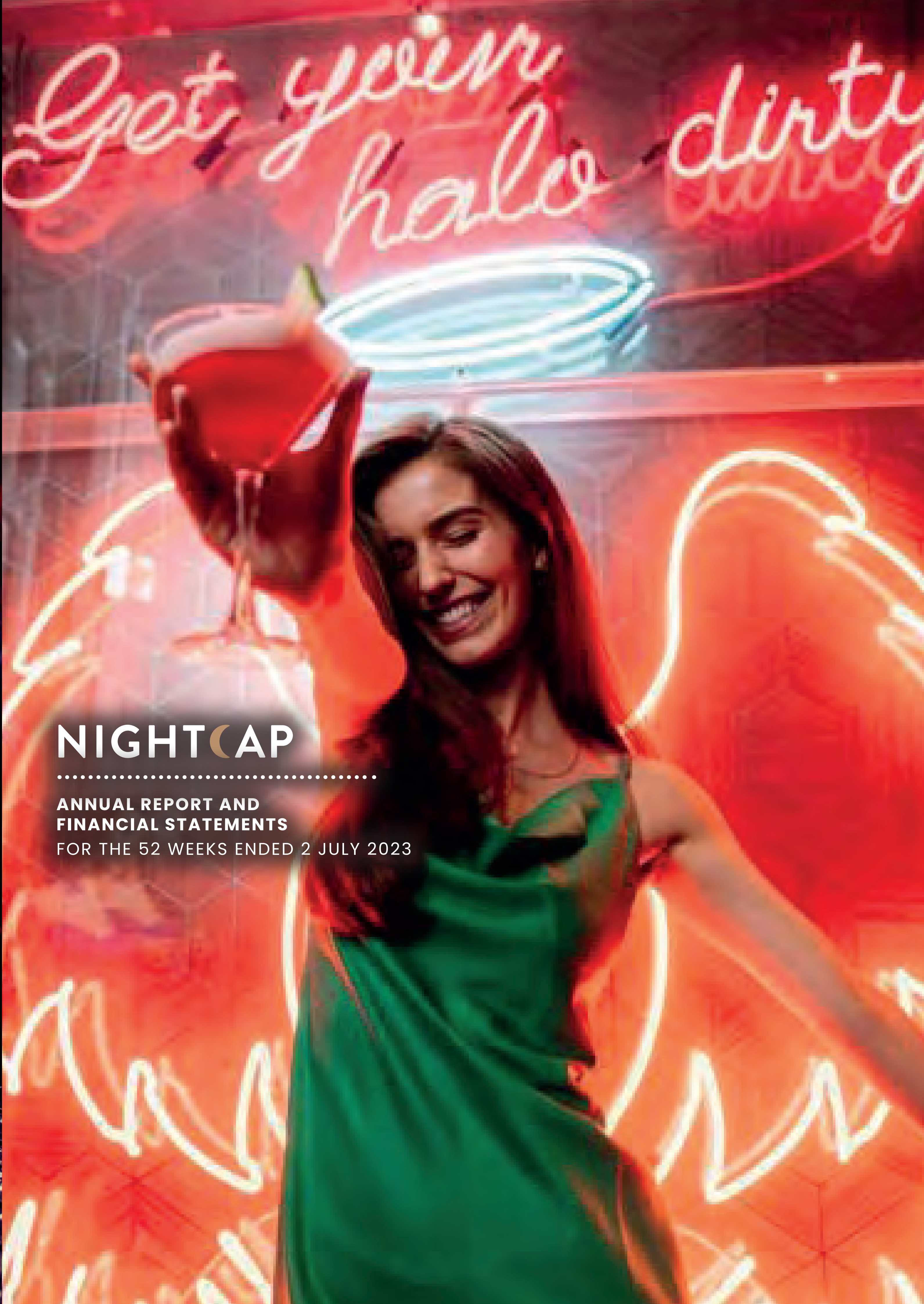
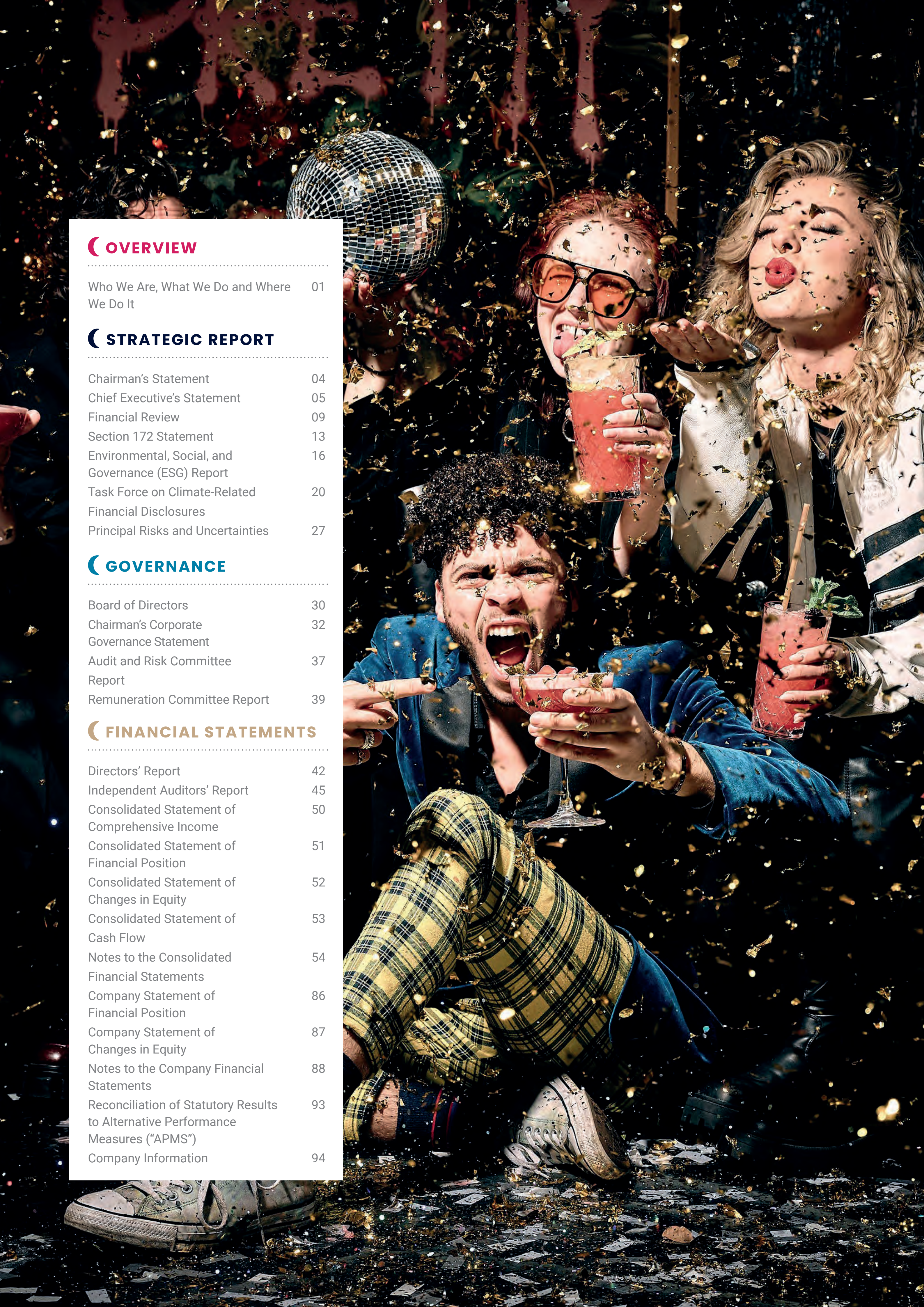


NIGHTCAP

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2023

NIGHTCAP PLC ANNUAL REPORT 2023



OVERVIEW

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GOVERNANCE

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WHO WE ARE

Nightcap plc is well on its way to becoming the leading operator of premium bars in the UK through rapid organic growth and the acquisition of scalable late night bar concepts with innovation at their core. Established during the COVID-19 pandemic, Nightcap took advantage of the significant disruption to the sector at the time and now operates 46 bars across the UK, in a market ripe for consolidation.

The Company will continue to take advantage of the current exceptional opportunity to acquire and grow 'drinks-led' hospitality concepts that focuses on the consumers' social experience. The market for suitable and well priced properties remains strong, with the balance of power having shifted from landlord to tenant in recent years. The Board believes that there is scope to grow from 46 to more than 150 sites during its next phase of growth. The Company has developed a cluster model, where several brands can exist almost side by side in city centres across the country without risk of dilution due to the differentiated curated events and experiences offered by the different brands. This has been a proven success in a number of cities across the UK from Bristol to Birmingham and back to some parts of London where multiple Nightcap brands flourish next to each other.

The Company's Millennial and Gen Z target customers are generations with an increasingly fast-paced lifestyle - they are seeking 'experiential' ways to fill their leisure time, favouring concepts that offer new and immersive nights outs. Guests have become more discerning than ever and they are actively seeking individually themed sites that use the highest quality ingredients to produce innovative and outstanding drinks, all served in fun and exciting environments with a promise of a truly memorable night out. Nightcap is perfectly placed to fulfil this demand. These generations make most of their decisions online and switch seamlessly between offline and online experiences. As a result there is a significantly increased obligation on hospitality companies to connect these two worlds. Nightcap is prioritising investment in systems and digital platforms to connect our loyal customers, living in our cluster cities, to the best, most timely offers, events and experiences offered across the Nightcap portfolio.

Led by entrepreneur and ex BBC Dragon Sarah Willingham, Nightcap has built a team of some of the most talented people 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

The Cocktail Club has earnt its reputation as a pioneer of the cocktail bar scene, carving out their own niche early on. The Cocktail Club has 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.

Co-founded in 2010 by winner of the World's Best Bartender JJ Goodman, The Cocktail Club now operates 16 bars – ten in London and a number across the south-west (Reading, two in Bristol, Exeter, Cardiff and Birmingham).

The Cocktail Club ethos is simple - everybody deserves to be able to let go and 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 behind and party like nobody's watching. No pretention, no judgment, just pure party vibes.

Known 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 great cocktails. 2023 has seen them cement their USPs even further, with their recognisable displays of lamp swinging and ice throwing seen increasingly outside of London. Our bartenders believe in providing unforgettable experiences in a unique environment that guests will talk about for years to come.

It may look like one big party but it's the science behind the madness that sets our bartenders apart from the rest. Focusing on world class drinks development, meticulously curated playlists, 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 locations. Whilst the décor may differ, one thing that remains consistent across all sites is the outrageously high standard of the drinks, music, training and service.

The Cocktail Club became part of the Nightcap portfolio in January 2021.

ADVENTURE BAR GROUP

Adventure Bar Group is one of the most dynamic bar companies in London, which now also operates in several locations across the country. After 15+ years the Adventure Bar Group has built an extremely successful portfolio of bars in the bustling areas of Covent Garden, Waterloo, Shoreditch, Clapham, Birmingham, Cardiff, Bristol and Liverpool. As well as expanding the portfolio of bars, Adventure Bar Group has built on its success with two large outdoor venues, Luna Springs in Birmingham and Bar Elba in Waterloo.

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 Instagram world by storm with their infamous neon sign "Well Behaved Women Don't Make History", now recognisable across the UK.

Famous for their outstanding sold-out brunch events, including: Britney Bottomless Brunch, Mamma Mia Bottomless Brunch and more recently Cosmic Disco.

Adventure Bar Group is constantly tapping into 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 seen by many as some of the best in the UK.

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

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 and Blame Gloria, throughout cities across the UK.

BARRIO FAMILIA GROUP

Barrio was founded in 2007 with the aim of bringing a slap of Latino attitude to the London bar scene. The first Barrio opened in Angel in 2007 and the concept proved to be a resounding success with Barrio bringing its vibrant mix of sights, sounds and colours to Soho, Shoreditch and Brixton soon afterwards.

Nightcap acquired Barrio Familia group in November 2021 which included the four Latino-inspired Barrio sites in addition to Disrepute, a 60s inspired member's bar in Kingly Court, Soho. Disrepute is for the sophisticated, discerning cocktail drinker – it is consistently in the top 50 cocktail bars in the UK (currently number 12) and is nestled away in what was formerly 'the Kingly Club', famous for its involvement in the Profumo affair scandal.

Barrio Familia fits the same mould as the other groups within the Nightcap estate – offering a top quality party style atmosphere, carefully curated entertainment events with a vibrant cocktail menu at its core. It is known for its flamboyant interiors, great food, outstanding margaritas and tacos and guaranteed party atmosphere!

DIRTY MARTINI

Dirty Martini is a leading UK cocktail bar brand, known for its bespoke cocktail menu specialising in martinis, spirited atmosphere, brunch and its happy hours. The Dirty Martini offers an environment which operates successfully at brunch, after work, through a popular happy hour, and late into the night. Dirty Martini has a complementary food offering that has been specifically tailored to be served alongside its signature drinks.

With their mix of Martini cocktails and popular mini burgers and chicken slider birdcages, Dirty Martini has created a great relaxing atmosphere to enjoy corporate and private events. This is often followed by a DJ led party atmosphere, ending in selfies taken by groups of friends in front of the signature angel wings, epitomising the Dirty Martini night out.

Dirty Martini currently operates sites in sought-after locations in the UK, including existing Nightcap cluster cities across London, Birmingham, Bristol, and Cardiff, as well as taking the group into Leeds and Manchester, two new target cities with extensive potential for additional roll-out.

Nightcap acquired Dirty Martini in June 2023 and considers that Dirty Martini has significant potential for further roll-out in key identified cities and clusters.

WHERE WE DO IT

NIGHTCAP PLC

THE COCKTAIL CLUB
16 cocktail bars

1. Goodge Street
2. Shaftesbury Avenue
3 Oxford Circus
4. Shoreditch
5. Monument
6. Liverpool Street
7. Bristol, Triangle West
8. Old Street
9. Clapham High Street
10. Bristol, Corn Street
11. Queen Victoria Street
12. Reading, Gun Street
13. Exeter, Gandy Street
14. Cardiff, St Mary Street
15. Birmingham, Temple Street
16. Canary Wharf, Cabot Street

ADVENTURE BAR GROUP
13 bars

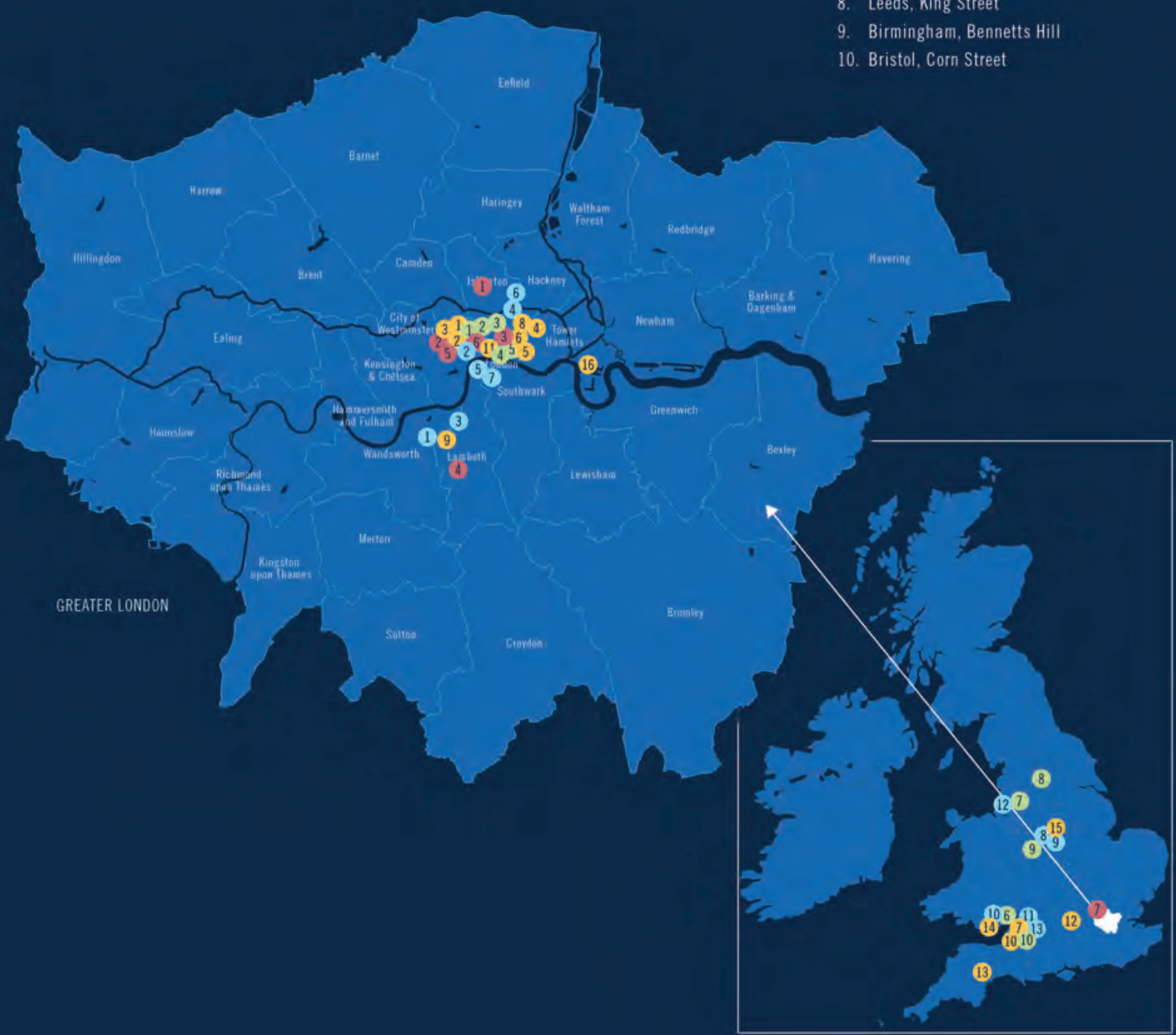
1. Blame Gloria, Clapham Junction
2. Blame Gloria, Covent Garden
3. Tonight Josephine, Clapham High Street
4 The Escapologist, Covent Garden
5. Tonight Josephine, Waterloo
6a. Tonight Josephine, Shoreditch
6b. Nikki's Bar, Shoreditch
7. Bar Elba, Waterloo
8. Luna Springs, Birmingham
9. Tonight Josephine, Birmingham
10. Tonight Josephine, Cardiff, Caroline Street
11. Blame Gloria, Bristol, Small Street
12. Tonight Josephine, Liverpool, Hanover Street
13. Tonight Josephine, Bristol, Baldwin Street

BARRIO
7 bars

1. Barrio Angel, Essex Road
2. Barrio Soho, Poland Street
3. Barrio Shoreditch, Shoreditch High Street
4 Barrio Brixton, Acre Lane
5. Disrepute Soho, Kingly Court
6. Barrio Covent Garden, Covent Garden
7. Barrio Watford, Watford

DIRTY MARTINI
10 bars, 1 restaurant

1. Tuttons Brasserie, Russell St.
2. Covent Garden, Russell St.
3. Bishopsgate, Bishopsgate
4. Monument, Lovat Lane
5. St Paul's, Wood Street
6. Cardiff, St Mary Street
7. Manchester, Peter Street
8. Leeds, King Street
9. Birmingham, Bennetts Hill
10. Bristol, Corn Street



STRATEGIC REPORT

CHAIRMAN'S STATEMENT

Since our last annual report, Nightcap has continued to grow both organically and by acquisition. Sarah and her excellent team have integrated the different businesses, optimising their unique characters and streamlining the efficiency of the business operations behind the innovative cocktails and the magnetic social experiences. In keeping with our strategy, I am extremely pleased we have acquired the Dirty Martini chain of bars over the summer of 2023.

Everyone in the hospitality sector breathed a sigh of relief as the strictures imposed by COVID were relaxed. Unfortunately, the respite was short lived as it was quickly followed by a seemingly endless run of transport strikes, rapid inflation and a "cost of living crisis". The longer-term effects of COVID have changed the way people manage their working week and impacted our traditional trading patterns. The COVID years have made us more flexible and creative. Sarah and the wider executive team at Nightcap have shown exceptional leadership to navigate through the continuing uncertainties. I am pleased that, despite the challenges and uncertainties that have been thrown at us, we have continued to focus on the growth opportunities of the business.

Our medium-term focus continues to be on growth, however having made several significant acquisitions in the last couple of years, a lot of attention, time and energy has been put into their integration into the Nightcap family and making sure the economies of scale, that can be achieved from a larger commercial base, are realised. Those advantages will be seen in the short term, but the longer-term benefits of creating a platform that make future expansion easier, faster and more efficient are even more exciting.

Our senior management have identified a number of new sites that will enhance our geographical reach as well as scanning the horizon for potential acquisitions that will add value and strength to the existing Nightcap portfolio. In light of the difficult trading environment and the UK's uncertain economic outlook, the Board is continuing to approach both organic growth and potential acquisition opportunities with caution. The Board continues to be mindful of the importance of immediate cash and profit generating capabilities of such acquisitions, as well as any new brands being in harmony with the existing Nightcap portfolio.

It is a continuing theme, with good reason, that we continue to invest in, and prioritise, our staff (both in recruitment and training). Our people are the core of our business. They create the welcome and experience that our customers enjoy and that keeps them coming back. Last year we launched the Nightcap Bar Academy to provide in-depth training and improve skills. This has proved to be such a success that further resource is being directed towards it.

I have no doubt that Sarah and the senior management team have all the skills and personal attributes to overcome the challenges ahead. Sarah, our CEO continues to build a strong, cohesive and focused team to power the business on to new and exciting prospects. I am very pleased with the Group's performance and expect the long-term growth to continue in establishing Nightcap as one of the leading bar businesses in the UK.

Gareth Edwards
Chairman

CHIEF EXECUTIVE'S STATEMENT

INTRODUCTION

I am pleased to present another year of significant growth for Nightcap plc, despite the painful ongoing impact of train strikes. These audited results for the 52 weeks to 2 July 2023 represent Nightcap's second full year of trading.

When we founded Nightcap less than three years ago we didn't expect to be so far ahead of our plan in such a short space of time. At Nightcap we believe that everyone deserves a great night out and with this belief at our core, we are fast becoming one of the UK's leading bar groups. The activities undertaken during the year saw us taking several steps to get closer to achieving our goals.

