

# NIGHTCAP

ANNUAL REPORT AND  
FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 27 JUNE 2021



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# WHO WE ARE

NIGHTCAP

Nightcap plc's mission is to become the leading operator of premium bars and drinks-led hospitality concepts in the UK through rapid organic growth and the acquisition of scalable late night bar concepts with innovation at their core. Established in the height of the COVID-19 pandemic, Nightcap's aim is to take advantage of the significant changes taking place within the premium bars segment and the hospitality industry more generally in the UK.

The Board believes that the Company will be able to take advantage of an exceptional opportunity to acquire and grow 'drinks-led' hospitality concepts that focus on the consumers' social experience over the coming years. The landscape for retail property has never been better, with the balance of power shifting from landlord to tenant, strong covenants winning lease bids over large premiums and fewer businesses being in a position to expand whilst they repay the debt incurred during the last 18 months.

There is currently an extraordinary level of demand from Millennial and Gen Z consumers whose freedom to party was halted as a result of the pandemic. As a generation with a growing fast-paced lifestyle, they are increasingly seeking 'experiential' ways to fill their leisure time, favouring concepts that offer new and immersive experiences. Based on the Board's extensive experience in the hospitality sector, it believes that guests have become more discerning than ever and that they are actively seeking out individually themed sites that use the highest quality ingredients to produce outstanding drinks, all served in both a friendly and exciting environment with a promise of a truly memorable night out. Nightcap is perfectly placed to fulfil this demand.

Led by entrepreneur and ex BBC Dragon Sarah Willingham, Nightcap has built a team of some of the most talented operators in the hospitality industry, each with extensive experience in the sector and the ability to build and grow Nightcap's brands both rapidly and sustainably across the UK.

# WHAT WE DO



## THE COCKTAIL CLUB (FORMERLY "THE LONDON COCKTAIL CLUB")

The Cocktail Club have earned their reputation as pioneers of the cocktail bar scene, carving out their own niche early on. With a clear mission to serve world class cocktails in unpretentious, speak-easy style venues, where no-holds-barred partying is at the top of the agenda.

Founded in 2010 by JJ Goodman, winner of the World's Best Bartender award at the Cocktail World Cup in 2008, and James Hopkins, The Cocktail Club operates ten bars – nine across London and one in Bristol – with three more opening in November 2021 (in Reading, Bristol and The City of London) and many more in legal negotiations, with plans to expand across the UK. It is currently known as London Cocktail Club in London and The Cocktail Club nationally.

The Cocktail Club ethos is simple - everybody deserves to have a wild time, from their loyal guests to their dedicated team. Championing the idea that anyone who walks through the doors to a Cocktail Club can leave their inhibitions at the door and party like nobody's watching. No pretension, no judgment, just pure party vibes.

Known across London for its theatrical displays of mixology, The Cocktail Club offers up an electric atmosphere, led by their team of world-class bartenders, who consistently deliver the crème de la crème of the cocktail world. 2021 has seen them cement their USPs even further, with their recognisable displays of lamp swinging and ice throwing seen plastered over Instagram. They believe in providing unforgettable experiences in a unique environment that guests will talk about for years to come.

From the outside it may just look like one big party but it's the science behind the madness that sets them apart from the rest. Focusing on world class drinks development, leading bartender training and clear career progression, they have managed to ensure they adopt new trends before others and execute them to perfection. Their innovative approach lends itself aptly to the phrase – go hard or go home.

Each Cocktail Club site is designed to offer its own unique experience, switching up the décor and design for each location means guests will have a desire to visit more. Whilst the décor may differ, one thing that remains consistent across all sites is the outrageously high standard of the drinks, training and service.

The Cocktail Club became part of the Nightcap portfolio in January 2021. JJ Goodman is still very much involved with the business and is the face and magic behind the brand.



## THE ADVENTURE BAR GROUP

The Adventure Bar Group is one of the most dynamic bar companies in London, and soon to be UK. After 15+ years they have built an extremely successful portfolio of bars in the bustling areas of Covent Garden, Waterloo, Shoreditch, Clapham and Birmingham.

The Adventure Bar Group began its journey back in 2005, founded by friends Bryan Lloyd, Thomas Kidd, Tobias Jackson and Kieron Botting with a vision to live, breathe, work and go above and beyond for everyone who visits their bars. To constantly evolve their offering, to satisfy the expressed and unexpressed needs of their guests and to consistently exceed expectations.

Known for thinking outside of the box, from ticketed events, wild weeknight entertainment and interiors, to name a few, Adventure Bar Group is always looking to make an impact and set itself apart from the crowd. Tonight Josephine took the Tinder world by storm with their infamous neon sign "Well Behaved Women Don't Make History", now instantly recognisable across the UK.

Famous for their outstanding sold-out events, including: Britney Bottomless Brunch, Mamma Mia Bottomless Brunch and more recently Cosmic Disco, the Adventure Bar Group is constantly tapping in to the latest trends and delivering out-of-this-world experiences for their guests. Nurturing talents such as Ru Paul's iconic Bimini Bon Boulash and Victoria Scone, it comes as no surprise that their drag brunches are some of the best in the UK.

2021 has been the Adventure Bar Group's biggest year yet. Opening their second outdoor venue, Luna Springs, this time in Birmingham. Holding up to 3,000 guests, it has rapidly become one of the city's hottest new hangouts. Famed for its loose brunches, open-air cinema and more recently its giant outdoor ice rink – ready for the Winter season. It's not just their own outrageous events that have led them to the top, having also played host to some of the country's wildest promoted events. Household names such as Bongo's Bingo have taken over the sites as well as world-class DJs, including Chase and Status and Michael Bibi.

It's no wonder this combination of unapologetic partying, tabletop dancing and legendary events has earned the Adventure Bar Group a firm place in the hearts of party-seeking 20 somethings around the UK.

The Adventure Bar Group became part of Nightcap plc in May 2021 with a vision of expanding the brands, particularly the roll-out of Tonight Josephine, throughout cities across the UK. Bryan, Thomas and Tobias all remain very active within the Adventure Bar Group across various departments including new site builds, operations and pipeline acquisitions.

# WHERE WE DO IT

## NIGHTCAP PLC



### THE COCKTAIL CLUB

13 cocktail bars

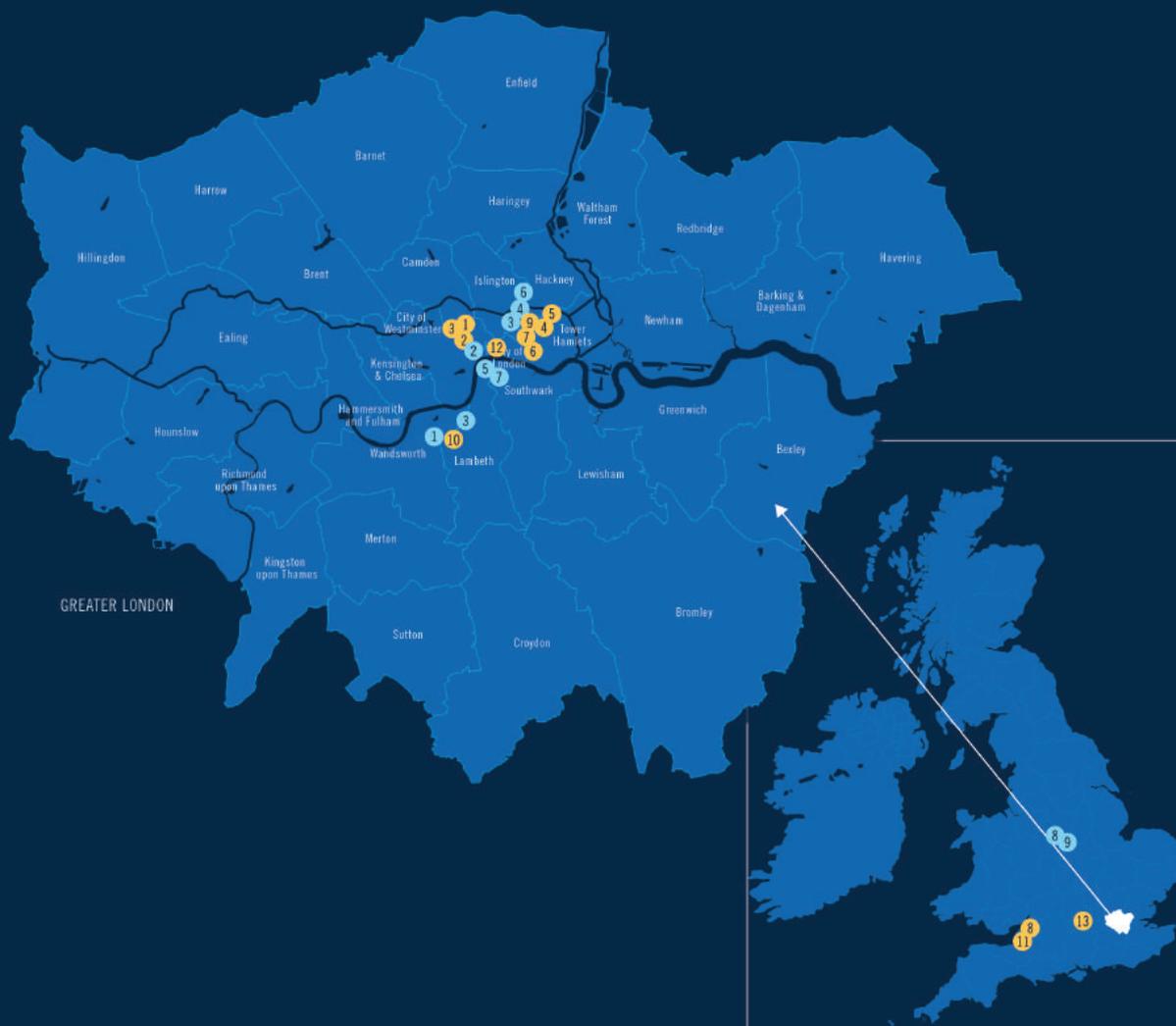
1. Goodge Street
2. Shaftesbury Avenue
3. Oxford Circus
4. Shoreditch
5. Bethnal Green
6. Monument
7. Liverpool St
8. Bristol - Triangle West
9. Old Street
10. Clapham High Street
11. Bristol - Corn Street
12. Queen Victoria St
13. Reading - Gun street



### ADVENTURE BAR GROUP

9 bars

1. Blame Gloria, Clapham Junction
2. Blame Gloria, Covent Garden
3. Adventure Bar, Clapham High street
4. The Escapologist, Covent Garden
5. Tonight Josephine, Waterloo
- 6a. Tonight Josephine, Shoreditch
- 6b. Nikki's Bar, Shoreditch
7. Bar Elba, Waterloo
8. Luna Springs, Birmingham
9. Tonight Josephine, Birmingham



# STRATEGIC REPORT



# CHAIRMAN'S STATEMENT

The COVID-19 pandemic has been an extraordinary time for all of us and unprecedented in terms of its severe and often unpredictable impact on the hospitality sector and the wider economy.

Sarah and Nightcap's executive team have dealt with the uncertainties arising from the constantly changing health requirements affecting the hospitality sector in a very professional and commercial fashion. I believe that the Group's businesses have significantly benefitted from the Board and management team's extensive experience in the hospitality and public markets sectors, and agile and entrepreneurial approach.

We are grateful for Government support during the times when our bars have been forced to close.

A silver lining of the pandemic's exacerbation of the longstanding structural difficulties in the UK hospitality sector is the increasing availability of prime sites usually seen only infrequently on the market. It has also had the effect of introducing a degree of reality to the rents being sought by landlords, resulting in sites with lower rents being offered. New sites will mean the creation of more jobs and we will be focused on maintaining the same high quality of staff employed in our existing bars. We are conscious of the competition for staff in the market but expect the pressure to ease following the closure of other hospitality sites. This provides an undeniable opportunity for an operator like Nightcap, which is undertaking a "buy-and-build" strategy and is well-funded following its initial public offering in January 2021

and the May/June 2021 secondary placing. We are proud of the way in which Nightcap is playing its part in the recovery of the UK's hospitality sector.

The acquisitions of The Cocktail Club and the Adventure Bar Group are in line with our strategy and both offer exciting expansion opportunities as we look to grow the number of sites. Over August 2021 to September 2021, The Cocktail Club has entered into leases for new sites in Reading, Bristol and the City of London, with all these new sites expected to be open before the end of the calendar year. Nightcap currently has a further 23 sites in legal negotiations or under offer across several of the Group's brands.

For the foreseeable future, the COVID restrictions have been lifted and COVID vaccination boosters are being offered, so we can approach the end of the year with optimism. However, the last 18 months have shown us that nothing can be taken for granted and the executive team has honed its ability to respond to new challenges quickly and effectively.

I would like to thank all of my colleagues at Nightcap for their loyalty and perseverance in the face of this pandemic and their enthusiasm to get back to their roles of welcoming and entertaining our customers.

**Gareth Edwards**  
Chairman



# CHIEF EXECUTIVE'S STATEMENT

## INTRODUCTION

I am delighted to present Nightcap's audited results for the 52 week period to 27 June 2021. The Group results include the results of The Cocktail Club for the full 52 week period, together with Nightcap plc from 13 January 2021 to 27 June 2021 and the Adventure Bar Group from 14 May 2021 to 27 June 2021.

The opportunity to create significant value through the creation and AIM listing of the Nightcap business was a direct result of the COVID-19 pandemic. Its devastating impact on the hospitality and leisure industry gave rise to an opportunity to acquire well-run drinks-led bar and late night businesses, with compelling roll-out propositions and to support leading hospitality entrepreneurs.

Nightcap's winning strategy is well under way. We are acquiring fundamentally strong businesses that have been weakened by the impact of the pandemic, working with the existing management teams to stabilise them and recapitalise their balance sheets. With the support of a very experienced executive team within Nightcap, these businesses will be able to achieve their full potential, not just within their existing estates but as they roll out nationally, whilst giving heavily incentivised and invested founders a chance to realise additional value as we grow.

The rapid roll out of these brands has been aided by a unique opportunity within the property market. Sites in top locations are available on more compelling terms than they have been over the past many years; landlords are favouring stronger covenants and there is far less competition for sites and therefore lower premiums to pay, if any. Nightcap is well placed to make the most of this opportunity and we have made excellent progress so far, as we continue to build the property pipelines in key strategic locations across the country.

## ACQUISITIONS

Over the last few years the millennial customers that we target have moved away from generic mid-market chains and sticky floored nightclubs and instead are favouring late night bars where they can have a great time, drink good quality drinks and enjoy an experience-led, memorable and fun night out in unique venues. In addition we have seen huge growth in the demand for events from this target market - sometimes ticketed and always pre-booked. The growth in the popularity of the bottomless brunch has given rise to an opportunity to pre sell periods of the day which otherwise would have been empty.

In the first six months of 2021, Nightcap acquired two outstanding businesses, both of which we believe are best in class, to meet the demands of the millennial market. Firstly, The Cocktail Club, the purchase of which coincided with our IPO on AIM in January 2021, which was followed by the acquisition of the Adventure Bar Group, in May 2021. Both businesses are built on providing fantastic guest experiences, centred on premium cocktails, high-energy and fun environments, curated by exceptional teams, including talented and highly trained bar tenders.

The Cocktail Club is a premium bar business built on the skill of the hosts and their ability to create a high quality and fun experience for guests as well as of course serving exceptional-quality drinks. Testament to this is the very strong consumer demand we have experienced since reopening, which gives us confidence as we continue to seek and secure more bar locations for this business. We believe there is potential to roll out The Cocktail Club from the current 10 locations to 40 sites across the UK over approximately the next four years.

The Cocktail Club chain of bars was formerly known as 'The London Cocktail Club', although following a recent re-branding decision it is now known as The Cocktail Club London in London and The Cocktail Club nationally.

The Adventure Bar Group, founded in 2005, has built a reputation for creating fun and highly-differentiated bar environments, via a group of leading and individually themed unique brand concepts with a focus on 'late night cocktail parties in striking venues', including Tonight Josephine, Blame Gloria, Bar Elba and Luna Springs. They are famous for their brunches and pre-sold events. Like The Cocktail Club, the Adventure Bar Group venues are mainly located in London and, similarly to The Cocktail Club, we strongly believe there is significant scope to expand the number of locations it operates in key cities and towns across the UK.

The Adventure Bar Group acquisition brought nine bars into Nightcap, one being a 50:50 joint venture. Two of the acquired bars are located in Covent Garden, two are in Waterloo, with other sites being located in Shoreditch, Clapham Junction and Clapham High Street. Additionally, two new bars were opened in Birmingham in April and May 2021, including a Tonight Josephine site based over an area of almost 4,000 square feet and the substantial outdoor bar, food and entertainment venue, Luna Springs with a capacity of 3,000 people.

The performance of the Tonight Josephine and Blame Gloria brands, has led to us narrowing our focus on finding sites for these two brands. We think both brands have a large untapped demand for female-led socialising in welcoming, safe environments around the country. These large indoor venues are complemented by Bar Elba and Luna Springs, which fit our strategy to add additional large outdoor bar and event spaces to the Group.

The business has a number of sites in legal negotiations or under offer across the country and I am excited to see the roll out of these iconic brands into more and more cities across the UK.

Whilst we are pleased with our acquisitions to date we continue to seek additional high-quality businesses in the bar and late-night space to add to the portfolio. We are looking for well run businesses and brands, who with additional investment can realise their national roll-out potential.

## CHIEF EXECUTIVE'S STATEMENT CONTINUED

### COVID-19 LOCKDOWN

The Cocktail Club was forced to stop trading as a result of the UK Government's hospitality closures in response to the pandemic.

Management, who had experience from the previous COVID-19 closures in March 2020, were able to use this time constructively to assess the impact of COVID-19 on the changing marketplace, engage with their teams, adapt and make improvements to the business and prepare for the re-opening. I am very pleased with the progress that was made within the Group during this period of closure.

In addition, The Cocktail Club and the Adventure Bar Group have benefited from certain UK Government support schemes including, amongst others, the Coronavirus Job Retention Scheme, the Coronavirus Business Interruption Loan Scheme, VAT deferral and hospitality business rates relief at applicable locations.

We are, of course, extremely thankful to the Government for the various forms of support to the sector and firmly maintain that the hospitality sector will not only play a vital role in the UK's economic recovery, but also in providing places for people to be able to socialise again and have fun.

### TRADING PERFORMANCE POST LOCKDOWN

We are really pleased with the performance of the businesses since reopening. Most of our sites have posted record sales weeks and our teams have worked tirelessly to meet the demand from customers.

Some of our sites with outdoor space were able to open on 12 April 2021, when outdoor trading was permitted. The full relaunch began in earnest when all of our businesses were fully reopened, when indoor trading recommenced on 17 May 2021, albeit with some significant capacity and other restrictions remaining in place.

The success of the UK vaccination programme means that our consumers are now more confident about going out for a drink and enjoying themselves. Since the start of September 2021, we are also benefitting from the significant increase in the number of people returning to their offices, given that many of our bars are located in city centres. In particular our sites in and near to the City of London are trading better than ever.

In recent months the media has highlighted a number of challenges with the potential to impact the hospitality sector. I am pleased to note that The Cocktail Club and the Adventure Bar Group have been substantially unaffected by most of these. Potential shortages of carbon dioxide are not an issue for the Group, as our bars mostly serve non-carbonated drinks.

Thus far, the Group has not experienced issues from the disruption of freight logistics, and I am especially pleased by the way that the Adventure Bar Group and The Cocktail Club have worked with our key supplier partners to ensure that we have

already secured the necessary stocks of key cocktail ingredients and bottled beer ahead of the important busy Christmas trading period.

The biggest challenge has been recruitment of staff. Our experience so far means that we are confident in our ability to attract and retain the best staff. We are resolutely determined to maintain our position as an employer of choice, off the back of the excellent training and progression opportunities that our team members are offered within the Group's businesses. However, we know that the lack of staff availability is affecting peer group companies and is a material challenge for our industry. This pressure is likely to feed through in wage inflation and into a squeeze on labour costs. That being said, I consider that we have some of the most loyal and talented people in the industry working across the Group, who are motivated and happy to be part of our journey. I am very proud of the effort that everyone has made over the past few months in allowing the businesses to trade again and in meeting unprecedented demand.

### FINANCIAL POSITION

The Group has a strong liquidity position, with a cash position as of the latest quarter ended 26 September 2021, of over £12.2m, principally as a result of the equity fundraisings, excellent performance across the Group and tight cash control. This is sufficient liquidity to execute our expansion strategy and to support potential future acquisitions.

Since the start of the COVID-19 pandemic, The Cocktail Club and the Adventure Bar Group have re-negotiated the majority of their property leases, securing rent-free periods and rent reductions for other periods when the estate has been closed. In some cases we have also managed to reduce the rent liability going forward. I would like to express our thanks to the landlords that participated in this process and their support for us and the hospitality sector. By far the majority have chosen to support us in a significant way and I am grateful to be working with people and businesses who are committed to our long-term success.

Post period end, The Cocktail Club received a waiver in relation to the financial covenants attached to certain of its bank loans for the 52 week period ended 27 June 2021. These covenants were put in place prior to the COVID-19 pandemic. Based on the strong initial and forecasted trading, the Board believes that the Group will comply with all of its covenants for the financial period ending 3 July 2022. We are grateful to our banks for their support.

Nightcap also took other important steps to mitigate the effects of the UK Government's hospitality closures and national lockdowns, which has included salary sacrifices by the Directors and senior executive team and cost reductions where necessary.

### NEW SITE PIPELINE

We have made extremely good progress on building a pipeline of new bar sites for both businesses. Our management teams have been travelling around the UK looking for new properties. I remain

## CHIEF EXECUTIVE'S STATEMENT CONTINUED

extremely positive and excited about our future and our ability for rapid and sustainable growth.

We are starting to see some of these new site openings for The Cocktail Club, with sites in Bristol, Reading and in the City of London all opening their doors to customers during November 2021.

In addition, post year-end, the business launched its second Blame Gloria site in London, replacing the Group's original Adventure Bar site in Clapham Junction and bringing one of Covent Garden's most unique cocktail bars to the heart of South-West London. The rebrand has resulted in a significant uplift in sales, re-enforcing our commitment to the roll out of this brand. We are currently rebranding the other Adventure Bar in Clapham to a Tonight Josephine which will not only soak up some excess demand from the Waterloo sister site, but we also anticipate another additional uplift in sales from this site as a direct result of the rebrand.

In addition to the three new sites we have a further 23 sites in legal negotiations or under offer across the Group's brands. I am very happy with the rate at which we are progressing our organic growth.

### PEOPLE

Having backed some of the industry-leading entrepreneurs behind two exceptional businesses, we have taken the opportunity to strengthen the wider senior team ahead of a period of substantial growth and expansion, to ensure that we have the right team in place to deliver on our strategy. I am very proud of the team that we have put together and the strong collaboration between the two businesses. This collaboration means that we are able to easily identify best practices, find synergies in each business and roll these out across the Group.

