafalgar Theatre Productions Limited £17,223 (2020: £nil) in fees and royalties during the year. JB London II Prod UK Limited is an associate of Trafalgar Theatre Productions Limited.

During the year SS American 2021 Ltd paid Trafalgar Theatre Productions Limited £257,998 (2020: £nil) in fees and royalties. SS American 2021 paid Trafalgar Theatre Productions Limited in fees of £25,000 (2020: £nil). SS American 2021 is an associate of Trafalgar Theatre Productions Limited.

During the year Trafalgar Releasing Ltd paid KI PAL Ltd £66,742 (2020: £nil) in producer share of event income. Trafalgar Releasing Ltd received £55,271 (2020: £nil) in profits from KI PAL Ltd.

During the period the Group received of £1,800 (2020: £nil) from 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.

Investment and recoupment transactions with associates are reflected in Note 14. At 25 December 2021, the Group does not have any outstanding receivables or payables balances with the associates other than as disclosed in Note 14.

During the period both Sir H H Panter and Dame R A Squire paid for and were issued with 426,918 A ordinary shares each and H J Enright paid for and was issued with 83,240 A ordinary shares.

Trafalgar Entertainment Group Limited

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31 Ultimate controlling party

Barings Asset-Based Income Fund (US), LP is considered to be the ultimate controlling party by virtue of its 80.14% 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.