To be closing the financial year with the impressive acquisition of Dirty Martini, bringing our total number of bars to 46 is an incredible achievement. I'm immensely grateful to our teams who continue to work tirelessly and brilliantly amidst the backdrop of a tough trading environment caused mainly by challenging economic conditions and the ruthless continuation of train strikes, targeted to cause maximum damage to businesses across the country. I am impressed by how our teams have embraced the many internal changes from our rapid growth.

During the year, we grew our revenue by 29% from £35.9 million to £46.4 million whilst increasing the number of bars we operate from 31 to 46. The strong growth during the year is once again driven by our continued focus on both new site openings for our core brands alongside the addition of complementary acquisitions. The majority of growth in the number of sites came towards the end of the financial year, leaving significant additional annualised revenue from those bars to be achieved in the current year.

In June 2023, we welcomed Dirty Martini to the Group, which included ten Dirty Martini branded bars and the Tuttons French bistro restaurant located in Covent Garden. These final results therefore include Dirty Martini's results for three weeks. Dirty Martini was acquired out of administration and I am very pleased with how quickly the business has been integrated, considering the complexity of the acquisition. We are delighted with how Dirty Martini has settled into the Nightcap family alongside our The Cocktail Club, Tonight Josephine, Blame Gloria and Barrio brands. We are excited to continue our focus on rolling out these brands alongside our continued search for additional acquisitions that will complement our journey to become the UK's leading bar group.

Throughout the year we have relied on the support and loyalty of our rapidly expanding group of customers and without them our significant growth simply would not have been possible. For the first time in years they managed to enjoy unrestricted social nights out with friends and loved ones in the safe and fun environments that we continue to offer, only disrupted by the ongoing rail strikes. Once again I would like to take this opportunity to thank our guests for welcoming our brands into their towns and cities across the UK, as we continue our expansion. What makes our industry so great and why so many of us are drawn to it, is the fun and the joy brought by our staff and our customers to create memorable magic moments across our 46 bars. When our bars are busy, filled with people enjoying themselves, there is simply no better place to be.

LIKE-FOR-LIKE GROWTH

Whilst like-for-like* growth is becoming an increasingly difficult measure to rely on, due to the significant changes in the macro environment caused by the aftermath of COVID-19, rail strikes, inflation, energy prices and higher interest rates leading to a cost of living crisis, we have tried to give some measure of the Company's financial performance during the period.

On the back of record breaking like-for-like growth in 2022 of 23.6% we saw like-for-like revenue growth normalise in 2023 through a 12.5% decline. As a result overall like-for-like revenue remains ahead of 2019. The main driver of the reduction in like-for-like revenue growth for the year was by far the impact of the ongoing rail strikes. There were a total of 28 strike days in the financial year, mostly targeting holiday periods and pay day weekends to ensure they cause as much damage to the hospitality sector as possible. In total we estimate that £2.9 million** in revenue and £1.9 million** in company EBITDA (IAS 17) was lost during the strike days and so had the biggest impact on the like-for-like revenue growth during the year. We do not believe that Nightcap will be in a position to reach its fullest trading potential until the industrial action has been settled.

ENTERTAINMENT AND DIGITAL

During the previous financial year our major focus was developing our successful pre-sold daytime events such as "bottomless brunches" and transferring them across the rest of our bars, where relevant. This was done very successfully in order to maximise utilisation of our properties during times when our bars are otherwise not trading. This year we have focussed on ensuring that all events align with the individual brands and their audiences, to optimise how we continue to market events to each brand's loyal customer base.

As part of our strategic direction it is clear to us that entertainment, experiences and events are becoming a significantly more important factor when our Millennial and Gen Z customers decide how to curate their nights out. During the year 48% of our revenue came from pre-sold or pre-booked events and parties. As a result, understanding the digital journey customers go through to reach their decisions is becoming the heartbeat of how we fill our venues every night. Whether it relates to becoming an important part of that special birthday party, or the once in a lifetime hen do, the decisions are made digitally and they are made in advance.

At Nightcap we have decided to make digital a fundamental part of our investment programme, in terms of both people, resources and technology, to drive a deeper automated understanding of all of the touch points on our customers' journeys. We expect that when we reach our next level of capability and match digital to our already developing cluster operating model, we will gradually see an improved ability to offer relevant, targeted and diversified nights out for our customers across all of our brands wherever they live, study or work. As we make investments in technology and digital capabilities a core part of our approach over the coming three years, we expect to launch market leading customer centric technology to continue to bring new improved timely offers to a generation of customers who are expecting a seamless connection and interaction between their on- and offline experience.

ROLL-OUT

In the first half of the financial year we continued the roll out of our brands, opening a further six bars before the important Christmas period in 2022. As a result of the impact of rail strikes as well as the uncertainty for our customers caused by the cost of living crisis, we decided to slow down our roll-out programme. We are focussing on allowing Dirty Martini to settle into the Group, maximising returns from our existing business and newly opened sites and driving synergies and efficiencies across the enlarged Group. We plan to continue our roll out programme and have an exciting pipeline of sites to progress when market conditions improve.

CLUSTER MODEL

With the addition of Dirty Martini we consolidated our existing site clusters in Bristol (five bars), Cardiff (three bars), Birmingham (four bars) and parts of London such as Shoreditch (four bars), the City (five bars) and Covent Garden (four bars) all operating well within a short distance of each other enhancing the late night offering in the local city centre areas. We also acquired Dirty Martini sites in new northern locations Leeds and Manchester, adding to our first Tonight Josephine site in Liverpool, all cities with significant potential for us to build new clusters.

Bristol and Birmingham are both great examples of the potential for expansion using our diversified brand cluster strategy. In Birmingham we operate four bars and would expect to generate annualised revenue in excess of £8.5 million based on our budget for the 52 weeks ended 30 June 2024. In addition we have identified at least another three locations that would be suitable for Nightcap brands in Birmingham.

In Bristol, Nightcap currently operates five bars across The Cocktail Club, Tonight Josephine, Blame Gloria and Dirty Martini brands. We would expect to generate annualised revenue in excess of £6 million based on our budget for the 52 weeks ended 30 June 2024 and we have identified at least another two locations that would be suitable for Nightcap brands in Bristol.

As we break the Nightcap bars into clusters both inside and outside of London it becomes clear just how great the potential is for a multi-brand bar operator like Nightcap with dozens of cities being suitable for our multi-site operation. Nightcap has identified sites and cities using its cluster strategy and believes there is the opportunity to reach well above 150 sites across its existing brands during the next phase of growth.

We are excited to combine our multi brand cluster approach by taking significant steps to digitally connect our loyal and engaged consumers across our clusters, to provide them with fresh, innovative and differentiated ways of enjoying their best nights out with us wherever they live, study or work.

ACQUISITIONS UPDATE – DIRTY MARTINI

With the acquisition, on 9 June 2023, of Dirty Martini via a pre-pack acquisition out of administration, we continued to deliver on our ambition to create the leading bar group in the UK, consisting of the most loved brands and concepts, with the highest potential for roll-out across the country.

Dirty Martini is one of the leading cocktail bar brands in the UK. Known for its bespoke cocktail menu specialising in martinis, spirited atmosphere, brunch and its 'happy hours'. The Dirty Martini ethos is to create an environment which operates successfully at brunch, after work, through a popular happy hour, and into the night, very much in keeping with the ethos across the rest of the Nightcap brands.

With their mix of Martini cocktails and popular mini burgers and chicken slider birdcages, Dirty Martini has created a great relaxing atmosphere to enjoy corporate and private events. This is often followed by a DJ led party atmosphere, ending in selfies taken by groups of friends in front of the signature angel wings, epitomising the Dirty Martini night out.

The acquisition of Dirty Martini is in keeping with the Group's strategy of targeting millennial and Gen Z customers who are moving away from generic mid-market chains and sticky floored nightclubs, and are instead favouring late night bars where they can have a great time, drink high quality drinks and enjoy an experience-led, memorable, safe and fun night out in unique venues.

REVENUE GROWTH

The 29% increase in revenue from £35.9 million to £46.4 million represents another year of impressive revenue growth. Importantly, Dirty Martini was not acquired until 9 June 2023, so the Board anticipates significant annualised growth during this current financial year as the acquisition beds in and becomes a core part of the Nightcap Group. In addition to the acquisition and the new sites opened during the year, what is really exciting is the foundation of the well-defined brands that we have created, spread across clusters and locations with great additional potential. These are operated by our talented and engaged colleagues, working in inclusive and safe environments that allow them to grow as professionals and make hospitality a proper career path. Taking this triangle of brands, clusters and strong operations and overlaying a focus on experiences and a stronger digital journey across the Group is key to unlocking even more potential in each location, whilst we continue to look at both organic and acquisitive ways to continue our rapid expansion.

ECONOMIC CLIMATE

Nightcap was created during the COVID pandemic, a distressing time for the hospitality industry and before the roll out of the first vaccine, with an unprecedented opportunity ahead of us.

Lockdowns were followed by a period of significant downturn in the property market as a result of record closures and no demand for new openings. Nightcap took advantage and we successfully opened a string of highly attractive bar locations across the UK.

This was followed by inflation caused by post-COVID-19 supply chain disruption and was compounded by the war in Ukraine, and its impact on energy prices and interest rates. The resulting cost of living crisis and reduced consumer spending has impacted most hospitality businesses across the UK.

With inflation falling and energy prices, site fit out costs, supply chain costs and wage inflation coming under control, a more predictable trading environment was becoming visible only to be significantly disrupted by the ongoing rail strikes that started in June 2022 and have affected us for nearly every month of trading since. With a total estimated impact of £2.9 million** of lost revenue and £1.9 million** of lost company EBITDA (IAS 17) the impact is significant for Nightcap and debilitating for the industry as a whole.

We are well shielded from the increase in prices in our supply chain, with 90% of our sales being drinks sales. We have an excellent ongoing relationship with a small number of suppliers with annual fixed cost contracts. As we add more and more volume we see these prices decreasing and supplier led incentives improving.

We have continued our work to mitigate against the cost of energy, with the introduction of a sustainability consultancy partner and the objective of saving 20% from usage, combined with having fixed the majority of our utilities at a competitive rates. These actions along with our interest rate cap on the reference base rate (SONIA) fixed at 3% until August 2025, taken out as interest rates started to rise, ensure that we continue to effectively mitigate the impact of a number of these macro influences.

FINANCIAL POSITION

We started the year with net debt of £0.2 million (excluding IFRS 16 leases liabilities) which included cash of £5.4 million. A proportion of this cash was earmarked for capital expenditure on six new sites as we finalised our initial roll out programme.

Dirty Martini was acquired on 9 June 2023 out of administration as a pre-pack deal for a payment of £4.15 million with an additional £0.5 million due on successful assignment to Nightcap of certain sites, the completion of which was announced on 9 November 2023. The Group will make a further announcement in due course in relation to deferred consideration for the acquisition. The transaction was financed through the raising of £5 million of capital from existing and new investors. £2.65 million was raised as new convertible loan notes along with £2.35 million of new shares issued at 12 pence per share on the date of the transaction.

We continue our great relationship with HSBC where we are gradually paying down our £10 million facility. We ended the year with net debt of £4.0 million (excluding IFRS 16 leases and convertible loan notes) which includes £5.0 million of cash.

The current financial position, alongside the cash generation from operations, puts Nightcap in a good financial position as we continue to deliver on our promise to create the leading bar group in the UK over the coming years.

PEOPLE

With the recent acquisition of Dirty Martini, the Nightcap Group has expanded to include over 1,000 colleagues. A large majority of our workforce is comprised of individuals at the early stages of their careers, and we are committed to providing them with a clear path for growth within our business. Retention of talent in our industry is challenging, but we firmly believe that our people are at the core of our success and progress. Our rapid growth has made Nightcap an attractive workplace for top talent, and we have the privilege of working with exceptionally skilled individuals at all levels.

Investing in the training and development of our employees is a top priority. We have increased our efforts in this area, providing comprehensive training programs for trainers, leadership development opportunities for managers, and performance management strategies across the board. These initiatives are essential in order for us to achieve our goal of becoming the leading bar group in the UK. We are committed to offering the best parties, drinks, and music, as well as maintaining the highest standards of venue management nationwide. None of this would be possible without our deep commitment to developing the skills and talents of our workforce.

I would like to extend my gratitude to all of our dedicated and enthusiastic colleagues for another year filled with great fun, parties, and laughter, both for ourselves and our customers. Their hard work and spirit have truly made Nightcap a remarkable place.

Last year, we achieved a significant increase in the number of women working across our business, and our senior executive team now consists of 50% women. This year, the gender split across the entire business is approximately 47% women and 53% men. We are proud to have so many talented women shining in traditionally male-dominated roles within our industry. Furthermore, we are committed to embracing diversity in all its forms, including welcoming LGBTQ individuals and individuals from diverse religious and racial backgrounds. Nightcap will always be a home for anyone who wants to work with the best in the hospitality industry, offering a high-energy, rewarding, and fun environment.

To ensure the safety of both our staff and customers in our bars, we have launched the highly successful "Safer Together" campaign. This initiative, featured across national press, encourages people to stay together and look out for each other during nights out. As part of this campaign, all Nightcap bars now stock free spiking testing kits behind the bar, phone chargers for customers and our managers and staff have received training to identify and assist individuals who may find themselves alone or confused. We are dedicated to ensuring that everyone gets home safely after enjoying a great night out.

I am proud to announce the progress of our latest project, the harmonisation of contracts and terms of employment within the Nightcap group. This initiative not only safeguards the existing benefits enjoyed by our employees, but also establishes a fairer and more consistent organisational structure. In addition, we are excited to launch our new careers website, www.nightcapcareers.co.uk, which we believe will significantly enhance our retention, recruitment and hiring process.

Together, these accomplishments and initiatives should propel Nightcap forward as a leading force in the hospitality industry. We are honoured to have such a fantastic team supporting our mission, and we look forward to even greater success in the future.

SUSTAINABILITY

Nightcap is committed to continuing our work to reduce our carbon footprint and for the first time we will report against TCFD (Task Force on Climate-related Financial Disclosures) which sets out a more comprehensive range of initiatives than ever before, which we believe will eventually lead to best in class progress through our sustainability efforts. We continue to make good progress in the reduction of energy consumption, which, other than the purchase and sale of spirits, is the largest part of our carbon footprint. This includes working with our sustainability partner, who have installed energy consumption devices across the entire estate except for the recently acquired Dirty Martini venues. As consumption of alcohol is the largest component of our carbon footprint, we will continue to assess what steps can be taken to reduce or offset the impact of alcohol on our carbon footprint over the coming year.

CURRENT TRADING AND PROSPECTS

Due to the acquisition of Dirty Martini on 9 June 2023, only a few weeks prior to the beginning of the new financial year, we have been extremely busy, welcoming colleagues from the new sites, onboarding everyone into the Nightcap way of working. We have finalised the assignment of all the Dirty Martini leases except for one unprofitable Dirty Martini site at Hanover Square which, due to unreasonably high rent, had not operated profitably for a long time. This site was handed back on 13 October 2023. After positive discussion relating to the future of the Tuttons and Dirty Martini sites in Covent Garden, we have agreed a new lease of up to three years on more attractive commercial terms, which leaves Nightcap with a total of 46 bars.

Trading in the first 13 weeks of the new financial year (period to 1 October 2023) has been adversely impacted by September's record warm weather, the ongoing cost of living crisis and significant train strikes deliberately targeting payday weekends to cause maximum damage. Warm weather in September (which reduced the demand for socialising in basement bars) led to record weeks at our outdoor venues, Bar Elba and in particular Luna Springs, which had its strongest summer yet, as customers enjoyed our large outdoor spaces.

Unaudited Group revenue was £14.7 million for the 13-weeks ended 1 October 2023 ("Q1 FY2024") resulting in a 42.7% increase compared to Group revenue of £10.3 million for the equivalent period in FY2023. Revenue for this 13-week period represents a 16.7% like-for-like* decrease compared to the equivalent period for FY2023, mostly caused by additional rail strikes and extremely warm weather throughout September.

Whilst trading in October 2023 has continued on the same trend as Q1 FY2024, we are focussing on the important Christmas period. Christmas bookings and enquiries across the whole estate including Dirty Martini are in line with the strong 2022 Christmas period.

The Board remains cautious about the near term future trading due to the challenges presented by continuing train strikes. The Nightcap estate is of a higher quality, better operated and with better trained and more engaged teams than ever before. We therefore remain optimistic about the future potential of the Group and remain excited about building the UK's leading bar group.

The Group's balance sheet remains strong. As at 1 October 2023, the Group's cash at bank was £2.6 million with bank debt of £9.1 million prior to entering the important and lucrative Christmas period.

* Like-for-like revenue is same site revenue defined as revenue at only those venues that traded in the same week in both the current year and comparative reporting periods.

** These estimates have been derived from the average weekly revenues in the weeks preceding and following the week impacted by the industrial action. EBITDA has been estimated based on gross margins adjusted for variable costs.

Sarah Willingham
Chief Executive Officer

FINANCIAL REVIEW

The 52-week period ended 2 July 2023 represents a full year of trading for The Cocktail Club, the Adventure Bar Group, and Barrio Familia Group, and three weeks of trading for Dirty Martini, which was acquired on 9 June 2023.

As the Group accounts on a weekly basis, the full year results report on a 52-week period ended 2 July 2023, with the prior year comparative being the 53 weeks ended 3 July 2022.

Nightcap's performance for these periods is summarised in the table below.

	52 weeks ended 2 July 2023 £m	53 weeks ended 3 July 2022 £m
Sites trading at year end	47**	31
Revenue	46.4	35.9
Adjusted EBITDA (IFRS 16)*	6.6	6.0
Adjusted EBITDA (IAS 17)*	2.6	3.3
(Loss) / Profit from operations	(2.8)	1.4
(Loss) / Profit before tax	(4.9)	0.2
Cash and equivalents	5.4	5.4
Net Debt (including IFRS 16 lease liabilities)	(44.5)	(27.8)
Net (Debt) (excluding IFRS 16 lease liabilities)	(6.7)	(0.2)
Net Assets	14.5	16.2

The Group uses a range of financial and non-financial measures to assess its performance. Several of these (for example Adjusted EBITDA and Adjusted earnings / (losses) per share) are considered to be Alternative Performance Measures ("APMs"), as they are not defined under IFRS. The Board 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 its business performance is measured internally and across the wider hospitality sector. Adjusted EBITDA / EBITDAR (EBITDA before rental costs) is also the measure used by the Group's banks for the purposes of assessing covenant compliance.

* The table below shows the reconciliation between adjusted EBITDA and statutory figures within these accounts. Further definitions of the APMs can be found on page 93.

** As at year end, we have included Dirty Martini Hanover Square as a trading site. The lease for this site was handed back to the landlord on 13th October 2023. Further information is provided in the Chief Executive's Statement.

	Note	**52 weeks ended 02 July 2023 £'000**	53 weeks ended 03 July 2022 £'000
(Loss) / profit from operations		(2,812)	1,407
Exceptional items	10	792	84
Acquisition related transaction costs	11	734	(866)
Pre-opening costs	12	1,013	442
Share based payment charge	7	181	345
Impairment	6	565	143
Adjusted profit from operations		473	1,555
Depreciation and amortisation (pre IFRS 16 Right of use asset depreciation)	6	3,094	2,256
IFRS 16 Right of use asset depreciation	6	3,278	2,224
IFRS 16 Right of use asset / liability disposal	6	(220)	–
Adjusted EBITDA (IFRS 16)		6,625	6,036
IAS 17 Rent charge		(3,997)	(2,727)
Adjusted EBITDA (IAS 17)		2,627	3,309

RESULTS FOR THE YEAR

This year Nightcap has continued to grow at pace, with the addition of six new sites across the three brands and the acquisition of the Dirty Martini group of bars which contributed three weeks of trading in this financial year. This has taken the estate to 46 bars across the UK. The Group has achieved revenues of £46.4 million, an increase of 29% over the previous year, driven by new openings and the full year effect of the Barrio Familia group.

On 9 June 2023, Nightcap acquired the Dirty Martini group of bars (including Tuttons restaurant) for an initial consideration of £4.15 million which will increase to £4.65 million on the successful assignment of the property leases of four key sites, the completion of which was announced on 9 November 2023. Nightcap is currently the operator of nine Dirty Martini bars and the Tuttons brasserie restaurant in Covent Garden. There are four Dirty Martini bars located in London with an additional five bars located in Cardiff, Bristol, Birmingham, Leeds and Manchester.

[1] These estimates have been derived from the average weekly revenues in the weeks preceding and following the week impacted by the industrial action. EBTIDA has been estimated based on gross margins adjusted for variable costs.
[2] Source: UK Hospitality – "Rail strikes to cause half-term havoc"
[3] Like-for-like revenue is same site revenue defined as revenue at only those venues that traded in the same week in both the current year and comparative reporting periods.

The single biggest impact in the last financial year has been the continued industrial action from transport worker unions that has significantly impacted the whole of the hospitality industry. There were 28 days of industrial action last year, targeted mainly on Thursdays and Saturdays. This action has cost us an estimated £2.9 million[1] of lost revenue and £1.9 million[1] of lost EBITDA (IAS 17) and has cost the hospitality industry an estimated £3.25 billion[2] overall. On a like-for-like[3] basis, this industrial action impacted the Group negatively resulting in a 12.5% decline when compared to the previous year where we saw 23.6% growth in like-for-like[3] revenue.

Revenue for the 52-week period ended 2 July 2023 incorporated a full year of trading for The Cocktail Club, Adventure Bar Group and Barrio Familia, and three weeks of trading from the Dirty Martini group of bars that were acquired on 9 June 2023. The Group's brands trade in similar geographical locations and are subject to the same risks as described in the principal risks and uncertainties section below. The brands are also part of the cluster model as described in the Chief Executive's report, where several brands operate in the same geographical area. Therefore, the Group's revenue is reported as one segment. Further information can be found in Note 4.

The Group delivered an Adjusted EBITDA of £6.6 million under IFRS 16 and an Adjusted EBITDA of £2.6 million under IAS 17. Taking into account the financial impact of the industrial action, management estimates that Adjusted EBITDA (IAS 17) would have been £4.5 million for the 52 weeks ended 2 July 2023. As highlighted above, the industrial action impacted the Group by an estimated £1.9 million at the EBITDA level.

Group depreciation increased from £3.9 million to £5.7 million, which reflects a full year's contribution in relation to the sites opened in 2021-22 together with the Barrio Familia Group bars, and a further six bars opened in 2022-23. Group amortisation increased to £0.6 million in the year due to the amortisation of intangibles associated with the Adventure Bar Group and Barrio Familia Group transactions.