At The Cocktail Club, we have appointed a highly experienced Managing Director in Dawn Donahue. She brings more than 20 years' hospitality experience with a strong track record in the late-night sector running premium bars and nightclubs as well as pub and restaurant brands, private members clubs and international franchises. Dawn continues to build a team of talented people around her with years of experience and success in the sector.

At the same time, the Adventure Bar Group's founders Thomas Kidd and Tobias Jackson, two of the most talented operators in the bar and late-night sector, continue to be at the heart of the business and extremely passionate about continuing to drive it forward. Since acquisition, the business has strengthened the senior team around Thomas and Tobias, appointing a new senior Finance Director in Robb Harris, and promoting Amanda Ebbs to Sales Director.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As we emerge from the pandemic, the Environmental, Social and Governance (ESG) agenda has become increasingly important for all businesses and their stakeholders. In response, we have taken a number of actions to ensure that we are a responsible business and play a positive role in the industry's recovery. We are taking our responsibilities seriously and understand the importance of these themes, and believe that those that succeed in this area will have a long-term competitive advantage. Please see the Board's ESG report within the Strategic Report for further details.

### INNOVATIONS

COVID-19 has impacted all businesses in different ways. One of the innovations that we have seen across our businesses is the proliferation of events. We have in some ways become a capacity-management business, seeking to optimise trading levels through every trading part of the day and evening, through bookings and advance sales.

Many of our venues now offer day-time events such as brunches and some of our locations, notably Luna Springs in Birmingham, offer a huge variety of different events throughout the week, including music shows, food and drink festivals, comedy nights, film screenings and live sport broadcasts.

### MARKET OUTLOOK

The significant demand we continue to experience gives us great confidence in the widespread and enduring appeal of the premium late night bar concepts operated by both The Cocktail Club and the Adventure Bar Group. We have seen record sales in recent weeks and expect this to continue as we move into the winter and as we seek new locations for these businesses across the UK.

There are evidently still some challenges facing both the UK economy and the hospitality industry and it is difficult to predict the exact timing and profile of the recovery and whether any setbacks will occur. That said, whilst there are no guarantees that our bars will not be subject to further interruptions from COVID-19 related restrictions from future waves of infection, the business is trading strongly and is well positioned for growth. In addition, we have proven our ability to react swiftly to any restrictions imposed on us, with the knowledge that our bars are able to remain profitable with restricted trading.

2020 and 2021 to date has been an extraordinary period and the Board particularly acknowledges the contribution of our staff, suppliers, shareholders, landlords, advisers and bankers. I cannot emphasise enough how grateful we are to these key stakeholders who, as well as assisting us through unparalleled times, will also help us achieve our ambitions over the course of the next few years.

## CHIEF EXECUTIVE'S STATEMENT CONTINUED

Above all I feel we must mention our customers. Our customers have continued to support us from the minute we were allowed to reopen our doors, turn the music up and serve great drinks. They have remained loyal, introduced their friends and continue to come back time and time again. Thank you!

We look forward to continuing to do what we do best - looking after our customers, showing them a great time, throwing the best parties, opening new sites and giving great people meaningful careers whilst being part of a team to be proud of.

**Sarah Willingham**  
Chief Executive Officer



# FINANCIAL REVIEW

The financial statements present the audited results of the Group for the 52 week period ended 27 June 2021. The Group results include The Cocktail Club for the full 52 week period, together with Nightcap plc from 13 January 2021 to 27 June 2021 and the Adventure Bar Group from 14 May 2021 to 27 June 2021.

The Group's performance for the 52 weeks ended 27 June 2021 is summarised in the table below:

Group revenues for 52 weeks to 27 June 2021	£6.0m
Loss from operations for 52 weeks to 27 June 2021	£(4.9m)
Loss before tax	£(5.3m)
Group Adjusted EBITDA for 52 weeks to 27 June 2021	£1.0m
Group Adjusted EBITDA (IAS 17 basis) for 52 weeks to 27 June 2021	£0.2m
<hr/>	
As at 27 June 2021	
Cash and cash equivalents	£13.2m
Net debt	£(5.4m)
Net debt (excluding IFRS 16 lease liabilities)	£8.5m
Net assets	£13.2m

The Group uses a range of financial and non-financial measures to assess our performance. Several of these (for example Adjusted EBITDA and Adjusted earnings/(losses) per share) are termed as Alternative Performance Measures ("APMs"), as they are not defined under IFRS. The Group believes that these APMs provide stakeholders with additional useful information on the underlying trends, performance and position of the Group and are consistent with how business performance is measured internally. Adjusted EBITDA/EBIT (IAS 17 basis) is also the measure used by the Group's banks for the purposes of assessing covenant compliance.

A table showing the reconciliation between the adjusted and statutory figures can be found on page 81.

Further definition of the APMs can be found in Note 2.4 on page 44.

## Revenues

The Group delivered total revenues of £6.0m, which incorporated a full year of The Cocktail Club trading, and 6 weeks of trading for the Adventure Bar Group, being the period from acquisition to the financial year end. In this period, the Adventure Bar Group contributed revenues of £2.4m. Revenues in the period have been impacted by the national lockdowns over the course of the Covid-19 pandemic which has resulted in restricted trading across our entire estate.

The Group's brands trade in similar geographical locations and are subject to the same risks as described in the principal risks and uncertainties report. Therefore, the revenue is reported as one segment. Further information can be found in Note 2.5 on page 44.

## Reverse Asset Acquisition Accounting

As detailed in Notes 2.1, 3 & 4 on pages 43 and 49 and pages 51 and 52, the acquisition of The Cocktail Club has been treated as a reverse acquisition, with The Cocktail Club being seen as the acquirer. This means that when consolidating, the comparatives for The Cocktail Club are included in the financial statements as if the Group had always existed.

## Loss for the period

The Group incurred a loss before tax for the period of £5.3m, predominately due to the accounting treatment of the two acquisitions in the period, together with the exceptional costs relating to them. Further details on these acquisitions can be found in the notes to the financial statements.

## Adjusted EBITDA

The Group delivered an Adjusted EBITDA of £1.0m. The Board considers this is a really strong performance and shows the cost controls in place in The Cocktail Club during the period. The result includes 6 weeks of trading for the Adventure Bar Group which contributed £0.5m to the Adjusted EBITDA. Both businesses have continued this strong performance into the new financial year.

## Cash flow and financial position

The Group is in a strong cash position following the initial equity fundraise in January 2021, and the subsequent fundraise in May/June 2021. As at the year end the Group had cash balances of £13.2m. This puts the Group in an excellent position looking forward to the next financial year and means the Group can commit to its buy-and-build strategy.

In May 2021, originally the intention was to raise approximately £4m, but strong demand from existing shareholders and several new institutional investors saw this amount significantly over-subscribed. This shows just how much support there is for leading hospitality concepts in the UK and specifically for our strategy of acquiring and growing drinks-led businesses in the sector.

## Current trading and prospects

As commented on in the recent announcement released on 3 November 2021, the Group has started the new financial year strongly. Over the 13 weeks ended 26 September 2021, the Group delivered total sales growth of 68% compared to the same period in 2019, when there were no COVID-19 restrictions and like for like\* sales growth of 33.5%, which the Board considers to be leading within sector. This gives us confidence in our roll-out strategy in the coming years.

*\* Like for like in this context is a measure of growth in total net sales for sites that have been opened for at least a year, which the Board considers to be a widely used indicator in the hospitality sector to measure current trading performance. Within the context the Group's trading over the 13-week period from 28 June to 26 September 2021 has been compared with the 13 weeks ended 29 September 2019.*

## FINANCIAL REVIEW CONTINUED

### MARKET OVERVIEW AND OPPORTUNITIES

Within the Company's AIM admission document dated 7 January 2021 (the "Admission Document") published in connection with the admission of the Company's shares to trading on AIM, the Board provided seven key areas of opportunity in relation to Nightcap's branded roll-out strategy of The Cocktail Club and its buy-and-build strategy in relation to other drinks-led concepts. The Board considers that these seven key themes all still represent significant opportunities and also believes that all of these opportunities are highly relevant to the roll out of the Adventure Bar Group's bar brands.

Brief updates on the seven key themes are provided below. Fuller details can be found on pages 33 to 34 of the Company's Admission Document, which is available via the Company's website, [www.nightcapplc.com](http://www.nightcapplc.com).

- Availability of sites

As previously stated, city and town-centre bar locations that would have previously been unattainable pre-COVID have become available on much more favourable lease terms, across the UK. The Group has also encountered increased levels of incentives offered by landlords than have been seen historically.

This has been demonstrated by the Group securing leases for new The Cocktail Club locations in Bristol, Reading and in the City of London over August to September 2021 on favourable terms.

- Availability of acquisitions

The acquisition of the Adventure Bar Group, with its bar brands that have the capability to be rolled out nationwide, represents an excellent example of a compelling bar operator that was weakened by the impact of the pandemic. The Board believes that the acquisition of the Adventure Bar Group will be materially earnings enhancing for Nightcap.

A number of different types of bar operators have approached Nightcap since its IPO on AIM and since the acquisition of the Adventure Bar Group and Nightcap has engaged in discussions with several of these. This gives the Board confidence that there will be a significant pool of high-quality targets to allow it, in due course, to further progress Nightcap's stated strategy to identify and acquire other drinks-led hospitality groups.

- Decreased competition

The financial burdens placed on all operators in the UK hospitality sector during the pandemic have unfortunately led many operators to cease their business activities. The upside to Nightcap is that there is now a decreased level of independent bars (as these are the businesses that were most affected) in cities that are being looked at for the expansion of both brands.

- Increases in the influence of the millennial pound

The "millennial pound" is a term used to describe the spending power of millennials, being people reaching young adulthood in the early 21st century. The substantial majority of both The Cocktail Club's and the Adventure Bar Group's target customer base are millennials. The Board continues to believe that the millennial pound is growing in its influence and is resilient, as evidenced by the strong performance of the Group's bars following indoor trading recommencing on 17 May 2021.

- Shift in consumer preferences

The Board believes that hospitality businesses which tend to provide social experiences as part of their offering, such as The Cocktail Club and the Adventure Bar Group will benefit from millennial customers' desire for social interaction and experiences. The Board remains of the view that the fundamental shifts in both the hospitality industry's business environment and consumer preferences has created a compelling commercial opportunity, on which the Group intends to capitalise on.

- Changes in the competitive landscape

Trends in the drinks-led segment of the UK hospitality market have reflected the fact that consumers' expectations of their nights out, which are changing. The millennial pound in particular is moving away from value and generic propositions towards favouring more fulfilling, experience-led venues which may involve a degree of premium pricing.

- Increased access to talent

COVID has caused disruption to the hospitality labour market, which has led to an increase in the number of high-quality staff following the closure of other hospitality sites. This provides an opportunity for an operator like Nightcap, which is undertaking a "buy-and-build" strategy. The Group runs a detailed and structured training programme for our staff and The Cocktail Club is an accredited Wine & Spirit Education Trust (WSET) training house. We believe that this and the progression opportunities that our team members may have in our growth-orientated Group makes us an attractive employer.

### BUSINESS MODEL & STRATEGY

The Board's vision is for the Group to become a leading operator of premium bars and drinks-led hospitality concepts in the UK.

The Group's business model is primarily focused on identifying, acquiring and developing existing stressed and distressed brands and continuing the expansion of The Cocktail Club and the Adventure Bar Group. The Board and senior management will seek to identify suitable opportunities for acquisition and development.

#### Further acquisitions

The Board intends to pursue opportunistic acquisitions of existing brands which may require stabilisation, refinancing,

## FINANCIAL REVIEW CONTINUED

turnaround or market repositioning, where appropriate opportunities arise. This may involve the acquisition, re-capitalisation and development of stressed and distressed drinks-led concepts with significant potential across the UK.

The Group will focus its acquisition strategy on simple, easy to replicate scalable business models with nationwide roll out potential. This will likely involve targeting premium drinks-led hospitality businesses with an experiential offering.

**Toby Rolph**  
Chief Financial Officer



# SECTION 172 STATEMENT

## DIRECTORS' DUTIES – S.172 STATEMENT

The Directors are aware of their duty under Section 172(1) of the Companies Act 2006, to act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

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

## Our key stakeholders and how we engage with them

Further to the section 172 statement the Directors consider the following as the key business decisions made by the Group during the period:

- the Company's IPO on AIM in January 2021
- the acquisition of The Cocktail Club in January 2021
- the fundraise and acquisition of Adventure Bar Group in May 2021
- the re-opening of our estate following the national lockdowns.

The table below describes some of the ways in which the Group engages with key stakeholders, including the matters noted above:

	STAKEHOLDER KEY INTERESTS	HOW WE ENGAGE
<b>EMPLOYEES</b>		
<p>We have people at the heart of our business. Being able to deliver the highest quality of service relies on the skills and engagement of our teams both at our sites and in head office.</p> <p>In order to recruit, reward and retain the best people, we must aim to be best in class with regards to training, culture and remuneration.</p> <p>In anticipation of reopening following national lockdowns, the welfare and safety of our staff was at the forefront of our decision making processes.</p>	<ul style="list-style-type: none"> <li>• Training</li> <li>• Career development.</li> <li>• Pay</li> <li>• Inclusivity and Engagement</li> <li>• Health, safety and well-being</li> </ul>	<ul style="list-style-type: none"> <li>• Training with feedback and development. The Cocktail Club is an accredited Wine &amp; Spirit Education Trust (WSET) training house.</li> <li>• Clear career path and progression.</li> <li>• Competitive rates of pay and incentive schemes.</li> <li>• Employee engagement through surveys and events.</li> <li>• Establishing whistleblowing procedures and promoting wellbeing and Health and Safety.</li> <li>• Introduction of COVID-19 checklists, enhanced cleaning in all areas, training for staff on all relevant government guidelines and implementation of COVID-19 risk assessments at all sites.</li> </ul>
<b>SHAREHOLDERS</b>		
<p>In order to deliver our acquisition strategy and access the capital markets in the future, effective communication is key. Understanding shareholders' needs and providing relevant information ensures they have a strong understanding of the business, its performance, and its strategy.</p>	<ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Governance</li> <li>• Confidence in leadership team</li> <li>• Shareholder value</li> <li>• Communication</li> </ul>	<ul style="list-style-type: none"> <li>• Annual reports and AGM.</li> <li>• Regular market updates.</li> <li>• Dedicated section on website.</li> <li>• Board applies Quoted Companies Alliance Corporate Governance Code.</li> <li>• Investor meetings and roadshows including both fundraises, for the IPO and business acquisitions.</li> <li>• One to one meetings.</li> </ul>

## SECTION 172 STATEMENT CONTINUED

	STAKEHOLDER KEY INTERESTS	HOW WE ENGAGE
<b>CUSTOMERS</b>		
<p>Our overall success is down to our customers who show strong loyalty across the Group's brands. We must continually evolve and innovate our offering to meet their needs so as to grow this base for the future.</p> <p>In making the decision to reopen our sites, it was essential for us to address our customer's concerns regarding COVID-19 and the safety measures the industry as a whole would need to adhere to.</p>	<ul style="list-style-type: none"> <li>• Quality offering</li> <li>• Entertainment</li> <li>• Value for money</li> <li>• Service</li> <li>• Listening</li> <li>• Health, safety and wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>• High end menu using high quality brands.</li> <li>• Targeted offers throughout the trading week, and personalised offers through email, digital marketing and social media.</li> <li>• Program of events throughout the year.</li> <li>• Continual training and engagement to get to know our guests.</li> <li>• Formal feedback and customer surveys.</li> <li>• Introduction of COVID-19 checklists, enhanced cleaning in all areas, training for staff on all relevant government guidelines and implementation of COVID-19 risk assessments at all sites.</li> <li>• Flexibility on amendments to customer bookings.</li> </ul>
<b>COMMUNITY/ENVIRONMENT</b>		
<p>We strive to be a positive influence in the local community.</p> <p>We aim to engage so as to learn how we can best support the local community, be it through job creation, supporting the local economy and local charities.</p>	<ul style="list-style-type: none"> <li>• Investment and re-energisation of the local economy.</li> <li>• Support for charity and community.</li> <li>• Waste reduction.</li> </ul>	<ul style="list-style-type: none"> <li>• Local job creation via existing sites and through new bar roll out programme.</li> <li>• Charity events.</li> <li>• Ensuring waste reduction is a key theme in meetings with suppliers.</li> </ul>
<b>SUPPLIERS/PARTNERS</b>		
<p>The Group's strategy is to continue to work with many of our existing suppliers as well as forging new relationships as we look to expand nationally.</p> <p>The pandemic and wider economic factors, have created challenges in the global supply chain impacting our sector as well as other sectors in the British economy.</p> <p>The aim is to create trusting relationships, attaining to the highest standards as set by our customers and employees.</p>	<ul style="list-style-type: none"> <li>• Long-term relationships.</li> <li>• Mutual growth.</li> <li>• Responsible and ethical procurement aligned to Company's culture.</li> </ul>	<ul style="list-style-type: none"> <li>• Involvement in menu creation.</li> <li>• Open communications in contract negotiations.</li> <li>• Seek to provide both the Group and its suppliers with a more certain environment within which to operate.</li> <li>• Regular reviews and feedback.</li> <li>• Worked together to secure all Christmas stock, in advance, to remove any supply chain risk on key line items leading up to our peak trading period.</li> </ul>

Further details on certain of these themes can be found within the Environmental, Social and Governance report on pages 14 and 15.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Nightcap's aim is to acquire and organically grow drinks-led concepts that provide exceptional social experiences for its customers with a sustainable long-term focus.

### ENVIRONMENT

#### Carbon footprint reduction

Nightcap is committed to cutting its carbon footprint across the Group, whilst also seeking to become more energy efficient.

The Company has used online video conferencing platforms throughout the pandemic and, where practicable, will continue to promote this for the majority of internal meetings to minimise travel footprint.

Through conversations with suppliers, the Company seeks to promote more environmentally friendly operations, involving less travel and congestion caused by inefficient delivery models.

#### Reducing waste

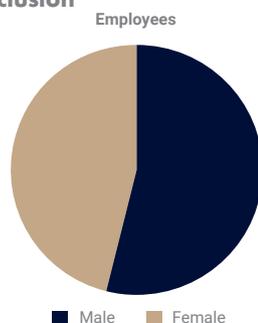
All staff, at both head office and bar venues, actively engage in the recycling of all waste materials wherever possible. A key theme across the industry has been the replacement of plastic straws with 100% biodegradable and 100% recyclable paper straws and wrappers, which has been endorsed by the Group across all bar venues.

Furthermore, the Group is conscious of packaging and waste creation through all stages of its operations and supply chain. The Group's senior management aim to include waste reduction as a key theme in meetings with its suppliers.

The Company does not need to apply the Streamlined Energy and Carbon Reporting framework since the Company is not quoted on the official list nor does it qualify as a 'large' company under the Companies Act 2006. However the Board will consider ways in which it can report upon changes in its energy usage and emissions.

### SOCIAL

#### Diversity & Inclusion



Nightcap is committed to the equal treatment of all employees and prospective employees regardless of their background, gender, race, marital status, ethnic origin, disability or sexual orientation. The Company recognises how important its people

are in the success of the business, across all of its bar venues, for providing customers with exceptional social experiences.

The Group is proud to recruit, develop and retain the most talented people from all different backgrounds, and believes that bringing together diverse groups of people to socialise, at all of its bar brands, is at the core of what it does.

Nightcap understands the importance of diversity across the business to foster collaboration and a culture which strives to deliver the Group's strategy.

#### Career development

The Group is proud that The Cocktail Club is an accredited Wine & Spirit Education Trust (WSET) training house. Its training programme includes topics such as: bar set up, customer service, training to mix over 200 classic cocktails from its compendium, first aid, fire safety, allergen awareness, food safety, health and safety, employment law and customer data protection. The Board believes that good progression opportunities for our team members are offered within the Group's businesses.

#### Health and Safety

Nightcap holds health and safety as a standing focus, for employees and customers, across all of its venues. This starts with the onboarding procedures whereby *all employees are required to complete online H&S assessments*. The Group seeks to continue to improve health and safety via regular assessments and future training requirements based on findings, and discusses and considers improvements at the Board level. All health and safety incidents at any bar venue are reported to the senior management regularly.

#### Anti-slavery statement

The Group is committed to effective systems and controls being in place to ensure the Modern Slavery Act 2015 is upheld throughout the business and that partners and affiliates, throughout the supply chain, have similarly high standards and respect all local and international laws and regulations.

### GOVERNANCE

#### Corporate governance statement

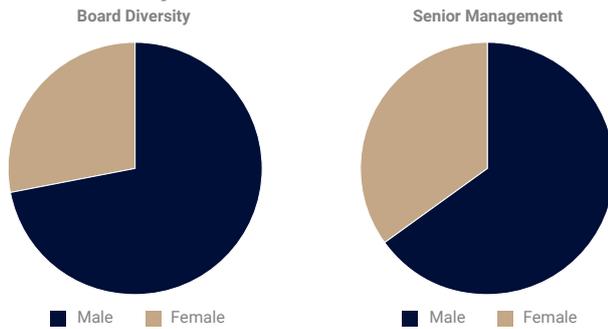
The Board believes in the value and importance of strong corporate governance, at executive level and throughout the operation of the business, and in our accountability to all stakeholders. The Board applies the Quoted Companies Alliance Corporate Governance Code published in 2018 (the "QCA Code") and believes that the QCA Code is the most appropriate recognised governance code for the Company. The Board has undertaken a review of its current governance practices with reference to the ten principles of the QCA Code and considered how it applies each principle to the extent it judges to be appropriate.

Specifically, within principle three of the Chairman's corporate governance statement, there is disclosed how stakeholder feedback is gathered, shared with and discussed by the Board.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONTINUED

Within the Chairman's corporate governance statement of this annual report it is detailed how the QCA Code is applied by the Company.

### Board diversity



Nightcap believes that a diverse Board, with a broad range of skills, backgrounds, knowledge and experience, is an essential element to maintain Board effectiveness and sees it as a key driver of business success.

### FUTURE ESG GOALS

As a business that has been in operation for just over one year, the Company recognises that further progress can be made towards a sustainable future and has set the following goals:

- seek to use local suppliers where practicable and encourage that green routes are used for transport of supply
- encourage suppliers to use recyclable or biodegradable packaging
- continue to recruit locally
- continue promoting recycling across the Group
- establish an ESG/sustainability committee



# PRINCIPAL RISKS AND UNCERTAINTIES

The Group has continued to develop and adhere to its risk management disciplines and has managed risks in line with good practice. The Group continually assesses risks and takes appropriate action to mitigate risks that could impact the achievement of the Group's objectives.

The Directors consider the following to be the principal risks faced by the Group:

PRINCIPAL RISKS	RISK DESCRIPTION	MITIGATING ACTIONS
<b>COVID-19</b>	Nightcap derives all of its sales from the bar brands it operates. The complete closure of sites as required during the Covid-19 lockdowns had a very severe negative impact on sales. Whilst all brands are now fully reopened and trading is restriction free, there remains a risk of future trading restrictions or some level of local or national lockdown.	<p>The strategic report sets out in detail the specific mitigating actions taken in response to Covid-19.</p> <p>The Directors and the executive management team believe they are well equipped to deal with any future trading restrictions by building on the knowledge and skills that enabled the Group to navigate the past 18 months of restrictions and social distancing.</p>
<b>COST INFLATION</b>	The Group operates in a sector that has been and may continue to be subject to significant cost pressures. These are staff costs led by increases in wages, together with increases in utilities driven by electricity and gas prices as well as food and drink cost inflation.	<p>As the Group expands, its buying power will help mitigate cost inflation in respect of food and drink products.</p> <p>We continue to reward staff with industry leading training programmes, promotion opportunities and competitive pay and incentives.</p>
<b>RECRUITMENT AND RETENTION</b>	The future success of the Group lies in our ability to continue to recruit and retain the best bartenders and management personnel. Although the Group sees the brands' reputation as an employer of choice, with regard to recruiting staff, there still remains a challenge across the sector.	<p>The Group's focus on engagement and satisfaction is key to retaining a high-quality workforce, together with an industry leading training programme.</p> <p>The Group will continue to listen and continually adapt the way it recognises incentives and rewards its staff to keep it as an employer of choice.</p> <p>The Group reviews salaries to confirm that these are close to market levels. Share options are available for key management personnel.</p>
<b>BREXIT AND SUPPLY CHAIN DISRUPTION</b>	Brexit has the potential to adversely impact the business in many ways. The areas that the Directors believe to be of significant potential impact are cross border supply issues that may impact availability of imported goods and their costs, and the recruitment and retention of team members at our sites.	<p>The executive management team have strong experience in the industry and the Group has worked with its suppliers to ensure consistency and availability of products.</p> <p>Alternative products have been identified should any shortfall become apparent. Relationships are maintained with alternative suppliers.</p> <p>The Group's strategy on recruitment and retention is a focus to remain an employer of choice.</p>

## PRINCIPAL RISKS AND UNCERTAINTIES

### CONTINUED

Other business risks are as follows:

OTHER RISKS	RISK DESCRIPTION	MITIGATING ACTIONS
<b>INCREASED COMPETITION</b>	Following the impact from Covid-19, other businesses may be set up or existing businesses may look to consolidate the marketplace.	<p>The Board believes that the Company has a distinct proposition and is constantly reviewing the market.</p> <p>The Directors and the executive management team believe they have strong experience in relation to evaluating competitors and the need to expand as fast as competitors.</p>
<b>CONSUMER CONFIDENCE</b>	The Group derives all of its sales from the United Kingdom and is therefore sensitive to fluctuations in the UK economy. The Group's performance depends to a certain extent on several factors outside of the control of the Group which impact on consumer sentiment.	The Group's bar offerings are strong and the Directors believe that this provides a level of resilience if there were to be a consumer slowdown.
<b>AVAILABILITY OF NEW SITES</b>	<p>The Group's growth strategy is to roll out its current brands and also future brands across the UK.</p> <p>New sites are the focus of management with reviews at each Board meeting. Each proposed site is supported by a robust appraisal model with strict economic criteria looking at rent levels, fit out costs, and demographics, which are instrumental to the delivery of the Group's strategy.</p>	<p>The Directors believe that the current property opportunities provide the Group with a strong pipeline of sites on attractive terms. The Group conducts regular surveys of possibilities.</p> <p>The Group is continually looking to strengthen its property team, so as to be able to deliver on its site opening strategy.</p>
<b>MISAPPROPRIATION OF FUNDS OR FRAUD BY EMPLOYEES</b>	As is common in the industry, the Group has protocols in place to detect and deter the misappropriation of funds or fraud by employees.	<p>The Group's bar tills are reconciled weekly, with weekly stock takes also occurring. The Group also has bar till systems with automatic feeds.</p> <p>The Group has payment authorities and safeguards in place, with procedures for the authorisation of expenses and invoices.</p>
<b>HEALTH AND SAFETY AND FOOD AND DRINK SAFETY</b>	The health and safety of the Group's employees and guests is of key concern and the Group is required to comply with health and safety legislation that includes fire safety, food and drink hygiene, and allergens.	The Group invests significantly in the training of its employees to ensure adherence to legislation and the safety of our employees and customers.
<b>LIQUIDITY</b>	The Group's growth strategy could be delayed if there was another long period of lockdown and this changed the lending communities view to the hospitality sector.	The Directors believe the Group's previous ability to tightly manage costs during lockdown periods, together with the current cash balance, provide sufficient headroom to manage any potential liquidity concerns.

## GOVERNANCE

WELL  
BEHAVED  
WOMEN  
DON'T  
MAKE  
HISTORY

# BOARD OF DIRECTORS

## **SARAH WILLINGHAM, FOUNDER AND CEO**

Sarah is an entrepreneur and investor with extensive experience in the hospitality industry. She appeared as a Dragon on BBC's 'Dragon's Den' and also as a judge and investor on 'The Restaurant'. Sarah was formerly a director of the Clapham House Group plc where she co-owned, developed and sold the Bombay Bicycle Club. She was also responsible for the development of The Real Greek and Tootsies brands and the combined estate of 47 restaurants. Sarah is chair of the PE-backed Tonkotsu Group and a shareholder of the UK's largest subscription business for alcohol, 'Craft Gin Club'. As a director of and a shareholder in The Cocktail Club, Sarah has played a pivotal role since its inception and is leading the next stage of its expansion as Nightcap's Chief Executive Officer.

## **TOBY ROLPH, CHIEF FINANCIAL OFFICER**

Toby boasts over 20 years of experience in the hospitality sector and was instrumental in growing the cocktail bar chain Be At One and night venue operator Academy Music Group, where his work as Finance Director led to successful trade exits to Stonegate and Live Nation respectively. He worked closely on the management buyout of Academy Music Group to RJD Partners and was later involved in organising its trade sale to Live Nation. Toby subsequently joined PE-backed Be At One where he oversaw the finance function whilst undergoing significant site expansion from 12 to 33 sites, before co-leading the successful exit to Stonegate in 2018.

## **MICHAEL TOXVAERD, FOUNDER AND EXECUTIVE DIRECTOR**

Michael is a serial entrepreneur, investor and venture capital and private equity professional. He founded and led the IPO of NeutraHealth plc in 2005 which he grew to a turnover of £34.6m and EBITDA of £2.3m in 2009. He was previously Managing Partner of HBG Holdings UK and CIO of HBG Holdings, the Dubai based private equity group as well as a director of the specialist asset management and investment banking group Rasmala plc, which has \$1.82 billion of assets under management. He has over 15 years of mergers and acquisitions experience and extensive experience in capital markets, strategy, founding, finance, listing and advising companies privately and on the London Stock Exchange. Michael leads Nightcap's acquisition strategy.

## **GARETH EDWARDS, NON-EXECUTIVE CHAIRMAN**

Gareth is a qualified solicitor and was previously a partner at law firm Pinsent Masons LLP, where he held both the positions of Global Head of Corporate and International Development Partner. He is currently a strategic consultant and an Executive Director of London Bridge Capital Limited. He has significant public markets experience and is Chairman of Honye Financial Services Limited and Senior Independent Director of Alina Holdings plc which are all quoted on the London Stock Exchange. He brings significant AIM experience to the Board, having acted on the AIM Disciplinary and Appeals Committee until 2017 and is currently a Non-Executive Director of AIM quoted Various Eateries plc and Cornerstone FS plc.

## **TOBY VAN DER MEER, NON-EXECUTIVE DIRECTOR**

Toby is Group Chief Executive Officer and a Board Director of Hastings Group, one of the UK's largest and fastest growing retail financial services businesses. Having joined in 2011 as Managing Director of Hastings' retail business, Toby has helped lead Hastings growth, and has taken the group through private equity investment, its IPO and growth to a FTSE 250 company, and more recently successfully completed a £1.6 billion take-private. Toby became Hastings' group CEO in 2018, served on the plc Board from 2018-2020, and is also an Executive Director of HISL, the group's FCA regulated retail business. Before joining Hastings, Toby was a Managing Director at Moneysupermarket plc, the FTSE 250 comparison business.

## **BOARD OF DIRECTORS**

### CONTINUED

#### **THI-HANH JELF, NON-EXECUTIVE DIRECTOR**

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Hanh is a senior corporate lawyer and was a partner in London law firm Pinsent Masons LLP. She founded her own boutique corporate law firm in 2013 and now acts for clients in the retail, leisure, technology and fintech sectors. Specialising in corporate and commercial advisory, Hanh has over 20 years' experience of mergers and acquisitions and investment transactions. She has acted for both buyers and sellers in private company transactions and public company takeovers. Whilst at Pinsent Masons, she set up the firm's corporate office in Shanghai, implemented internal procedures, standardising business development opportunities and raising the firm's profile.

#### **LANCE MOIR: NON-EXECUTIVE DIRECTOR**

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Lance has over 30 years' senior business experience in financial and strategy roles. He has been Chief Financial Officer of WIN plc and Executive Director of IMImobile, Group Finance Director and Director of Planning and Business Development for First Choice Holidays plc, Director of Corporate Finance for Bass plc and Head of Corporate Finance and Planning for Storehouse plc. He has formerly been the senior independent director and chair of the Audit committee of Henderson Global Trust plc and also of Raft International plc. He has a PhD from Cranfield University. He is a fellow of the Association of Corporate Treasurers and a Non-Executive Director of Thatchers Cider.

# CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

*As Chairman of the Company I am aware of the need for an effective and focused Board that leads the business and builds upon its successes. I and my fellow Board members believe in the value and importance of strong corporate governance, at executive level and throughout the operation of the business, and in our accountability to all stakeholders.*

*In line with the AIM Rules requirement to apply a recognised corporate governance code, the Board has chosen to apply the Quoted Companies Alliance Corporate Governance Code published in 2018 (the "QCA Code"). The Board believes that the QCA Code is the most appropriate recognised governance code for the Company. The QCA Code has ten broad principles and a set of disclosures. The Board has considered how it applies each principle to the extent it judges to be appropriate in the circumstances and in the statements that follow, we explain our approach to governance and how the Board and its committees operate.*

*I am committed to working with the Board to build upon the existing values that are in place and ensure that good corporate governance continues to be present within the organisation.*

## **Gareth Edwards**

Non-Executive Chairman  
12 November 2021

### **1. ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTES LONG-TERM VALUE FOR SHAREHOLDERS**

#### **Strategy:**

Nightcap's strategy is focused on creating medium to long-term shareholder value through the identification, acquisition and development of 'drinks-led' hospitality concepts that focus on the consumers' social experience over the coming years. In implementing its strategy, the Company acquired The Cocktail Club on admission to AIM in January 2021 and the Adventure Bar Group in May 2021. Further details on the Group's strategy can be found in the Strategy section of the Company's Strategic Report on pages 4 to 17 of this Annual Report.

#### **Business Model:**

The Group's business model is primarily focused on identifying, acquiring and developing existing 'drinks-led' hospitality brands and continuing the expansion of The Cocktail Club and Adventure Bar Group. The Chief Executive Officer, together with the Board and senior management, will seek to identify suitable opportunities for acquisition and development. Further details on the Group's business model can be found in the Business Model section of the Company's Strategic Report on page 10 of this Annual Report.

#### **Key challenges in the execution of the Company's business model and strategy:**

The Board will discuss any anticipated key challenges and risks and review them on a regular basis. The Board will also make use of the relevant experience of both its executive and non-executive Directors in this regard.

Details regarding how the Board addresses the key challenges in the execution of the Company's business model and strategy are contained in the Principal Risks and Uncertainties section of the Company's Strategic Report on pages 16 and 17 of this of Annual Report.

### **2. SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS**

The Board will continue to provide regular updates relating to the following information, which it considers to be key in managing shareholders' expectations and understanding of how the Company is delivering its strategy, which include:

1. Latest investor presentations;
2. Latest developments with respect to expansion of the London Cocktail Club;
3. Latest developments with respect to expansion of the Adventure Bar Group;
4. Latest developments in relation to any potential acquisitions that occur in the future;
5. All annual and half-yearly audited financial statements;
6. All notifications made via a Regulatory Information Service; and
7. Results and details of all resolutions voted on at the latest Annual General Meeting.

The Chief Executive Officer, Chief Financial Officer and Executive Director aim to communicate with shareholders, both private and institutional, on a regular basis and are primarily responsible for shareholder liaison. Investor views will be formally reported back to the Board. Contact details for shareholder communication can be found in the Investor Relations section of the Company's website.

The Board encourages all shareholders to attend its Annual General Meeting, and understands its importance in allowing shareholders to have open and direct dialogue with the management of the Company.

Shareholders will be given opportunities to ask questions during the Annual General Meeting or to speak informally with the Board immediately following the Annual General Meeting. Where the voting decisions at a general meeting are not in line with the Company's expectations, the Board will engage with those shareholders to understand and address any issues.

The Board believes that the current methods of communication are sufficient in order to ensure shareholders needs and expectations are met.

### **3. TAKE INTO ACCOUNT WIDER STAKEHOLDER RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG TERM SUCCESS**

The Board is committed to maintaining open and honest relations with all of its stakeholders, both internal and external. The Board's familiarity with the Group's operations and the industry in which

## CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT CONTINUED

it operates enable the Board to clearly identify key stakeholders on which the Group's business relies, which includes employees, customers and suppliers.

Members of the Board or the Group's senior management will meet regularly with certain of the Group's operational employees, such as individual site managers to allow for any key feedback to be obtained and reviewed.

The Group's senior management welcomes feedback from customers through a variety of channels, particularly social media, which the Board recognises as an excellent opportunity to engage with its target audience. Members of the Board or the Group's senior management will also attend site visits and may seek feedback from customers. Moreover, members of the Board or the Group's senior management will also hold meetings with its suppliers discussing a variety of matters including pricing, stock and product feedback from bartenders and managers to ensure continuous improvement of both The Cocktail Club and the Adventure Bar Group experience for customers.

The Group will endeavour to take account of feedback received from stakeholders, making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Group's longer-term strategy. In addition, the Group's senior management will regularly visit the bar venues where the Group's operations occur and will be able to gain feedback on the Group's operations. Any significant concerns raised will be reported to the Board. Ultimate responsibility for ensuring that the Group delivers on its corporate responsibility to its stakeholders rests with the Board.

The Group will take into account feedback received from its key stakeholders and consider making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Group's strategy and objectives. However, no material changes to the Group's working processes were required during the period from 13 January 2021 to 27 June 2021, or more recently, as a result of stakeholder feedback received by the Group.

Commentary regarding significant actions that have been generated as a result of stakeholder feedback that are considered by the Board to be material will be contained in the Group's future Annual Reports.

#### **4. EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION**

The entire Board is responsible for ensuring that the risks faced by the Group are appropriately managed in order to allow for the execution and delivery of the Group's strategy. When identifying, assessing and managing risks, the Board is assisted by the Audit and Risk Committee, with day to day risks being monitored and managed by the Chief Executive Officer and the other executive Board members, together with assistance from senior management. The Board believes that the Chief Executive Officer, Chief Financial Officer and the Executive Director, who

have significant experience within the hospitality sector, have the required knowledge and skills to be able to manage daily risks.

The Group's general risk appetite is a moderate, balanced one that allows it to maintain appropriate potential for growth and scalability, whilst ensuring regulatory compliance. Further details on the principal risks and uncertainties identified by the Board as being applicable to the Group and how these are mitigated through the Board's risk management and related control systems are contained in the Principal Risks and Uncertainties section of the Group's Strategic Report on pages 16 and 17 of this Annual Report.

The Company maintains appropriate directors' and officers' insurance cover. The insured values and type of cover are comprehensively reviewed on an annual basis. In addition, the Group has disaster recovery and business continuity plans to mitigate these types of risks as much as is possible.

The Board has processes in place for reviewing and evaluating risk. The Board meets formally a minimum of six times a year where the Board review ongoing operational performance, discuss budgets and forecasts and new risks associated with ongoing operations. This ensures that significant risks and changes to risks are identified by the Board and communicated to the Committees as needed. The Group maintains a risk register which is reviewed by the Audit and Risk Committee, where the responsibility for monitoring individual risks has been allocated to appropriate members of the Board and senior management team. The Board believes that the Group has robust financial procedures and safeguards are in place regarding expenditure and accounting functions.

Independent auditors assist the Board to identify financial risks through their annual audit. These are communicated to the Audit Committee and via an Audit Report.

#### **5. MAINTAIN THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR**

The Board comprises four non-executive and three executive Directors. The Directors' biographies can be found on pages 19 and 20 of this Annual Report and on the Company's website.

The Non-Executive Chairman leads the Board in all matters related to corporate governance. The Chief Executive Officer has executive responsibility for running the Group's business and implementing its strategies.

The QCA Code suggests that the Board should comprise a balance of executive and non-executive directors, with at least two non-executive directors being independent. The QCA Code suggests that independence is a board judgement, but where there are grounds to question the independence of a director, through length of service or otherwise, this must be explained. The Board considers the following non-executive Directors to be independent – Gareth Edwards, Lance Moir and Thi-Hanh Jelf. None of these Directors are employees, have significant business relationships with the Group, or are significant shareholders

## CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT CONTINUED

in the Company. In accordance with QCA Code guidance, the independent non-executive Directors will not participate in performance-related remuneration schemes.

The Board considers that its current composition and structure is appropriate to maintain effective oversight of the Group's activities. As the Company advances, the Board will review its structure on at least an annual basis in order to maintain an appropriate corporate governance environment and independent oversight.

The Board is updated regularly on the operations of the Group by the Chief Executive Officer, specifically on progress made on ongoing projects. Relevant information is circulated to the Board prior to Board and Committee meetings. The Company Secretary is a Board member and is directly accessible by all the other Board members, who are also able to take independent professional advice, if needed, in order to perform their duties. Such advice would be taken at the Company's expense.

The Board will meet at least six times a year, either in person or by telephone. Prior to each Board meeting, the Board and its Committees receive relevant and timely information that will be addressed at each meeting, together with a formal meeting agenda. Additional Board meetings may be called as needed, if specific matters need to be considered.

On an annual basis, the Non-Executive Chairman of the Board will conduct a Board review, assessing the performance of the individual Board members based on specific performance and

evaluation criteria. If the Non-Executive Chairman considers it necessary, an independent third-party service provider may be engaged to conduct an annual Board review. Given that, as at the date of this Annual Report, the Board as a whole has only been in place for less than a year, the Non-Executive Chairman intends to perform the first Board and Director review in 2022. As part of this Board Review, the Non-Executive Chairman will review the skills mix present on the Board, and also ensure that the Board has an appropriate level of financial skills and literacy which is in line with its current size and operations.

The Board is assisted in its duties by the Audit and Risk Committee and Remuneration Committee. Further information on the Board Committees can be found on pages 26 to 29 of this Annual Report.

The executive Directors are employed on a full-time basis. Non-executive Directors are expected to spend on average a minimum of 12 days a year on Company activities in addition to preparation for and attendance at board and sub-committee meetings. The Chairman will spend additional time per month on Company business.

### Board meetings

The Board meets formally a minimum of six times a year, excluding Board committee meetings. The table below sets out the total number of meetings held by the Board and its Committees and records of attendance by each member eligible to attend during the year ended 27 June 2021:

	Board Meetings <sup>2</sup>		Audit Committee <sup>1</sup>		Remuneration Committee <sup>1</sup>	
	Possible	Attended	Possible	Attended	Possible	Attended
Gareth Edwards	7	7			2	2
Sarah Willingham	15	15				
Toby Rolph	7	7				
Michael Toxvaerd	15	15				
Thi-Hanh Jelf	7	7	2	2		
Lance Moir	7	7	2	2	2	2
Tobias van der Meer	7	7	2	2	2	2

<sup>1</sup> Only Non-executive Directors are entitled to vote in the meetings of these Board Committees.

<sup>2</sup> Gareth Edwards, Toby Rolph, Thi-Hanh Jelf, Lance Moir & Tobias van der Meer were appointed as Directors on 13th January 2021 following the successful admission to AIM.

Other senior members of the management team and external advisors will attend, at the invitation of the Board, and as appropriate to the matters under discussion.

## CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT CONTINUED

### 6. ENSURE THAT BETWEEN THEM THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS AND CAPABILITIES

The Board considers that its members have an effective and appropriate balance of skills and experience, most notably in areas of hospitality and the drinks-led industry, running and growing public companies, capital markets experience, including mergers and acquisitions and capital raising. The Board therefore believes that its members possess the relevant qualifications and skills necessary to effectively oversee and execute the Group's strategy. The Board considers itself to have an appropriate gender balance given two of its members are female.

The Board is comprised of three executive Directors and four non-executive Directors. Biographies of the Board members show a complimentary balance of skills and experience and can be found on the Company's website as well as in this annual report.

The executive Board members' operational skills will be maintained through an active day to day involvement in the hospitality industry and by employment of highly skilled and trained bar staff and support.

Non-operational skills are maintained principally via dialogues with the Company's professional advisers and being active in the market. Involvement with a variety of other boards allows those concerned to witness alternative approaches to similar business issues and to benefit from the advice of more than just the Company's retained advisers.

The Chief Executive Officer will update the Board on a regular basis on operational and financial matters, with such relevant information circulated to the Board prior to meetings.

The Board members keep their skillsets up to date through attending industry specific events and by monitoring activity within the sector amongst other things. The Board members are free to seek advice from their corporate advisers (nominated adviser, lawyers and accountants) as needed.

Thi-Hanh Jelf, Non-Executive Director will support the Non-Executive Chairman in addressing the training and development needs of directors and is able to assist with aspects of legal and regulatory compliance. The Board does not consider it necessary for a senior independent director to be appointed at the current stage in the Group's development.

### 7. EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT

The performance and effectiveness of the Board, its committees and the individual directors will be evaluated on an annual basis. Given that, as at the date of this Annual Report, the Board as a whole has only been in place for less than a year, it is intended that the first review of the Board, its committees and the individual directors will be in 2022. This performance evaluation will include an assessment of each Board member's continued independence (or otherwise).

In reviewing each Board member's performance, the Board will consider, inter alia, the level of achievement of their objectives, assessment of their overall contribution to the performance of the Group and an assessment of their continued independence if applicable.