Exceptional items over the period of £0.8 million are detailed in Note 10. The Group incurred acquisition related transaction costs in respect of Dirty Martini of £0.7 million. In the prior year, the Group incurred acquisition related transaction costs, being a net credit, of £0.9 million. Transaction costs relating to the Barrio Familia Group transaction of £0.4 million were offset by a £1.2 million credit that related to the deferred contingent liability relating to the Adventure Bar Group consideration – see Note 11.

The Group has a reported tax credit for the year of £0.9 million (2022: credit of £0.3 million). The Group has utilised capital allowances, tax losses and Group relief where available to mitigate corporation tax payable. The Group has benefited from the introduction of the 130% capital allowance super deduction due to the capital expenditure incurred on the new sites.

In June 2023, the Group made the decision to temporarily cease trading at the Barrio Watford site. The Group retains the lease for this site and is considering whether to either launch an alternative brand on the site, partner with another operator or dispose of the lease. As a consequence, the Group has recognised an impairment charge of £565,000 in relation to the property, plant and equipment.

With the Group continuing to execute its roll out strategy, during parts of the financial year there were preopening costs that relate to the fixed and training costs in delivering the new sites ready for opening. In the 52-week period ended 2 July 2023, the Group incurred £1.0 million of preopening costs relating to the six sites opened in the year.

The Group reported a loss from operations of £2.8 million for the 52-week period ended 2 July 2023, compared to a profit of £1.4 million in the previous year. The Group also reported a loss before tax of £4.9 million compared to a profit of £0.2 million for the 2022 financial year.

The table below sets out our basic and diluted (loss) / earnings per share.

Earnings per share attributable to the ordinary equity holders of the parent	Note	**52 weeks ended 02 July 2023 pence**	53 weeks ended 03 July 2022 pence
(Loss) / earnings per share	13		
- Basic		(2.09)	0.06
- Diluted		(2.09)	0.06

Financing

The Group incurred total interest costs of £2.1 million compared to £1.2 million in the previous financial year. Interest on bank loans was £0.5 million compared to £0.2 million in the previous period. Further information can be found in Note 8.

During the year, the Group refinanced its borrowings from three individual lenders under multiple tranches with new debt facilities from HSBC Bank to provide support to the business on its roll out strategy. The new £10 million HSBC Bank facility, replaced £5.5 million of legacy debt that we acquired from acquisitions, which had a blended interest margin of 4%. The remaining £4.5 million has supported the fit out of the sites opened in the financial year. The new facility carries a margin of 3% above SONIA on a £3 million term loan and 3.25% above SONIA on a £7 million Revolving Credit Facility. Further details of the loans can be found in Note 22. At the same time, the Group has taken out an interest rate cap on the reference base rate (SONIA) fixed at 3% giving certainty over interest costs until August 2025.

In order to fund the acquisition of Dirty Martini, the Company raised new funds, totalling £5.0 million, through a combination of new shares and convertible loan notes ("CLNs"). 19,583,333 new shares were issued at a price of 12 pence per share totalling £2.35 million, which represented a premium of 26.3% to the mid-market closing price of Nightcap's Ordinary Shares on 8 June 2023. In addition, the Company issued CLNs totalling £2.65 million to existing shareholders and new investors.

The CLNs mature on 9 September 2025 and are convertible at the option of the investors subject to certain conditions. The CLNs are only convertible following a period of 12 months from issue, at the higher of 12 pence per share or a 15% discount to the volume weighted average share price of the Company's shares for the five business day period prior to the investor notifying the Company of its intention to convert. The CLNs bear a coupon of 10% per annum which shall be rolled up and settled either when a conversion notice has been served or on an Exit. In this context, an Exit is defined as being a change of control in the Company or the sale of substantially all of the business and assets of the Company.

Cash flow and financial position

The Group's cash flow from operating activities was £6.7 million compared to £2.2 million in the prior year. We continued to invest in our estate and invested £6.7 million (2022: £6.0 million) before right of use asset additions, in new site capital expenditure. This was spent bringing six new sites into the business and investing in IT systems to improve the reporting of management information. In addition, we acquired Dirty Martini via a pre-pack acquisition out of administration for an initial consideration of £4.15 million (excluding acquisition related transaction costs).

The table below sets out the Group's year end cash and net (debt) position.

		At 2 July 2023
Cash	Note 19	£5.0m
Cash in transit	Note 2.13, 18	£0.4m
Cash including cash in transit		£5.4m
Net (debt) - pre IFRS 16 leases	Note 29	£(6.7m)
Cash in transit	Note 2.13, 18	£0.4m
Net (debt) - pre IFRS 16 leases including cash in transit		£(6.3m)
IFRS 16 leases	Note 21	£(37.9m)
Net (debt) - including IFRS 16 leases and cash in transit		£(44.2m)

As part of the refinancing completed in August 2022, the majority of the Group's bank debt is repayable via a bullet payment in August 2025, with a further 1-year option to extend.

Lease liabilities increased to £37.9 million from £27.6 million and reflect the addition of the new sites opened during the year. This liability is expected to increase further as the Dirty Martini leases are assigned to Nightcap.

Market overview and opportunities

The Group continues to enjoy a property landscape and a corporate landscape that presents considerable opportunities to secure sites on attractive terms in prime city centre locations. The current macroeconomic environment has reduced competition so more sites are available. The significant headwinds in the UK economy, including the rise in interest rates to 5.25% has left many companies struggling to manage their debt burden and as a result they are looking for ways to re-structure their balance sheets. The acquisition of Dirty Martini as a pre-pack acquisition out of administration is one such example.

The Group faces a number of challenges as a consequence of ongoing industrial action, inflationary price pressures and the ongoing cost of living crisis.

Train strikes – Industrial action

With a loss to the industry of an estimated £3.25 billion, the ongoing train strikes, started in June 2022, continue to have a profoundly negative effect on the late night industry in particular. Industrial action has continuously targeted Thursdays, Saturdays, bank holidays and other celebratory holidays to ensure the biggest possible impact on consumers and businesses. The ongoing train strikes significantly impacted the Company's trading on these rail strike action days throughout the financial year, particularly affecting the business' ability to convert high margin evening trade during weekends, resulting in an estimated loss of £1.9 million** of EBITDA (IAS 17). We do not believe that Nightcap will be in a position to reach its fullest trading potential until the industrial action has been settled.

Inflation

Early on in the year, inflationary pressures resulted in increased fit out costs for new sites, significantly increased energy costs and increased wage cost pressures. Towards the end of the financial year we saw fit out pricing pressures subside and energy costs have continued to reduce with the Group locking into a new fixed one year deal in September 2023. This has resulted in significant additional savings as well as an easing of wage pressures as inflation has continued to reduce during the course of the year. However, inflation continues to have an impact on consumers' disposable income.

Interest rates

Given the turbulent nature of inflation and its link to interest rates as a key tool of the Bank of England to control inflation, in September 2022 the Group had hedged 80% of its bank debt interest costs for three years by taking out an interest rate cap, so that there is certainty that whilst interest rates remain high the majority of our bank interest costs will be fixed due to the interest rate cap on the reference base rate (SONIA) at 3% (Note 22).

Whilst the combination of the above factors makes the trading environment challenging, our focus on building a market leading portfolio of bars continues. We continue our focus on providing good value for everyone and a best in class customer experience and we believe that our bars operate better than ever, with management and staff that are well trained and deliver better experiences in our bars than ever before.

During FY2023, we have invested £6.7 million into new sites and refurbishments (including pre-opening costs), creating a significant number of new jobs in the year. The increase in drink sales has allowed us to secure new competitively fixed price supplier contracts for all key spirits along with enhanced retrospective volume rebates and ongoing marketing support, which has allowed us to continue to maintain our profit margin and be able to re-invest in our team and our guest experience.

As part of the integration of all subsidiary head offices into one during the financial year, there has been an increased focus on recruiting best in class subject matter experts from across the industry to strengthen the Group's senior management team as our Company continues its rapid growth. This is an important step in the Group's pursuit of recruiting and retaining a talented and committed management team, which in turn serves to mitigate operational execution risks in all departments across the business.

Further details around our risk mitigation strategies can be found in the principal risks and uncertainties section.

Going Concern

The Board has considered the Group's ability to continue to operate as a going concern in the current challenging economic conditions and with the impact that the rail strikes have had on the business. As at 2 July 2023 the Group had cash balances of £5.4 million including cash in transit. During the financial year under review the Group refinanced its legacy debt with an amortising term loan (£3m) and a Revolving Credit Facility (up to £7m) repayable in August 2025.

Management has prepared forecasts for the next 15 months in three scenarios- a base case, a normalised case and a downside case.

The base case scenario was prepared ahead of the end of the financial year in the final quarter of FY2023 and included assumption that rail strikes continue throughout the FY2024 forecast period with a negative EBITDA impact of £1.9 million. This scenario has been adjusted for trading performance in Q1 FY2024 and the cash position until the end of October 2023. The base case has been further adjusted for additional known contractual changes.

A normalised scenario was created to take into account a potential end to the rail strikes from January 2024. It further takes into account the launch of the Group's new collaboration with PianoWorks at its Barrio Covent Garden site which launched on 16 November2023.

A significant, but plausible downside case scenario was developed to stress the forecasts. This assumes continued rail strikes and no benefit from any new initiatives or partnerships. It furthermore anticipates a worsening macro-economic environment resulting in an additional significant reduction in EBITDA. To mitigate the modelled deterioration in trading, the significant but plausible downside case reduces CAPEX and includes cost savings across the Group. This downside scenario continues to show the Group meeting all borrowing covenants and having sufficient liquidity to operate the business.

The Group continues to trade in line with its revised base case model, in which the Group would meet all borrowing covenants over the next 15 months and retain sufficient headroom above the cash balances required to run the business.

The covenant with the lowest headroom in all three scenarios is the fixed cover charge covenant. The Board recognises that this cash flow forecast relies on important factors such as ongoing trading performance, which is currently volatile and impacted by the challenging macroeconomic environment, as well as the delivery of conversion into site and company EBITDA along with the implementation of a number of cash and cost improvement actions. The Board continually monitors its forecasts and the potential impacts the above factors may have.

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.

By order of the Board

Toby Rolph
Chief Financial Officer

SECTION 172 STATEMENT

Directors' Duties – section 172 Statement

The Directors are aware of their duty under Section 172(1) of the Companies Act 2006, to act in the way that 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; and
- 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 national roll-out of The Cocktail Club, the Adventure Bar Group and Barrio Familia Group
- navigating the impact of the cost of living crisis and industrial rail strike action on our estate
- centralising management into a group structure
- the acquisition of Dirty Martini in June 2023

This report details how the Directors carry out their activities to promote long-term success for the benefit of the Company's stakeholders. The Directors view our stakeholders as being our employees, our shareholders, our customers, our suppliers and the communities in which we operate.

We set out below some of the ways in which we have engaged with our stakeholders over the past financial year. Further relevant information is included in the Chairman's Corporate Governance Statement and the Environmental, Social and Governance report.

NATIONAL ROLL-OUT OF OUR BRANDS

In order to determine the overall potential for the roll-out of our brands the Board has considered how the existing multi-site offering in cities like Bristol, Birmingham, Cardiff and London is performing and how this impacts the overall potential for additional roll-out for the Group. In addition, the Board has considered how the roll-out strategy may be affected by existing macro-economic factors both in the short, medium and long term.

COST OF LIVING CRISIS AND ONGOING RAIL STRIKES

The Board discussed the impact of the cost of living crisis and the ongoing rail strikes and its impact on the Group's suppliers and customers as well as the overall strategy in relation to roll-out and future acquisitions.

OUR PEOPLE

The Board considered the changing requirements of our people and their support infrastructure as the Group has continued its fast growth specifically in terms of recruitment, retention, training, pay and incentives as well as the additional requirements to consider subjects such as diversity and inclusion and overall employee engagement.

We have taken concrete steps to engage our teams. We have appointed a Group People Director, who is focused on developing an exciting and compelling people strategy for the organisation, where wellbeing, inclusion, attraction and retention are a central and integral part. The Nightcap Bar Academy, our dedicated training facility, offers comprehensive training and skill development programs for employees at all levels. This ensures consistent excellence in both customer service and employee performance.

Listening to our employees is imperative. We conduct surveys to gauge employee engagement, motivation, pride and commitment to the business. We want our team to enjoy their work, and to foster a sense of unity, togetherness and openness. This year we saw the second "Nightfest" staff party take place, giving teams across the business and its brands a platform to showcase their mixology and entertainment skills. This celebration brought together the entire Nightcap team under one roof, acknowledging, and appreciating their hard work.

Monitoring team turnover and gauging colleague satisfaction is a priority for the Board. Through our employee surveys we measure employee engagement, motivation and engagement with the business. We review these metrics at our Group Executive Board meetings and with the senior management team to address any concerns effectively and take steps to deliver a positive work environment. Further steps were taken this year with the introduction of the Nightcap management conference as well as the second iteration of Nightfest, a celebration organized for all of our employees, showcasing the best skills and awards across the business.

By prioritising the attraction, recruitment, reward, and retention of the best people, we align our interests with those of our stakeholders. Our commitment to training, culture, and compensation not only benefits our colleagues but also enhances customer satisfaction and contributes to the overall success of our business.

CENTRALISING MANAGEMENT INTO GROUP STRUCTURE

The strategic decision was made to operate as one group management structure instead of individual subsidiary structures to allow for additional efficiency and continued growth both through roll-out and acquisition. As part of the decision making process the Board considered the impact on existing employees as well as the need for additional subject matter experts in key roles and the disruption this change would have on the organization in the short term. The Board considers this change to be an important and effective way to ensure the Group is well positioned to continue its future growth including the importance of simplifying the integration of future acquisitions.

Stakeholder key interests

- Higher level of management expertise
- Improved profitability and therefore shareholder returns
- Increased transparency in management structure
- Simplified operating model making it easier to implement new acquisitions

ACQUISITION OF DIRTY MARTINI

The Board considered in detail the impact of acquiring Dirty Martini as a pre-pack acquisition out of administration. In particular, the impact on key stakeholders such as employees, suppliers and customers was considered. The Board considered and challenged the impact on the business of acquiring Dirty Martini without the head office lease and employees associated with that lease. It was correctly considered that the centralization of management into one group structure earlier in the year would allow the Group to absorb all head office responsibilities.

The Board furthermore considered the risk associated with potential non-assignment of the priority leases, the risk of reputational damage from unhappy landlords and dissatisfied customers as well as any potential claims under TUPE (see Note 34).

As the acquisition process continued the Board considered the capital structure and the impact on existing shareholders. With a share issue limited to 10% of total existing shares the Board considered and challenged the constraints of both the upfront dilution from issuing more shares and the introduction of short term convertible loan notes.

Stakeholder key interests

- Improved long term shareholder returns
- Increase in density in key cluster areas such as Bristol, Birmingham, Cardiff and London
- Immediate increase in scale to leverage head office cost and improve profitability
- Increased cross brand career development opportunities for employees.

OUR SHAREHOLDERS

In order to deliver our strategy and deliver shareholder value, effective communication is key. Understanding our shareholders' needs and providing relevant information assists with shareholders having a strong understanding of the business, its performance, and its strategy.

Stakeholder key interests

- Financial performance
- Understanding the business' strategy and prospects
- Governance
- Confidence in leadership team
- Return on investment

During the year the Board considered the impact on shareholders of both the Dirty Martini acquisition and the roll out of new bars before making such investments. It was considered that the challenge of acquiring a business out of administration at what was considered a low cost was far outweighed by the potential for enhanced shareholder returns in the long term when sites were fully assigned and embedded into Nightcap's existing management infrastructure. The investment was considered to contribute to long term shareholder value and is expected to deliver our targeted return on investment. This was communicated effectively through statements released by the Group in connection with both trading updates and the acquisition update as well as in shareholder meetings conducted both in person and online.

How we engage

In addition to our annual and half-yearly reports, we publish regular updates via regulatory announcements. We engage and consult with our investors, hosting investor meetings and roadshows at several points during the year, as well as informal investor events to showcase our business, venues and people in greater detail. We have one to one meetings with shareholders and we also host online investor presentations which are open to all existing and potential shareholders. In the past year we have discussed trading including the impact of industrial rail strike actions, our new sites and the Dirty Martini acquisition once it was completed.

OUR CUSTOMERS

Our amazing customers are the reason we exist. Our success is down to our loyal customers who come back to enjoy our brands and venues time and again. The Board continues to challenge management to evolve and innovate our offering to anticipate and recognize the changes in our customers' needs and to ensure we provide them with a safe environment in which to have fun. To continue to understand and to track our customers view on the quality of delivery of our product, we use reputation.com which is also used as part of our employee bonus structure to ensure there is alignment between how our business is perceived and how quality delivery of product is rewarded.

Stakeholder key interests

- Quality of offering and atmosphere
- Entertainment and experience
- Value for money
- Service

How we engage

We engage with our customers directly online through our website and social media platforms as well as through third party review platforms. We promote offers and events as well as new site openings through email, digital marketing and social media channels, as well as working with a number of third-party promoters. We undertake regular guest surveys to understand our guests' needs as well as use reputation.com to take immediate steps to correct the delivery of our product in sites where customers are showing lower levels of satisfaction.

OUR COMMUNITY

We strive to be a positive influence in the local community, working with local businesses and partners where possible. We want to engage with the local economy, be it through job creation, supporting local business and suppliers, working closely with local charities or through local marketing. We are taking steps to understand how best to operate in our communities. The Board has supported work being done to optimize our multi-brand, multi-site cluster model which has been delivered this year. Operating clusters successfully is key to engaging positively in our communities and when done well serves to increase the impact we can have in cities around the country. The key to develop this further is the introduction of technology to enable our Millennial and Gen Z customers to seamlessly operate both online and offline when understanding our offer and how we can enhance choices by providing more relevant, timely offers to ultimately assist in creating a more vibrant nightlife for the local communities we serve.

Stakeholder key interests

- Investment and re-invigoration of the local economy
- Investment in technology to better serve the local community
- Deliver a differentiated and relevant multi-brand, multi-site cluster model
- Support for charities
- Environmental awareness

How we engage

We engage locally through job creation via our existing sites as well as via our new site rollout program nationwide. We work with local providers in the run up to new site openings and we are taking further steps to simply the booking process of both private and corporate events through the recent launch of nightcapvenues.com. We engage with our customers online through all of our websites and are planning to take additional steps to use technology to communicate effectively with our customers. At Nightcap we believe that everyone deserves a great night out and it is core to how we think about new site openings and how we view our impact on local communities. When we consider a new site we ensure that all environmental considerations have been included in the process from impact of noise from our guests on the local environment to the carbon footprint and impact from our suppliers visiting the site as detailed in the TCFD report page 20.

OUR SUPPLIERS / PARTNERS

We work closely with suppliers and some key partners on annual or multi-year deals to ensure continuity for the Group in terms of costs, conditions and terms for effective planning.

In addition to wage and utilities inflation (as described in the Strategic Review) the Board considered the risk of inflation on input costs across the Group. Management considered that these were largely mitigated through re-negotiation with suppliers based on the significantly increased scale of purchasing volumes during the course of the year.

Stakeholder key interests

- Long-term relationships
- Mutual growth
- Responsible and ethical procurement aligned to the Group's culture
- Environmental impact

How we engage

We work closely with our existing and new suppliers, to ensure we keep our offering both consistent, interesting, vibrant and exciting for our guests. With our key suppliers we are already in long-term relationships which is helping the group create consistency of offer as well as ensuring high quality and innovative products and experiences for our guests across the estate. The Board is mindful of the Group's impact on the environment. Substantial work is being undertaken to understand the impact of the various aspects of both the supply chain and onsite utility consumption including steps to mitigate or reduce overall impact. The Board is committed to a long term objective of working towards net zero. Whilst we are taking steps to understand our options around production and consumption of alcohol, which is the single biggest factor in the Group's overall carbon footprint, practical steps are being taken to reduce energy consumption across the estate through the steps as outlined in the ESG report on page 16.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) REPORT

Nightcap's strategy from the outset has been to build the UK's leading bar group through acquisitions and organic roll-out across the UK. Within this broader growth strategy, we recognise how important it is to make a positive difference and operate as a responsible business, with a long-term focus on sustainability.

A robust ESG strategy is increasingly important for our employees, customers, investors, and other stakeholders and whilst the Board recognises that Nightcap is a young company, that has brought together several previously independent entities over a short period of time, we will increasingly focus on the significant benefits to both our company and the environment within which we operate, by focusing on ESG initiatives as we develop a deeper understanding of how we impact our environment and our communities.

Last year, Nightcap established a Group operating model and as such integrated its three bar groups (The Cocktail Club, Adventure Bar Group, and Barrio Familia). This pooling of resources across the Group began impacting previously established ESG themes such as green transport, recyclable or biodegradable packaging, and local recruiting. The integrated approach provided a template for the integration of the Dirty Martini chain of bars, comprising 10 sites including Tuttons Brasserie. The notable achievements included below have also been rolled out across the 10 newly acquired sites.

- Group purchasing:
  - We have harmonised the supplier network and begun optimising Group negotiations on volume and value as well as the required infrastructure around packaging and greener delivery to individual sites. This year we have made more progress, enabling us to choose a supplier network that operates sustainably, with focuses on reduced packaging, carbon footprint reduction on delivery and commitments to use recyclable and biodegradable packaging wherever possible.
- Group recruitment:
  - As we have continued our expansion across all of our brands outside of London, we have continued to focus on local recruitment, whilst our Group bar academy continues to allow us to train both locally and in central London, to ensure training of floor staff and bartenders is to the highest standards. Local recruitment is essential to establish the best possible relationship with the local communities, whilst never compromising on the skills and training required to deliver the best possible nights out for our customers across the country.
- Group energy consulting:
  - We have teamed up with energy consultants to establish a coherent strategy for reducing our onsite carbon footprint. After running three trial sites last year, which delivered tested reductions in energy consumption averaging 25%, this scheme was rolled out across all of The Cocktail Club, Adventure Bar Group and Barrio sites this year, including training of site management to ensure optimal use of these systems to maximise the impact on our carbon footprint reduction. The same scheme is now being rolled out across the Dirty Martini brand and Tuttons which will result in increased ability to monitor electricity usage, which in turn will allow us to put in place initiatives to significantly reduce electricity usage, which for a late night bar operator like Nightcap, forms the majority of our utility consumption both from a cost and environmental impact point of view.

The following is our Annual ESG Report, highlighting the Company's commitment to sustainability and responsible business practices. This report also provides comprehensive information on our ESG performance during the 2023 financial year as well as our key targets and planned initiatives for the years ahead.