Following the assessment, the results and recommendations for the Board member shall identify the key corporate and financial targets that are relevant to each Board member and their personal targets in terms of career development and training. Progress against previous targets shall also be assessed where relevant. The assessment will also feed into the remuneration process conducted by the Remuneration Committee.

On an annual basis, the performance of the Committees will be evaluated by the Non-Executive Chairman, with the first review to take place in 2022. The results thereof will be reported to Board, together with any recommendations.

Succession planning is the responsibility of the Board and is reviewed on an annual basis. When considering succession planning, the Board will take into account the skills and experience required as the Group grows and develops.

### 8. PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS

The Board strives to lead by example in its dealings with all its stakeholders. The Board believes that the Group will have a culture of responsible and ethical behaviour. The Board will regularly monitor the Group's cultural environment and seeks to address any concerns that may arise. The Board will consider the Group's cultural environment when seeking to recruit staff, and board directors.

In accordance with its business model, and the Group's key risks identified by the Board, particular areas of focus for the Board include:

1. Health and safety of its employees and customers;
2. Dealing in an honest, open and transparent manner with all its stakeholders and suppliers; and
3. Ensuring all employees uphold the high standard of corporate culture and values.

The Board recognises the importance of a strong and coherent corporate culture particularly as the Group grows and pursues the development of further sites and acquisition of further brands. The Board believes that Group's culture is instilled by the high quality of training provided across all sites and accessible to all employees, with continuous development and training also in place.

The Employee Handbook further promotes ethical values and behaviours, which contain policies and procedures including:

- Licensing and legal responsibility
- Responsibilities and duties of employees
- Safety and hygiene

## CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT CONTINUED

- Accidents and injury
- Fire procedure
- Confidentiality
- Data Protection
- Whistleblowing policy
- Anti-Corruption and Bribery policy

The Board and senior management are prepared to take appropriate action against unethical behaviour, violation of company policies or misconduct.

The Board are also informed of any material enquiries of employees through site managers and when necessary are available to employees on a direct enquiry basis.

### **9. MAINTAINING GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION-MAKING BY THE BOARD**

The Non-Executive Chairman is responsible for overseeing and running the business of the Board, ensuring strategic focus and direction is maintained, ensuring that no individual or group dominates the Board's decision-making, and ensuring the non-executives are kept up to date with the Group's business. With guidance from the Company's advisers, the Chairman will assess the appropriateness of the Company's governance structures as the Group continues to develop. The Chief Executive Officer has overall responsibility for formulating, planning and implementing the Group's strategy. As noted in principle 2, the Chief Executive Officer, Executive Director and Chief Financial Officer, are primarily responsible for shareholder liaison.

In addition to formal Board meetings, the Chief Executive Officer maintains open and regular communications channels with all Board members, and provides regular updates on the financial position and operational status of the Group.

The entire Board is responsible for ensuring the success of the Company, while delivering on its strategy, with matters reserved for the attention of the Board including:

1. The setting of the strategy for the Group and the assessment of whether the Group is achieving its strategy;
2. The approval of financial statements, dividends and significant changes in accounting practices;
3. Board membership, succession planning and powers including the appointment and removal of Board members, determining the terms of reference of the Board and establishing the overall control framework;
4. AIM related issues including the approval of communications to the London Stock Exchange and communications with shareholders will be dealt with by the Audit and Risk Committee;
5. Senior management, remuneration, contracts, and the grant of share options will be addressed by the Remuneration Committee;
6. Key commercial matters including consideration of potential acquisition and divestment of new sites or businesses;
7. Financial matters including the approval of the budget and financial plans and performance against such plans and budgets;
8. Approval of the appointment of the current period auditor, year-end audited statutory accounts and audit related queries addressed by the Audit and Risk Committee;
9. Review of management conduct and awareness of the anti-bribery policies. Future capital and funding requirements in the light of new bar and acquisition prospects;
10. Risk Management review;
11. Changes to the Company's capital structure, its business strategy, acquisitions and disposals of businesses; and
12. Other matters including, but not limited to, health and safety policy, insurance and legal compliance.

Key responsibilities of the Audit and Risk Committee and Remuneration Committee can be found on pages 26 to 29 of this Annual Report.

The full terms of reference of these committees are available from the AIM Rule 26 section of the Company's website.

The Company is committed to the evolution of its corporate governance in line with best practice, to the extent the Board members judge it appropriate considering the Group's size, stage of development and resources. However, at present the Board is satisfied with the Company's corporate governance and as such there are no specific plans for changes to the Company's corporate governance arrangements in the short-term.

### **10. COMMUNICATE HOW THE COMPANY IS GOVERNED AND IS PERFORMING BY MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS**

The Board will strive to ensure that all shareholders are kept up to date on the Group's operations, with clear and transparent information being provided on a regular basis. The Board intends to maintain an active dialogue with institutional and private shareholders, and all material information will be released through notifications made via a Regulatory Information Service, which are also made available on the Company's website. This includes, when appropriate, trading statements.

The Board discloses in the annual report the work of the Audit and Risk Committee and Remuneration Committee during the period. This can be found on pages 26 to 29 of this Annual Report.

On a regular basis, a corporate presentation will be prepared that will provide a more detailed update on the Group's progress. This will be made available on the Company's website.

# AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee comprises Thi-Hanh Jelf and Toby van der Meer, with Lance Moir as chair of the Committee. All members are Non-Executive Directors and Lance Moir and Thi-Hanh Jelf are considered independent. The Audit and Risk Committee's main functions include:

- reviewing the effectiveness of internal control systems and risk assessment
- considering the need for an internal audit function
- making recommendations to the Board in relation to the appointment of the Company's auditors
- determining in consultation with the Board as a whole the auditors remuneration
- overseeing the Company's relationship with the external auditors as a whole and also considering the nature, scope and results of the auditors' work
- recommending to the Board and implementing policies on the supply of non-audit services that are to be provided by the external auditors
- monitoring the integrity of the financial statements of the Company including its annual and interim reports, preliminary results' announcements and any other financial information provided to Shareholders

## EXTERNAL AUDIT

The Company's external auditors, PKF Francis Clark, were reappointed on 4 March 2021. The fee for the audit to 27 June 2021 is £70,000. The Audit Committee monitors and reviews the external auditors' independence, objectivity, effectiveness and qualifications annually.

## MEETINGS, ATTENDANCE AND TIME COMMITMENT

The Audit and Risk Committee meets as often as required and at least twice a year. This period covers from the date of admission to AIM (being the 13 January 2021 to the financial year end 27 June 2021).

### Meetings and Attendance

Member	Attendance
Lance Moir	(2/2)
Thi-Hanh Jelf	(2/2)
Toby van der Meer	(2/2)

## RISK GOVERNANCE

The Committee meets to consider the risks faced by the Group and to ensure that appropriate policies are in place to mitigate them. Further information is in the Principal Risks and Uncertainties section of the Company's Strategic Report on pages 16 and 17 of this Annual Report.

## INTERNAL CONTROL ENVIRONMENT

The Group has established a system of risk management and internal control. The Audit Committee is responsible for reviewing the internal financial control systems that identify, assess, manage, and monitor financial risks, in addition to other internal control and risk management systems.

## SIGNIFICANT FINANCIAL JUDGEMENTS

During the year the Audit Committee considered the following significant issues regarding the financial statements:

### Reverse asset acquisition accounting (The Cocktail Club)

Management have prepared a paper whereby Nightcap accounted for the acquisition of The Cocktail Club using reverse asset acquisition accounting and presents the accounts as if the Group had always existed as accounted for under IFRS 2. This has been reviewed by the Committee and it is satisfied that the accounting and disclosure reflect a true and fair view.

### Acquisition accounting (Adventure Bar Group)

The Committee has reviewed the calculations for the valuation of the brands and the key assumptions in respect of IAS 38 in respect of the Adventure Bar Group. It also reviewed the Sale and Purchase Agreement and management's memorandum on the contingent consideration in respect of IFRS 3 and is satisfied that the accounting treatment has been correctly presented.

### Exceptional Items

Exceptional items identified by management have been reviewed and considered by the Committee and the Committee is satisfied that they have been appropriately classified.

### Share based payments

The Committee, having reviewed the management's memorandum and calculation in determining the value of the share options issued in January and May 2021, is satisfied that the accounting treatment has been correctly presented and disclosed in line with IFRS 2.

### IFRS16, Right of Use asset and Covid concession

The Committee has reviewed management's approach to the adoption of Covid-19 Related Rent Concessions – Amendment to IFRS16 and is satisfied that the rent credit taken in FY21 to reflect rent waivers agreed with landlords has been appropriately calculated.

### Accounting for Government support

The Group has received significant Government support, not least through the Coronavirus Job Retention Scheme, various grant schemes, and the business rates holiday. The Committee has reviewed the accounting treatment for these various support measures.

The Audit Committee, having reviewed the significant issues, were satisfied that they were appropriately stated.

## AUDIT AND RISK COMMITTEE REPORT CONTINUED

### **ROLE OF THE EXTERNAL AUDITORS**

The Audit Committee monitors and oversees the relationship with the Company's external auditors, PKF Francis Clark, to ensure that external auditor independence and objectivity are maintained. The Committee assess the independence of the external auditors and effectiveness of the external audit process before making recommendations to the Board in respect of their re-appointment. In assessing independence and objectivity, the Committee considers the level and nature of services provided by the external auditors and the fees paid in respect of such services in relation to the total audit fee. The Audit Committee seeks confirmation from the external auditors that they have remained independent within the meaning of the APB Ethical Standards of Auditors.

### **SHARE DEALING, ANTI-BRIBERY AND WHISTLEBLOWING**

Nightcap plc adopted, with effect from its admission to AIM, a share dealing code (the "Code") for the Directors and all employees, which is appropriate for a company whose shares are admitted to trading on AIM and which is subject to Rule 21 of the AIM Rules and the Market Abuse Regulation (as applicable in UK domestic law). The Group takes all reasonable steps to ensure compliance by the Directors and any other applicable employees with the terms of the Code.

The Group promotes a culture of integrity, honesty, trust and respect and all employees are expected to operate in an ethical manner in all their internal and external dealings. The Group's staff handbook and policies promote this culture and include such matters as whistleblowing, social media, anti-bribery, communication, and general conduct of employees. The Group's whistleblowing and anti-bribery policies are overseen by the Audit Committee. The Audit Committee believes, based on experience to date, that these policies are effective and staff members are aware of them.

# REMUNERATION COMMITTEE REPORT

The Remuneration Committee comprises Lance Moir and Gareth Edwards, with Toby van der Meer as chair of the Committee. All members of the Remuneration Committee are Non-Executive Directors and Lance Moir and Gareth Edwards are considered independent. The Remuneration Committee's main functions include:

- formulating and agreeing with the Board the framework or broad policy for the remuneration of the Company's Chairman and Executive Directors
- approving the design of, and determining targets for, any performance related pay schemes operated by the Company and approving the total annual payments made under such schemes
- reviewing the design of all share incentive plans for approval by the Board and Shareholders together with determining

each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to Executive Directors, company secretary and other senior executives and the performance targets to be used

- determining the total individual remuneration package of the Chairman, each Executive Director, and other senior executives including bonuses, incentive payments and share options or other share awards

## MEETINGS AND ATTENDANCE

Member	Attendance
Toby van der Meer	(2/2)
Gareth Edwards	(2/2)
Lance Moir	(2/2)

Name	Number of options	Date of grant	Exercise price (pence)
Sarah Willingham	6,000,000	13/01/2021	10
Michael Toxvaerd	2,500,000	13/01/2021	10
Toby Rolph	5,000,000	13/01/2021	10
Thomas Kidd	999,996	14/05/2021	25
Tobias Jackson	999,996	14/05/2021	25
Dawn Donahoe	999,996	14/05/2021	25

## SHARE OPTION PLAN

Following Admission to AIM on 13 January 2021, share options were granted to Executive Directors and persons discharging managerial responsibilities ("PDMRs") under the Company's share option plan. On 14 May 2021 further options were granted to additional PDMRs and employees, under the Company's share option plan, following the successful acquisition of the Adventure Bar Group.

The options, granted on 13 January 2021, vest and are exercisable as to one-third on each anniversary of grant date and exercise is conditional on the Group being profitable in the year prior to exercise. For these purposes, "profitable" means taking the Group's reported consolidated profit before tax for the relevant prior accounting year and adding back interest, depreciation and amortisation, exceptional items and non-recurring costs.

The options granted on 14 May 2021 will become exercisable from the third anniversary of the grants until the tenth anniversary of the date of the grants and exercise is conditional on the Group's EBITDA exceeding £4.0 million in the year prior to exercise..

Post year end, as the Group has continued to grow, it is no longer eligible to issue further EMI share options to employees. The Company has now put in place a Company Share Option Scheme ("CSOP") to continue to reward and incentivise staff. This was approved by the Committee on 14 October 2021.

## 2021 ANNUAL BONUS

For the period to 27 June 2021, the CEO and CFO are eligible for a bonus of up to a maximum of 100% of basic salary (prorated since IPO) with 50% based on outperformance by the Company of Board approved profit targets and 50% payable subject to the Company's absolute discretion based on the Board's review of performance against operational, governance and strategic objectives. Other members of the team have been eligible for transaction related remuneration. The Committee has met and reviewed the Company and individual performance for the period to 27 June 2021 and approved the bonuses below on the basis of the Company's strong financial and strategic progress, and the successful transactions completed during the period.

## REMUNERATION COMMITTEE REPORT CONTINUED

### DIRECTORS' EMPLOYMENT AND PENSION CONTRIBUTIONS FOR THE PERIOD TO 27 JUNE 2021

Name	GBP					Total £000s
	Salary and Fees £000s	Annual Bonus £000s	Transaction Related Bonus £000s	Pension Contribution £000s		
Sarah Willingham	103,786 <sup>1</sup>	105,375	–	5,626	214,787	
Michael Toxvaerd	129,206 <sup>2</sup>	–	200,000 <sup>3</sup>	2,500	331,706	
Tobias Van der Meer	–	–	–	–	–	
Lance Moir	45,819 <sup>4</sup>	–	15,000 <sup>5</sup>	–	60,819	
Thi-Hanh Jelf	10,198	–	–	–	10,198	
Gareth Edwards	20,397	–	–	–	20,397	
Toby Rolph	58,532	58,532	25,000 <sup>5</sup>	3,125	145,189	

<sup>1</sup> Includes consultancy fees to The Cocktail Club prior to its acquisition by Nightcap.

<sup>2</sup> Salary includes fees relating to the share placing for the IPO and the Adventure Bar Group acquisition, in line with his service agreement as described within the AIM admission document.

<sup>3</sup> Relates to the acquisition of The Cocktail Club on 13 January 2021 and the acquisition of the Adventure Bar Group on 14 May 2021, in line with his service agreement as described within the AIM admission document.

<sup>4</sup> Includes salary as Chairman of The Cocktail Club prior to its acquisition by Nightcap.

<sup>5</sup> Relates to the successful IPO on 13 January 2021.

### DIRECTORS' AND PDMRS INTEREST IN SHARES

The interests of the Directors at 27 June 2021 in the Ordinary Shares of the Company were:

Name	Number of Ordinary shares held
Sarah Willingham	21,686,584
Michael Toxvaerd	12,552,501
Tobias Van der Meer	9,050,000
Lance Moir	360,000
Thi-Hanh Jelf	180,000

The interests of the PDMRs other than the Directors at 27 June 2021 in the Ordinary shares of the Company were:

Name	Number of Ordinary shares held
John James Goodman	16,032,157
James Hopkins	8,105,810
Tobias Jackson	1,277,433
Thomas Kidd	1,668,737

# DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of Nightcap plc for the 52 weeks ended 27 June 2021.

The Corporate Governance Statement on pages 21 to 25 also forms part of this Directors' Report.

## PRINCIPAL ACTIVITY

The principal activity of the Group is the operation of bars.

## INCORPORATION

The Company was incorporated on 23 September 2020 and was admitted to trading on the AIM market on 13 January 2021.

## RESULTS AND DIVIDENDS

The consolidated statement of comprehensive income is set out on page 39 and shows the comprehensive loss for the year.

There were no dividends paid or proposed in the period under review.

## STRATEGIC REPORT

Information in respect of the Business Review, Future Outlook of the Business and Principal Risks and Uncertainties are not shown in the Directors' Report because they are presented in the Financial Review on pages 9 to 11.

## ANNUAL GENERAL MEETING ("AGM")

The Group's next Annual General Meeting will be held at the offices of Allenby Capital Limited, 5 St. Helen's Place, London, EC3A 6AB on 9 December 2021. Details of the business to be transacted at the AGM are set out in the Notice of AGM, which is available on the Company's website and has been posted to shareholders together with this report.

## DIRECTORS

The Directors who served during the year, and up to the date of this report, unless otherwise stated, were as follows:

Sarah Willingham (appointed 23 September 2020)

Michael Toxvaerd (appointed 23 September 2020)

Gareth Edwards (appointed 13 January 2021)

Tobias van der Meer (appointed 13 January 2021)

Thi-Hanh Jelf (appointed 13 January 2021)

Lance Moir (appointed 13 January 2021)

Toby Rolph (appointed 13 January 2021)

Brief biographical details for each of the Directors are given on pages 19 and 20.

## DIRECTORS' INTERESTS

A table showing the Directors' interests in the share capital of the Company is set out in the Directors' Remuneration Report on pages 28 and 29.

## GOING CONCERN

In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities as set out on pages 5 to 8 as well as the Group's principal risks and uncertainties as set out on pages 16 to 17. Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

## SHARE CAPITAL

Details of the issued share capital, together with details of movements during the period are shown in Note 26 to the Consolidated Financial Statements.

The Company has one class of share being the ordinary shares of 1p par value each and each ordinary share carries the right to one vote at general meetings on any resolution proposed on a poll.

There are no restrictions on the transfer of the ordinary share other than those restrictions which may from time to time be imposed by law, for example, insider trading laws.

## SUBSTANTIAL SHAREHOLDINGS

The Company is aware that the following persons had an interest of 3% or more of the issued ordinary share capital of the Company as at 12 November 2021, the last practicable date before the publication of this report:

Name	Percentage of Issued Share Capital
Mark Michael Ward	15.00%
Sarah Willingham	11.69%
John James Goodman*	8.64%
Michael Toxvaerd	6.77%
Hargreave Hale Limited	6.18%
Octopus Investments Nominees Limited	5.93%
Tobias van der Meer	4.88%
James W Hopkins	4.37%
Raymond R A Blanc	3.93%
Greg Le Tocq	3.88%
David W Moore	3.69%

\* Includes Ordinary Shares held by CGCC Ltd which is beneficially owned and controlled by John James Goodman.

As at 5 November 2021, the Company's issued ordinary share capital was 185,475,192 ordinary shares of 1p each.

## EMPLOYMENT POLICY

Our policy is to promote equal opportunity in employment regardless of gender, race, colour or disability, subject only to

## DIRECTORS' REPORT CONTINUED

capability and suitability for the task and legal requirements. Where existing employees become disabled, it is our policy to provide continuing employment under equivalent terms and conditions, and to provide equal opportunity for promotion to disabled employees wherever appropriate.

The Board recognises that Nightcap and its subsidiary businesses' performance and success are directly related to our ability to attract, retain and motivate high-calibre employees. We are committed to linking reward to business and individual performance, giving employees the chance to share in the Company's financial success. Eligible employees are typically provided with financial incentives related to the Group's performance in the form of annual bonuses. The Group also operates incentive plans and share option plans.

### EMPLOYEE ENGAGEMENT

We keep our team members regularly updated with issues affecting the running of the business and obtain their views on any key matters, all of which is in accordance with our obligations under the Information and Consultation Regulations 2004. The dissemination of information is achieved in many ways including weekly and quarterly newsletters, regular regional and area meetings, our company intranet and Directors and Managers briefings. These are opportunities for team members to express their views and ask questions. Outside of these specific events, we welcome any questions that team members may have about the business. Further information on employee engagement is provided on page 12.

### ENGAGEMENT WITH OTHER STAKEHOLDERS

The Board understands the importance of engagement with key stakeholders, including our customers, the broader communities in which we operate, our suppliers and trading partners and our shareholders. Further information on the stakeholders and the manner in which we engage with them is provided on pages 12 and 13.

### FINANCIAL RISK MANAGEMENT

The Group finances its operations through a combination of intra-Group funding and bank debt. The Group uses various financial instruments in the form of cash, third-party bank debt and other items, such as trade payables, that arise directly from its operations. The main purpose of these financial instruments is to fund the Group's operations.

These financial instruments expose the Group to several financial risks, principally liquidity risks.

The Group seeks to meet liquidity risk through assessment of short-, medium- and long-term cash flow forecasts to ensure the adequacy of committed debt facilities.

### DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

The Group has arranged insurance cover in respect of legal action against its Directors. To the extent permitted by UK law, the Group also indemnifies the Directors. These provisions are qualifying

third party indemnity provisions which were in force throughout the year and in force at the date of this report.

### POLITICAL DONATIONS

During the period ended 27 June 2021 the Group made no political donations (2020: £nil).

### POST BALANCE SHEET EVENTS

Subsequent to the year end, The Cocktail Club has entered into agreements for leases on three premises in the City of London, Bristol and Reading, with all three due to open by the end of 2021.

### DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

## DIRECTORS' REPORT CONTINUED

- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### DISCLOSURE OF INFORMATION TO AUDITOR

So far as each of the Directors is aware, there is no relevant audit information that has not been disclosed to the Group's auditors and each of the Directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Group's auditors have been made aware of that information.

### INDEPENDENT AUDITORS

The auditors, PKF Francis Clark, have indicated their willingness to continue in office.

This report was approved by the Board of Directors and signed on its behalf.

### T Rolph

Chief Financial Officer  
12 November 2021



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIGHTCAP PLC

## OPINION

We have audited the financial statements of Nightcap plc (the "Group") for the period ended 27 June 2021, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Cash Flow, the Consolidated and Company Statement of Changes in Equity and the related notes including a summary of significant accounting policies.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and Company's affairs as at 27 June 2021 and of the Group's loss for the period then ended;
- the Group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (with United Kingdom Accounting Standards, comprising FRS102 'the financial reporting standard applicable in the UK and Republic of Ireland', and applicable law); and
- 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIGHTCAP PLC CONTINUED

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Reverse acquisition</b></p> <p>On 13 January 2021, Nightcap plc ('the Company') acquired the entire issued share capital of The London Cocktail Club Limited ("The Cocktail Club"), by way of a share for share exchange. Although the transaction resulted in The Cocktail Club becoming a wholly owned subsidiary of the Company, the transaction constitutes a reverse acquisition in as much as the shareholders of The Cocktail Club owned, post transaction, a majority of the outstanding ordinary shares of the Company and the management team of The Cocktail Club form a significant part of the management team of the Group.</p> <p>As part of our risk assessment we considered the potential impact on the accounting on whether the acquisition should be under IFRS 2 – Share based payments or IFRS 3 – Business combinations.</p>	<p>We reviewed management's assessment of whether the reverse asset acquisition constituted a business combination versus a share-based payment transaction. We assessed the Company's conclusions against the requirements of the relevant accounting standards including interpretation guidance and authoritative support.</p> <p>These conclusions included:</p> <ul style="list-style-type: none"> <li>the use of reverse asset acquisition accounting as the basis of preparation of the financial statements</li> <li>the determination that the transaction was a share based payment, and</li> <li>the calculation of the share based payment cost resulting from the transaction.</li> </ul> <p>We reviewed the financial statement disclosure, including the inclusion of current and comparative information in the financial statements for compliance with accounting expectations. We:</p> <ul style="list-style-type: none"> <li>agreed the principles of disclosure of the accounting information and the adequacy of the accounting policies explaining the accounting for the transaction; and</li> <li>agreed comparative information to previously published information for The London Cocktail Club Limited.</li> </ul> <p>Our procedures did not result in any significant findings surrounding the accounting for the transaction based on the audit evidence obtained.</p>
<p><b>Acquisition of the Adventure Bar Group</b></p> <p>On 14 May 2021, Nightcap plc acquired the Adventure Bar Group (the "Adventure Bar Group"), being 7 individual companies. This was a material transaction and there is a risk that this is not reported in line with accounting standards being IFRS 3 – Business Combinations. The key aspects of this acquisition are:</p> <p><b>Recognition of intangible assets for the brands acquired</b></p> <p>The valuation of the brand is a key estimate and due to its subjective nature is at risk of being materially misstated.</p> <p><b>Contingent consideration</b></p> <p>The earn out consideration will be met by the issuing of shares based on specific targets. The contingent consideration is payable on a pro rata basis and as a variable number of shares can be issued to meet the contingent consideration value, the contingent consideration would be expected to be carried as a liability at management's best estimate of the amount payable.</p> <p><b>Fair value of separable assets on acquisition</b></p> <p>Excluding the brand intangible noted above, the group is required to assess the fair value of the separable assets acquired. This also includes the calculation of a Right of Use asset and lease liability under IFRS16. There is a risk that these fair values are not materially correct.</p>	<p>We reviewed managements calculations for the valuation of the brands and the key assumptions. We assessed the assumptions for reasonableness, reviewed supporting documentation, performed re-calculations and analysed management's conclusions against IAS 38.</p> <p>We inspected the share purchase agreement and reviewed management's calculation of the contingent consideration against the requirements within IFRS 3.</p> <ul style="list-style-type: none"> <li>We agreed the calculations back to supporting documentation;</li> <li>Assessed the competence of external experts used engaged by management to complete the brand valuation and the calculation of the contingent consideration;</li> <li>considered the reasonableness of key judgement and estimates in the calculation, including the calculation of the Group's Weighted Average Cost of Capital ('WACC')</li> <li>considered whether the assumptions are in line with forecasts and disclosure elsewhere in the financial statements.</li> </ul> <p>We sample tested the acquisition balance sheet and fair value adjustments.</p> <p>We performed a disclosure checklist on the financial statements to test whether adequate disclosures have been made.</p> <p>Our procedures did not result in any significant findings surrounding the accounting for the transaction based on the audit evidence obtained.</p>

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIGHTCAP PLC CONTINUED

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Impact of Covid-19 and impairment of assets</b></p> <p>There are a number of audit risks that arise as a result of the impact of Covid-19 on the hospitality sector and the Group.</p> <ul style="list-style-type: none"> <li>• Going concern – the ongoing impact of Covid-19 and potential for further lockdowns and its impact on trade and bank covenants.</li> <li>• Impairment of Cash Generating Units (CGUs). Indications of impairment to intangible and tangible assets, including goodwill, and Right of Use assets.</li> <li>• Accounting for government grants and CBILs.</li> <li>• The treatment of Covid lease concessions. Where concessions are deemed to relate to the pandemic and meet specific criteria, the impact of these concessions should be taken to the profit and loss account in the period.</li> </ul> <p>There is a risk that the impact of Covid-19 has not been adequately addressed by management.</p>	<p>We have considered the impact of Covid-19 on various areas of the financial statements and performed procedures to address the risk around the impact of Covid -19.</p> <p>We have reviewed management's forecasts and sensitivities to ensure that these adequately take into consideration any likely potential impact of further Covid-19 restrictions. We have assessed whether the going concern disclosures in the accounts adequately explains any potential impact of Covid-19 on the group and whether these disclosures are consistent with other disclosures in the accounts.</p> <p>We have reviewed bank and loan covenant agreements and tested management's projections that forecast future covenants will be met. We have considered the impact on disclosures in the accounts as a result of sensitivities on these forecasts.</p> <p>We have reviewed management's impairment assessment for consistency with forecasts used elsewhere in the preparation of the accounts and other management information. We have considered the reasonableness of management's sensitivity analysis and the adequacy of disclosures in the accounts.</p> <p>We have tested the accounting for government grants and furlough receipts to assess whether they are in accordance with IFRS and are adequately disclosed in the accounts. We have reviewed loan agreements, management's assessment of a market rate of interest and the accounting for the loans. We have reviewed the accounting treatment to ensure an effective interest rate calculation correctly records the government grant received for the first year of loan interest.</p> <p>Our procedures did not result in any significant findings based on the audit evidence obtained.</p>

### OUR APPLICATION OF MATERIALITY

Misstatements, including omissions, are considered to be material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We use quantitative thresholds of materiality, together with qualitative assessments in planning the scope of our audit, determining the nature, timing and extent of our audit procedures and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality Measure	Group	Company
Overall materiality	£87,000	£86,500
Basis for determination	1.5% of revenue	Gross assets (limited to group materiality)
Misstatements reported to the audit committee	£2,610	£2,595

### RANGE OF MATERIALITY AT 10 COMPONENTS SUBJECT TO FULL SCOPE AUDITS:

£3,000 – £86,500

### RATIONALE FOR THE BENCHMARK APPLIED:

We consider headline revenue to be the most appropriate measure for materiality as it best reflects the Group's underlying trading performance and is a key metric used by both management and other stakeholders in assessing the Group's performance.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIGHTCAP PLC

## CONTINUED

### AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We planned and performed our audit by obtaining an understanding of the Group and its environment, including the accounting processes and controls, and the industry in which it operates. The Group comprises the following companies:

- Nightcap plc – the parent entity;
- 9 UK trading subsidiary companies (8 wholly owned, 1 with a 50% holding); and
- 4 dormant entities

Of the Group's 14 reporting components, all 10 active companies were subject to full scope audits. All entities requiring an audit were audited by PKF Francis Clark.

### OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

### RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on pages 31 and 32, 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 the 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 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 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIGHTCAP PLC CONTINUED

As part of our audit planning we obtained an understanding of the legal and regulatory framework that is applicable to the entity and the industry/sector in which it operates to identify the key laws and regulations affecting the entity. As part of this assessment process we discussed with management the laws and regulations applicable to the Group, reviewed certification identified on the company website.

The key laws and regulations we identified were employment, health and safety legislation and The General Data Protection Regulation ("GDPR"), Alcohol licensing legislation, Music Licence and Food standards.

We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, primarily Companies Act 2006 and Corporation Taxes Acts 2009 & 2010.

We discussed with management how the compliance with these laws and regulations is monitored and discussed policies and procedures in place.

We also identified the individuals who have responsibility for ensuring that the entity complies with laws and regulations and deal with reporting any issues if they arise.

As part of our planning procedures, we assessed the risk of any non-compliance with laws and regulations on the entity's ability to continue trading and the risk of material misstatement to the financial statements.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations.

Our procedures involved the following:

- Enquiries of management regarding their knowledge of any non-compliance with laws and regulations that could affect the financial statements;
- Reviewed legal and professional costs to identify any possible non-compliance or legal costs in respect of non-compliance;
- Reviewed Board minutes;
- Examined regulatory inspection reports in relation to the key laws and regulations where such reports had been made during the period and after the period.

We also evaluated management's incentives and opportunities for management bias, override of controls and manipulation of the financial statements. The key incentive identified is to manipulate revenue and we determined that the principal risks were related to the overstatement of profit via overstating revenue. To address the risk, we:

- Used data analytics to test journal entries throughout the year, for appropriateness;
- Reviewed estimates and judgements made in the accounts for any indication of bias and challenged assumptions used by management in making the estimates.
- Undertook specific cut-off procedures in respect of revenue around the year end

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. 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, collusion, omission or misrepresentation.

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

### USE OF OUR REPORT

This report is made solely to the Company's shareholders, 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 shareholders those matters we are required to state to them in an audit 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 shareholders as a body for our audit work, for this report, or for the opinions we have formed.

### Paul Putnam (Senior Statutory Auditor)

PKF Francis Clark, Statutory Auditor  
Ground Floor  
90 Victoria St,  
Redcliffe, Bristol,  
BS1 6DP  
12 November 2021

# FINANCIAL STATEMENTS





# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 27 JUNE 2021

	Note	27 June 2021 £	28 June 2020 £
<b>Non-current assets</b>			
Goodwill	13	6,572,920	–
Intangible assets	13	3,084,034	7,318
Property, plant and equipment	14	3,547,573	2,219,508
Right of use assets	15	13,446,863	4,711,230
Other receivable	17	271,150	257,620
<b>Total non-current assets</b>		<b>26,922,540</b>	<b>7,195,676</b>
<b>Current assets</b>			
Inventories	16	329,350	139,726
Trade and other receivables	17	804,411	474,437
Cash and cash equivalents	18	13,187,479	264,488
<b>Total current assets</b>		<b>14,321,240</b>	<b>878,651</b>
<b>Total assets</b>		<b>41,243,780</b>	<b>8,074,327</b>
<b>Current liabilities</b>			
Loans and borrowings	21	(1,458,652)	(1,230,725)
Trade and other payables	19	(8,628,163)	(1,227,491)
Lease liabilities due less than one year	20	(1,440,525)	(524,408)
<b>Total current liabilities</b>		<b>(11,527,340)</b>	<b>(2,982,624)</b>
<b>Non-current liabilities</b>			
Borrowings	21	(3,255,620)	(488,070)
Lease liabilities due more than one year	20	(12,462,624)	(4,703,184)
Provisions	22	(150,054)	–
Deferred tax provision	24	(666,662)	(92,240)
<b>Total non-current liabilities</b>		<b>(16,534,960)</b>	<b>(5,283,494)</b>
<b>Total liabilities</b>		<b>(28,062,300)</b>	<b>(8,266,118)</b>
<b>Net assets/(liabilities)</b>		<b>13,181,480</b>	<b>(191,791)</b>
Called up share capital	26	1,854,752	55,379
Share premium	26	19,267,483	178,017
Share based payment reserve		216,230	92,429
Reverse acquisition reserve		(2,512,590)	(45,131)
Retained earnings		(5,753,167)	(472,485)
		13,072,708	(191,791)
<b>Non-controlling interest</b>		<b>108,772</b>	<b>–</b>
<b>Total equity</b>		<b>13,181,480</b>	<b>(191,791)</b>

The financial statements on pages 39 to 74 were approved and authorised for issue by the Board and were signed on its behalf by:

**Toby Rolph**  
Chief Financial Officer  
12 November 2021

**Sarah Willingham**  
Chief Executive Officer

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 27 JUNE 2021

	Called up share capital £	Share premium £	Share based payment reserve £	Reverse acquisition reserve £	Retained earnings £	Total attributable to equity holders of parent £	Non-controlling interest £	Total equity £
<b>At 29 June 2019</b>	55,379	178,017	92,429	(45,131)	159,704	440,398	–	440,398
Total comprehensive expense for the 52 week period	–	–	–	–	(632,189)	(632,189)	–	(632,189)
<b>At 28 June 2020</b>	55,379	178,017	92,429	(45,131)	(472,485)	(191,791)	–	(191,791)
Issue of share capital	300	50,700	(92,429)	–	92,429	51,000	–	51,000
Transfer to reverse acquisition reserve	(55,679)	(228,717)	–	284,396	–	–	–	–
Recognition of Nightcap plc equity at reverse acquisition	398,800	845,200	–	(2,751,855)	–	(1,507,855)	–	(1,507,855)
Issue of shares – IPO	400,000	3,600,000	–	–	–	4,000,000	–	4,000,000
Transaction fees related to issue of shares	–	(628,588)	–	–	–	(628,588)	–	(628,588)
Issue of shares on acquisition – The Cocktail Club	553,788	4,984,096	–	–	–	5,537,884	–	5,537,884
Issue of shares on acquisition – Adventure Bar Group	47,619	1,142,857	–	–	–	1,190,476	–	1,190,476
Issue of shares – placing shares	434,783	9,565,217	–	–	–	10,000,000	–	10,000,000
Transaction fees related to placing shares	–	(636,537)	–	–	–	(636,537)	–	(636,537)
Issue of shares – debt conversion	19,762	395,238	–	–	–	415,000	–	415,000
Share based payments and related deferred tax recognised directly in equity	–	–	216,230	–	–	216,230	–	216,230
<b>Total transactions with owners recognised directly in equity</b>	<b>1,854,752</b>	<b>19,267,483</b>	<b>216,230</b>	<b>(2,512,590)</b>	<b>(380,056)</b>	<b>18,445,819</b>	<b>–</b>	<b>18,445,819</b>
Total comprehensive expense for the 52 week period	–	–	–	–	(5,373,111)	(5,373,111)	108,772	(5,264,339)
<b>At 27 June 2021</b>	<b>1,854,752</b>	<b>19,267,483</b>	<b>216,230</b>	<b>(2,512,590)</b>	<b>(5,753,167)</b>	<b>13,072,708</b>	<b>108,772</b>	<b>13,181,480</b>

# CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE 52 WEEKS ENDED 27 JUNE 2021

	52 weeks ended 27 June 2021 £	52 weeks ended 28 June 2020 £
<b>Cash flows from operating activities</b>		
Loss for the period	(5,264,339)	(632,189)
<i>Adjustments for:</i>		
Depreciation	1,258,637	1,037,417
Amortisation	51,099	1,577
Losses on disposal of property plant and equipment	–	8,761
Share based payments	3,823,642	–
Interest on lease liabilities	297,215	278,729
Interest on borrowings	110,322	58,534
Tax expense	(32,098)	15,888
(Increase)/decrease in trade and other receivables	19,436	166,092
Increase in trade and other payables	2,112,687	176,057
Decrease/(increase) in inventories	42,744	(18,494)
<b>Cash generated from operations</b>	2,419,345	1,092,372
Corporation taxes repaid/(paid)	30,901	(62,770)
<b>Net cash flows from operating activities</b>	2,450,246	1,029,602
<b>Investing activities</b>		
Acquisition of Adventure Bar Group, net of cash	657,088	–
Acquisition of The Cocktail Club – transaction costs and pre IPO expenses	(902,401)	–
Purchase of property, plant and equipment	(508,865)	(297,175)
Net proceeds from sale of property, plant and equipment	–	1,550
Purchase of intangible assets	(9,275)	(1,100)
<b>Net cash used in investing activities</b>	(763,453)	(296,725)
<b>Financing activities</b>		
Issue of ordinary shares	15,295,000	–
Share issue costs	(1,265,125)	–
Loans granted	–	500,000
Repayment of loans and borrowings	(1,418,023)	(217,706)
Principal paid on lease liabilities	(744,081)	(759,629)
Interest paid on lease liabilities	(297,215)	–
Interest paid on loans and borrowings	(104,495)	(58,535)
Shareholder loan repayments	(229,863)	(170,821)
<b>Net cashflow in financing activities</b>	11,236,198	(706,691)
<b>Net increase in cash and cash equivalents</b>	12,922,991	26,186
Cash and cash equivalents at beginning of the period	264,488	238,302
<b>Cash and cash equivalents at end of the period</b>	13,187,479	264,488

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 27 JUNE 2021

## 1. GENERAL INFORMATION

Nightcap plc ("the Company") and its subsidiaries ("the Group") is an award winning independent operator of ten individually themed cocktail bars through The Cocktail Club brand and nine other cocktail-led drinks offerings through the Adventure Bar Group brands.

On 13 January 2021, the Company acquired 100% of the issued share capital of The London Cocktail Club Limited and its subsidiaries ("The Cocktail Club"). Further information on this transaction is provided in Note 4. On 14 May 2021, the Company acquired 100% of the issued share capital of +Venture Battersea Limited, Adventure Bars Mid Limited and Adventure Bars Luna Digbeth Limited (together referred to as the "Adventure Bar Group"). Further information on this acquisition is provided in Note 31.

The Company is a public limited company whose shares are publicly traded on AIM of the London Stock Exchange and is incorporated and registered in England and Wales.

The registered office address of the Company is c/o Locke Lord (UK) LLP, 201 Bishopsgate, London, EC2M 3AB.

## 2. ACCOUNTING POLICIES

### 2.1. Basis of preparation of financial statements

The consolidated financial statements of the Nightcap plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union applicable to companies reporting under IFRS.

The Company was incorporated on 23 September 2020 as the vehicle for the purposes of achieving admission to trading on the AIM market of the London Stock Exchange ("Admission") and the Company had no significant transactions prior to Admission on 13 January 2021. The Company acquired the entire share capital of The London Cocktail Club Limited in a share for share exchange. The introduction of the Company into the Group has been accounted for as a reverse acquisition – see Note 4. In doing so the comparatives for the 52 weeks ended 28 June 2020 have been presented as if the Group had always existed in its current form.

The accounting policies adopted in the preparation of the Financial Statements have been consistently applied to all years presented, unless otherwise stated. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The financial statements have been prepared under the historical cost convention.

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

Judgements made by the Directors in the application of the accounting policies that have a significant effect on the consolidated financial statements and estimates with significant risk of material adjustment in the next year are discussed in Note 3.

### 2.2. Going concern

In concluding that it is appropriate to prepare the 2021 financial statements on the going concern basis, the Directors have considered the Group's cash flows, liquidity and business activities. Particular attention has been paid to the impact of Covid-19 on the business, both experienced to date and potentially foreseeable in the future.

As at 27 June 2021 the Group had cash balances of £13.2m. While some of the Group's sites with outdoor space were able to open on 12 April 2021, when outdoor trading was permitted, the full relaunch began in earnest when all businesses were reopened, when indoor trading recommenced on 17 May 2021, albeit with some significant capacity and other restrictions remaining in place.

The performance of our businesses has been particularly strong compared to the equivalent period in 2019, since further restrictions fell away post year-end, on 19 July 2021, since when many of the venues have posted record sales weeks against the same weeks in 2019.

Further detail is provided in the Chief Executive's Statement on page 6 under "Trading performance post lockdown"

Based on the Group's forecasts, the Directors have adopted the going concern basis in preparing the Financial Statements. The Directors have made this assessment after consideration of the Group's cash flows and related assumptions and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014 published by the UK Financial Reporting Council.

In making this assessment the Directors have made a current consideration of any future potential impact of the Covid-19 pandemic on the cash flows and liquidity of the Group over the next 12 month period. This assessment has considered:

- the impact of historic measures put in place during previous lockdowns to preserve and to increase liquidity, and the Group's ability to put similar actions in place again

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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- The continued availability of Government measures to support industry, and in particular the hospitality industry. These measures have previously included the Coronavirus Job Retention Scheme, the business rates holiday, the temporary VAT reduction to 5% on food and non-alcoholic drinks
- Initial trading during the period post the resumption of trading on 17 May 2021
- New sites where the Group has confirmed agreements for lease in place and the potential for opening further sites
- Banking covenant waivers received from the bank subsequent to the year in respect of certain loans – see Note 21

Based on these assessments the Group forecasts to be in compliance with its banking covenant obligations, and accordingly the Directors have concluded that it is appropriate to prepare the financial statements on the going concern basis. If further lockdowns are mandated there is a risk that a reduction in trade could cause the group to breach future EBITDA based bank covenants. However, given the strong relationship the group has with its bankers, the Board anticipates that its bankers would continue to be supportive.

#### **2.3. Basis of consolidation**

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

#### **2.4. Alternative performance measures**

The Group has identified certain measures that it believes will assist the understanding of the performance of the business. These APMs are not defined or specified under the requirements of IFRS.

The Group believes that these APMs, which are not considered to be a substitute for, or superior to, IFRS measures, provide stakeholders with additional useful information on the underlying trends, performance and position of the Group and are consistent with how business performance is measured internally. Adjusted EBITDA is also one of the measures used by the Group's banks for the purposes of assessing covenant compliance. The APMs are not defined by IFRS and therefore may not be directly comparable with other companies' alternative performance measures.

The key APM that the Group uses is Adjusted EBITDA. This APM is set out on page 81 including an explanation of how it is calculated and it reconciles to a statutory measure where relevant.

These measures exclude exceptional items, as defined below, and non-cash share-based payment charges.

#### **Exceptional items**

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group. Management splits out these costs for internal purposes when reviewing the business.

#### **Non-cash share based payment charges**

Charges/credits relating to share-based payments arising from the Group's long-term incentive schemes are not considered to be exceptional but are separately identified due to the scope for significant variation in charges/credits due to this being the Group's first period operating the share option plan, appointment of senior management during the year and the probability of share options vesting amongst other factors.

#### **2.5. Revenue**

The Group has recognised revenue in accordance with IFRS 15. The standard requires revenue to be recognised when goods or services are transferred to customers and the entity has satisfied its performance obligations under the contract, and at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Revenue predominantly arises from the sale of food and drink to customers in the Group's sites for which payment in cash or cash equivalents is received immediately and as such revenue is recognised at point of sale.

The Group operates in a single geographical region (the UK) and hence all revenues are impacted by the same economic factors.

Retro payments and listing fees are spread over the life of the contract. The income is recognised as a credit within cost of sales. Revenue is shown net of value added tax, returns and discounts.

Customer deposits received in advance of events and bookings are recorded as deferred revenue on the balance sheet. They are recognised as revenue along with any balancing payment from the customer when the associated event / booking occurs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 2.6. Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants that are receivable as compensation for losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. This income is recognised within Other income. Where the income relates to a distinct identifiable expense, the income is offset against the relevant expense for example, income received under the Coronavirus Job Retention Scheme has been offset against staff costs.

### 2.7. Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### 2.8. Intangible assets goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition.

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicated that they may be impaired.

### 2.9. Intangible assets – trademarks, licenses and brands

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets acquired as part of a business combination are only recognised separately from goodwill when they arise from contractual or other legal rights, are separable, the expected future economic benefits are probable and the cost or value can be measured reliably.