OVERVIEW:

Nightcap has now acquired four businesses and integrated these into one operating model. The business operates across 46 bars in locations including London, Bristol, Exeter, Cardiff, Liverpool, Manchester, Birmingham, and Leeds. Nightcap employs over 1,000 colleagues.

ENVIRONMENT:

Nightcap is a fast-growing business within the hospitality sector, and we are aware of the impact on the environment our business has. We believe we should tackle these issues proactively. The Group is committed to trying to reduce our carbon footprint through all practical means that are available, and this year we have been particularly focused on what can be done to become more efficient with our existing estate.

Carbon Footprint:

Nightcap has implemented measures to reduce its carbon footprint, including joining the Zero Carbon Forum to learn best ways to advance our agenda further. We have started to invest in energy-efficient technologies and energy-saving solutions, implemented waste reduction initiatives, and begun optimising our supply chain to minimise transportation emissions.

We have been working closely with an environmental consultant to help us create a roadmap towards reducing carbon emissions and get closer towards 'Net Zero' in the longer term and we are already taking action to minimise our energy consumption in the short term. We know we can improve the sustainability of our business and are starting to put in place policies and procedures that we believe will have real beneficial impact. We have a number of sites that already purchase 100% of their electricity from green suppliers and over time we wish to extend these types of good practice across the entire estate. As well as reducing our carbon footprint through reduced energy consumption, we are working on a Group project to only use green energy across the estate as it becomes cost efficient and the various sites end their current contractual obligations.

After completion of a successful trial period across three The Cocktail Club sites in Central London last year, we have now implemented the rollout of energy management procedures across the entire estate of existing and new sites. This includes the installation of smart meters and voltage optimizers, in addition to using more sustainable products, such as LED lighting. By monitoring our energy usage, we are able to generate accurate real time reporting at site level and can identify issues that require immediate attention and help reduce energy leakage and out of hours energy consumption. This reporting also allows us to benchmark site performance and ultimately incentivise and reward our best performing sites in terms of energy reduction. Engaging and educating our employees in this respect is more important now than it has ever been.

Renewable Energy: Our commitment to renewable energy has led to a significant increase in the proportion of our energy sourced from renewable sources.

Resource Efficiency: We have implemented various initiatives to improve resource efficiency, including water conservation measures, waste management programs, and sustainable procurement practices.

Over the last 12 months, we have made significant progress in stabilising our electrical and wifi infrastructure to accommodate the ongoing energy saving project in conjunction with our consultancy partner, initialising the roll-out to the wider Group.

The beginning of the calendar year saw substantial upgrade works to key sites prior to our next phase of the project. Once we established a stabilised framework within the estate, we were able to progress to implementation of smart plug technology on key items of equipment, including but not limited to, Heating, Ventilation, and Air Conditioning (HVAC), non-perishable fridges and ice machines. During this phase, all on-site management, area managers and operations directors were trained on the platform with a key emphasis on encouraging an energy efficiency mind-set moving forwards.

As part of the smart plug implementation, a detailed timeline of operational and non-operational hours was drafted, finalised and agreed which automatically terminates power to the agreed items of equipment, thus allowing us to realise savings and reduce our energy leakage outside of our trading windows. This was implemented at the beginning of September 2023 and is constantly evolving in-line with the operational needs of the business.

Our next phase of the project will see us gathering data across a three-month period to allow us to implement a robust management plan with measurable KPIs rolled out to the on-site management teams. In addition, we will look to survey and roll-out the smart technology to the most recently acquired Dirty Martini estate, including on-boarding its management teams.

Sustainability has also become a focus for our procurement strategy. Having established a Group purchasing function we are now increasingly negotiating the Group's contracts with all major suppliers. Whilst initial progress has focused on pricing and securing supply, our objective is to minimise the time our goods spend on the road by looking at delivery networks across our sites with a view to minimising the carbon footprint. We wish to implement standards and expectations around removal of packaging and use of sustainable packaging materials wherever possible. We have a number of policies in place to reduce waste and recycle, working with zero landfill waste companies with separate collections for food waste, glass and dry mixed recycling.

We are increasingly aware of the impact that importing, buying and distributing various spirits has on the environment. Some spirits, like Tequila, have to be produced on other continents and not only do we need to concern ourselves with the environmental impact of producing such spirits, we also need to equally understand the impact of importing spirits into the UK and then the distribution process within the UK. In 2023/24 we aim to fully map out the impact that spirits is having on our business and the wider environment.

STREAMLINED ENERGY AND CARBON REPORTING

The data below relates wholly to the United Kingdom and covers the 52 week period ended 2 July 2023.

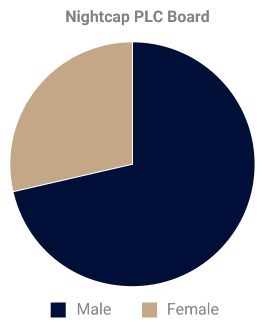
	2023 Energy Usage (kWh)	2023 GHG Emissions (CO2e tonnes)	2022 Energy Usage (kWh)	2022 GHG Emissions (CO2e tonnes)
Scope 1 – Natural Gas	245,601	49	305,793	67
Scope 2 – Electricity	1,916,135	371	1,582,785	337
Total	2,161,736	420	1,888,578	404
Energy Intensity (Tonnes CO2e per £1,000 of Revenue)		0.01		0.01

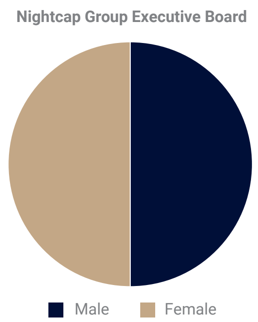
This is the Group's second period for the reporting of the energy consumption and comparative figures have been disclosed. During the year, the group opened six sites under the Nightcap brands, and there was a full year effect of the Barrio Familia acquisition (seven months of trading were in the comparative figures). On the 9 June 2023, the group acquired the Dirty Martini group of bars, and these will be reported on next year.

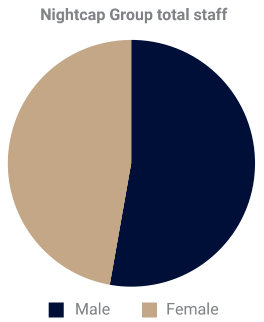
Estimation has been required in some areas where data has not been available. These have been completed using standard estimation methods (direct comparison, pro-rata etc.). For sites acquired in the period where information was not readily available, the estimation has been based on the usage at comparable sites within the Group.

The Group operates solely within the UK.

SOCIAL:







The Nightcap plc board is made up of 2 females representing 28% of the constituents, including the Chief Executive Officer. The Nightcap Group Executive board ended the year with 33% female representation. Since the year end this has increased to 50% female representation following the appointment of a Group Sales & Marketing Director, and 47% of the Group's employees are female. It is our intention to continue to strive for equal representation at all levels within the business.

Our colleagues are the heartbeat of our business at both site level and at head office. As part of the Dirty Martini acquisition, Nightcap's headcount grew by over 340. The company continues to grow its infrastructure and as a result its head office team, and remains committed to developing exciting and compelling employment opportunities in order to attract and retain the best people as it is our belief that this is fundamental to the success of our business.

In order to push our people agenda forward, Nightcap appointed Adam Dilks to the role of Group People Director, in order to build a solution-orientated HR team focused on creating a diverse and inclusive workplace environment and, together in partnership with management teams, build engaged and motivated teams that feel valued as a priority. The majority of our Group has historically been London based, but as we expand our efforts to open sites across the country we have introduced regional-based training and recruitment teams, focused on driving local training and onboarding. As a result we have been able to seamlessly recruit local teams around the country in key locations like Birmingham, Bristol and Cardiff, creating new jobs in these communities, driving local buy-in from employees, customers and local communities alike.

Employee Wellbeing: Nightcap prioritises the health and wellbeing of our employees. We have implemented targeted wellbeing programs, provided training and development opportunities, and promoted a diverse and inclusive workplace culture. This year Nightcap offered a wellbeing and fitness retreat to 20 of the senior management team. This programme was targeted at educating the team on fitness, sleep, physical and mental wellbeing, and team bonding. The programme continues back in the workplace with continued education on healthy eating and wellbeing enhancing lifestyle support. Furthermore, we offer a provision for our management teams and general managers to participate in a funded private medical scheme offering a vast resource of accessible wellbeing benefits and solutions.

Employee Training: The Group has always been passionate about our employees' career development and has invested more in training and retention than ever before. Historically this was led by The Cocktail Club's accreditation as a Wine & Spirit Education Trust (WSET) training house. In 2022 Nightcap announced the establishment of the Academy, originally London based and led by The Cocktail Club founder and Creative Director, and winner of the 2008 World's Best Bartender award, JJ Goodman. Since then, the Academy has evolved to a nationwide initiative led by the Group Learning and Development Team, committed to providing local, in-depth training for our teams, including training in onsite drinks preparation, customer service, compliance and ethics training and management development programmes helping develop our teams into leadership roles.

Communities: We actively engage with local communities through various initiatives, including volunteering and charitable programs, fundraising as well as collaborations with non-profit organisations to address social issues including employability and out-reach, where we have been working with Springboard UK on their employability programme off the back of which we have employed more than 10 candidates. We have also engaged with The Princes Trust on their "get hired" scheme and employed team members off the back of this. Additionally, we've worked with Wandsworth council via its "pan out" scheme, where we introduced bartending awareness courses for their college pupils as well as helped design a "street food business" activation.

During the normal course of business our teams have worked to raise awareness and funds for Breast Cancer charity, efforts to support aid for victims of the war in Ukraine, as well as featuring a donation option for WaterAid on menus in selected brands.

Customers: We continuously strive to enhance customer satisfaction by delivering high-quality products and services, providing exceptional customer experiences, and actively seeking and responding to customer feedback. As a result, we have seen a marked improvement in our guest satisfaction surveys. We measure this using a digital platform, which provides actionable feedback. In-turn, this year Nightcap introduced the 'Safer Together' campaign, comprising not-for-profit customer wellbeing solutions. This initiative included free charger cables for customers to charge devices, drink-spiking testing kits, colleague-training on commitments to protecting vulnerable customers in our bars. Guest feedback now consistently tells us how safe they feel in our venues as a result of this initiative.

GOVERNANCE:

Ethical Business Practices: Nightcap upholds the highest ethical standards in its operations, ensuring compliance with all applicable laws and regulations. We have a robust governance framework in place, including a board of directors and effective risk management procedures. This year Nightcap formalised a Group Executive Board (management team) comprising the Chief Executive Officer, Chief Financial Officer, Executive Director, Group People Director, Group Sales and Marketing Director and Group Managing Director. The establishment of the Executive Board is to manage the day-to-day running of the business, including the governance and decision making across the group. This forum, coupled together with the introduction of group policies for compensation and benefits, anti-bribery, and procurement has helped standardise and formalise processes and controls across the business.

Board Diversity: The Nightcap PLC board has 28% female representation, whilst the Nightcap Group Executive Board has recently increased from 33% at year end to 50% female representation. We believe that diverse perspectives enhance decision-making, and whilst we recognise progress in balancing our Group Executive Board, we are committed to increasing diversity across the management teams across the business and have set specific targets to ensure fair representation of women and underrepresented minorities.

Shareholder Engagement: We maintain transparent and open communication with our shareholders, ensuring their active participation and involvement in key decision-making processes.

KEY TARGETS AND INITIATIVES FOR THE YEARS AHEAD:

Renewable Energy Expansion: Nightcap aims to source 100% of its energy needs from renewable sources within seven years. We will continue to invest in renewable energy infrastructure and explore opportunities for onsite generation.

Water Conservation: We have set targets to reduce water consumption across all our properties by 2030. This will be achieved through the implementation of innovative water-saving technologies and practices.

Gender Diversity: Nightcap has 45% female / 55% male gender diversity with 10 females in senior management positions, representing 50% of these roles. We are committed to achieving gender parity across the business. We have set a target to increase the representation of women across all roles to 50%.

Technology: In technology and innovation, we aim to push the boundaries of possibility within our sector, in an attempt to revolutionise the way we interact with our customers. We are aware of the significant impact that Nightcap has in certain of the cities where we operate. In a city like Bristol, we operate five late night venues which significantly impacts how the local customers plan their nights out. We see it as a primary responsibility to use technology to improve our relationship with our customers and to enable us to better communicate consumer choices in each cluster and region. We are exploring and will embrace elements in artificial intelligence as well as other cutting-edge technologies, and we will aim to unlock an unprecedented era of convenience, efficiency, and interconnectedness for our customers as well as our teams.

Investing in our team: As a key employer in hospitality, attracting candidates directly from education into their first or second jobs, we will continue and strive further to foster a culture of continuous learning and growth, ensuring that knowledge becomes truly accessible to all and to allow young people to see Nightcap and hospitality as a viable option for long-term career development. We have begun exploring apprenticeship solutions to further leverage flexible learning solutions for our teams. By investing in educational infrastructure, promoting learning programs, and leveraging technology for flexible and automated education, we aim to empower individuals to acquire new skills, create opportunities to pursue their careers within Nightcap.

Colleague Wellbeing: On the back of successful trials, we will continue to offer team training bootcamps, supporting physical and mental wellbeing, coupled together with company-wide education on healthy eating, mental wellbeing, support for addiction as well as financial planning. We are exploring plans to introduce a cycle to work scheme as well as electric car salary-sacrifice schemes which will create affordable and greener solutions for our team.

Community: We are exploring relationships with recruitment employability partners to further connect programmes to Nightcap to drive partnerships with communities by creating job opportunities for under-represented and diverse candidates looking for work.

Inclusion and Diversity: Critical to our progress will be the commitment to equality and inclusivity. We will strive to eliminate barriers and create an environment that celebrates diversity, enabling every individual to contribute fully to our collective goals. By breaking gender norms, reducing inequalities, and nurturing inclusive communities, we will harness the full potential of our society and drive progress forward. We will use technology within our HR system to enable us to anonymously gather richer and more detailed diversity data from our colleagues in order to identify areas to improve.

As we look ahead to the forthcoming years, we are clear in that forging a path towards progress requires collaboration and collective action. Our focus combines environmental stewardship, social impact, and effective governance, we strive to be a trusted and sustainable business in the hospitality industry.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

This year as part of our annual report Nightcap is reporting in line with the recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD) for the first time. The TCFD was initially set up in December 2015 by the Financial Stability Board, and since then has been widely adopted as the leading framework for reporting the financial impacts of climate change. By adopting the recommendations Nightcap will directly support investors and key decision makers to understand the opportunities and risks that climate change may present for Nightcap. Reporting against the TCFD requires companies to consider how their business operates according to four key pillars, these are shown in the diagram below:

Governance
The organisation's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

Risk Management
The processes used by the organisation to identify, assess, and manage climate-related risks

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Reviewing each of the four pillars and the 11 underlying recommendations has been an insightful process for Nightcap. This has helped the Group to understand how climate change might affect our business in the short, medium, and long term. Our aim for this year's report is to set the baseline for our business, being clear about what we are doing well and what we can do better when considering climate-related risks and opportunities. This will be a challenging and iterative process as we continue to develop and expand according to our growth and acquisition strategy, but we understand the importance of TCFD for our long-term sustainability and the impact the Group is having on the planet.

Below is a summary (Table 1.) of our current position against the underlying 11 recommendations that support TCFD's four pillars.

No structure exists
Some structure exists
A good structure exists

Governance	Strategy	Risk Management	Metrics and Targets
Describe the Board's oversight of climate-related risks and opportunities.	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Describe the organisation's processes for identifying and assessing climate-related risks.	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
Describe management's role in assessing and managing climate-related risks and opportunities.	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Describe the organisation's processes for managing climate-related risks	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management framework.	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Table 1. An overview of TCFD's 11 recommendations and Nightcap's progress

GOVERNANCE

"The organisation's governance around climate-related risks and opportunities"

Nightcap's current governance approach to climate-related issues is still in the very early stages and its development is being led by our senior management and Board. The Board is conscious that Nightcap's impact on the environment is an important subject both for employees at Nightcap as well as for its customers. Most of both are younger people for whom the Company's climate change agenda is of increasing importance. Nightcap is committed to measure, manage and minimise its climate impact and contribute positively to combat climate change the best way we can. The Board meets formally a minimum of six times a year, and the agenda and attendee list for each session changes depending upon which matters are to be discussed.

As it stands, the climate change agenda at Nightcap has been included in its wider discussions around Environmental, Social, and Governance (ESG), including the various initiatives around closer measuring and management of energy usage across the estate. The Board aims to discuss ESG twice per year. During 2022 it was agreed to establish an ESG committee whose responsibility it is to further the Company's climate related initiatives as part of their wider agenda which also includes social initiatives and governance.

Nightcap's Audit and Risk Committee will also consider climate-related issues, however this is also yet to be formalised.

The hierarchy below displays how Nightcap's executive team is structured. Each Executive Director works with their team to manage climate-related issues that are considered a priority for the day-to-day operations of the Group.

Next steps

- Develop clear roles and responsibilities for sustainability and climate-related issues across both Management and the Board

STRATEGY

"The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning"

This year's TCFD report will form the basis for Nightcap's ongoing climate strategy. Developing the strategy was a collaborative process led by the Zero Carbon Forum, who conducted a series of interviews with Management. During these sessions Nightcap identified five key opportunities and risks associated with climate change that are most likely to affect the financial performance of the business. These key opportunities and risks were selected from a longer list of potential impacts; however those deemed a lower priority were not selected for further analysis. Nightcap will continue to review the potential opportunities and impacts presented by climate change on an annual basis.

All opportunities and risks that were deemed a priority were reviewed against Nightcap's chosen time frames and climate scenarios.

Timeframes

The opportunities and risks below have been set against three different timeframes short, medium and long. The definitions for these different timeframes is as follows:

- Short – Expected to have a financial impact in the next five years
- Medium – Expected to have a financial impact in the next ten years
- Long – Expected to have a financial impact in the next thirty years

Climate scenarios

When discussing and analysing Nightcap's priority risks and opportunities we have considered how the business will perform under two different climate scenarios for both physical and transition climate-related opportunities and risks.

Physical climate risks

Physical climate risk describes the direct impacts of climate change on a company's facilities, infrastructure, operations and supply chain. Physical risks can be described as either acute or chronic. Acute physical risks are those that are event driven such as a storm or flood, while chronic risks describe long-term changes in the climate such as sustained higher temperatures or sea level rise.

Transition climate risks

Transition risks are those that are created by the gradual shift to a low-carbon economy. Typical transition risks include policy, legal, technological and market risks. As each of these key sub-categories of transition risk develop over time, they may have either a positive or negative impact on a company's operations.

The table below is an overview of Nightcap's selected climate scenarios, the source for the scenario and the rationale for its use when analysing climate-related risks and opportunities.

Climate scenario	Scenario, source	Rationale
1.5-degree transition scenario Rapid changes are made, beyond current UK and global pledges, to limit warming to 1.5°C by 2100. Advanced economies reach net zero emissions in advance of others. Substantial international coordination, including comprehensive changes to policy, regulation, technology and markets by 2030.	Net Zero Emissions by 2050 Scenario (NZE), IEA	Stress test rapid transition risks Meets TCFD guidance for 2°C or lower scenario Aligned to Paris Agreement
2-3-degree transition scenario The STEPS provides a more conservative benchmark for the future, because it does not take it for granted that governments will reach all announced goals. Instead, it takes a more granular, sector-by-sector look at what has actually been put in place to reach these and other energy-related objectives, taking account not just of existing policies and measures but also of those that are under development.	Stated Policies Scenario (STEPS), International Energy Agency	Stress test business as usual
'Mid-level' of physical impacts scenario Low ambition or effectiveness of global action to mitigate climate change results in 2-3°C warming by 2100. Acute and chronic physical impacts of climate change are more pronounced by 2030 and continue to increase beyond this time.	Representative Concentration Pathway (RCP)4.5, Intergovernmental Panel on Climate Change (IPCC)	Stress test mid-level physical climate risks
'Lower level' of physical impacts scenario High ambition or effectiveness of global action to mitigate climate change results in <2°C warming by 2100. Acute and chronic physical impacts of climate change are also more pronounced by 2030, due to lag in climate systems and GHG emissions, and then remain limited beyond this time.	RCP2.6, IPCC	Stress test low physical climate risks

Table 2. A summary of Nightcap's selected climate scenarios

PRIORITY RISKS AND OPPORTUNITIES

Carbon tax (risk)

In the event that a carbon tax is implemented, Nightcap would be expected to pay a tax for every tonne of carbon it produces. Under a 1.5-degree NZE (Net Zero Emissions) scenario it is expected that companies would be expected to pay 113 £/tCO_2e (2030), 166 £/tCO_2e (2040), 194 £/tCO_2e (2050). Under this scenario, and if Nightcap's emissions intensity remains the same Nightcap would be expected to pay £900,000 on average per year between 2030 and 2050.

Similarly, under a 2-3-degree STEPS (Stated Policies Scenario) scenario it's expected that companies would be expected to pay 73 £/tCO_2e (2030), 79 £/tCO_2e (2040), 92 £/tCO_2e (2050). Under this scenario, and if Nightcap's emissions intensity remains the same Nightcap would be expected to pay £460,000 on average per year between 2030 and 2050.

Supply chain disruption (risk)

As the impacts of climate change, both physical and transitional, progress. Additional strain will be placed on global supply chains, potentially disrupting the arrival of products to Nightcap's sites.

It is expected that in a 1.5 degree increase scenario the transition and physical climate-related risks to Nightcap's supply chain will be more limited than those in a 2-3 degree increase scenario. As such we have assumed that in the case of a 1.5 degree increase scenario, in the next ten years (medium term), 5% of our total supplier spend will be disrupted, placing an estimated £1m in stock value at risk. Under a 2-3 degree increase scenario, in the next ten years (medium term), 15% of our total supplier spend will be disrupted, placing an estimated £3m in stock value at risk.

Energy efficiency (opportunity)

Nightcap currently collects electricity data for 37 offices and bars across their portfolio, the resulting electricity cost is estimated to be £1,000,000 per year. Industry data suggests that savings of 10 to 25% can be achieved through a combination of behavioural and mechanical interventions across Nightcap's estate. Implementing energy efficiency changes could save the business £100,000 - £250,000 in annual energy costs.

Coastal / River flooding (risk)

Nightcap operate buildings across the UK, in locations such as London, Bristol, Birmingham and Cardiff. It's expected that as climate change takes place flooding events will become more commonplace under both a 1.5 degree and 2-3 degree scenario in these areas.