Asset class	Amortisation method and rate
Trademarks	10%- straight-line
Licenses	Straight line over the life of the lease
Brand	Straight-line over the expected useful economic life of the brand being 7.5 years

### 2.10. Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold building improvements	– straight-line over the life of the lease
Plant and machinery	– 25% straight-line
Fixtures and fittings	– 25% straight-line
Computer equipment	– 33% straight-line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

### 2.11. Inventories

Stocks 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 purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price. The impairment loss is recognised immediately in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONTINUED

#### 2.12. Trade and other receivables

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade receivables and other assets are grouped based on shared credit risk characteristics and the days past due.

#### 2.13. Impairment

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicated that it might be impaired. Goodwill is not allocated to individual CGUs but to a group of CGUs. As the business has a single operating segment as disclosed in Note 5, and goodwill is not disaggregated for internal management purposes, goodwill impairment testing is performed for the business as a whole, in accordance with IAS 36.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

#### 2.14. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Payments taken from customers on debit and credit cards are recognised as cash.

#### 2.15. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### *Initial recognition*

The Group initially recognises trade receivables, trade payables, deposits, loans and borrowings on the date on which they are originated. All other instruments are recognised on the trade date, which is the date on which the Group becomes party to the contractual provisions of the instrument.

All financial assets are recognised initially at fair value plus or minus, in the case of assets not at fair value through the Statement of comprehensive income, transaction costs that are attributable to the acquisition of the financial asset or liability.

##### *Financial assets*

The Group financial assets are measured at amortised cost.

A financial asset is measured at amortised cost when assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.

Impairment losses are presented as separate line item in the statement of profit or loss.

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Loss allowances for expected credit loss ("ECL's") are presented in the statement of financial position as a deduction from the gross carrying amount of the assets. In the profit or loss, the amount of ECL is recognised as an Impairment gain or loss.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONTINUED

#### **Financial liabilities**

Financial liabilities are classified as financial liabilities at fair value through profit or loss or as financial liabilities measured at amortised cost, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities include trade and other payables, loans and borrowing and other financial liabilities and accrued liabilities that are classified as measured at amortised cost.

Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest and other revenues and finance costs. For substantial and non-substantial modifications the Group derecognises a financial liability from the statement of financial position when the obligation specified in the contract or arrangement is discharged, cancelled or expires.

#### **2.16. Trade and other payables**

Short-term creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method.

#### **2.17. Leased assets**

The Group has adopted IFRS 16 for the first time using the fully retrospective method with the date of initial application being 3 July 2017. In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessment of whether a lease is onerous
- measurement of a right-of-use asset at the date of transition to IFRS Standards by choosing on a lease-by-lease basis, to measure that right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition to IFRS Standards
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Under IFRS 16, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Unless the Group is reasonably certain to obtain ownership of the leased assets at the end of the lease term, the recognised right-of-use assets are depreciated over the shorter of its estimated useful life and lease term. Right-of-use assets are subject to impairment testing. At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification or a change in the lease term. The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense in the Statement of Comprehensive Income.

At the reporting date the Group has applied the practical relief available during the Covid-19 pandemic, which provides lessees with relief from applying lease modification accounting to Covid-19 related rent concessions.

#### **2.18. Pensions**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

#### **2.19. Provisions**

Provisions are made 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 Consolidated Statement of Comprehensive Income in the period that the Group 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 eventually made, they are charged to the provision carried in the Statement of Financial Position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 2.20. Share based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 25.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting year, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserve.

#### 2.21. Current and deferred taxation

The tax expense for each reporting period comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same tax authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### 2.22. Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group Financial Statements.

#### 2.23. New standards, amendments and interpretations adopted

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

Nightcap plc is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### **Other**

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

The following is a list of other new and amended standards which, at the time of writing, had been issued by the IASB but which are effective in future periods. The amount of quantitative and qualitative detail to be given about each of the standards will depend on each entity's own circumstances.

- IFRS 17 Insurance Contracts (effective 1 January 2023) – In June 2020, the IASB issued amendments to IFRS 17, including a deferral of its effective date to 1 January 2023.

### **3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY**

The preparation of consolidated financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an on-going basis and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Although these judgements, estimates and associated assumptions are based on management's best knowledge of current events and circumstances, the actual results may differ. Revisions to accounting estimates are recognised in the period in which the revision takes place and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation and uncertainty at the date of the statement of financial position that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial period are set out below.

The Directors consider the principal judgements made in the Financial Statements to be:

#### **KEY JUDGEMENTS**

##### **Operating Segments**

The Directors have taken a judgement that individual sites meet the aggregation criteria in IFRS 8 and hence have concluded that the Group only has a single reporting segment, as discussed in Note 5.

##### **Determining the rate used to discount lease payments**

At the commencement date of property leases the lease liability is calculated by discounting the lease payments. The discount rate used should be the interest rate implicit in the lease. However, if that rate cannot be readily determined, which is generally the case for property leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. As the Group has external borrowings, judgement is required to compute an appropriate discount rate which was calculated based on UK bank borrowings and adjusted by an indicative credit premium that reflects the credit risk of the Group. The weighted average discount rate applied to those leases that pre-dated the Group's IPO was 4.75%. Leases entered into post IPO have been discounted with a weighted average discount rate of 4.25%. For the lease liabilities at 27 June 2021 a 0.1% increase in the discount rate used would have reduced the total liabilities by £196,736.

##### **Reverse acquisition accounting**

On 13 January 2021, the Company acquired the entire issued share capital of London Cocktail Club Limited through a share for share exchange resulting in a transaction that has been accounted for as reverse acquisition. In arriving at its conclusion for treating the acquisition as a reverse acquisition, the Company has considered various factors in determining which party was the accounting acquirer. The key determining factor was that the former shareholders of the entity whose shares were acquired owned the majority of shares, and controlled the majority of votes, in the combined entity immediately following the acquisition.

The second key judgement the Company applied relates to determining whether the accounting acquiree, in this case, Nightcap plc constituted a business (and hence applying IFRS 3 "Business Combinations" or did not constitute a business (and hence applying IFRS 2 "Share based payments"). The Company concluded that the main purpose of the IPO for Nightcap was to raise funds and acquire The Cocktail Club, and as a result, the Directors' view is that the Company was purely a cash shell with its only asset being the cash it raised on IPO. In addition, the acquisition of The Cocktail Club was conditional on Nightcap plc shares being admitted to trading on AIM.

The transaction has been described in full in Note 4.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### **Consolidation of joint venture**

Waterloo Sunset Limited ("Waterloo Sunset") is a joint venture that runs and operates a bar in Waterloo, London. The Group has a 50% economic interest in Waterloo Sunset with each partner holding 50% of the voting rights. The Group maintains an agreement to operate Waterloo Sunset and charges a management fee of 10% to Waterloo Sunset.

The Directors have determined that the Company exerts significant influence and control because it has the power to direct all significant activities of Waterloo Sunset and has a higher economic interest in it as compared to its unrelated venture partner, and as a result consolidates Waterloo Sunset in these financial statements with a 50% non-controlling interest represent the 50% of the equity the Group does not own.

#### **Exceptional items**

Exceptional items are those where, in management's opinion, their separate reporting provides a better understanding of the Group's underlying business performance; and which are significant by virtue of their size and nature. In considering the nature of an item, management's assessment includes, both individually and collectively, whether the item is outside the principal activities of the business; the specific circumstances which have led to the item arising; the likelihood of recurrence; and if the item is likely to recur, whether it is unusual by virtue of its size.

No single criteria classifies an item as exceptional, and therefore management must exercise judgement when determining whether, on balance, presenting an item as exceptional will help users of the financial statements understand the Group's underlying business performance.

#### **Valuation of intangible assets and goodwill**

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement.

#### **KEY ESTIMATES**

##### **Impairment of property plant and equipment**

Annually, the Group considers whether tangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. Individual sites are viewed as separate CGUs in respect of the impairment of property, plant and equipment. Details of the sensitivity of the estimates used in the impairment exercise are provided in Note 14.

##### **Useful economic lives of property, plant and equipment**

The depreciation charge in each period is sensitive to the assumptions used regarding the economic lives of assets and their respective depreciation rates.

##### **Share-based payments**

The charge for share based payments in respect of the Nightcap plc Share Option Plan is calculated in accordance with the methodology described in Note 25. The model requires subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yield, risk-free interest rates, expected time of exercise and employee attrition rates. Changes in such estimates may have a significant impact on the original fair value calculation at the date of grant and therefore the share based payments charge.

##### **Valuation of intangible assets and goodwill**

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortized, whereas indefinite lived intangible assets, including goodwill, are not amortized and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

During the period, the Group acquired the businesses collectively known as the Adventure Bar Group for total consideration of £3.5m (including contingent deferred consideration). Details of the acquisitions are set out in Note 31. In accordance with IFRS 3, the identifiable assets acquired and liabilities and contingent liabilities assumed should be measured at fair value at the acquisition date in order to determine the difference between the cost of acquisition and the fair value of the Group's share of net assets acquired, which should then be recognised as goodwill on the balance sheet or recognised in the income statement.

In determining the fair value, management has recognised brand values totaling £3.0m in respect of the various brands acquired. Key estimates used in arriving at the brand valuation include growth rates, discount rate, cashflow assumptions including working capital estimates, appropriate royalty rates and useful economic lives. Further information is provided in Notes 13 and 31.

##### **Valuation of contingent deferred consideration**

As described above the acquisition of Adventure Bar Group included contingent deferred consideration to be settled with the issue of shares. Certain estimates have been used in valuing the consideration including share price volatility, enterprise value/EBITDA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

multiples, risk free rates and estimates on probabilities and timing for the satisfaction of the shares to be issued. Further information is provided in Note 31.

### Amortisation

Amortisation is recorded to write down intangible assets to a residual value of nil over their useful economic lives (UEs). Management must therefore estimate the appropriate UEs to apply to each class of intangible asset. Changes in the estimated UEs would alter the amount of amortisation charged each year, which could materially impact the carrying value of the assets in question over the long term. UEs are therefore reviewed on an annual basis to ensure that they are in line with policy and that those policies remain appropriate.

### Impairment

As part of their impairment reviews, management must assess whether intangible assets will continue to deliver economic benefits in the future. Where a significant reduction in estimated future economic benefits occurs, it could result in a material impairment charge. Although the risk of a material impairment is reduced by capping intangible UEs at a maximum of 10 years and not applying residual values, intangibles are assessed at least annually for indications of impairment, which requires a degree of subjectivity on the part of management.

## 4. REVERSE ACQUISITION AND AIM ADMISSION

On 13 January 2021, the Company acquired the entire issued share capital of The London Cocktail Club Limited and its subsidiaries ("The Cocktail Club"), a private company incorporated in England and Wales, by way of a share-for-share exchange. Although the transaction resulted in The Cocktail Club becoming a wholly owned subsidiary of the Company, the transaction constitutes a reverse acquisition in as much as the shareholders of The Cocktail Club owned, post transaction, a majority of the issued ordinary shares of the Company.

In substance, the shareholders of The Cocktail Club acquired a controlling interest in the Company and the transaction has therefore been accounted for as a reverse acquisition.

Accordingly, this reverse acquisition does not constitute a business combination and was accounted for in accordance with IFRS 2 Share-based payment and IFRIC guidance, with the difference between the equity value given up by The Cocktail Club's shareholders and the share of the fair value of net assets gained by The Cocktail Club's shareholders charged to the statement of comprehensive income as the cost of acquiring an AIM quoted listing in the form of a share based payment expense.

In accordance with reverse acquisition accounting principles, these consolidated financial statements represent a continuation of the consolidated financial statements of The Cocktail Club and include:

- the assets and liabilities of The Cocktail Club at their pre-acquisition carrying amounts and the results for both periods; and
- the assets and liabilities of the Company as at 27 June 2021 and its results from 13 January 2021 to 27 June 2021.

On 13 January 2021, the Company issued 55,378,838 shares for the 10,247,990 shares of The Cocktail Club. In addition the Company paid cash consideration of £162,116 for an additional 300,000 shares in The Cocktail Club arising on exercise of share options and £421,943 contingent deferred consideration.

On 13 January 2021, the quoted share price of Nightcap plc was £0.10 and therefore this valued the investment in The Cocktail Club at £6,121,943, including cash and contingent consideration.

Because the legal subsidiary, The London Cocktail Club Limited, was treated as the accounting acquirer and the legal Parent Company, Nightcap plc, was treated as the accounting subsidiary, the fair value of the shares deemed to have been issued by The Cocktail Club was calculated at £7,988,000 based on an assessment of the purchase consideration for a 100% holding in Nightcap plc.

The fair value of net assets of Nightcap plc at the date of acquisition was as follows:

	£
Cash and cash equivalents	4,584,456
Other assets	128,985
Liabilities	(413,871)
Net assets	4,299,570

The difference between the deemed cost and the fair value of the net assets acquired of £3,688,430 has been expensed in accordance with IFRS 2, Share based payments, reflecting the economic cost to The Cocktail Club shareholders of acquiring a quoted entity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The reverse acquisition reserve that arose from the reverse takeover is made up as follows:

	52 weeks ended 27 June 2021 £
As at start of year	–
Pre-acquisition losses of Nightcap plc (1)	(318,342)
The Cocktail Club issued capital at acquisition (2)	239,265
Investment in The Cocktail Club (3)	(6,121,943)
Reverse acquisition expense (4)	3,688,430
As at end of year	(2,512,590)

The movements on the Reverse acquisition reserve are as follows:

- (1) These consolidated financial statements present the legal capital structure of the Company. However, under reverse acquisition accounting rules, the Company was not acquired until 13 January 2021 and therefore the entry above is required to eliminate the initial retained losses of the Company.
- (2) The Cocktail Club had issued share capital of equivalent to £239,265 as at 13 January 2021. As these financial statements present the capital structure of the parent entity, the issue of equity by The Cocktail Club has been recorded in this reserve.
- (3) The Company issued 55,378,838 shares at £0.10 each, totaling £5,537,884 for the entire issued capital of The Cocktail Club plus £584,059 of cash and contingent cash consideration. The above entry is required to eliminate the balance sheet impact of this transaction.
- (4) The reverse acquisition accounting is described in detail above. The entry above represents the difference between fair value of net assets of Nightcap plc at the date of acquisition, and the deemed consideration given by The Cocktail Club to acquire the Company.

## 5. SEGMENTAL REPORTING

The Group's continuing operating businesses are organized and managed as reportable business segments according to the information used by the Group's Chief Operating Decision maker ("CODM") in its decision making and reporting structure. The CODM is regarded as the Chief Executive together with other Board Members who receive financial information at a site-by-site level.

The Group's internal management reporting is focused predominantly on revenue and adjusted EBITDA, as these are the principal performance measures and drives the allocation of resources. The CODM receives information by trading venue, each of which is considered to be an operating segment. All operating segments have similar characteristics and, in accordance with paragraph 8 of IFRS 8, are aggregated to form an 'Ongoing business' reportable segment. Economic indicators assessed in determining that the aggregated operating segments share similar economic characteristics include expected future financial performance, operating and competitive risks and return on investment. These common risks include, but are not limited to, Covid-19, cost inflation, recruitment and retention, Brexit and supply chain disruption, consumer confidence, availability of new sites, health and safety and food and drink safety. These risks are discussed in more detail in the "Principal Risks and Uncertainties" section on pages 16 and 17. The risks are managed, discussed and monitored at a Board level across the Group. Within the ongoing business, assets and liabilities cannot be allocated to individual operating segments and are not used by the CODM for making operating and resource allocation decisions.

The Group performs all its activities in the United Kingdom. All the Group's non-current assets are located in the United Kingdom. Revenue is earned from the sale of drink and food with a small amount of admission income.

### Revenue

Revenue arises from the sale of food and drink to customers in the Group's sites for which payment in cash or cash equivalents is received immediately. The Group operates in a single geographical region (the UK) and hence all revenues are impacted by the same economic factors. Accordingly, revenue is presented as a single category and further disaggregation is not appropriate or necessary to gain an understanding of the risks facing the business.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONTINUED

#### 6. OTHER INCOME

	52 weeks ended 27 June 2021 £	52 weeks ended 28 June 2020 £
Business interruption insurance proceeds – COVID related	250,000	–
Government grants – COVID related	315,748	125,000
	565,748	125,000

#### 7. OPERATING LOSS

The operating profit is stated after charging/(crediting):

	Note	52 weeks ended 27 June 2021 £	52 weeks ended 28 June 2020 £
<b>Loss from operations is stated after charging:</b>			
Craft manufacturing operations (now ceased)		–	11,479
Craft head office costs		–	29,767
Share based payments	7, 25	135,212	–
Shared based payments relating to The Cocktail Club	4, 7	3,688,430	–
Depreciation of tangible fixed assets	14	567,445	478,078
Depreciation of right of use assets	15	691,192	559,339
Amortisation of intangible assets:			
– Trademarks	13	2,080	1,577
– Brands	13	49,019	–
Loss on disposal of fixed assets		–	8,761
Inventories – amounts charged as an expense		1,414,419	1,093,423
Auditors' remuneration			
– for statutory audit services		70,000	–
– for other assurance services		190,500	10,795
– for tax compliance services		1,477	1,460
– for tax advisory services		9,845	–
Pre-opening costs		–	30,251
Exceptional costs	11	713,598	3,989

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONTINUED

#### 8. EMPLOYEES AND DIRECTORS

The average monthly number of employees, including the Directors, during the period was as follows:

	Note	52 weeks ended 27 June 2021	52 weeks ended 28 June 2020
Management		65	4
Operations		283	85
Administration		5	8
		353	97

	Note	52 weeks ended 27 June 2021 £	52 weeks ended 28 June 2020 £
Wages and salaries		3,077,128	2,280,330
Social security costs		313,073	228,191
Defined contribution pension costs		35,292	28,941
Other employment costs		65,975	17,898
		3,491,468	2,555,360
Coronavirus Job Retention Scheme grants		(729,159)	(518,591)
		2,762,309	2,036,769
Share based payments	25	135,212	–
Shared based payments relating to Adventure Bar Group acquisition	4	3,688,430	–
Total share based payment expense		3,823,642	–
		6,585,981	2,036,769

All of the Group's employees were based in the United Kingdom in the current and prior periods.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONTINUED

The following table shows a breakdown of the remuneration of individual Directors who served in all or part of the period.

Name	Salary and Fees £	Annual Bonus £	Transaction Related Bonus £	Pension Contribution £	Total £
Sarah Willingham	103,786 <sup>[1]</sup>	105,375	–	5,625	214,786
Michael Toxvaerd	129,206 <sup>[2]</sup>	–	200,000 <sup>[3]</sup>	2,500	331,706
Tobias Van der Meer	–	–	–	–	–
Lance Moir	45,819 <sup>[4]</sup>	–	15,000 <sup>[5]</sup>	–	60,819
Thi-Hanh Jelf	10,198	–	–	–	10,198
Gareth Edwards	20,397	–	–	–	20,397
Toby Rolph	58,532	58,532	25,000 <sup>[5]</sup>	3,125	145,189
<b>Total</b>	<b>367,938</b>	<b>163,907</b>	<b>240,000</b>	<b>11,250</b>	<b>783,095</b>

<sup>[1]</sup> Includes consultancy fees to The Cocktail Club prior to its acquisition by Nightcap.

<sup>[2]</sup> Salary includes fees relating to the share placing for the IPO and the Adventure Bar Group acquisition, in line with his service agreement described within the AIM admission document.

<sup>[3]</sup> Relates to the acquisition of The Cocktail Club on 13 January 2021 and the acquisition of the Adventure Bar Group on 14 May 2021, in line with his service agreement described within the AIM admission document.

<sup>[4]</sup> Includes salary as Chairman of The London Cocktail Club prior to its acquisition by Nightcap.

<sup>[5]</sup> Relates to the successful IPO on 13 January 2021

Further information in respect of Directors' remuneration is provided in the Remuneration Committee Report on pages 28 and 29.

#### Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the company listed above.

	52 weeks ended 27 June 2021	52 weeks ended 28 June 2020
Key management emoluments	967,240	180,122
Pension contribution	13,880	2,630
	<b>981,120</b>	<b>182,752</b>

## 9. FINANCE COSTS

	Note	52 weeks ended 27 June 2021 £	52 weeks ended 28 June 2020 £
Interest on bank overdrafts and loans		110,322	58,534
Interest on lease liabilities	20	297,215	278,729
		<b>407,537</b>	<b>337,263</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONTINUED

#### 10. TAX (CREDIT)/CHARGE ON LOSS

The income tax (credit)/charge is applicable on the Group's operations in the UK.

	Note	52 weeks ended 27 June 2021 £	52 weeks ended 28 June 2020 £
<b>Taxation (credited)/charged to the income statement</b>			
Current income taxation		18,585	24,552
Adjustments for current taxation of prior periods		–	38,047
Research & development claim		–	(30,825)
<b>Total current income taxation</b>		<b>18,585</b>	<b>31,774</b>
<b>Deferred Taxation</b>			
Origination and reversal of temporary timing differences			
Current period	24	(303,947)	(15,886)
Adjustments in respect of prior periods		(3,168)	–
Adjustment in respect of change of rate of corporation tax	24	256,432	–
<b>Total deferred tax</b>		<b>(50,683)</b>	<b>(15,886)</b>
<b>Total taxation (credit)/expense in the consolidated income statement</b>		<b>(32,098)</b>	<b>15,888</b>
<b>The above is disclosed as:</b>			
Income tax (credit)/expense – current period		(28,930)	8,666
Income tax (credit)/expense – prior period		(3,168)	7,222
		(32,098)	15,888

	52 weeks ended 27 June 2021 £	52 weeks ended 28 June 2020 £
<b>Factors affecting the tax charge for the period</b>		
<b>Loss before tax</b>	<b>(5,296,437)</b>	<b>(616,301)</b>
At UK standard rate of corporation taxation of 19% (2020: 19%)	(1,006,323)	(117,097)
Income not assessable for tax purposes	(12,537)	–
Expenses not deductible for tax purposes	–	–
– Share based payments	700,802	–
– Other	245,132	12,822
Fixed asset differences	42,349	98,341
Research and development claims	–	(30,825)
Timing differences on leases	(114,071)	9,143
Deferred tax (charged)/credited directly to equity	81,018	–
Temporary differences in respect of share options	(104,847)	–
Other temporary differences	(19,476)	–
Unused losses carried forward	–	43,561
Movement in unrecognised deferred tax	(97,409)	–
Adjustments to tax charge in respect of prior periods	(3,168)	(57)
Adjustment in respect of change of rate of corporation tax	256,432	–
<b>Total tax (credit)/charge for the period</b>	<b>(32,098)</b>	<b>15,888</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONTINUED

#### 11. EXCEPTIONAL ITEMS

	52 weeks ended 27 June 2021 £	52 weeks ended 28 June 2020 £
Included in administrative expenses:		
IPO and acquisition related transaction costs	546,068	–
Aborted corporate finance fees	167,530	3,989
	713,598	3,989

The IPO and acquisition related transaction costs in the 52 weeks ended 27 June 2021 relate to costs incurred in the IPO and reverse acquisition of The Cocktail Club which completed on 13 January 2021, along with the acquisition of Adventure Bar Group on 14 May 2021. The costs include employee bonuses and professional fees. The costs incurred in the 52 weeks ended 28 June 2020 relate to costs incurred in the preparation for the IPO of the business.