To help model how flooding could impact Nightcap in the future, the business has assumed that flooding at Nightcap sites results in closures and a resulting loss in revenue. Using data from the UK's Environment Agency we have assumed that under a 1.5 degree increase scenario that all sites at "High risk" will flood and in a 2-3 degree increase scenario that both "Medium risk" and "High risk" sites will flood, closing the affected sites for an estimated three months per flooding event. All "High risk" sites are expected to flood twice over a thirty-year period (long term), while all "Medium risk" sites are expected to flood once.

Low emissions products (opportunity)

This year for the first time Nightcap has begun to calculate its carbon footprint, calculating their emissions for Scope 1, 2 and 3 according to the WRI GHG Protocol. As part of this process Nightcap has calculated the total emissions per product within their supply chain. To help model how Nightcap could improve its resilience by substituting high for low carbon intensive products, our team has reviewed how a switch from raw red meat to a meat free alternative might impact the business.

Based on Nightcap's current spend data, replacing raw red meat with a meat free alternative could increase the average price per kilogram by as much as 50%. However, this intervention would reduce the Group's carbon footprint by 900 tCO_2e, a 15% reduction in 2023's total carbon footprint.

RISKS AND OPPORTUNITIES SUMMARY

Below is a table summarising Nightcap's key climate-related risks and opportunities.

Risk/ opportunity	Impact title	Impact comments	Likelihood	Impact	Time frame	Financial impact (£k)
Risk	Carbon tax	As the UK speeds up its transition towards Net Zero it introduces a carbon tax (£/tCO_2e). It's estimated that a tonne of carbon could cost anywhere between £90 and £250 between 2030 and 2050.	High	High	Medium	400 – 1,100 in annual costs
Risk	Supply chain disruption	Due to unforeseen impacts Nightcap's supply chain is negatively impacted, disrupting the supply of incoming goods to Nightcap's bars.	Medium	Medium	Medium	1,000 – 3,000 stock value at risk

Risk/ opportunity	Impact title	Impact comments	Likelihood	Impact	Time frame	Financial impact (£k)
Opportunity	Energy efficiency	By improving energy efficiency at Nightcap's sites, the overall consumption of the group falls, reducing energy costs.	Medium	Medium	Short	100 – 250 in annual savings
Risk	Coastal / river flooding	Due to coastal / river flooding some bars are unable to open and need repairs, impacting revenue during the closure of the site.	Low	Medium	Long	2,200 – 9,000 loss in revenue
Opportunity	Low emissions products	Nightcap chooses to substitute high emissions products such as beef for lower emissions alternatives. This change comes at an additional cost to Nightcap but significantly reduces their carbon footprint.	Medium	Low	Short	70 in annual costs
Risk	Public perception	Due to the Company's unclear positioning on climate change customers choose to drink and socialise at Nightcap's competitors.	Low	Medium	Not selected for further analysis	
Opportunity	Changes to growing regions	Warming conditions in the UK mean that crops used in fermenting drinks, such as grapes are more readily grown in the UK. These changes reduce transport costs in Nightcap's supply chain.	Low	Medium	Not selected for further analysis	
Risk	Poor working conditions	Rising temperatures in the UK mean that during the summer months there is an increased level of absenteeism amongst Nightcap staff as working conditions become intolerable.	Low	Medium	Not selected for further analysis	
Risk	Customer choices	As the transition to a Net Zero future occurs and generations become more discerning with their product choices, particularly concerning a products carbon footprint, sales of carbon intensive drinks fall.	Low	Low	Not selected for further analysis	

Table 3. Nightcap's key climate-related risks and opportunities

TRANSITIONING TO A LOW-CARBON ECONOMY

This year as part of our drive to improve efficiencies and reduce our carbon footprint, we have undertaken a series of activities to support our movement towards a low carbon economy.

Key emissions reduction activities include:

- Video conferencing to reduce business travel
- Route optimisation to minimise distribution emissions
- Sorting waste according to the waste hierarchy to minimize landfill

Next steps

- Further improve the accuracy of Nightcap's climate-related data
- Further refine Nightcap's methodology for modelling physical and transition risks and opportunities
- Integrate the financial impact of climate-related issues into business planning
- Develop an action plan for further carbon reduction activities

RISK MANAGEMENT

"The processes used by the organisations to identify, assess, and manage climate-related risks"

The entire Board and the Audit and Risk Committee are responsible for ensuring that risks faced by the Group are correctly identified, assessed, and appropriately managed. This includes climate-related risks. The day-to-day management of climate-related risks is the responsibility of the Chief Executive and Senior Management.

Nightcap maintains a live Principal Risks and Uncertainties register which is continually updated to correctly reflect the principal risks facing the business. For each risk the Company has considered why the risk may affect Nightcap and what the mitigating actions are. This year the Group listed energy costs as a principal risk for the business, a risk that may increase in severity as the UK transitions to Net Zero.

It is the responsibility of all Nightcap's directors to ensure the Group complies with all relevant regulatory requirements. In addition, the Board has balanced skill sets and previous experiences, with non-executive director Thi-Han Jelf and Gareth Edwards as Non-Executive Chairman both having previous legal experience and therefore being the key contacts on the Board for any existing or emerging legal obligations for the Group. This year Nightcap reported against the UK's Streamline Energy and Carbon Reporting requirements, a key regulatory requirement in the UK for large undertakings which mandates the disclosures of energy consumption and energy efficiency actions taken in the reporting year.

Next steps

- Develop a methodology for determining the significance of climate-related risks
- Include climate-related risks as a standing item in all Board and Audit & Risk Committee meetings

METRICS & TARGETS

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

This year Nightcap completed our first ever carbon footprint. Moving forwards, we expect absolute and intensity carbon metrics to be our way of assessing how sustainably the business is performing.

To help track our own progress as well as our progress in relation to the wider hospitality industry we will use intensity metrics such as £ Turnover / tCO_2e and Number of outlets/tCO_2e. Our intensity metrics can be found in table 4 below.

Intensity metric (2022/23)	Turnover (£)	Outlets (#)
Intensity measure value	47	36
Market based tCO_2e	5,695	5,695
Location based tCO_2e	5,851	5,851
tCO_2e/Intensity Measure (Market)	121	158
tCO_2e/Intensity Measure (Location)	124	163

Table 4. Nightcap's carbon intensity metrics for 2022/23

As we continue to calculate our carbon footprint using the Zero Carbon Forum's online portal, we will begin to use this data to inform our decision making by analyzing historical performance and making assumptions about how our carbon footprint may develop in the future.

Shown below is Nightcap's carbon footprint for 2022/23, the footprint has been calculated according to the WRI GHG Protocol Corporate Standard.

Scope	Category	tCO_2e	% of total
Scope 1	F-Gas	23	0.4
	Fuels	54	0.9
Scope 2	Electricity (Market-Based)	124	2.2
	Electricity (Location-Based)	280	N/A
Scope 3	Purchased Goods & Services	4,562	80.1
	Capital Goods	195	3.4
	Fuel and Energy Related Activities	108	1.9
	Upstream Transmission & Distribution	22	0.4
	Waste	146	2.6
	Business Travel	142	2.5
	Commuting	291	5.1
	Investments	28	0.5
Total	Nightcap's emissions (Market-Based)	5,695	100
	Nightcap's emissions (Location-Based)	5,851	N/A

Table 5. Nightcap's carbon footprint for 2022/23

Next steps

- Develop additional climate-related metrics to support Nightcap's decision making
- Develop carbon emissions targets for Nightcap that are consistent with best practice
- Consider how climate-related metrics might be used in remuneration policies
- Consider an internal carbon price that could be implemented at Nightcap

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has continued to develop its risk management procedures so that it identifies, monitors, and evaluates risks as they arise and then prioritises them, allowing management to make critical decisions. The Board then reviews and considers the risks and has accepted them after considering the relevant control and mitigation strategies. The Group's risk register is reviewed at least twice per year by the Audit and Risk Committee and material changes reported to the Board. The Board also has a policy of assigning the responsibility of reviewing and reporting on the Group's key risks to an individual director or member of the senior management team.

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

INDUSTRIAL ACTION, COST INFLATION, SUPPLY CHAIN & COST OF LIVING CRISIS

Nature

The Group operates in a sector that has been and may continue to be subject to ongoing industrial action as well as significant cost pressures. This includes pressures such as increases in energy prices, rising staff costs led by increases in wages, together with increases in the prices of food and drink. The single biggest impact in the last financial year has been the continued industrial action from transport worker unions that has significantly impacted Nightcap as well as the whole hospitality industry. There were 28 days of industrial action last year, targeted on Thursdays and Saturdays.

Mitigation Strategies

As the Group expands, it has been able to secure new 'pouring contracts' for key drinks lines through its buying power to help mitigate cost inflation. Alternative products have also been identified should any shortfall become apparent or if any item becomes cost-prohibitive and relationships are maintained with alternative suppliers. The Group has locked into multi-year energy contracts for most of the Group's sites to give certainty over the Group's energy costs. The Group has also partnered with an energy consultancy to target a 20% reduction in energy usage per site by using "smart" plugs that enable appliances to be switched off remotely.

Given the continuing industrial action and the macroeconomic environment, the Group's focus is now on cost controls and regular assessment of the market and the macroeconomic environment and how these impact the business. This involves having systems in place to give quick and accurate information for decision making.

CONSUMER CONFIDENCE AND LEVELS OF DISPOSABLE INCOME

Nature

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 its control which have an impact on consumer sentiment and dictate levels of disposable income. Without mitigating actions, a severe long lasting downturn could lead to a liquidity risk.

Mitigation Strategies

The Group's focus is on cost controls and regular assessments of the UK hospitality market and the macroeconomic environment and how this could impact the business. Systems are in place to give quick and accurate information for decision making. In addition the Group has sought to reduce the concentration risk of the majority of sites being in London with majority of sites opened in the financial year being outside of London. The Dirty Martini acquisition further supports this strategy, with five of the nine bars being located outside of London.

The Board considers that the Group's offering is strong and this provides a level of resilience if there were to be an economic slowdown. The Board considers that the following, in particular, are relevant when considering the resilience of the Group's offering.

- Our target market (being Gen Z and millennials) is more resilient than other segments of the hospitality sector.
- We focus on reviewing customer feedback and addressing it, as well as a monthly analysis of customer dashboard scores.
- We have a heightened focus on value of offer with best in class service.
- We have flexibility in terms of the speed of our site roll out.
- We focus on preservation of cash through the group's financial risk policy.
- Focus on costs – key area of continual review as we growth to ensure best economies of scale.
- Mix of locations across United Kingdom.
- Investments in technology and digital capabilities.

RECRUITMENT AND RETENTION

Nature

An important factor of the future success of the Group lies in our ability to continue to recruit and retain the best bartenders and management personnel. This remains a challenge across the sector.

Mitigation Strategies

The use of digital applicant tracking, a brand-new careers website and social digital attraction campaigns allow us to reach and attract a broad candidate base of our target audience. This technology was introduced in August 2023.

A strategy to monitor and drive employee engagement and satisfaction has been developed in order to retain a high-quality workforce, together with an industry leading training programme, the Group has launched its Nightcap Bar Academy, which has brought focus to become a centre of training excellence.

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

A new organisational structure, defining clear employee benefits by work level will allow targeted incentives, reward and compensation in order to attract and retain key talent across specialist roles.

Annual salary review to assess market changes to benchmarks and the launch of a competitive and achievable bonus scheme for all management roles across the group, launched in July 2023

We strive to be the benchmark for training, culture, and reward in our industry. This year we have launched   our careers website, digitally housing all our vacancies, which includes onboarding new recruitment hiring technology enabling us to seamlessly reach and attract talent into our business. Our commitment to providing best in class training and career development opportunities ensures that our employees constantly grow and excel in their roles. We value diversity and inclusion, recognising that it brings fresh perspectives and enriches our work environment. Colleague engagement is a priority for us, as we believe that motivated and connected colleagues are more likely to deliver exceptional service. Listening to our employees is imperative. We conduct surveys to gauge employee engagement, motivation, pride and commitment to the business. The Nightcap Bar Academy, our dedicated training facility, offers comprehensive training and skill development programs for employees at all levels. This ensures consistent excellence in both customer service and employee performance. Monitoring team turnover and gauging colleague satisfaction are recurring priorities for our Board. We review these metrics at our Group Executive Board meetings and with the senior management team to address any concerns effectively and take steps to deliver a positive work environment.

GOVERNANCE

BOARD OF DIRECTORS

SARAH WILLINGHAM-TOXVAERD, FOUNDER AND CEO

Sarah is an entrepreneur and investor with extensive experience in the hospitality industry starting her career at Planet Hollywood and onto PizzaExpress where she ran the International expansion. 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'.

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 WILLINGHAM-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. He has over 15 years of mergers and acquisitions experience and extensive experience in capital markets, strategy, finance, listing and advising companies privately and on the London Stock Exchange. Michael leads Nightcap's acquisition and corporate strategy.

GARETH EDWARDS, NON-EXECUTIVE CHAIRMAN

Gareth is a qualified solicitor and was previously a partner at law firm Pinsent Masons LLP, where he latterly 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, an FCA authorised corporate finance boutique. He has significant public markets experience and is Chairman of Cornerstone FS plc, and a non-executive director on the Board of Various Eateries PLC, both of which are admitted to trading on the AIM market of the London Stock Exchange.

TOBY VAN DER MEER, NON-EXECUTIVE DIRECTOR

Toby is Group Chief Executive Officer of Hastings Group, one of the UK's largest and most successful retail financial services businesses. Having joined in 2011 as Managing Director, Toby helped lead Hastings' growth to a £1bn+ market cap business, and has taken the group through private equity investment, its IPO to a FTSE 250 company, and a subsequent 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 price comparison business. Toby is also an angel investor and private equity advisor.

THI-HANH JELF, NON-EXECUTIVE DIRECTOR

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 public company corporate governance, 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

Lance has over 35 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 is currently a Non Executive Director of Thatchers Cider Ltd.

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
22 November 2023

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 then the Adventure Bar Group in May 2021, followed by Barrio Familia Group in November 2021 and the Dirty Martini chain of cocktail bars in June 2023. Further details on the Group's strategy can be found in the Strategy section of the Company's Strategic Report.

Business Model & Strategy:
The Chief Executive Officer, together with the Board and senior management, will seek to identify suitable opportunities for acquisition and development. Further details can be found in the Chief Executive's Statement and the Company's Strategic 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 these key challenges are contained in the Principal Risks and Uncertainties section of the Company's Strategic 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. Investor presentations;
2. Developments with respect to The Cocktail Club;
3. Developments with respect to the Adventure Bar Group;
4. Developments with respect to Barrio Familia Group;
5. Developments with respect to Dirty Martini;
6. Developments in relation to any potential acquisitions that occur in the future;
7. Annual audited and half-yearly unaudited financial statements;
8. Notifications made via a Regulatory Information Service; and
9. Results and details of resolutions voted on at the latest Annual General Meeting

The Chief Executive Officer and Chief Financial Officer aim to communicate with shareholders, both private and institutional, on a regular basis through individual and group investor meetings, roadshows and regular RNS announcements. They 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 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 it operates enable the Board to clearly identify key stakeholders on which the Group's business relies, which includes employees, customers and suppliers.

Please see the Group's Section 172 Statement within this Annual Report for further details.

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 the bar experience for customers. Further information on stakeholders and the manner in which we engage with them is provided in the Section 172 Statement.

The Group will endeavour to take account of feedback received from key stakeholders, making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Group's longer-term strategy as discussed in the Chief Executive's Statement. 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. However, no material changes to the Group's working processes were required over the period from 4 July 2022 to 2 July 2023, 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 Company'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 Company'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 are contained in the Principal Risks and Uncertainties section of the Company's Strategic 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 Company 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. Board meetings are held at least on a quarterly basis, 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, who engages specialist external advisors where deemed necessary. 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 Committee 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 the Company's website and within this Annual Report.

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, nor are significant shareholders 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. In addition, all Directors have access to independent professional advice in the furtherance of their duties, at the Company's expense.

The Board will meet at least six times a year, either in person or by telephone, although in practice the Board seeks to meet at least 10 times per year. 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.

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 in the Committee reports of this Annual Report.

The Remuneration Committee is chaired by non-executive director Thi-Hanh Jelf. The other members of the Remuneration Committee are Lance Moir and Gareth Edwards, who are non-executive directors whom the Board considers to be independent.

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, although in practice the Board seeks to meet at least 10 times per year. 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 financial year ended 2 July 2023:

	Board Meetings		Audit Committee[1]		Remuneration Committee[1]	
	Possible	Attended	Possible	Attended	Possible	Attended
Sarah Willingham-Toxvaerd	12	12				
Toby Rolph	12	12				
Michael Willingham-Toxvaerd	12	12				
Gareth Edwards	12	12			3	3
Tobias van der Meer	12	12	3	3	3	3
Thi-Hanh Jelf	12	12	3	3	2	2
Lance Moir	12	12	3	3	3	3

[1] Only Non-executive Directors are entitled to vote in the meetings of these Board Committees.

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

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 complementary 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 and Chief Financial 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 the Company's 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

On a biennial basis, the Non-Executive Chairman of the Board will conduct a review of the Board and its committees, 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. The Non-Executive Chairman performed the first Board and Director review in 2021/22, which involved interviews with the individual Directors. The next review will take place in 2023/24 and is anticipated to use a similar approach. As part of this Board Review, the Non-Executive Chairman reviewed 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. This performance evaluation will include an assessment of each Board member's continued independence (or otherwise). The 2021/22 Board and Director review did not find any shortcoming in Board or committee effectiveness and did not lead to any material recommendations for any changes.

The Board has no formal succession plan, given that the Group is still in the early stages of its growth. However, the Board is always considering the future of the Group and will seek to hire appropriate senior roles as required.

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 has a culture of responsible, ethical and inclusive 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;
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 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
- 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 that 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 Non-Executive Chairman, Chief Executive Officer 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 executive directors, involving the non-executive directors where appropriate;
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 polices. 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, debt, 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 in the reports for these committees in 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. 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 strives 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 in the Committee reports of this Annual Report.

On a regular basis, a corporate presentation will be prepared that 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

AUDIT AND RISK COMMITTEE REPORT

On behalf of the Board, the Committee is pleased to present the Audit and Risk Committee Report for the 52 weeks ended 2 July 2023.

The Audit and Risk Committee comprises Thi-Hanh Jelf and Tobias van der Meer, and Lance Moir as chair of the Committee. During the 52 weeks ended 2 July 2023, the Audit and Risk Committee met formally on three occasions with all members attending. At two of the meetings, the Committee had access to the external auditor without management present.

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 2 March 2023. PKF Francis Clark LLP's fee for the audit for the 53 weeks ended 2 July 2023 was £176,000 (2022: £106,000). The increase for this year's audit was due to the increase in the size of the group, the acquisition of the Dirty Martini group of bars on 9 June 2023 and increased audit requirements, specifically under ISA 315.

RISK GOVERNANCE

The Committee's focus has been on the trading risks around the Group's expansion plans together with the uncertain trading environment, especially in the context of train strikes and the macroeconomic environment. To this extent, the Committee has worked with the Board to review the Group's finance function, risk register and matrix and to put in place processes, systems and controls to monitor, respond and mitigate identified risks and to ensure that there are plans to extend these to acquired businesses on a consistent basis.

Further information is in the Principal Risks and Uncertainties section of the Company's Strategic Report.

INTERNAL CONTROL ENVIRONMENT

The Group has established a system of risk management and internal control. The Audit and Risk 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. During the year, the Committee has particularly focused on the controls and systems following acquisitions including promoting consistent controls and systems across the group, including strengthening the group financial control staff.

SIGNIFICANT FINANCIAL JUDGEMENTS

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

Acquisition accounting (Dirty Martini)

On 9 June 2023, Nightcap acquired the assets of DC Bars limited and Tuttons Brasserie Limited through an administration process. The Committee has reviewed the calculations for the valuation of the Dirty Martini brand, IFRS 16 in respect of leases and the key assumptions in respect of IAS 38. It also reviewed the Asset Purchase Agreement for this acquisition and is satisfied that the accounting treatment has been correctly presented.

Contingent liability

Contingent liabilities identified by management have been reviewed by the Committee and the Committee is satisfied that they have been adequately accounted for and disclosed in line with IAS 37.

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 management's memorandum and calculation in determining the value of the options issued in December 2022 and June 2023, is satisfied that the accounting treatment has been correctly presented and disclosed in line with IFRS 2.

IFRS16, Right of Use asset

The committee have reviewed the IFRS 16 Right of Use assets and lease liability calculation and is satisfied with the accounting treatment in the annual report.

Impairment of Goodwill, intangible and tangible fixed assets

Management undertakes an annual impairment review at the individual site level. The key assumptions underpinning cash flow forecasts, future growth rates and discount rates were reviewed by the Committee and the Committee was satisfied with the methodology and assumptions that underpin the conclusion. In respect of goodwill, the Committee has reviewed key assumptions and forecasts for the Group and is satisfied that no impairment charge is required for the financial year.

Going concern

The Audit Committee and the Board have carefully considered the cash flow forecasts in the base case, normalised case and significant but plausible downside scenarios prepared by management, to support the going concern basis of accounting. As set out more comprehensively in the going concern section of the Financial Review, the Audit Committee and the Board have challenged management's assumptions and sensitivity assessments used in this analysis. The Committee noted that the forecasts provide headroom even in a significant but plausible downside scenario. To deliver the forecasts certain assumptions are included, and in particular the current uncertain macroeconomic and trading environment as well as the successful delivery of a number of cash and cost improvement initiatives over the forecast period. The Audit Committee has considered the impact of these scenarios on the profitability, cash flows and liquidity of the Group as well as its ability to meet all its bank covenants, although headroom will be lower. While the current macro environment including a continuation of the industrial train strike actions along with a further deterioration in the trading environment remain a potential risk, the Committee is satisfied that the Group has sufficient liquidity to support the assessment that it is appropriate to prepare the financial statements for the 52 weeks ended 2 July 2023 on the going concern basis.

Revenue recognition

Management recognises revenue in accordance with IFRS 15. Revenue predominantly arises from the sale of food and drink to customers at the Group's sites for which payment is received immediately and as such revenue is recognised at point of sale. Retrospective payments (known in the industry as "retros") and listing fees from suppliers are spread over the life of the contract. The income from retro payments and listing fees 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 then recognised as revenue along with any balancing payment from the customer when the associated event / booking occurs.

The Committee is satisfied that they have been appropriately classified.

The Committee, having reviewed the significant issues discussed above, was satisfied that these were appropriately accounted for and stated.

ROLE OF THE EXTERNAL AUDITORS

The Audit and Risk 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 assesses 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 and Risk Committee seeks confirmation from the external auditors that they have remained independent within the meaning of the APB Ethical Standards of Auditors and no other services have been provided.

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 and Risk Committee. The Committee believes, based on experience to date, that these policies are effective and that staff members are aware of them.

REMUNERATION COMMITTEE REPORT

During the financial year, the Remuneration Committee comprised of Lance Moir and Gareth Edwards with Thi-Hanh Jelf as chair of the committee. Thi-Hanh Jelf, Lance Moir and Gareth Edwards are Non-Executive Directors and are all considered to be independent.

During the 52 weeks ended 2 July 2023, the Committee met formally on three occasions with all members attending.

The 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 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

SHARE OPTION PLAN

As the Group has continued to grow, it is no longer eligible to grant EMI share options to employees. The Company has now replaced its EMI share option scheme with a Company Share Option Scheme ("CSOP"), so as to continue to reward and incentivise staff. This was approved by the Committee on 14 October 2021.

During the financial year, options were granted to employees and in some instances non-Board persons discharging managerial responsibilities ("PDMRs") on 16 December 2022 and 30 June 2023 and will become exercisable from the third anniversary of the grants until the tenth anniversary of the date of the grants. The exercise of the options granted on 16 December 2022 and 30 June 2023 is conditional on the Company's EBITDA (for the avoidance of doubt taking into account the EBITDA of all its subsidiaries from time to time) indicated by the Company's most recent (at the proposed time of exercise) audited accounts exceeding profitability targets. Aside from the CSOP and the Company's earlier EMI and other share option plans, the Company does not operate any other long term incentive plans. No share option grants were made to the Directors during the 52 weeks ended 2 July 2023.

DETAILS OF SHARE OPTIONS GRANTED TO DIRECTORS AND PDMRS ARE AS BELOW.

Name	Number of options	Date of grant	Exercise price (pence)
Sarah Willingham-Toxvaerd	6,000,000	13/01/2021	10
Michael Willingham-Toxvaerd	2,500,000	13/01/2021	10
Toby Rolph	5,000,000	13/01/2021	10
Dawn Donohoe	999,996	14/05/2021	25
Dawn Donohoe	677,966	16/03/2022	14.75
Adam Dilks	1,000,000	29/06/2023	11

* For these purposes, "profitable" means taking the Company'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.

2023 ANNUAL PERFORMANCE AND REWARD

For the 52 week period to 2 July 2023, the bonus for Michael Willingham-Toxvaerd, an Executive Director, shown below was approved in respect of a transaction that completed during the period.

DIRECTORS' EMPLOYMENT AND PENSION CONTRIBUTIONS FOR THE PERIOD TO 2 JULY 2023

	GBP				
Name	Salary and Fees £000s	Annual Bonus £000s	Transaction Related Bonus £000s	Pension Contribution £000s	Total £000s
Sarah Willingham-Toxvaerd	260,000	–	–	13,000	273,000
Toby Rolph	175,000	–	–	8,750	183,750
Michael Willingham-Toxvaerd	325,000[2]	–	100,000[1]	8,750	433,750
Gareth Edwards	75,000	–	–	–	75,000
Tobias Van der Meer	–	–	–	–	–
Thi-Hanh Jelf	28,750	–	–	–	28,750
Lance Moir	28,750	–	–	–	28,750

[1] Relates to the acquisition of certain of the assets of DC Bars Limited, the operator of the 'Dirty Martini' chain of cocktail bars, on 9 June 2023, in line with the framework in his service agreement as described within the Company's AIM admission document.

[2] Salary includes fees relating to the share subscription for the Dirty Martini acquisition, in line with his service agreement as described within the AIM admission document

The Directors did not receive any other emoluments, compensation or cash or non-cash benefits other than as disclosed above.

DIRECTORS' AND PDMRS' INTERESTS IN SHARES

The interests of the Directors at 2 July 2023 in the Ordinary Shares of the Company were:

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of Nightcap plc for the 52 weeks ended 2 July 2023.

The Corporate Governance Statement also forms part of this Directors' Report.

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDENDS

The consolidated statement of comprehensive income 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, Section 172 reporting and Principal Risks and Uncertainties are not shown in the Directors' Report because they are presented in the Financial Review.

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 18 December 2023. 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.

DIRECTORS

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

Sarah Willingham-Toxvaerd

Toby Rolph

Michael Willingham-Toxvaerd

Gareth Edwards

Tobias van der Meer

Thi-Hanh Jelf

Lance Moir

DIRECTORS' INTERESTS

A table showing the Directors' interests in the share capital of the Company is set out in the Directors' Remuneration Report.

SHARE CAPITAL

Details of the issued share capital, together with details of movements during the period are shown in Note 27 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 shares 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 22 November 2023, the last practicable date before the publication of this report:

Name	Percentage of Issued Share Capital
Mark Michael Ward	15.11%
Sarah Willingham-Toxvaerd	9.95%
John James Goodman*	7.36%
Adam Minto	5.96%
Michael Willingham-Toxvaerd	5.76%
Canaccord Genuity Group Inc	4.98%
Octopus Investments Nominees	4.95%
Mark Irwin	4.72%
Tobias van der Meer	4.15%
Raymond R A Blanc	3.93%
Greg Le Tocq	3.88%
James W Hopkins	3.72%
David W Moore	3.69%
Michael Wainwright	3.06%

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

As at 22 November 2023, the Company's issued ordinary share capital was 217,883,990 ordinary shares of 1p each.

EMPLOYMENT POLICY

Our policy is to promote equal opportunity in employment regardless of gender, race, sexual orientation, identity, colour or disability, subject only to 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 in relation to 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 in the Section 172 Statement.

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 in the Section 172 Statement.

FINANCIAL RISK MANAGEMENT

The Group finances its operations through a combination of operational cash flow, capital fund raising 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 and interest rate 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. In August 2022, the Group refinanced its borrowings from three individual lenders under multiple tranches with new debt facilities from HSBC Bank. As a result of the refinancing, the majority of the Group's debt is on a bullet payment in August 2025, with a further one year option to extend.

Interest rate risk is managed by the use of interest rate swaps. In August 2022, as part of the refinancing discussed above the Group has hedged over 80% of its HSBC debt interest costs for three years by taking out an interest rate cap, so that there is certainty that if interest rates increase, the majority of our interest costs will be fixed based on the reference base rate at 3%.

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.

POST BALANCE SHEET EVENTS

On 9 November 2023, the Group completed the process of assigning the Dirty Martini leases from the administrator.

When Nightcap acquired certain assets of DC Bars Limited and Tuttons Brasserie Limited, the operator of the 'Dirty Martini' chain of cocktail bars and Tuttons Brasserie, a critical part of the process was securing the assignment of leases for the key sites from the administrator, with the consent from the relevant landlords.

As a result the Group will continue trading in nine of the ten sites. Eight out of ten leases have been assigned on existing terms (only subject to rent reviews) and these assigned leases have expiry dates between 2030 and 2047.

One site has not been assigned. This is the Hanover Square site, where the Group could not agree with the landlord on reduced rental costs to make the site profitable, and therefore no agreement could be reached to keep trading at the site.

The Group has entered into a new three year lease for the Tuttons restaurant and Dirty Martini Covent Garden site. This lease covers a restaurant lease as well as the small downstairs cocktail bar. The new lease is on considerably more favourable commercial terms and is in line with Nightcap's objective to not remain as a restaurant operator in the long term.

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 UK adopted 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;
- state whether applicable UK adopted 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.

The directors are responsible for the maintenance and integrity of the corporate financial information included on the company's website.

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
22 November 2023

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIGHTCAP PLC

OPINION

We have audited the financial statements of Nightcap plc (the "parent company") and its subsidiaries (the 'group') for the period ended 2 July 2023, which comprise the Consolidated Statements of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity and the related notes including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 2 July 2023 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard 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.

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.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Acquisition of Dirty Martini (Note 32) On 9 June 2023, Nightcap PLC, via its newly incorporated subsidiary DMN Bars Limited, acquired certain trade and assets of the Dirty Martini bars from the administrators of DC Bars Limited. 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, IAS 38 – Intangible Assets, IAS 37 – Provisions and Contingent Liabilities and IAS 36 - Impairment of Assets. The key aspects of this acquisition are:	
Recognition of intangible assets for the brands acquired The valuation of the brand is a key estimate and due to its subjective nature is at risk of being materially misstated.	We reviewed management's 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. We agreed the calculations back to supporting documentation and considered the reasonableness of key judgements and estimates in the calculation, including the calculation of the Group's Weighted Average Cost of Capital ('WACC'). We considered whether the assumptions are in line with forecasts and disclosure elsewhere in the financial statements.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Fair value of separable assets on acquisition Excluding the brand intangible noted above, the group is required to assess the fair value of the separable assets acquired. There is a risk that these fair values are not materially correct.	We reviewed the fair value assessment in respect of the assets and liabilities that were acquired and considered whether the assumptions and judgments applied by management were reasonable. This included the treatment of leases and property, plant and equipment.
Recognition of contingent consideration Contingent consideration of up to £500k was agreed as part of the transaction. The contingent consideration was payable on the successful assignment of leases for four key sites. The contingent consideration is subject to management estimates and judgements and due to its subjective nature, there is a risk of the consideration being materially misstated.	We inspected the asset purchase agreement and reviewed and challenged management's judgements around the deferred consideration being recognised. Lease assignments for all four key sites have completed after the year end.
Impairment assessment in respect of goodwill Goodwill of £2.4m arose from the transaction. There is a requirement is IAS 36 to assess goodwill at each reporting period for impairment. The impairment review is subject to management estimates and judgements and due to its subjective nature, there is a risk that the assets could be materially overstated.	We reviewed management's impairment assessment for consistency with forecasts used elsewhere and other management information. We have considered and challenged the reasonableness of management's sensitivity analysis and the adequacy of disclosures in the accounts.
Contingent liability A claim has been brought against DMN Bars Limited and Nightcap PLC in relation certain employees that, in the opinion of management, did not form part of to the acquisition (see Note 34 for more details). Under IAS 37, there is a requirement for management to assess if a provision is required in respect of the claim. Management have concluded that a provision is not required but a potential contingent liability has arisen.	We reviewed and challenged management's assessment of the contingent liability. We have compared management's assessment with correspondence with legal advisors and the original due diligence completed on the acquisition. **Conclusions** We are satisfied that the disclosure and accounting of the Dirty Martini acquisition is appropriate and materially correct.
Impact of potential economic downturn and impairment of assets There are a number of audit risks that arise as a result of the possible impact of economic and other external conditions, including the widely discussed industrial action by the rail operators, on the wider hospitality sector and the Group. • Going concern – the ongoing impact of increased costs and reduced spending by potential customers of the group and its impact on trade and bank covenants. • Impairment of Cash Generating Units (CGUs). Indications of impairment to intangible and tangible assets, including goodwill, and Right of Use assets. There is a risk that the impact of these factors has not been adequately considered in the context of the financial statements as a whole and the impact has not been adequately disclosed by management.	Further details of our work on going concern is covered below. We have reviewed and challenged management's impairment assessment for consistency with forecasts used elsewhere and other management information. We have considered the reasonableness of management's sensitivity analysis and the adequacy of disclosures in the accounts. The relevant financial statements disclosures were reviewed, including a review by our technical team, for compliance with UK-adopted IAS. **Conclusions** We are satisfied with managements impairment assessment and that the disclosures made in the financial statements are appropriate.

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	£466,000	£211,000
Basis for determination	1.0% of revenue	1.0% of gross assets
Misstatements reported to the audit committee	£23,300	£10,550

RANGE OF MATERIALITY AT 14 COMPONENTS SUBJECT TO FULL SCOPE AUDITS:

£15,000 - £147,000

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. The company is a holding company with no trade and therefore gross assets is considered to be the most appropriate measure for materiality.

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 trading companies:

- 16 UK subsidiary companies (15 wholly owned, 1 with a 50% holding);

Of the Group's 16 reporting components, we subjected 14 to full scope audits. All entities requiring an audit were audited by PKF Francis Clark.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and challenging management's forecasts and sensitivity analysis.
- Comparing actual historic performance against budget to assess the accuracy of management's budgeting process.
- Consideration of whether management have adequately taken into consideration the impact of economic or other factors in their forecasts and sensitivity analysis.
- Assessing the adequacy of cash balances and bank facilities available to the group.
- Reviewing management's sensitivity analysis and mitigating actions available to the group.
- Assessing mitigating actions that management could take if forecast performance is not in line with expectations, including the impact on bank covenants.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of 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 the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and 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 parent company financial statements and the part of the directors' remuneration report to be audited 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 43 and 44, 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.

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 company, 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;
- Tested the accuracy of the cut off of year end deferred revenue;
- Reviewed estimates and judgements made in the accounts for any indication of bias and challenged assumptions used by management in making the estimates.

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. 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
22 November 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEKS ENDED 2 JULY 2023

	Note	52 weeks ended 02 July 2023 £'000	53 weeks ended 03 July 2022 £'000
Revenue	4	46,414	35,943
Cost of sales		(9,029)	(7,297)
Gross profit		37,386	28,646
Administrative expenses		(40,643)	(27,404)
Other income	5	446	165
Adjusted EBITDA		6,625	6,036
Share based payments	7, 26	(181)	(345)
Profit on disposal of right of use asset / liability	6	220	–
Depreciation	6, 15, 16	(5,745)	(3,931)
Amortisation of intangible assets	6, 14	(627)	(549)
Exceptional items	10	(792)	(84)
Acquisition related transaction costs	11	(734)	866
Pre opening costs	12	(1,013)	(442)
Impairment	6	(565)	(143)
(Loss) / profit from continuing operations		(2,812)	1,407
Net finance expense	8	(2,052)	(1,169)
(Loss) / profit before taxation		(4,863)	238
Tax credit on (loss) / profit	9	931	262
(Loss) / profit and total comprehensive (loss) / profit for the period		(3,932)	500
(Loss) / profit for the period attributable to:			
– Owners of the parent		(4,169)	114
– Non-controlling interest		237	386
		(3,932)	500

	Note	52 weeks ended 02 July 2023 pence	53 weeks ended 03 July 2022 pence
Earnings per share attributable to the ordinary equity holders of the parent			
(Loss) / earnings per share			
– Basic	13	(2.09)	0.06
– Diluted	13	(2.09)	0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 2 JULY 2023

	Note	02 July 2023 £'000	03 July 2022 £'000
Non-current assets			
Goodwill	14	12,144	9,751
Intangible assets	14	6,971	4,604
Property, plant and equipment	15	12,723	9,109
Deferred tax asset	25	1,489	–
Right of use assets	16	35,905	26,462
Derivative financial asset		361	–
Other receivable	18	914	699
Total non-current assets		70,507	50,625
Current assets			
Inventories	17	1,154	554
Trade and other receivables	18	3,266	2,005
Cash and cash equivalents	19	5,017	5,353
Total current assets		9,438	7,911
Total assets		79,945	58,537
Current liabilities			
Loans and borrowings	22	(1,000)	(800)
Trade and other payables	20	(12,980)	(7,889)
Lease liabilities due less than one year	21	(3,281)	(2,374)
Total current liabilities		(17,261)	(11,062)
Non-current liabilities			
Borrowings	22	(10,687)	(4,723)
Lease liabilities due more than one year	21	(34,594)	(25,254)
Provisions	23	(683)	(366)
Deferred tax provision	25	(2,200)	(891)
Total non-current liabilities		(48,164)	(31,233)
Total liabilities		(65,425)	(42,295)
Net assets		14,520	16,241
Called up share capital	27	2,179	1,983
Share premium	27	23,527	21,372
Share based payment reserve		661	543
Reverse acquisition reserve		(2,513)	(2,513)
Retained earnings		(10,066)	(5,639)
		13,788	15,746
Non-controlling interest		732	495
Total equity		14,520	16,241

The financial statements on pages 50 to 85 were approved and authorised for issue by the Board and were signed on its behalf by:

Toby Rolph
Chief Financial Officer
22 November 2023

Sarah Willingham-Toxvaerd
Chief Executive Officer
22 November 2023

Company Number: 12899067

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 2 JULY 2023

	Called up share capital £'000	Share premium £'000	Share based payment reserve £'000	Reverse acquisition reserve £'000	Retained earnings £'000	Total attributable to equity holders of parent £'000	Non-controlling interest £'000	Total equity £'000
At 27 June 2021	1,855	19,267	216	(2,513)	(5,753)	13,073	109	13,181
Issue of shares on acquisition - Barrio Bar Group	57	1,051	–	–	–	1,108	–	1,108
Issue of shares - Adventure Bar Group contingent consideration	71	1,054	–	–	–	1,125	–	1,125
Share based payments and related deferred tax recognised directly in equity	–	–	326	–	–	326	–	326
Total transactions with owners recognised directly in equity	1,983	21,372	543	(2,513)	(5,753)	15,632	109	15,741
Total comprehensive income for the 53 week period	–	–	–	–	114	114	386	500
At 3 July 2022	1,983	21,372	543	(2,513)	(5,639)	15,746	495	16,241
Shares issued for cash subscription - 8 June 2023	196	2,154	–	–	–	2,350	–	2,350
Share based payments and related deferred tax recognised directly in equity	–	–	118	–	–	118	–	118
Dividends paid – non controlling interest portion	–	–	–	–	(257)	(257)	–	(257)
Total transactions with owners recognised directly in equity	2,179	23,527	661	(2,513)	(5,896)	17,957	495	18,452
Total comprehensive expense for the 52 week period	–	–	–	–	(4,169)	(4,169)	237	(3,932)
At 2 July 2023	2,179	23,527	661	(2,513)	(10,066)	13,788	732	14,520

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE 52 WEEKS ENDED 2 JULY 2023

	52 weeks ended 02 July 2023 £'000	53 weeks ended 03 July 2022 £'000
Cash flows from operating activities		
(Loss) / profit for the period	(3,932)	500
Adjustments for:		
Depreciation	5,745	3,931
Amortisation	627	549
Profit on disposal of right of use asset / liability	(220)	–
Share based payments	181	345
Interest on lease liabilities	1,699	917
Interest on borrowings	714	252
Net change in fair value of interest rate cap	(361)	–
Impairment	565	143
Tax expense	(931)	(262)
(Increase) in trade and other receivables	(1,377)	(1,214)
Increase / (decrease) in trade and other payables	4,387	(2,785)
(Increase) in inventories	(255)	(113)
Cash generated from operations	6,840	2,264
Corporation taxes (paid)	(184)	(72)
Net cash flows from operating activities	6,656	2,192
Investing activities		
Acquisition of Dirty Martini (Note 32)	(4,150)	–
Acquisition of Barrio Bar Group, net of cash	–	(991)
Purchase of property, plant and equipment	(6,658)	(6,008)
Purchase of intangible assets	(45)	(48)
Net cash used in investing activities	(10,853)	(7,048)
Financing activities		
Issue of ordinary shares	2,350	–
Proceeds from borrowings (net of repayments of £500,000)	12,030	–
Issue costs in connection with borrowings	(479)	–
Repayment of loans and borrowings	(5,597)	(941)
Principal paid on lease liabilities	(2,255)	(906)
Interest paid on lease liabilities	(1,699)	(917)
Interest paid on loans and borrowings	(489)	(215)
Net cash inflow / (outflow) from financing activities	3,861	(2,979)
Net (decrease) in cash and cash equivalents	(336)	(7,835)
Cash and cash equivalents at beginning of the period	5,353	13,187
Cash and cash equivalents at end of the period	5,017	5,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2023

1. GENERAL INFORMATION

Nightcap plc ("the Company") and its subsidiaries ("the Group") is an award-winning independent operator of 46 themed bars. At 22 November 2023 the Group operates 16 bars under The Cocktail Club brand, 13 under the Adventure Bar Group ("ABG") brand, seven under Barrio Familia Group brand and ten under the newly acquired Dirty Martini brand.

On 9 June 2023, Nightcap plc acquired the trade and assets for certain bars and one restaurant relating to the Dirty Martini business, for a total consideration of up to £4.65m. Nightcap is currently the operator of nine Dirty Martini bars and the Tuttons brasserie restaurant in Covent Garden. There are four Dirty Martini bars located in London with an additional five bars located in Cardiff, Bristol, Birmingham, Leeds and Manchester. Further information on this acquisition is provided in Note 32.

The Company is a public limited company whose shares are publicly traded on the AIM market 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 Nightcap plc have been prepared in accordance with International Accounting Standards as adopted for use in the United Kingdom ("UK adopted IAS") and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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 financial statements are presented in pounds Sterling ('£') rounded to the nearest thousand, except where otherwise indicated.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

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.

Due to rounding, numbers presented in the Financial Statements may not add up precisely to the totals provided and percentages may not precisely reflect the presented figures as the underlying calculations are referenced from absolute values, whereas numbers presented have been rounded to thousands.

2.2. Going concern

Management have prepared forecasts for the next 15 months in three scenarios- a base case, a normalised case and a downside case. More detail on these scenarios has been provided in the going concern section of the Financial Review. There remains uncertainty over whether the Group will continue to meet these forecasts. This will be dependent upon the underlying economic conditions and whether there is any increase in the level of industrial action impacting the sector.

The Group continues to trade in line with the revised base case model. In all three scenario's the Group has sufficient cash to successfully operate the business and will continue to meet all bank covenants. As a result the Board is satisfied that the Group has sufficient liquidity to support the assessment that it is appropriate to prepare the financial statements for the 52 weeks ended 2 July 2023 on the going concern basis.

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 alternative performance measures ("APMs") are not defined or specified under the requirements of UK adopted IAS.

The Group believes that these APMs, which are not considered to be a substitute for, or superior to, UK adopted IAS 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 UK adopted IAS 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 93 including an explanation of how it is calculated and how it reconciles to a statutory measure where relevant.

These measures exclude exceptional items, as defined below, non-cash share-based payment charges, pre-opening costs and acquisition related costs.

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 criterion 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.

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.

Pre-opening costs

Pre-opening costs can vary significantly depending on the number of new sites acquired and opened in any period, and so do not reflect the costs of the day-to-day operations of the business. These costs are therefore split out in order to aid comparability with prior periods. Site pre-opening costs refer to costs incurred in getting new sites operational, and primarily include costs incurred before opening and in preparing for launch.

Acquisition-related costs

Acquisition-related costs are costs incurred to effect a business combination. Those costs include advisory, legal, accounting, valuation and other professional or consulting fees including employees bonuses in connection with the successful completion of a transaction. Acquisition-related costs are expensed in the period in which the costs are incurred and the services are received.