The aborted corporate finance fees in both periods relate to costs incurred in relation to the aborted sale of The Cocktail Club in 2019, which was settled by the Group in 2021.

#### 12. EARNINGS PER SHARE

Basic (losses)/earnings per share is calculated by dividing the profit/(loss) attributable to equity shareholders by the weighted average number of shares outstanding during the year, excluding unvested shares held pursuant to The Nightcap plc Share Option Plan and contingently issuable shares in connection with the acquisition of the Adventure Bar Group. Further details of the share options that could potentially dilute basic earnings per share in the future are provided in Note 25.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the 52 weeks ended 27 June 2021 the Group had potentially dilutive shares in the form of unvested shares options pursuant to the above long-term incentive plan.

	52 weeks ended 27 June 2021 £	52 weeks ended 28 June 2020 £
<b>Loss for the period after tax for the purposes of basic and diluted earnings per share</b>	(5,373,111)	(632,189)
Non-controlling interest	108,772	–
Taxation (credit)/charge	(32,098)	15,888
Interest (income)/expense	407,537	337,263
Exceptional items	713,598	3,989
Share based payment charge	3,823,642	–
Depreciation and amortisation	1,309,736	1,038,994
<b>Profit for the period for the purposes of Adjusted EBITDA (IFRS 16) basic and diluted earnings per share</b>	958,076	763,945
IAS 17 Rent charge	(777,042)	(692,193)
<b>Profit for the period for the purposes of Adjusted EBITDA (IAS 17) basic and diluted earnings per share</b>	181,034	71,752

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	52 weeks ended 27 June 2021 Number	52 weeks ended 28 June 2020 Number
Weighted average number of ordinary shares in issue for the purposes of basic earnings per share	96,859,609	55,378,837
Effect of dilutive potential ordinary shares from share options	3,746,721	–
Weighted average number of ordinary shares in issue for the purposes of diluted earnings per share	100,606,330	55,378,837

	52 weeks ended 27 June 2021 pence	52 weeks ended 28 June 2020 pence
Earnings per share:		
Basic and diluted	(5.55)	(1.14)
Adjusted EBITDA (IFRS 16) basic and diluted	0.99	1.38
Adjusted EBITDA (IAS 17) basic and diluted	0.19	0.13

During a period where the Group or Company makes a loss, accounting standards require that 'dilutive' shares for the Group be excluded in the earnings per share calculation, because they will reduce the reported loss per share; consequently, all per-share measures in the current period are based on the weighted number of ordinary shares in issue.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 13. INTANGIBLE ASSETS

	Trademarks and licenses £	Brand £	Total £	Goodwill £
<b>(i) Cost or valuation</b>				
At 29 June 2019	8,278	–	8,278	–
Additions	1,100	–	1,100	–
At 28 June 2020	9,378	–	9,378	–
At 29 June 2020	9,378	–	9,378	–
Additions	9,275	–	9,275	–
On acquisition (Note 31)	136,540	2,982,000	3,118,540	6,572,920
<b>At 27 June 2021</b>	<b>155,193</b>	<b>2,982,000</b>	<b>3,137,193</b>	<b>6,572,920</b>
<b>(ii) Amortisation</b>				
At 29 June 2019	483	–	483	–
Provided for the period	1,577	–	1,577	–
At 28 June 2020	2,060	–	2,060	–
At 29 June 2020	2,060	–	2,060	–
Provided for the period	2,080	49,019	51,099	–
<b>At 27 June 2021</b>	<b>4,140</b>	<b>49,019</b>	<b>53,159</b>	<b>–</b>
<b>(iii) Net book value</b>				
At 29 June 2019	7,795	–	7,795	–
At 28 June 2020	7,318	–	7,318	–
<b>At 27 June 2021</b>	<b>151,053</b>	<b>2,932,981</b>	<b>3,084,034</b>	<b>6,572,920</b>

Goodwill of £6,572,920 arose on the acquisition by the Group of the Adventure Bar Group on 14 May 2021 – see Note 31

Goodwill is not amortised, but an impairment test is performed annually by comparing the carrying amount of the goodwill to its recoverable amount. The recoverable amount is represented by the greater of the business's fair value less costs of disposal and its value in use.

The value in use is calculated based upon the Group's latest five-year forecast to June 2026, incorporating the impact of the Covid-19 lockdown and assumptions concerning the rate at which business unit level cash flows will recover and ongoing capital expenditure. The value in use calculations use an annual growth rate of 2% in the initial period. The discount rate used to determine the present value of projected future cash flows is based on the Group's Weighted Average Cost of Capital ("WACC") and the Group's current view of achievable long-term growth. The pre-tax discount rate and terminal growth rate used in the discounted cash flow model were 13% and 2% respectively.

The estimation of value in use involves significant judgement in the determination of inputs to the discounted cash flow model and is most sensitive to changes in future cash flows, discount rates and terminal growth rates applied to cash flows beyond the forecast year. The sensitivity of key inputs and assumptions used was tested by recalculating the recoverable amount using reasonably possible variances to those assumptions. The discount rate was increased by 1%, the terminal growth rate was decreased by 1%, and future cash flows were reduced by 20%. As at 27 June 2021, no reasonably possible change in an individual key input or assumption, as described, would result in the carrying amount exceeding its recoverable amount based on value in use.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 14. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements £	Plant and equipment £	Furniture, fixtures and fittings £	Computer equipment £	Total £
<b>(i) Cost or valuation</b>					
At 29 June 2019	1,553,295	1,653,016	185,482	3,100	3,394,893
Additions	162,110	122,199	14,646	523	299,478
Disposals	–	(24,367)	–	(2,304)	(26,671)
At 28 June 2020	1,715,405	1,750,848	200,128	1,319	3,667,700
At 29 June 2020	1,715,405	1,750,848	200,128	1,319	3,667,700
Additions	213,808	183,616	100,185	12,941	510,550
On acquisition (Note 31)	2,003,814	181,032	513,607	146,758	2,845,211
<b>At 27 June 2021</b>	<b>3,933,027</b>	<b>2,115,496</b>	<b>813,920</b>	<b>161,018</b>	<b>7,023,461</b>
<b>(ii) Amortisation</b>					
At 29 June 2019	314,124	603,348	65,767	931	984,170
Provided for the period	224,631	229,457	23,752	238	478,078
Disposal	–	(13,403)	–	(653)	(14,056)
At 28 June 2020	538,755	819,402	89,519	516	1,448,192
At 29 June 2020	538,755	819,402	89,519	516	1,448,192
Provided for the period	231,448	285,984	45,417	4,596	567,445
Disposal	–	–	–	–	–
On acquisition (Note 31)	957,373	157,426	260,406	85,046	1,460,251
<b>At 27 June 2021</b>	<b>1,727,576</b>	<b>1,262,812</b>	<b>395,342</b>	<b>90,158</b>	<b>3,475,888</b>
<b>(iii) Net book value</b>					
At 29 June 2019	1,239,171	1,049,668	119,715	2,169	2,410,723
At 28 June 2020	1,176,650	931,446	110,609	803	2,219,508
<b>At 27 June 2021</b>	<b>2,205,451</b>	<b>852,684</b>	<b>418,578</b>	<b>70,860</b>	<b>3,547,573</b>

#### Impairment of property, plant and equipment and right of use assets

The Group has determined that each business unit is a separate CGU for impairment testing purposes. Each CGU is tested for impairment at the balance sheet date if there exists at that date any indicators of impairment. All sites were reviewed in FY20 following the first national lockdown. All sites have been tested for impairment in 2021 as the Covid pandemic continues and following the successful reopening of all sites in April and May 2021, no further impairment has been booked.

The value in use of each CGU is calculated based upon the Group's latest five-year forecast, incorporating the impact of the Covid-19 lockdown and assumptions concerning the rate at which business unit level cash flows will recover. The business unit cash flows include an allocation of central costs and ongoing capital expenditure. Cash flows beyond the initial FY21/22 budget period are extrapolated using the Group's estimate of the long-term growth rate, currently 2%.

The key assumptions in the value in use calculations are the like for like sales projections for each site, changes in the operating cost base, the long-term growth rate and the pre-tax discount rate. The pre-tax discount rate is derived from the Group's WACC and is currently 13%.

The cash flows used within the impairment model are based upon assumptions which are sources of estimation uncertainty. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in the key assumptions. A reduction in cash flows of 20% in each year does not result in any additional impairment charge. A 100 basis point increase in the discount rate does not result in any additional impairment charge and a 50 basis point reduction in the terminal growth rate does not result in any additional impairment charge.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 15. RIGHT OF USE ASSETS

	Right of use assets £
(i) Cost	
At 29 June 2019	5,839,785
Additions	224,770
At 28 June 2020	6,064,555
At 29 June 2020	6,064,555
Additions	–
Revaluations	(3,979)
On acquisition (Note 31)	9,430,804
<b>At 27 June 2021</b>	<b>15,491,380</b>
(ii) Depreciation	
At 29 June 2019	793,986
Provided for the period	559,339
At 28 June 2020	1,353,325
At 29 June 2020	1,353,325
Provided for the period	691,192
<b>At 27 June 2021</b>	<b>2,044,517</b>
(iii) Net book value	
At 29 June 2019	5,045,799
At 28 June 2020	4,711,230
<b>At 27 June 2021</b>	<b>13,446,863</b>

Revaluations in the period to 27 June 2021 are as a result of rent reviews and lease extensions.

### 16. INVENTORIES

	27 June 2021 £	28 June 2020 £
Inventories		
Food, beverage and consumables	329,350	139,726

There is no material difference between the replacement cost of inventories and the amounts stated above. Inventories are charged to cost of sales in the consolidated statement of comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 17. TRADE AND OTHER RECEIVABLES

	27 June 2021	28 June 2020
	£	£
<b>Included within Current assets</b>		
Trade receivables	190,879	59,873
Corporation tax recoverable	–	30,678
Other receivables	12,615	284
Prepayments and accrued income	600,917	383,602
	804,411	474,437
<b>Included within Non-current assets</b>		
Other receivables – rent deposits	271,150	257,620

Receivables are denominated in sterling.

The Group held no collateral against these receivables at the balance sheet dates. The Directors consider that the carrying amount of receivables are recoverable in full and that any expected credit losses are immaterial.

At each period end, there were no overdue receivable balances.

### 18. CASH AND CASH EQUIVALENTS

	27 June 2021	28 June 2020
	£	£
Cash at bank and in hand	13,187,479	264,488

Cash and cash equivalents comprise cash at bank and in hand. The fair value of cash and cash equivalents is the same as the carrying value.

### 19. TRADE AND OTHER PAYABLES

	27 June 2021	28 June 2020
	£	£
Trade payables	2,740,849	737,379
Social security and other taxes	300,549	38,960
Corporation tax	343,652	–
Defined contribution pension	15,043	37,107
Other payables	2,974,422	194,067
Accruals and deferred income	2,253,648	219,978
	8,628,163	1,227,491

Trade payables were all denominated in sterling and comprise amounts outstanding for trade purchases and ongoing costs and are non-interest bearing.

The Directors consider that the carrying amount of trade payables approximate to their fair value.

Included within other payables is £2,343,000 relating to the valuation in connection with the contingent deferred consideration shares relating to the Adventure Bar Group acquisition – see Note 31.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONTINUED

#### 20. LEASES

This note provides information for leases where the Group is the lessee.

The Group leases the entire The Cocktail Club and Adventure Bar Group estates as well as its Head Office. The leases are non-cancellable operating leases with varying terms, escalation clauses and renewal rights and in some cases include variable payments that are not fixed in amount but based upon a percentage of sales. Lease agreements are typically made for fixed years of between 5 and 25 years. At year end the weighted average lease term remaining is 12 years.

In accordance with IFRS 16, leases of property, plant and equipment are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

	Lease liability £
At 29 June 2019	5,483,723
Additions	224,769
Interest expense	278,729
Lease payments	(759,629)
At 28 June 2020	5,227,592
At 29 June 2020	5,227,592
On acquisition (Note 31)	9,430,804
Interest expense	297,215
Lease payments	(1,041,296)
Revaluations	(11,166)
At 27 June 2021	13,903,149

In accordance with Covid-19-Related Rent Concessions – Amendment to IFRS 16 Leases (the 2020 amendment), where leases have been renegotiated as a result of Covid-19 the gain has been taken to the income statement. In applying this amendment, the company has taken into consideration the conditions described in IFRS 16 paragraph 46B.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Revaluations in the period to 27 June 2021 are as a result of rent reviews and lease extensions.

	27 June 2021	28 June 2020
	£	£
Lease liability:		
Current	1,440,525	524,408
Non-current	12,462,624	4,703,184
	13,903,149	5,227,592

### Amounts recognised in the consolidated statement of comprehensive income

	27 June 2021	28 June 2020
	£	£
Depreciation charge of right of use assets	691,192	559,339
Interest expense (included in finance cost)	297,215	278,729

## 21. BORROWINGS

	27 June 2021	28 June 2020
	£	£
Short-term borrowing:		
Secured bank loans	1,423,744	974,491
Unsecured bank loan	34,908	26,371
Shareholder loans	–	229,863
	1,458,652	1,230,725

	27 June 2021	28 June 2020
	£	£
Long term borrowing:		
Secured bank loans	3,255,620	458,191
Unsecured bank loan	–	29,879
	3,255,620	488,070

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONTINUED

#### Secured bank loans

The Group has six loans with Barclays bank of which £1,326,524 remains outstanding at 27 June 2021. Loans one to five bear an interest rate of 4.6% (4.5% + LIBOR). Loan six bears an interest rate of 3.1% (3% + LIBOR). All six loans are secured by a debenture on The Cocktail Club's assets.

The maturity of the loans is set out below:

	Maturity	Rate %	27 June 2021	28 June 2020
<b>Barclays bank loans</b>				
Secured bank loan 1	2025	4.60	148,143	163,021
Secured bank loan 2	2025	4.60	153,912	162,197
Secured bank loan 3	2024	4.60	220,648	226,223
Secured bank loan 4	2024	4.60	167,100	179,065
Secured bank loan 5	2025	4.60	201,358	202,176
Secured bank loan 6	2025	3.10	435,363	500,000
			1,326,524	1,432,682

At 27 June 2021 the Group had breached financial ratio loan covenants for the Barclays loans. No formal written waiver of financial covenants had been obtained by the Group in relation to these loans at 27 June 2021, as it is standard banking practice to provide financial covenant waivers retrospectively rather than prospectively. Subsequent to the year end, the Group received formal covenant waivers from the bank. As a result these secured loans have been re-classified as current liabilities.

The Group has two loans with Oaknorth Bank of which £2,996,281 remains outstanding at 27 June 2021. The loans bear a cash interest rate of 2.49% and 2.88% respectively. The interest rate is based on a margin of 1.24% and 1.63% over Bank of England base rate plus a 1% British Business Bank fee. There is a floor of 0.71% below which the rate cannot fall. Both loans are secured by a debenture on ABG's assets. In addition to the cash interest rate, both loans bear PIK interest at a rate of 1.25%. The PIK interest accrued is convertible into ordinary 1p shares of the Company at price equal to 21p. The PIK interest is convertible at any time after 12 May 2021 and in any event within 24 months of the earlier to occur of either:

- (a) repayment of all outstanding amounts of principal and interest on the Oaknorth loans
- (b) the maturity date of the Oaknorth loans
- (c) the occurrence of an event of default; or
- (d) a change of control

	Maturity	Rate %	27 June 2021
<b>Oaknorth bank loans</b>			
Oaknorth Secured bank loan 1	2024	2.95	1,027,840
Oaknorth Secured bank loan 2	2024	3.34	1,975,000
			3,002,840

The Group has a CBILS loan with NatWest of which £350,000 remains outstanding at 27 June 2021. The loan bears an interest rate of 2.87%. The interest rate is based on a margin of 2.62% over Bank of England base rate. The loans are secured by a debenture on ABG's assets.

NatWest Secured bank loan 3	2024	2.87	350,000
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#### Unsecured bank loan

The Group has an unsecured bank loan with Paragon Banking Group plc which bears an interest rate of 12.5%. The balance due at 27 June 2021 was £34,908 (28 June 2020 was £56,250).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONTINUED

#### 22. PROVISIONS

	Dilapidations provisions £
At 29 June 2019	–
Additions	–
At 28 June 2020	–
At 29 June 2020	–
On acquisition (Note 31)	150,054
<b>At 27 June 2021</b>	<b>150,054</b>

#### 23. FINANCIAL INSTRUMENTS

The Group is exposed to the risks that arise from its use of financial instruments. Derivative instruments may be transacted solely for risk management purposes. The management consider that the key financial risk factors of the business are liquidity risks, interest rate risk and market risks. The Group operates solely within the UK and therefore has limited exposure to foreign exchange risk. The Group's exposure to credit risk is limited due to insignificant receivables balances.

The Group does not enter into interest rate swap transactions to manage the interest rate risk arising from the Group's borrowings.

This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them.

##### Interest rate risk

The Group is exposed to cash flow interest rate risk from long-term borrowings at variable rates.

Although the board accepts that this policy does not protect the Group from the risk of rising interest rates, it considers that the relative amounts of debt to cash provides a significant form of security against any near term rises in interest rates.

##### Commodity price risk

The Group is exposed to movements in the wholesale prices of foods and drinks. Although the Group sources a majority of products in the UK there is a risk that disruption to supply caused by Brexit or Covid-19 will cause a significant increase in wholesale food and drink prices. Prices for drinks typically rise once a year to provide short term protection to the Group. The Group benchmarks and verifies any potential cost changes from suppliers and also has the ability to flex its offering to customers to mitigate specific product related cost pressures.

##### Liquidity risk

The Group's primary objective is to ensure that it has sufficient funds available to meet its financial obligations as they fall due. The Covid-19 pandemic and the lockdown period that ensued significantly raised the potential liquidity risk. Following the Company's IPO in January 2021 and the placement of additional shares in May 2021, the Group believes it has sufficient liquidity, along with a cash generative business model.

##### Capital risk

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through optimising the debt and equity balance.

The Group monitors cash balances and prepares regular forecasts, which are reviewed by the board. In order to maintain or adjust the capital structure, the Group may, in the future, issue new shares for future acquisition opportunities. Further details are provided in the Company's AIM Admission document available at [www.nightcapplc.com](http://www.nightcapplc.com).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONTINUED

#### Financial assets and liabilities

Financial assets and liabilities consist of the following:

	27 June 2021 £	28 June 2020 £
<b>Financial Assets at amortised cost</b>		
Trade receivables	190,879	59,873
Cash and cash equivalents	13,187,479	264,488
	13,378,358	324,361
<b>Financial liabilities at amortised cost</b>		
Trade payables	2,740,849	737,379
Borrowings	4,714,272	1,718,795
	7,455,121	2,456,174

There are no material differences between the carrying values of financial assets and liabilities held at amortised cost and their fair values.

#### Maturity analysis

The maturity analysis table below analyses the Group's contractual undiscounted cash flows for the Group's financial liabilities:

	Less than 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	More than 5 years	Total
<b>27 June 2021</b>							
Secured bank loans	1,423,744	116,664	3,119,504	19,452	–	–	4,679,364
Other loans	34,908	–	–	–	–	–	34,908
Trade and other payables	2,740,849	–	–	–	–	–	2,740,849
	4,199,501	116,664	3,119,504	19,452	–	–	7,455,121
<b>28 June 2020</b>							
Secured bank loans	974,491	111,157	111,157	111,157	124,721	–	1,432,682
Other loans	26,371	29,879	–	–	–	–	56,250
Shareholder loans	229,863	–	–	–	–	–	229,863
Trade and other payables	737,379	–	–	–	–	–	737,379
	1,968,104	141,036	111,157	111,157	124,721	–	2,456,174

The maturity profile of the Group's lease liabilities as at 27 June 2021 was as follows:

	27 June 2021 £	28 June 2020 £
Within one year	2,026,021	742,621
In more than one year but less than two years	1,876,030	725,621
In more than two years but less than three years	1,823,383	634,406
In more than three years but less than four years	1,464,435	629,340
In more than four years but less than five years	1,320,340	629,340
In more than five years	9,378,064	2,384,091
	17,888,273	5,745,419
Effects of discounting	(3,985,124)	(517,827)
<b>Lease liabilities</b>	13,903,149	5,227,592

There are no committed lease liabilities not yet commenced at 27 June 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 24. DEFERRED TAXATION

	Fixed asset timing differences £	Losses £	Acquisition accounting £	Share Schemes £	Other £	Total £
At 29 June 2019	108,128	–	–	–	–	108,128
Recognised in income statement	6,886	(16,198)	–	–	(6,576)	(15,888)
At 28 June 2020	115,014	(16,198)	–	–	(6,576)	92,240
Arising on acquisition (Note 31)	38,773	(163,610)	831,035	–	(75)	706,123
Recognised in income statement (Note 10)	(101,883)	(170,547)	(9,314)	(23,829)	(1,542)	(307,115)
Change in deferred tax rate (Note 10)	(6,000)	–	262,432	–	–	256,432
Recognised in equity	–	–	–	(81,018)	–	(81,018)
At 27 June 2021	45,904	(350,355)	1,084,153	(104,847)	(8,193)	666,662

The Group had unrecognised deferred tax assets as follows:

	27 June 2021 £	28 June 2020 £
Unrecognised deferred tax assets	–	–

### 25. SHARE BASED PAYMENTS

The Group currently uses one equity settled share plan to incentivise its Executive Directors and employees – The Nightcap plc Share Option Plan (the “Plan”).

In accordance with IFRS 2 Share Based Payments, the value of the awards is measured at fair value at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest. The vesting period on the Plan is between 1 and 3 years with an expiration date of 10 years from the date of grant. Furthermore, share options are forfeited if the employee leaves the Group before the options vest unless forfeiture is waived at the discretion of the Board of Directors.

The Group recognised a total charge of £135,212 in respect of the Group's share based payment plans and related employer's national insurance of £27,615.