2.5. Revenue

IFRS 15 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 bars 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.

Retrospective volume rebates ('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.

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	Amortization 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 to 10 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.

2.12. 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 cash generating units ("CGUs") but to a group of CGUs encompassing all bars operating under certain brands, including any additional new sites. The brands that make up that group of CGUs is defined by the original acquisition group.

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.

2.13. 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. Payments taken from customers on debit and credit cards for which cash remains outstanding at any reporting date ("cash in transit") are recognised as trade receivables. The trade receivable is converted to cash within 3 days of processing. The Directors view these trade receivables as cash when monitoring cash flows and forecasts internally.

2.14. 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 instruments 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 and 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.

The derivative financial asset / liability comprises the Group's interest rate cap. It is carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance expense line. The fair value of the interest rate cap is determined using the market standard methodology of discounting the future expected cash flow that would occur if variable interest rates rise above the strike rate of the interest rate cap. The variable interest rates used in the calculation of projected cash flow on the interest rate cap is based on an expectation of future interest rates derived from observable market interest rate curves and volatilities.

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.

Payments taken from customers on debit and credit cards for which cash remains outstanding at any reporting date ("cash in transit") are recognised as trade receivables. The trade receivable is converted to cash within 3 days of processing.

Impairment losses are presented as a 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 ("ECLs") 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.

Financial liabilities

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.

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.

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.

2.15. Leased assets

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 as described further in Note 15. 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.

For leases acquired as part of a business combination the lease liability is measured at the present value of the remaining lease payments at the acquisition date with the right of use asset being measured at the same value. The discount rate applied to the remaining lease payments is the incremental borrowing rate of the acquiree.

2.16. 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.

2.17. 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.

2.18. 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 26.

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.

2.19. 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.

2.20. Related party transactions

The Group discloses transactions with related parties which are not consolidated and 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.

2.21. New standards, amendments and interpretations adopted

The Group has applied the same accounting policies and methods of computation in its Financial Statements as in the prior period.

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 on or after 1 January 2023:

- Definition of Accounting Estimate (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Classification of liabilities as current or non-current (amendments to IAS 1).

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. The Group has reviewed this standard and does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

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.
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12 Income taxes- effective 1 January 2023).
- Lease liability in a Sale and Leaseback (Amendments to IFRS 16- effective 1 January 2024).

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 bars meet the aggregation criteria in IFRS 8 and hence have concluded that the Group only has a single reporting segment, as discussed in Note 4.

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 4.68%. For the lease liabilities at 2 July 2023 a 0.1% increase in the discount rate used would have reduced the total liabilities by £227,000.

Consolidation of Waterloo Sunset Limited

Waterloo Sunset Limited ("Waterloo Sunset") is a subsidiary that runs and operates the Bar Elba 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% of revenue 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 representing 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 criterion 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

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised 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 trade and assets of the business known as Dirty Martini for total consideration of £4.65m. Details of the acquisition is set out in Note 32. 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 value totalling £2.95m in respect of the business 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 14 and 32.

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.

Legal and Other Claims

The Group considers all legal or other claims against it. Where appropriate provision is made for management's best estimate of any liability arising. These provisions are reviewed regularly by management and the audit and risk committee and amended to reflect any new information. Where a claim has been received but management consider that it is unlikely that any liability will result this is disclosed as a contingent liability. The Group receives a number of employment or accident related claims that, having sought appropriate advice, it believes have no merit and, as a consequence, the likelihood of any payout is remote. No provision is included in the financial statements for any amounts that are considered remote.

KEY ESTIMATES

Impairment of non current assets

Annually, the Group considers whether non current 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 and the longer term growth rate in order to calculate the net present value of those cash flows. Individual bars 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 Notes 14 and 15.

Forecast business cashflows

For purposes of the going concern assessment and as an input into the impairment assessment, the Group make estimates of likely future cash flows which are based on assumptions in the base case, normalised case and significant but plausible downside case, given the uncertainties involved. The assumptions as outlined in the going concern section of the Financial Review include a deterioration of the macro environment as well as reduced profitability for the Group along with a range of mitigating factors within the Boards control. These assumptions are made by management based on recent performance and management's knowledge and expertise of the cashflow drivers going forward.

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 26. 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.

Amortisation of intangible assets

Amortisation is recorded to write down intangible assets to a residual value of nil over their useful economic lives (UELs). Management must therefore estimate the appropriate UELs to apply to each class of intangible asset. Changes in the estimated UELs 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. UELs are therefore reviewed on an annual basis to ensure that they are in line with policy and that those policies remain appropriate.

4. 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 bar-by-bar level.

The Group's internal management reporting is focused predominantly on revenue and adjusted EBITDA, as these are the principal performance measures and drive 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 12 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, cost inflation, recruitment and retention, Brexit and supply chain disruption, consumer confidence, availability of new sites, impact of national industrial action health and safety and food and drink safety. These risks are discussed in more detail in the "Principal Risks and Uncertainties" section of this Annual Report. The risks are managed, discussed and monitored at a Board level across the Group.

The Group performs all of 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 bars 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.

5. OTHER INCOME

	52 weeks ended 02 July 2023 £'000	53 weeks ended 03 July 2022 £'000
Business interruption insurance proceeds - COVID related	–	10
Government grants	–	155
Insurance claims	446	–
	446	165

6. OPERATING (LOSS) / PROFIT

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

	Note	**52 weeks ended 02 July 2023 £'000**	53 weeks ended 03 July 2022 £'000
(Loss) / profit from operations is stated after charging / (crediting):			
Share based payments	7, 26	181	345
Depreciation of tangible fixed assets	15	2,467	1,707
Depreciation of right of use assets	16	3,278	2,224
Amortisation of intangible assets:			
– Trademarks	14	30	21
– Brands	14	597	528
Auditors' remuneration			
– for statutory audit services		176	106
– for other assurance services		–	25
Exceptional costs	10	792	84
Acquisition related transaction costs	11	734	(866)
Pre–opening costs	12	1,013	442
Profit on disposal of right of use asset / liability		(220)	–
Impairment of tangible fixed assets	15	565	47
Impairment of right of use asset	16	–	96

7. EMPLOYEES AND DIRECTORS

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

	52 weeks ended 02 July 2023	53 weeks ended 03 July 2022
Management	85	49
Operations	669	510
	754	559

Staff costs were as follows:

	Note	**52 weeks ended 02 July 2023 £'000**	53 weeks ended 03 July 2022 £'000
Wages and salaries		15,798	11,549
Social security costs		1,339	1,156
Defined contribution pension costs		183	128
Other employment costs		48	109
		17,368	12,942
Share based payments	26	181	345
		17,549	13,287

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

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 £'000	Annual Bonus £'000	Transaction Related Bonus £'000	Pension Contribution £'000	Total £'000
Sarah Willingham-Toxvaerd	260	–	–	13	273
Toby Rolph	175	–		9	184
Michael Willingham-Toxvaerd	325[1]	–	100[2]	9	434
Gareth Edwards	75	–	–	–	75
Tobias Van der Meer	–	–	–	–	–
Lance Moir	29	–	–	–	29
Thi-Hanh Jelf	29	–	–	–	29
Total	893	–	100	31	1,023

1 Salary includes fees relating to the share placing for the Dirty Martini acquisition, in line with his service agreement as described within the AIM admission document.

2 Relates to the acquisition of certain of the assets of DC Bars Limited, the operator of the 'Dirty Martini' chain of cocktail bars, on 9 June 2023, in line with the framework in his service agreement as described within the Company's AIM admission document.

Further information in respect of Directors' remuneration is provided in the Remuneration Committee Report.

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 02 July 2023 £'000	53 weeks ended 03 July 2022 £'000
Key management emoluments	1,192	1,617
Pension contribution	40	25
	1,233	1,642

8. FINANCE COSTS

	Note	52 weeks ended 02 July 2023 £'000	53 weeks ended 03 July 2022 £'000
Interest on bank overdrafts and loans		503	205
Interest on lease liabilities	21	1,699	917
Net change in fair value of hedging instrument in a fair value hedge		(361)	–
Amortisation of debt issue costs - HSBC		136	–
Amortisation of debt issue costs - legacy debt		74	47
		2,052	1,169

9. TAX (CREDIT) / CHARGE ON LOSS

The income tax credit is applicable on the Group's operations in the UK.

	Note	52 weeks ended 02 July 2023 £'000	53 weeks ended 03 July 2022 £'000
Taxation charged / (credited) to the income statement			
Current income taxation		61	131
Adjustments for current taxation of prior periods		(12)	(54)
Total current income taxation		49	77
Deferred Taxation			
Origination and reversal of temporary timing differences			
Current period		(988)	(372)
Adjustments in respect of prior periods		37	56
Adjustment in respect of change of rate of corporation tax		(29)	(23)
Total deferred tax	25	(980)	(339)
Total taxation credit in the consolidated income statement		(931)	(262)
The above is disclosed as:			
Income tax (credit) - current period		(956)	(264)
Income tax charge - prior period		25	2
		(931)	(262)

	52 weeks ended 02 July 2023 £'000	53 weeks ended 03 July 2022 £'000
Factors affecting the tax credit for the period		
(Loss) / profit before tax	(4,863)	238
At UK standard rate of corporation taxation of 20.5% (2022: 19%)	(997)	45
Income not assessable for tax purposes	–	(231)
Expenses not deductible for tax purposes	175	14
Fixed asset differences	161	(33)
Timing differences on leases	–	34
Deferred tax (charged)/credited directly to equity	(63)	–
Other temporary differences	100	–
Movement in unrecognised deferred tax	(215)	23
Adjustments to current tax charge in respect of prior periods	(12)	(54)
Adjustments to deferred tax charge in respect of prior periods	37	56
Adjustment in respect of change of rate of corporation tax	(116)	(117)
Total tax credit for the period	(931)	(262)

10. EXCEPTIONAL ITEMS

	52 weeks ended 02 July 2023 £'000	53 weeks ended 03 July 2022 £'000
Included in administrative expenses:		
Legal cost accrual	300	–
Site closure costs	81	–
Reorganisation costs	411	84
	792	84

In the 52 weeks ended 3 July 2023 the Group has made an accrual for legal costs in relation to a claim – see Note 34 for further details.

In the 52 weeks ended 3 July 2023 the Group closed its previous legacy, The Cocktail Club site in Bethnal Green. This site had no material impact on the Group's trading in the period.

In the 52 weeks ended 3 July 2023 and 53 weeks ended 3 July 2022, reorganisation costs were incurred in relation to the restructuring and reorganisation of certain employees in the Group.

11. ACQUISITION RELATED TRANSACTION COSTS

	Note	**52 weeks ended 02 July 2023 £'000**	53 weeks ended 03 July 2022 £'000
Acquisition related transaction costs		734	352
Adventure Bar Group contingent consideration		–	(1,218)
	2.4	734	(866)

The acquisition related transaction costs in the 52 weeks ended 2 July 2023 relate to costs incurred directly in connection with the acquisition of the trade and assets relating to Dirty Martini. For the 53 weeks ended 3 July 2022 these costs relate to the acquisition of Barrio Familia Limited.

The acquisition of Adventure Bar Group in May 2021 included contingent deferred consideration to be settled with the issue of shares. Certain estimates had been used in valuing the consideration including share price volatility, enterprise value/EBITDA multiples, risk free rates and estimates on probabilities and timing for the satisfaction of the shares to be issued. In June 2022, the Group issued 7,142,856 new ordinary shares relating to the deferred consideration and the difference between the issue price of 15.75p and the estimate used in the prior year to value the consideration has been taken as a gain to the prior year Consolidated Statement of Comprehensive Income in accordance with IFRS 3.

12. PRE OPENING COSTS

	Note	**52 weeks ended 02 July 2023 £'000**	53 weeks ended 03 July 2022 £'000
Pre opening costs	2.4	1,013	442

13. EARNINGS PER SHARE

Basic earnings / (loss) 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. Further details of the share options that could potentially dilute basic earnings per share in the future are provided in Note 26.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. During the 52 weeks ended 2 July 2023 and the 53 weeks ended 3 July 2022 the Group had potentially dilutive shares in the form of unvested shares options pursuant to the above long-term incentive plan.

	52 weeks ended 02 July 2023 £'000	53 weeks ended 03 July 2022 £'000
(Loss) / profit for the period after tax for the purposes of basic and diluted earnings per share	(4,169)	114
Non-controlling interest	237	386
Taxation credit	(931)	(262)
Finance cost	2,052	1,169
Exceptional items	792	84
Acquisition related costs	734	(866)
Pre-opening costs	1,013	442
Share based payment charge	181	345
Impairment	565	143
Depreciation and amortisation	6,372	4,480
Profit on disposal of right of use asset / liability	(220)	–
Profit for the period for the purposes of Adjusted EBITDA (IFRS 16) basic and diluted earnings per share	6,625	6,036
IAS 17 Rent charge	(3,997)	(2,727)
Profit for the period for the purposes of Adjusted EBITDA (IAS 17) basic and diluted earnings per share	2,627	3,309

	52 weeks ended 02 July 2023 Number	53 weeks ended 03 July 2022 Number
Weighted average number of ordinary shares in issue for the purposes of basic earnings per share	199,591,866	189,008,260
Effect of dilutive potential ordinary shares from share options	950,758	6,529,509
Weighted average number of ordinary shares in issue for the purposes of diluted earnings per share	200,542,623	195,537,769

	52 weeks ended 02 July 2023 pence	53 weeks ended 03 July 2022 pence
Earnings per share:		
Basic	(2.09)	0.06
Diluted	(2.09)	0.06
Adjusted EBITDA (IFRS 16) basic	3.32	3.19
Adjusted EBITDA (IFRS 16) diluted	3.30	3.09
Adjusted EBITDA (IAS 17) basic	1.32	1.75
Adjusted EBITDA (IAS 17) diluted	1.31	1.69

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.

14. INTANGIBLE ASSETS

	Trademarks and licenses £'000	Brand £'000	Total £'000	Goodwill £'000
(i) Cost or valuation				
At 28 June 2021	155	2,982	3,137	6,573
Additions	48	–	48	–
On acquisition - Barrio Familia Group	101	1,936	2,037	3,178
At 3 July 2022	304	4,918	5,222	9,751
At 4 July 2022	304	4,918	5,222	9,751
Additions	45	–	45	–
On acquisition - Dirty Martini (Note 32)	–	2,950	2,950	2,393
At 2 July 2023	349	7,868	8,217	12,144
(ii) Amortisation				
At 28 June 2021	4	49	53	–
Provided for the period	21	528	549	–
On acquisition - Barrio Familia Group	16	–	16	–
At 3 July 2022	41	577	618	–
At 4 July 2022	41	577	618	–
Provided for the period	30	597	627	–
At 2 July 2023	71	1,174	1,245	–
(iii) Net book value				
At 28 June 2021	151	2,933	3,084	6,573
At 3 July 2022	263	4,341	4,604	9,751
At 2 July 2023	278	6,694	6,971	12,144

Goodwill of £2,393,000 arose on the acquisition of Dirty Martini in June 2023 – see Note 32 (03 July 2022 - £3,178,000 arose on the acquisition of the Barrio Familia Group).

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.

For the purposes of its impairment test for goodwill and intangible assets, the CGU is determined by the acquisition that generated the respective goodwill and intangible assets. Our CGUs with related goodwill and brand intangibles are Adventure Bar Group, Barrio Familia and Dirty Martini. The value in use is calculated based upon the Group's latest five-year forecast to June 2028, incorporating the assumptionsconcerning the rate at which business unit level cash flows are generated and ongoing capital expenditure. The value in use calculations use an annual growth rate of 2% in the initial period, with the exception of Dirty Martini. Dirty Martini's calculation uses a rate of 7% in year 1, and 2% thereafter. A higher rate was used for Dirty Martini to reflect management's expectations of an one off uplift in trade following the acquisition of the business from administration. 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 discountrate and terminal growth rate used in the discounted cash flow model were 14% 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 2 July 2023, 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.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Plant and computer equipment £'000	Furniture, fixtures and fittings £'000	Computer equipment £'000	Total £'000
(i) Cost or valuation					
At 28 June 2021	3,933	2,115	814	161	7,023
Additions	3,939	1,405	887	–	6,231
On acquisition – Barrio Familia Group	1,835	775	1,050	–	3,661
Reclassification	–	134	27	(161)	–
Impairment	(27)	(19)	–	–	(47)
At 3 July 2022	9,680	4,411	2,778	–	16,869
At 4 July 2022	9,680	4,411	2,778	–	16,869
Additions	2,708	1,842	1,652	–	6,202
On acquisition – Dirty Martini	306	136	–	–	442
Disposals	(40)	(1,102)	(1,063)	–	(2,205)
At 2 July 2023	12,655	5,288	3,367	–	21,309
(ii) Depreciation					
At 28 June 2021	1,728	1,263	395	90	3,476
Provided for the period	573	742	392	–	1,707
On acquisition – Barrio Familia Group	1,029	698	850	–	2,577
Reclassification	–	85	6	(90)	–
At 3 July 2022	3,329	2,788	1,643	–	7,760
At 4 July 2022	3,329	2,788	1,643	–	7,760
Provided for the period	1,024	761	681	–	2,467
Disposal	(40)	(1,102)	(1,063)	–	(2,205)
Impairment	294	17	254	–	565
At 2 July 2023	4,608	2,465	1,514	–	8,587
(iii) Net book value					
At 27 June 2021	2,205	853	419	71	3,548
At 3 July 2022	6,351	1,623	1,136	–	9,109
At 2 July 2023	8,047	2,822	1,853	–	12,723

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

The Group has determined that each bar 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.

The value in use of each CGU is calculated based upon the Group's latest five-year forecast. The bar cash flows include an allocation of central costs and ongoing capital expenditure. Cash flows beyond the initial FY23/24 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 bar, 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 14%.

In June 2023, the Group made the decision to temporarily cease trading at the Barrio Watford site. The Group retains the lease for this site and is considering whether to either launch an alternative brand on the site, partner with another operator or dispose of the lease. As a consequence, the Group has recognised an impairment charge of £565,000 in relation to the tangible fixed assets.

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.

16. RIGHT OF USE ASSETS

	Right of use assets £'000
(i) Cost	
At 28 June 2021	15,491
Additions	10,070
Impairment	(96)
On acquisition - Barrio Familia Group	5,265
At 3 July 2022	30,730
At 4 July 2022	30,730
Additions	12,746
Disposals	(312)
Revaluations	–
At 2 July 2023	43,164
(ii) Depreciation	
At 28 June 2021	2,045
Provided for the period	2,224
At 3 July 2022	4,269
At 4 July 2022	4,269
Provided for the period	3,278
Disposals	(288)
At 2 July 2023	7,259
(iii) Net book value	
At 28 June 2021	13,447
At 3 July 2022	26,462
At 2 July 2023	35,905

17. INVENTORIES

	02 July 2023 £'000	03 July 2022 £'000
Food, beverage and consumables	1,154	554

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.

18. TRADE AND OTHER RECEIVABLES

	02 July 2023 £'000	03 July 2022 £'000
Included within Current assets		
Trade receivables	1,277	981
Other receivables	169	50
Prepayments and accrued income	1,820	974
	3,266	2,005
Included within Non-current assets		
Other receivables - rent deposits	914	699

Included within trade receivables is £349,000 (3 July 2022 - £649,000) relating to credit card receivables (Note 2.13).

Receivables are denominated in Sterling.

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

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

19. CASH AND CASH EQUIVALENTS

	02 July 2023 £'000	03 July 2022 £'000
Cash at bank and in hand	5,017	5,353

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.

20. TRADE AND OTHER PAYABLES

	02 July 2023 £'000	03 July 2022 £'000
Trade payables	4,628	2,841
Social security and other taxes	2,458	1,272
Corporation tax	288	423
Other payables	2,048	370
Accruals and deferred income	3,559	2,983
	12,980	7,889

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.

21. LEASES

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

The Group leases the entire The Cocktail Club, Adventure Bar Group and Barrio Familia 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 14 years (03 July 2022 – 14 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 £'000
At 28 June 2021	13,903
Additions	10,070
On acquisition - Barrio Familia Group	5,265
Interest expense	917
Lease payments	(2,528)
At 3 July 2022	27,627
At 4 July 2022	27,627
Additions	12,746
Disposals	(244)
Interest expense	1,699
Lease payments	(3,954)
At 2 July 2023	37,875

	02 July 2023 £'000	03 July 2022 £'000
Lease liability:		
Current	3,281	2,374
Non-current	34,594	25,254
	37,875	27,627

Amounts recognised in the consolidated statement of comprehensive income

	02 July 2023 £'000	03 July 2022 £'000
Depreciation charge of right of use assets	3,278	2,224
Interest expense (included in finance cost)	1,699	917

22. BORROWINGS

	02 July 2023 £'000	03 July 2022 £'000
Short-term borrowing		
Secured bank loans	1,000	793
Unsecured bank loan	–	7
	1,000	800

	02 July 2023 £'000	03 July 2022 £'000
Long term borrowings		
Secured bank loans	8,037	4,723
Convertible loan notes	2,650	–
	10,687	4,723

Secured bank loans

In August 2022, the Group refinanced its borrowings from three individual lenders under multiple tranches with a new £10.0m debt facility from HSBC Bank, comprised of a £3m term loan and a £7m Revolving Credit Facility, to provide support to the business as it executes on its roll out strategy. The new £10.0m HSBC facility, replaced £5.5m of legacy debt that was acquired from acquisitions, which had a blended interest margin of 4%, with the new facility bearing a margin of 3% above SONIA on the £3m term loan and 3.25% above SONIA on the £7m Revolving Credit Facility. The Group has taken out an interest rate cap on its reference base rate at 3% on £8m out of £10m of its HSBC facility.

The Group's borrowings are secured on a fixed and floating charge basis over the assets of the Company and its wholly owned subsidiaries.

In order to fund the acquisition of Dirty Martini, the Company raised new funds, totalling £5.0 million, through a combination of the issue of new shares and convertible loan notes ("CLNs"). 19,583,333 new shares were issued at a price of 12 pence per share totalling £2.35 million – see Note 27.

The Company issued CLNs totalling £2.65 million to existing shareholders and new investors. The CLNs mature on 9 September 2025 and are convertible at the option of the investors subject to certain conditions. The CLNs are only convertible following a period of 12 months from issue, at the higher of 12 pence per share or a 15% discount to the volume weighted average share price of the Company's shares for the five business day period prior to the investor notifying the Company of its intention to convert. The CLNs bear a coupon of 10% per annum which shall be rolled up and settled either when a conversion notice has been served or on an Exit. In this context, an Exit is defined as being a change of control in the Company or the sale of substantially all of the business and assets of the Company.

23. PROVISIONS

	Dilapidations provisions £'000
At 28 June 2021	150
On acquisition – Barrio Familia Group	216
At 3 July 2022	366
On acquisition – Dirty Martini (Note 32)	317
At 2 July 2023	683

The Group expects the dilapidations provision to reverse over the underlying lease term.

24. 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.

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.

Given the turbulent nature of inflation and its link to interest rates as a key tool of the Bank of England to control inflation, the Group has hedged over 80% of its debt interest costs for three years by taking out an interest rate cap, so that there is certainty that whilst interest rates increase, the majority of our interest costs will be fixed based on the reference base rate at 3%.

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 the conflict in Ukraine 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. Following the Company's IPO in January 2021, the placement of additional shares in May 2021 and June 2023 and the refinance with HSBC Bank (Note 22), 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.

Financial assets and liabilities

Financial assets and liabilities consist of the following:

	02 July 2023 £'000	03 July 2022 £'000
Financial Assets at amortised cost		
Trade receivables	1,277	981
Cash and cash equivalents	5,017	5,353
	6,294	6,334
Financial liabilities at amortised cost		
Trade payables	4,628	2,841
Borrowings	11,687	5,523
	16,315	8,364

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 £'000	1 – 2 years £'000	2 – 3 years £'000	3 – 4 years £'000	4 – 5 years £'000	More than 5 years £'000	Total £'000
02 July 2023							
Secured bank loans	1,000	1,500	6,537	–	–	–	9,037
Convertible loan notes	–	–	2,650	–	–	–	2,650
Trade and other payables	4,628	–	–	–	–	–	4,628
	5,628	1,500	9,187	–	–	–	16,315
03 July 2022							
Secured bank loans	793	3,712	591	299	120	–	5,515
Other loans	7	–	–	–	–	–	7
Trade and other payables	2,841	–	–	–	–	–	2,841
	3,641	3,712	591	299	120	–	8,364

The maturity profile of the Group's lease liabilities as at 2 July 2023 was as follows:

	02 July 2023 £'000	03 July 2022 £'000
Within one year	4,956	3,563
In more than one year but less than two years	3,938	3,200
In more than two years but less than three years	3,812	2,816
In more than three years but less than four years	3,785	2,691
In more than four years but less than five years	3,744	2,664
In more than five years	31,661	22,463
	51,897	37,397
Effects of discounting	(14,023)	(9,769)
Lease liabilities	37,875	27,627

There are no committed lease liabilities not yet commenced at 2 July 2023.

25. DEFERRED TAXATION

	Fixed asset timing differences £'000	Losses £'000	Acquisition accounting £'000	Share Schemes £'000	Other £'000	Total £'000
At 28 June 2021	46	(350)	1,084	(105)	(8)	667
On acquisition - Barrio Familia Group	(48)	–	593	–	–	545
Recognised in income statement (Note 9)	(180)	–	(159)	–	–	(339)
Change in deferred tax rate (Note 9)	–	–	–	–	–	–
Recognised in equity	–	–	–	18	–	18
At 3 July 2022	(182)	(350)	1,518	(86)	(8)	891
On acquisition - Dirty Martini (Note 32)	–	–	738	–	–	738
Reclassification	127	(91)	(24)	(12)	–	–
Recognised in income statement (Note 9)	704	(1,489)	(188)	–	(8)	(980)
Transferred to deferred tax asset	–	1,489	–	–	–	1,489
Recognised in equity	–	–	–	63	–	63
At 2 July 2023	649	(441)	2,044	(36)	(16)	2,200

26. 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 £181,000 (53 weeks ended 03 July 2022 - £345,000) in respect of the Group's share based payment plans and related employer's national insurance of £21,000) (53 weeks ended 03 July 2022 - £(18,000)).

	The Nightcap plc Share Option Plan Number
Outstanding at 28 June 2021	20,079,988
Granted during the period - November 2021	1,350,000
Granted during the period - March 2022	3,864,406
Lapsed / forfeited during the period	(1,790,169)
Outstanding at 3 July 2022	23,504,225
Granted during the period - December 2022	2,770,000
Granted during the period - June 2023	1,160,000
Lapsed / forfeited during the period	(3,574,946)
Outstanding at 2 July 2023	23,859,279

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.

The fair value of the options granted in the 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:

	15 December 2022	**29 June 2023**
Number of options granted	2,770,000	1,160,000
Share price at date of grant (pence)	8.5	11
Exercise price (pence)	10	11
Option life in years	10 years	10 years
Risk free rate (%)	3.21%	4.71%
Expected dividend yield (%)	0.00%	0.00%
Fair value of options (pence)	3.3	5.2

The fair value of the options granted in the comparative period have been calculated using the Black Scholes option pricing model assuming the inputs shown below.

	23 November 2021	15 March 2022
Number of options granted	1,350,000	3,864,406
Share price at date of grant (pence)	20	14.75
Exercise price (pence)	20	14.75
Option life in years	10 years	10 years
Risk free rate (%)	0.74%	1.44%
Expected dividend yield (%)	0.00%	0.00%
Fair value of options (pence)	7.56	5.92

The weighted average exercise price for options outstanding at the year end was 12p (03 July 2022 – 14p).

27. CALLED-UP SHARE CAPITAL

	02 July 2023 £'000	03 July 2022 £'000
Allotted, called up and fully paid ordinary shares	2,179	1,983

	02 July 2023 Number	03 July 2022 Number
Ordinary shares at £0.01 each	217,883,990	198,300,657

The table below summarises the movements in share capital for Nightcap plc during the periods ended 2 July 2023 and 3 July 2022:

	Ordinary Shares Number of shares	Ordinary Shares £0.01 Nominal Value £'000	Ordinary Shares Share Premium £'000
At 27 June 2021	185,475,192	1,855	19,267
Shares issued in connection with Barrio Bar Group acquisition - 21 November 2021	5,682,609	57	1,051
Shares issued in connection with Adventure Bar Group contingent consideration - 29 June 2022	7,142,856	71	1,054
At 3 July 2022	198,300,657	1,983	21,372
Shares issued for cash subscription - 8 June 2023	19,583,333	196	2,154
At 2 July 2023	217,883,990	2,179	23,527

- On 21 November 2022 the Company acquired the Barrio Familia Group for initial consideration comprising 5,682,609 Ordinary Shares
- On 29 June 2022 the Company issued 7,142,856 Ordinary shares in connection with the settlement of the contingent consideration arising from the Adventure Bar Group acquisition in May 2021.
- On 8 June 2023 the Company raised new funds, totalling £5.0 million, through a combination of new ordinary shares and convertible loan notes ("CLNs") in order to fund the acquisition of Dirty Martini. 19,583,333 new shares were issued at a price of 12 pence per share totalling £2.35 million alongside CLNs totalling £2.65 million.

28. 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 London Cocktail Club Limited on 13 January 2021

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

Non-controlling interest
Non controlling interest represents the portion of equity ownership in a subsidiary's net assets not attributable to the parent company.

29. ANALYSIS OF CHANGES IN NET DEBT

	At 28 June 2021 £'000	Cash flows £'000	Acquisitions £'000	Reclass long term to short term £'000	Non cash movement £'000	At 3 July 2022 £'000
Cash at bank	13,187	(10,822)	2,988	–	–	5,353
Bank loans falling due within 1 year	(1,424)	914	(277)	(73)	67	(793)
Bank loans falling due greater than 1 year	(3,256)	–	(1,540)	73	–	(4,723)
Other loans falling due within 1 year	(35)	28	–	–	–	(7)
Lease liabilities falling due within 1 year	(1,441)	1,611	(421)	(2,124)	–	(2,374)
Lease liabilities falling due greater than 1 year	(12,463)	–	(4,845)	2,124	(10,070)	(25,254)
Total debt	(18,617)	2,553	(7,082)	–	(10,003)	(33,150)
Net debt	(5,430)	(8,270)	(4,094)	–	(10,003)	(27,797)
Net (debt) / cash - pre IFRS 16 leases	8,473	(9,881)	1,171	–	67	(170)

	At 4 July 2022 £'000	Cash flows £'000	Acquisitions £'000	Reclass long term to short term £'000	Non cash movement £'000	**At 2 July 2023 £'000**
Cash at bank	5,353	(336)	–	–	–	5,017
Bank loans falling due within 1 year	(793)	794	–	(1,000)	(1)	(1,000)
Bank loans falling due greater than 1 year	(4,723)	(4,105)	–	1,000	(209)	(8,037)
Other loans falling due within 1 year	(7)	7	–	–	–	–
Other loans falling due greater than 1 year	–	(2,650)	–	–	–	(2,650)
Lease liabilities falling due within 1 year	(2,374)	2,255	–	(3,162)	–	(3,281)
Lease liabilities falling due greater than 1 year	(25,254)	–	–	3,162	(12,502)	(34,594)
Total debt	(33,150)	(3,699)	–	–	(12,713)	(49,562)
Net debt	(27,797)	(4,035)	–	–	(12,713)	(44,545)
Net (debt) / cash - pre IFRS 16 leases	(170)	(6,289)	–	–	(211)	(6,670)

30. PENSION COMMITMENTS

	52 weeks ended 02 July 2023 £'000	53 weeks ended 03 July 2022 £'000
Pension cost	183	128

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

	02 July 2023 £'000	03 July 2022 £'000
Pension contributions payable	132	44

31. RELATED PARTY TRANSACTIONS

Related parties are considered to be the directors and former directors of Nightcap plc, The Cocktail Club, Adventure Bar Group and Barrio Familia Group and substantial shareholders. Transactions with them are detailed below:

	52 weeks ended 02 July 2023 £'000	53 weeks ended 03 July 2022 £'000
Purchase of inventories - D&H Spirits Limited	33	85
Purchase of inventories - CGCC Limited	11	41
Consultancy fees - CGCC Limited	30	–
Consultancy fees – Ferdose Ahmed	44	24
Consultancy fees – James Hopkins	16	24
	133	174

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:

	52 weeks ended 02 July 2023 £'000	53 weeks ended 03 July 2022 £'000
CGCC Limited - a company controlled by JJ Goodman	41	41
Ferdose Ahmed	44	24
James Hopkins	16	24
D&H Spirits Limited - a company co-controlled by James Hopkins	33	85
	133	174

Amounts owed to related parties were as follows:

	02 July 2023 £'000	03 July 2022 £'000
James Hopkins	–	2
	–	2

32. BUSINESS COMBINATIONS

On 9 June 2023, Nightcap plc acquired the trade and assets for certain bars and one restaurant relating to the Dirty Martini business, for a total consideration of up to £4.65m. Nightcap is currently the operator of nine Dirty Martini bars and the Tuttons brasserie restaurant in Covent Garden. There are four Dirty Martini bars located in London with an additional five bars located in Cardiff, Bristol, Birmingham, Leeds and Manchester.

The total consideration of £4.65m comprised cash of £4.15m with an additional £0.5 million due on the successful assignment of the property leases of four key sites, the completion of which was announced on 9 November 2023.

The acquired business contributed revenues of £1,308,000 and loss before tax of £138,000 (in accordance with IFRS) to the consolidated Group for the period from 9 June 2023 to 2 July 2023. As a result of acquiring the trade and certain assets out of administration, the Group is unable to report the pre-acquisition trading results of the business.

	Book Value £'000	Fair Value Adjustments £'000	Fair Value £'000
Property, plant and equipment	442	–	442
Intangible assets	–	2,950	2,950
Inventories	345	–	345
Receivables	99	–	99
Payables	(525)	–	(525)
Provisions	–	(317)	(317)
Deferred tax liability	–	(738)	(738)
Total net assets acquired	362	1,895	2,257

Fair value of consideration paid	£'000
– Cash paid to vendor	4,150
– Contingent consideration	500
Acquisition date fair value of the total consideration transferred	4,650
Goodwill (Note 14)	2,393

The Group has made certain estimates and judgements in arriving at the valuation of intangible assets and goodwill.

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 totalling £2.95m in respect of the brand 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.

The Group has not recognised a right of use asset on acquisition of Dirty Martini as a result of the granting of licenses to trade while the lease assignments where being negotiated with landlords. As noted in the Chief Executive's Report, Nightcap successfully completed the assignments, which was announced on 9 November 2023. As a result, the Group will recognise right of use assets in its next reporting period.

The main factors leading to the recognition of goodwill are:

- 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.

Acquisition costs of £734,000 arose as a result of the transaction (Note 11). These have been included as transaction related costs as part of administrative expenses in the statement of comprehensive income.

33. 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
Barrio Familia Limited	Ordinary 100%	The development, operation and management of individually themed bars
DMN Bars Limited	Ordinary 100%	The development, operation and management of individually themed bars

Indirect Subsidiary Holding	% Owned	Nature of Business
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
Adventure Bars Cardiff Limited	Ordinary 100%	Dormant
Adventure Bars Bristol Limited	Ordinary 100%	Dormant
Adventure Bars Liverpool Limited	Ordinary 100%	Dormant
Barrio Central Limited	Ordinary 100%	The development, operation and management of individually themed bars
Barrio Bars Limited	Ordinary 100%	The development, operation and management of individually themed bars
Barrio East Limited	Ordinary 100%	The development, operation and management of individually themed bars
Barrio South Limited	Ordinary 100%	The development, operation and management of individually themed bars
Barrio Regio Limited	Ordinary 100%	The development, operation and management of individually themed bars

34. CONTINGENT LIABILITY

Nightcap plc and DMN Bars Limited, a subsidiary company of Nightcap, have received notification that 18 individuals wish to bring proceedings to an employment tribunal where Nightcap and DMN Bars Limited have been listed as second and third respondents. The nature of their claim is in relation to the acquisition of certain assets of Dirty Martini out of administration where they were not included in the acquisition of those assets. The claimants are alleging to have been employed by DC Bars Limited and that they should have transferred to DMN Bars Limited or Nightcap under the Transfer of Undertakings Protection of Employment rights ("TUPE") regulations. The total amount claimed is £338,000 together with further unquantified amounts. Management has sought legal advice on the matter and management believes that there are no grounds for such claims. Given the uncertainty involved and the strength of legal opinion, no provision has been made in these financial statements as management believes that the most likely outcome is no liability. We have no indication of the likely timescales involved.

35. POST BALANCE SHEET EVENTS NOTE

On 9 November 2023, the Group completed the process of assigning the Dirty Martini leases from the administrator.

When Nightcap acquired certain assets of DC Bars Limited and Tuttons Brasserie Limited, the operator of the 'Dirty Martini' chain of cocktail bars and Tuttons Brasserie, a critical part of the process was securing the assignment of leases for the key sites from the administrator, with the consent from the relevant landlords.

As a result the Group will continue trading in nine of the ten sites. Eight out of ten leases have been assigned on existing terms (only subject to rent reviews) and these assigned leases have expiry dates between 2030 and 2047.

One site has not been assigned. This is the Hanover Square site, where the Group could not agree with the landlord on reduced rental costs to make the site profitable, and therefore no agreement could be reached to keep trading at the site.

The Group has entered into a new three year lease for the Tuttons restaurant and Dirty Martini Covent Garden site. This lease covers a restaurant lease as well as the small downstairs cocktail bar. The new lease is on considerably more favourable commercial terms and is in line with Nightcap's objective to not remain as a restaurant operator in the long term.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 2 JULY 2023

	Note	02 July 2023 £'000	03 July 2022 £'000
Non-current assets			
Investments	5	19,408	15,258
Derivative finance asset		361	–
Total non-current assets		19,769	15,258
Current assets			
Trade and other receivables	6	5,404	5,435
Derivative financial instruments		–	
Cash and cash equivalents		1,359	1,937
Total current assets		6,763	7,372
Total assets		26,533	22,630
Current liabilities			
Trade and other payables	7	(1,161)	(631)
Total current liabilities		(1,161)	(631)
Non-current liabilities			
Borrowings	8	(2,650)	–
Total non current liabilities		(2,650)	–
Total liabilities		(3,811)	(631)
Net assets		22,721	21,999
Called up share capital	9	2,179	1,983
Share premium	9	23,527	21,372
Share based payment reserve		661	543
Retained earnings		(3,645)	(1,899)
Total equity		22,721	21,999

As permitted by section 408(3) of the Companies Act 2006, no profit and loss account has been presented for the Company. The loss for the financial year dealt with in the Financial Statements of the Parent Company is £1,746,000 (2022: loss - £565,000).

The financial statements on pages 86 to 92 were approved and authorised for issue by the Board and were signed on its behalf by:

Toby Rolph
Chief Financial Officer

22 November 2023

Sarah Willingham-Toxvaerd
Chief Executive Officer

22 November 2023

Company Number: 12899067

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 2 JULY 2023

	Called up share capital £'000	Share premium £'000	Share based payment reserve £'000	Retained earnings £'000	Total attributable to equity holders of parent £'000
At 27 June 2021	1,855	19,267	216	(1,334)	20,004
Issue of shares on acquisition - Barrio Bar Group	57	1,051	–	–	1,108
Issue of shares - Adventure Bar Group contingent consideration	71	1,054	–	–	1,125
Share based payments and related deferred tax recognised directly in equity	–	–	326	–	326
Total transactions with owners recognised directly in equity	1,983	21,372	543	(1,334)	22,564
Total comprehensive expense for the 53 week period	–	–	–	(565)	(565)
At 3 July 2022	1,983	21,372	543	(1,899)	21,999
Shares issued for cash subscription - 8 June 2023	196	2,154	–	–	2,350
Share based payments and related deferred tax recognised directly in equity	–	–	118	–	118
Total transactions with owners recognised directly in equity	2,179	23,527	661	(1,899)	24,467
Total comprehensive expense for the 52 week period	–	–	–	(1,746)	(1,746)
At 2 July 2023	2,179	23,527	661	(3,645)	22,721

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2023

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 its ordinary shares were 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 AIM 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) and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention. The financial statements are presented in pounds Sterling ('£') rounded to the nearest thousand, 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 profit and loss account, 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

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost, less any impairment.

The derivative financial asset / liability comprises the Group's interest rate cap. It is carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance expense line. The fair value of the interest rate cap is determined using the market standard methodology of discounting the future expected cash flow that would occur if variable interest rates rise above the strike rate of the interest rate cap. The variable interest rates used in the calculation of projected cash flow on the interest rate cap is based on an expectation of future interest rates derived from observable market interest rate curves and volatilities.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (after deducting transaction costs) and subsequently held at amortised cost.

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 transactions

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 6 – auditors' remuneration

Note 26 – Share based payments

Note 31 – Related party transactions

Note 34 – Contingent liability

Note 35 – Post balance sheet events

4. STAFF COSTS

Nightcap plc has no employees other than the Directors. Details of Directors emoluments are disclosed in the Remuneration Committee Report and in Note 7 to the notes to the consolidated financial statements.

5. INVESTMENTS

	Investments £'000
At 27 June 2021	9,655
Acquisition of Barrio Bar Group	5,603
At 3 July 2022	15,258
Acquisition of Dirty Martini (Note 32)	4,150
At 2 July 2023	19,408

The additions in the period reflect the acquisition of Dirty Martini in June 2023 (see Note 32 to the consolidated financial statements).

The Company's subsidiary undertakings are shown in Note 33 to the Consolidated Financial Statements.

6. TRADE AND OTHER RECEIVABLES

	02 July 2023 £'000	03 July 2022 £'000
Included within Current assets		
Trade receivables	177	–
Deferred tax asset	45	270
Amounts due from Group companies	5,108	5,139
Prepayments and accrued income	73	26
	5,404	5,435

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

	02 July 2023 £'000	03 July 2022 £'000
Trade payables	290	12
Social security and other taxes	86	23
Other payables	700	113
Accruals and deferred income	86	484
	1,161	631

8. BORROWINGS

	02 July 2023 £'000	03 July 2022 £'000
Long term borrowings		
Convertible loan notes	2,650	–
	2,650	–

The Company issued convertible loan notes ("CLNs") totalling £2.65 million to existing shareholders and new investors. The CLNs mature on 9 September 2025 and are convertible at the option of the investors subject to certain conditions. The CLNs are only convertible following a period of 12 months from issue, at the higher of 12 pence per share or a 15% discount to the volume weighted average share price of the Company's shares for the five business day period prior to the investor notifying the Company of its intention to convert. The CLNs bear a coupon of 10% per annum which shall be rolled up and settled either when a conversion notice has been served or on an Exit. In this context, an Exit is defined as being a change of control in the Company or the sale of substantially all of the business and assets of the Company.

9. CALLED-UP SHARE CAPITAL

	02 July 2023 £'000	03 July 2022 £'000
Allotted, called up and fully paid ordinary shares	2,179	1,983

	02 July 2023 Number	03 July 2022 Number
Ordinary shares at £0.01 each	217,883,990	198,300,657

The table below summarises the movements in share capital for Nightcap plc during the period ended 02 July 2023:

	Ordinary Shares Number of Shares	Ordinary Shares £0.01 Nominal Value £'000	Ordinary Shares Share Premium £'000
At 27 June 2021	**185,475,192**	**1,855**	**19,267**
Shares issued in connection with Barrio Bar Group acquisition - 21 November 2021	5,682,609	57	1,051
Shares issued in connection with Adventure Bar Group contingent consideration - 29 June 2022	7,142,856	71	1,054
At 3 July 2022	**198,300,657**	**1,983**	**21,372**
Shares issued for cash subscription - 8 June 2023	19,583,333	196	2,154
At 2 July 2023	**217,883,990**	**2,179**	**23,527**

10. 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")

	Note	53 weeks ended 02 July 2023 £'000	52 weeks ended 03 July 2022 £'000
(Loss) / profit from operations		(2,812)	1,407
Exceptional items	10	792	84
Acquisition related transaction costs	11	734	(866)
Pre-opening costs	12	1,013	442
Share based payment charge	7	181	345
Impairment	6	565	143
Adjusted profit from operations		473	1,555
Depreciation and amortisation (pre IFRS 16 Right of use asset depreciation)	6	3,094	2,256
IFRS 16 Right of use asset depreciation	6	3,278	2,224
IFRS 16 Right of use asset / liability disposal	6	(220)	
Adjusted EBITDA (IFRS 16)		6,625	6,036
IAS 17 Rent charge		(3,997)	(2,727)
Adjusted EBITDA (IAS 17)		2,627	3,309

COMPANY INFORMATION

DIRECTORS

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

COMPANY SECRETARY

Toby Rolph

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