	Granted during the period Number	Lapsed during the period Number	Outstanding at 27 June 2021 Number
The Nightcap plc Share Option Plan	20,079,988	–	20,079,988

#### Nightcap Share Option Plan

The Nightcap plc Share Option Plan (the “Plan”) is a discretionary executive and management share option plan. One-off Plan awards were granted at the time of the IPO, and subsequently post IPO. The vesting conditions of the Plan are set out in the Remuneration Committee report.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONTINUED

The fair value of the options granted in the period and comparative period have been calculated using the Black Scholes option pricing model assuming the inputs shown below. The fair value of the option awards was estimated at the grant date taking into account the terms and conditions upon which the awards were granted. This model uses historic dividends and share price fluctuations to predict the distribution of relative share price performance. The shares are potentially dilutive for the purposes of calculating diluted earnings per share. The following assumptions were used:

	13 January 2021	14 May 2021
Number of options granted	15,400,000	4,679,988
Share price at date of grant (pence)	0.10	0.265
Exercise price (pence)	0.10	0.25
Option life in years	10 years	10 years
Risk free rate (%)	0.05% to 0.11%	0.596%
Expected dividend yield (%)	0.00%	0.00%
Fair value of options (pence)	2.7p to 2.9p	8.8p

## 26. CALLED-UP SHARE CAPITAL

	27 June 2021	28 June 2020
	£	£
Allotted, called up and fully paid ordinary shares	1,854,752	55,379

	27 June 2021	28 June 2020
	Number	Number
A Ordinary share of £0.001 each	–	55,378,838
Ordinary shares at £0.01 each	185,475,192	–

The prior year share capital is presented as a continuation of the consolidated financial statements of The Cocktail Club on the basis that the share-for-share exchange had been accounted for in prior years.

The table below summarises the changes in share capital for Nightcap plc during the period ended 27 June 2021:

	Ordinary Shares Number of shares	Ordinary Shares £0.01 Nominal Value £	Ordinary Shares Share Premium £
Shares issued – 2 October 2020	24,999,999	250,000	250,000
Shares issued – 11 November 2020	14,880,000	148,800	595,200
Shares issued – 13 January 2021 on IPO	40,000,000	400,000	3,600,000
Transaction costs in connection with IPO	–	–	(628,588)
Share for share exchange – The Cocktail Club 13 January 2021	55,378,837	553,788	4,984,096
Shares issued in connection with Adventure Bar Group acquisition – 14 May 2021	4,761,905	47,619	1,142,857
Shares issued in connection with debt conversion – 14 May 2021	1,976,190	19,762	395,238
Shares issued in placing – 14 May 2021	22,437,502	224,375	4,936,250
Shares issued in placing – 3 June 2021	21,040,757	210,408	4,628,967
Transaction costs in connection with share placement	–	–	(636,537)
<b>At 27 June 2021</b>	<b>185,475,192</b>	<b>1,854,752</b>	<b>19,267,483</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONTINUED

The Company was incorporated on 23 September 2020 with an issued share capital of £0.02 comprising two subscriber shares of £0.01 nominal value each, subscribed for at £0.01 each.

Since incorporation the following changes to the Company's share capital have taken place:

- on 2 October 2020, 24,999,999 Ordinary Shares were allotted at £0.01 per share for cash;
- on 11 November 2020, 14,880,000 Ordinary Shares were allotted at £0.05 per share, with gross proceeds of £744,000;
- on 13 January 2021, on IPO, the Company allotted a further 40,000,000 Ordinary Shares at £0.10, raising gross proceeds of £40,000,000 with associated transaction costs of £742,388;
- On 13 January 2021 the shareholders of The Cocktail Club exchanged their A Ordinary Shares in The Cocktail Club for Ordinary Shares of £0.01 in the Company. The share-for-share exchange resulted in the shareholders of The Cocktail Club receiving 55,378,837 Ordinary Shares in the Company;
- On 14 May 2021, the Company acquired the Adventure Bar Group for initial consideration comprising 4,761,905 Ordinary Shares;
- On 14 May 2021, the Company converted debt associated with the Adventure Bar Group acquisition into Ordinary Shares of the Company. In connection with the debt conversion the Company issued 1,976,190 Ordinary Shares at £0.21 per share;
- On 14 May 2021 and 3 June 2021, the Company placed 22,437,502 and 21,040,757 Ordinary Shares respectively at £0.23 per share, raising gross proceeds of £10,000,000 with associated transaction costs of £636,537.

## 27. EQUITY

The Group's Equity comprises the following:

### Called-up share capital

Called-up share capital represents the nominal value of the shares issued.

### Share premium account

The share premium account records the amount above the nominal value received for shares sold.

### Share based payment reserve

The share option reserve represents the cumulative amounts charged to profit in respect of employee share option arrangements where the scheme has not yet been settled by means of an award of shares to an individual.

### Reverse acquisition reserve

The reverse acquisition reserve arose on the share for share exchange between Nightcap plc and The Cocktail Club on 13 January 2021.

### Retained earning

Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

## 28. ANALYSIS OF CHANGES IN NET DEBT

	At 29 June 2019 £	Cash flows £	Acquisitions £	Reclass long term to short term	Non cash movement £	At 28 June 2020 £
<b>Cash in hand</b>	238,302	26,186	–	–	–	264,488
Bank loans falling due within 1 year	(352,805)	(301,045)	–	(320,641)	–	(974,491)
Bank loans falling due greater than 1 year	(778,832)	–	–	320,641	–	(458,191)
Other loans falling due within 1 year	(21,951)	18,750	–	(23,170)	–	(26,371)
Other loans falling due greater than 1 year	(53,049)	–	–	23,170	–	(29,879)
Shareholder loans falling due within 1 year	(400,685)	170,822	–	–	–	(229,863)
Lease liabilities falling due within 1 year	(447,200)	692,193	–	(333,339)	(436,062)	(524,408)
Lease liabilities falling due greater than 1 year	(5,036,524)	–	–	333,339	–	(4,703,185)
<b>Total debt</b>	<b>(7,091,046)</b>	<b>580,720</b>	<b>–</b>	<b>–</b>	<b>(436,062)</b>	<b>(6,946,388)</b>
<b>Net debt</b>	<b>(6,852,744)</b>	<b>606,906</b>	<b>–</b>	<b>–</b>	<b>(436,062)</b>	<b>(6,681,900)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	At 29 June 2020 £	Cash flows £	Acquisitions £	Reclass long term to short term	Non cash movement £	At 27 June 2021 £
<b>Cash in hand</b>	264,488	12,265,903	657,088	–	–	13,187,479
Bank loans falling due within 1 year	(974,491)	106,158	–	(555,411)	–	(1,423,744)
Bank loans falling due greater than 1 year	(458,191)	1,290,523	(4,943,363)	555,411	300,000	(3,255,620)
Other loans falling due within 1 year	(26,371)	21,342	(115,000)	(29,879)	115,000	(34,908)
Other loans falling due greater than 1 year	(29,879)	–	–	29,879	–	–
Shareholder loans falling due within 1 year	(229,863)	229,863	–	–	–	–
Lease liabilities falling due within 1 year	(524,408)	744,081	–	(1,671,364)	11,166	(1,440,525)
Lease liabilities falling due greater than 1 year	(4,703,185)	–	(9,430,804)	1,671,364	–	(12,462,625)
<b>Total debt</b>	<b>(6,946,388)</b>	<b>2,391,967</b>	<b>(14,489,167)</b>	<b>–</b>	<b>426,166</b>	<b>(18,617,422)</b>
<b>Net debt</b>	<b>(6,681,900)</b>	<b>14,657,870</b>	<b>(13,832,079)</b>	<b>–</b>	<b>426,166</b>	<b>(5,429,943)</b>

### 29. PENSION COMMITMENTS

	52 weeks ended 27 June 2021 £	52 weeks ended 28 June 2020 £
Pension cost	35,292	28,941

The following contributions were payable to the fund and are included in creditors:

	27 June 2021 £	28 June 2020 £
Pension contributions payable	15,500	37,107

### 30. RELATED PARTY TRANSACTIONS

Related parties are considered to be the Directors of Nightcap plc, The Cocktail Club and Adventure Bar Group and significant shareholders. Transactions with them are detailed below:

	27 June 2021 £	28 June 2020 £
Purchase of inventories	–	2,175
Consultancy Fees	12,000	12,000
Interest charges on loans	–	–
	12,000	14,175

The companies listed below are deemed to be related parties due to having common shareholders with the Company. These transactions are split by related party as follows:

	27 June 2021 £	28 June 2020 £
CGCC Limited	–	2,175
PAF Ventures Limited	12,000	12,000
	12,000	14,175

Amounts owed/(receivable) to related parties were as follows:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONTINUED

	27 June 2021	28 June 2020
	£	£
CGCC Limited	–	117,835
PAF Ventures Limited	–	6,820
John J Goodman	–	1,332
Raymond R A Blanc	–	50,279
Sarah Willingham	–	50,284
	–	226,550

In May 2020, Mark Ward subscribed for 5,470,870 new ordinary shares in the Company, representing an amount of £1,258,300 at an issue price. At that point in time, Mr Ward held more than 10 per cent. of the Company's ordinary shares, so this subscription by him was deemed to be a related party transaction pursuant to rule 13 of the AIM Rules for Companies.

### 31. BUSINESS COMBINATIONS

On 14 May 2021, Nightcap plc acquired 100% of the shares of +Venture Battersea Limited, Adventure Bars Mid Limited and Adventure Bars Luna Digbeth Ltd (together referred to as "Adventure Bar Group"), for the total consideration of £3,533,476. Upon completion of the acquisition, Nightcap became the operator of an additional nine bars. The bars acquired were seven established themed bars located in popular London locations, a large outdoor bar, food and entertainment venue in Birmingham, a bar site which opened in Birmingham on 17 May 2021.

The acquired business contributed revenues of £2,381,381 and profit after tax of £216,043 (in accordance with IFRS) to the consolidated Group for the period from 14 May 2021 to 27 June 2021.

The values identified in relation to the acquisition are provisional as at 27 June 2021.

	Book Value	Fair Value	Fair Value
	£	Adjustments	£
	£	£	£
Property, plant and equipment	1,384,960	–	1,384,960
Intangible assets	136,540	2,982,000	3,118,540
Right-of-use assets	9,430,804	–	9,430,804
Inventories	232,369	–	232,369
Receivables	393,618	–	393,618
Cash	657,088	–	657,088
Payables	(2,911,479)	–	(2,911,479)
Bank loans and borrowings	(5,058,363)	–	(5,058,363)
Lease liabilities	(9,430,804)	–	(9,430,804)
Provisions	(150,054)	–	(150,054)
Deferred tax liability	(139,543)	(566,580)	(706,123)
<b>Total net assets acquired</b>	<b>(5,454,864)</b>	<b>2,415,420</b>	<b>(3,039,444)</b>

	£
Fair value of consideration paid	
– Cash paid to vendor	–
– Initial Consideration Shares issued	1,190,476
– Contingently issuable ordinary shares	2,343,000
<b>Acquisition date fair value of the total consideration transferred</b>	<b>3,533,476</b>
<b>Goodwill (Note 13)</b>	<b>6,572,920</b>

The Company settled the initial consideration by the issue of 4,761,905 new Ordinary Shares as initial consideration with a fair value of £1,190,476.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONTINUED

Further deferred consideration (the "Earn Out Consideration") may be paid to the Vendors.

The contingent consideration to be settled in new ordinary shares is dependent on the level of growth in certain of Adventure Bar Group's bars' adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) over an up to two-year period commencing on 1 July 2021. In the event of the target being achieved, the Company is obliged to issue up to a maximum 7,142,856 million new ordinary shares to the vendors. The fair value of the contingent consideration has been estimated based on a Monte-Carlo option pricing model which derives a future share price using assumptions including the Group's future profitability, the Company's share price and probabilities on achieving the likely target and the timing of the issue of the shares.

The main factors leading to the recognition of goodwill are:

- The expected future benefit the Group expects from the roll out and growth of the existing sites
- The presence of certain intangible assets, such as the assembled workforce of the acquired entity, which do not qualify for separate recognition
- cost savings and synergies through better buying and enhancing the customer offering, which result in the Group being prepared to pay a premium, and
- The fact that a lower cost of capital is ascribed to the expected future cash flows of the entire operation acquired than might be to individual assets.

The goodwill recognised will not be deductible for tax purposes.

Acquisition costs of £311,021 arose as a result of the transaction. These have been recognised included as exceptional items as part of administrative expenses in the statement of comprehensive income.

## 32. LEGAL ENTITIES

The following table presents the investments in which the Group owns a portion of the nominal value of any class of share capital:

Direct Subsidiary Holding	% Owned	Nature of Business
London Cocktail Club Limited	Ordinary 100%	The development, operation and management of individually themed cocktail bars
+Venture Battersea Limited	Ordinary 100%	The development, operation and management of individually themed bars
Adventure Bars Mid Limited	Ordinary 100%	The development, operation and management of individually themed bars
Adventure Bars Luna Digbeth Limited	Ordinary 100%	The development, operation and management of individually themed bars
Indirect Subsidiary Holding	% Owned	Nature of Business
The Craft Cocktail Company Limited	Ordinary 100%	Operation and management of cocktail bars
London Cocktail Club Trading Limited	Ordinary 100%	Dormant
London Cocktail Events Limited	Ordinary 100%	Dormant
The London Cocktail School Limited	Ordinary 100%	Dormant
The Craft Cocktail Club Limited	Ordinary 100%	Dormant
Adventure Bars Group CHS Limited	Ordinary 100%	The development, operation and management of individually themed bars
Adventure Bars Waterloo Limited	Ordinary 100%	The development, operation and management of individually themed bars
Waterloo Sunset Limited	Ordinary 50%	The development, operation and management of individually themed bars
Barworks (Electric) Limited	Ordinary 100%	The development, operation and management of individually themed bars

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 33. POST BALANCE SHEET EVENTS

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Subsequent to the year end, The Cocktail Club has entered into agreements for leases on three premises in the City of London, Bristol and Reading, with all three due to open by the end of 2021.

# COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 27 JUNE 2021

	Note	27 June 2021 £
<b>Non-current assets</b>		
Investments	5	9,655,419
<b>Total non-current assets</b>		9,655,419
<b>Current assets</b>		
Trade and other receivables	6	3,746,228
Cash and cash equivalents		9,311,748
<b>Total current assets</b>		13,057,976
<b>Total assets</b>		22,713,395
<b>Current liabilities</b>		
Trade and other payables	7	(2,709,144)
<b>Total current and total liabilities</b>		(2,709,144)
<b>Net assets</b>		20,004,251
Called up share capital	8	1,854,752
Share premium	8	19,267,483
Share based payment reserve		216,230
Retained earnings		(1,334,214)
<b>Total equity</b>		20,004,251

The financial statements on pages 75 to 80 were approved and authorised for issue by the Board and were signed on its behalf by:

**Toby Rolph**  
Chief Financial Officer  
12 November 2021

**Sarah Willingham**  
Chief Executive Officer

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE 40 WEEKS ENDED 27 JUNE 2021

	Called up share capital £	Share premium £	Share based payment reserve £	Retained earnings £	Total attributable to equity holders of parent £
Issue of ordinary shares	398,800	845,200	–	–	1,244,000
Issue of shares – IPO	400,000	3,600,000	–	–	4,000,000
Transaction fees related to issue of shares	–	(628,588)	–	–	(628,588)
Issue of shares on acquisition – The Cocktail Club	553,788	4,984,096	–	–	5,537,884
Issue of shares on acquisition – Adventure Bar Group	47,619	1,142,857	–	–	1,190,476
Issue of shares – placing shares	434,783	9,565,217	–	–	10,000,000
Transaction fees related to placing shares	–	(636,537)	–	–	(636,537)
Issue of shares – debt conversion	19,762	395,238	–	–	415,000
Share based payments and related deferred tax recognised directly in equity	–	–	216,230	–	216,230
<b>Total transactions with owners recognised directly in equity</b>	<b>1,854,752</b>	<b>19,267,483</b>	<b>216,230</b>	<b>–</b>	<b>21,338,465</b>
Total comprehensive expense for the 40 week period	–	–	–	(1,334,214)	(1,334,214)
<b>At 27 June 2021</b>	<b>1,854,752</b>	<b>19,267,483</b>	<b>216,230</b>	<b>(1,334,214)</b>	<b>20,004,251</b>



# NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 40 WEEKS ENDED 27 JUNE 2021

## 1. GENERAL INFORMATION

Nightcap plc ("the Company") is incorporated and registered in England and Wales with company number 12899067. The registered address of the Company is c/o Locke Lord (UK) LLP, 201 Bishopsgate, London, EC2M 3AB.

The Company was incorporated on 23 September 2020 and was admitted to trading on the AIM market on 13 January 2021.

The Company is a public company limited by shares whose shares are publicly traded on the Alternative Investment Market ("AIM") of the London Stock Exchange.

The principal activity of the Company and the nature of the Company's operations is as a holding entity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies is set out below. These have been applied consistently in the Financial Statements.

### 2.1. Basis of preparation of financial statements

The Financial Statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) as issued in August 2014 and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention. The financial statements are presented in pounds sterling ('£') except where otherwise indicated.

The Company is a qualifying entity for the purposes of FRS 102, as it prepares publicly available consolidated financial statements, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The Company has therefore taken advantage of the exemptions from the following disclosure requirements in FRS 102:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flows and related notes and disclosures;
- Section 11 'Basic Financial Instruments' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument not measured at fair value through profit or loss, and information that enables users to evaluate the significance of financial instruments;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The parent company has not presented its own income statement, statement of total comprehensive income and related notes as permitted by section 408 of the Companies Act 2006.

These financial statements present information about the Company as an individual entity and not about its Group.

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

### 2.2. Going concern

The Directors have concluded that it is appropriate for the financial statements to be prepared on the going concern basis (see Note 2.2 to the consolidated financial statements).

### 2.3. Investments

Investments held as fixed assets are stated at cost less provision for any impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

### 2.4. Trade and other receivables

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

### 2.5. Financial instruments

The Company enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, and loans from banks and other third parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest rate method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### **2.6. Trade and other payables**

Short-term creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method.

### **2.7. Current and deferred taxation**

The tax expense for each reporting period comprises current and deferred tax.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same tax authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **2.8. Related party transaction**

The Company discloses transactions with related parties which are not wholly owned within the Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Company Financial Statements.

## **3. INFORMATION INCLUDED IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Some of the information included in the notes to the consolidated financial statements is directly relevant to the financial statements of the company. Please refer to the following:

Note 7 – auditors' remuneration

Note 25 – Share based payments

Note 30 – Related party transactions

Note 33 – Post balance sheet events

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### CONTINUED

#### 4. STAFF COSTS

Nightcap plc has no employees other than the Directors. Details of Directors emoluments are disclosed in the Remuneration Committee Report on pages 28 and 29 and in Note 8 to the notes to the consolidated financial statements.

#### 5. INVESTMENTS

The operating profit is stated after charging/ (crediting):

	Investments £
Share for share exchange - The Cocktail Club including cash consideration of £584,059	6,121,943
Acquisition of Adventure Bar Group	3,533,476
<b>At 27 June 2021</b>	<b>9,655,419</b>

The additions in the period reflect the share for share exchange by which Nightcap plc acquired the entire issued share capital of The Cocktail Club (see Note 4 to the consolidated financial statements) and the acquisition of Adventure Bar Group (see Note 31 to the consolidated financial statements).

The Company's subsidiary undertakings are shown in Note 32 to the Consolidated Financial Statements.

#### 6. TRADE AND OTHER RECEIVABLES

	27 June 2021 £
<b>Included within Current assets</b>	
Deferred tax asset	207,000
Amounts due from Group companies	3,484,696
VAT receivable	37,283
Other receivables	12,615
Prepayments and accrued income	4,634
	<b>3,746,228</b>

Amounts due from Group companies are repayable on demand and are non-interest bearing.

The deferred tax asset arises primarily from unutilised losses and timing differences on the share based compensation expense.

#### 7. TRADE AND OTHER PAYABLES

	27 June 2021 £
Trade payables	36,599
Other payables	2,343,000
Accruals and deferred income	329,545
	<b>2,709,144</b>

Other payables of £2,343,000 is in respect of contingent deferred consideration relating to the Adventure Bar Group acquisition.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

### 8. CALLED-UP SHARE CAPITAL

	27 June 2021 £
Allotted, called up and fully paid ordinary shares	1,854,752

	27 June 2021 Number
A Ordinary share of £0.001 each	-
Ordinary shares at £0.01 each	185,475,192

The table below summarises the movements in share capital for Nightcap plc during the period ended 27 June 2021:

	Ordinary Shares Number of shares	Ordinary Shares £0.01 Nominal Value £	Ordinary Shares Share Premium £
At date of incorporation - 23 September 2020	2	0	-
Shares issued - 2 October 2020	24,999,999	250,000	250,000
Shares issued - 11 November 2020	14,880,000	148,800	595,200
Shares issued - 13 January 2021 on IPO	40,000,000	400,000	3,600,000
Transaction costs in connection with IPO	-	-	(628,588)
Share for share exchange - The Cocktail Club 13 January 2021	55,378,837	553,788	4,984,096
Shares issued in connection with Adventure Bar Group acquisition - 14 May 2021	4,761,905	47,619	1,142,857
Shares issued in connection with debt conversion - 14 May 2021	1,976,190	19,762	395,238
Shares issued in placing - 14 May 2021	22,437,502	224,375	4,936,250
Shares issued in placing - 3 June 2021	21,040,757	210,408	4,628,967
Transaction costs in connection with share placement	-	-	(636,537)
<b>At 27 June 2021</b>	<b>185,475,192</b>	<b>1,854,752</b>	<b>19,267,483</b>

### 9. EQUITY

The Company's Equity comprises the following:

#### Called-up share capital

Called-up share capital represents the nominal value of the shares issued.

#### Share premium account

The share premium account records the amount above the nominal value received for shares sold.

#### Share based payment reserve

The share option reserve represents the cumulative amounts charged to profit in respect of employee share option arrangements where the scheme has not yet been settled by means of an award of shares to an individual.

#### Retained earnings

Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

# RECONCILIATION OF STATUTORY RESULTS TO ALTERNATIVE PERFORMANCE MEASURES (“APMS”)

	Notes	52 weeks ended 27 June 2021 £	52 weeks ended 28 June 2020 £
<b>Loss from operations</b>		(4,888,900)	(279,038)
Exceptional items	11	713,598	3,989
Share based payment charge	24	3,823,642	–
<b>Adjusted loss from operations</b>		(351,660)	(275,049)
Depreciation and amortisation (pre IFRS 16 right of use asset charge)		618,544	479,655
IFRS 16 Right of use asset depreciation		691,192	559,339
<b>Adjusted EBITDA (IFRS 16)</b>		958,076	763,945
IAS 17 Rent charge		(777,042)	(692,193)
<b>Adjusted EBITDA (IAS 17)</b>		181,034	71,752



# COMPANY INFORMATION

## DIRECTORS

Gareth Edwards  
Sarah Willingham  
Toby Rolph  
Michael Toxvaerd  
Thi-Hanh Jelf  
Lance Moir  
Tobias van der Meer

## COMPANY SECRETARY

Toby Rolph

## REGISTERED NUMBER

12899067

## REGISTERED OFFICE

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NIGHTCAP