

D&M 2 Limited

Report and Financial Statements

52 weeks Ended

28 March 2021

Company Number 08482792



D&M 2 Limited

Company Information

Directors	J MacLean L Campbell S Adcock S Price D King
Company secretary	D King
Registered number	08482792
Registered office	First Floor, The Sipping Room West India Quay 16 Hertsmere Road London E14 4AX
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

D&M 2 Limited

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D&M 2 Limited

Strategic Report for the 52 Weeks Ended 28 March 2021

Introduction

The directors present their strategic report for the 52 week period ended 28 March 2021 and the comparative 52 week period ended 29 March 2020.

The following review relates to the trading subsidiary of D&M 2 Limited, Drake & Morgan Limited which is an operator of bars and restaurants.

Business review

The Covid-19 pandemic continued to have a significant impact on the company throughout the financial year and the directors wish to extend their deepest sympathy to all of those affected by it.

As a result of the government mandated lockdowns implemented throughout the financial year in response to the Covid-19 pandemic, the business was only able to trade for 21 weeks and even when able to do so, operated under severe restrictions. As a direct result, the 52 weeks ended 28 March 2021 saw turnover decline by 90% to £5.2m (29 March 2020: £50.2m) with adjusted EBITDA falling to a loss of -£10.0m (29 March 2020: positive EBITDA of +£4.4m).

With the entire estate closed at the financial year-end, the directors conducted a review of the carrying value of assets with consideration given to whether it would be possible to profitably re-open the sites and what the impact of various continued closure scenarios would involve. The outcome of this review resulted in an impairment charge of £1.0m being recognised in the Consolidated Statement of Comprehensive Income in relation to three sites and the release of the prior year onerous lease provision of £1.3m in recognition of the reduction in expected future cash outflows relating to one of these sites following the decision to exit from the venue.

The directors continued to closely review the financial position of the business throughout the year under various lockdown scenarios. As a result of the protracted nature of the third lockdown commencing in January 2021 and in recognition that the earliest date the business could commence trading indoors would be 17 May 2021, they reached the decision that a Company Voluntary Arrangement (CVA) would be necessary in order to protect the future of the business. On 13 May 2021, a CVA was launched and subsequently approved on 2 June 2021.

Following the easing of some restrictions from 17 May 2021, sales slowly began to increase and alongside the adjusted cost base as a result of the CVA, the business established a solid base on which to build a robust recovery.

This ongoing recovery was once again impacted by the announcement in December 2021 of further restrictions in response to the Omicron variant under 'Plan B', significantly impacting trading during the key Christmas trading period in December 2021 and continuing into January 2022. However, given the short-term nature of these restrictions which ended on 26 January 2022, we have seen a strong return in trading levels, as we saw after the end of other periods when government Covid-19 related restrictions were introduced.

D&M 2 Limited

Strategic Report (continued) for the 52 Weeks Ended 28 March 2021

Section 172 Statement

Section 172 of the Companies Act 2006 requires directors to take into consideration the interests of the stakeholders and other matters in their decision making. The directors continue to focus on the interests of the company's employees and other stakeholders, the impact of its activities on the communities that support and are supported by their bars and restaurants and the company's reputation for good business conduct, when making decisions.

We explain in this annual report how the directors engage with stakeholders and fulfil their obligations under s172 of the Companies Act 2006:

Risk Management

For further information, see the section on 'Principal risks and uncertainties' within this Strategic Report.

People

The directors strongly believe in the wellbeing of team members and have continued to invest in employee engagement. During lockdown, virtual 'keeping in touch' meetings ensured that employees did not feel isolated and kept them informed about how the company planned to operate within the government 'roadmap out of lockdown'.

Business Relationship

The company is dedicated to ensuring consistent, safe and high-quality food, drink and service to its customers. To do this, the company regularly reviews principal stakeholders and how it engages with them. This is achieved through information provided by management and direct interaction with customers via feedback channels. The company values long term supplier relationships and works carefully with selected partners to ensure strategic objectives can be met.

Community and the Environment

The company believes in building relationships with all the communities in which it operates restaurants and bars. The principle of serving the community is one of the core values of the company and is demonstrated in many different aspects of the company's operations.

Shareholders

The Executive team and the Board of Directors are openly engaged with the company shareholders as they recognise the importance of continued effective dialogue with the ultimate parent company, Bowmark Capital LLP who support the company to deliver its key objectives.

D&M 2 Limited

Strategic Report (continued) for the 52 Weeks Ended 28 March 2021

Principal risks and uncertainties

The company recognises the potential financial risks that it faces and the Board regularly considers each in turn to ensure that they are mitigated as far as possible. As part of this process, the company undertakes a regular update of its medium and long-term business plan.

Covid-19 risk

During the period the business had to comply with a variety of government restrictions and implemented processes and policies to ensure compliance with such policies. Support was received from external health and safety advisors to maximise the ability to trade whilst ensuring customers and employees were kept safe. The government roadmap out of lockdown enabled plans to be formulated in line with the easing of restrictions. There continues to be significant medium to long-term uncertainty about the UK economy and the impact of job losses which impacts any consumer business.

Liquidity risks

The Company's ability to repay loans on behalf of the wider group headed by D&M 1 Limited is carefully monitored to ensure sufficient cash will be available to meet these payments.

Support from key suppliers (extended payment terms), landlords (rent concessions) and lender (re-set covenants), combined with government assistance in the form of government grants, the business rates waiver, the Coronavirus Job Retention Scheme (JRS) and the reduced VAT rate for food and non-alcoholic beverages all enabled the company to successfully navigate the difficult period of lockdowns whilst maintaining sufficient cash headroom.

Interest rate risk

The interest rate risk is continually reviewed, with interest rate swaps entered into to give more certainty over future interest costs and mitigate the risk of increases in market interest rates. The current interest rate strategy is considered to be appropriate for the level of borrowings within the wider group headed by D&M1 Ltd.

Operational efficiency and commercial relationships

To address the challenge of operating in a competitive environment the Directors constantly review operations to identify opportunities to improve profitability, whilst maintaining an outstanding level of service and product. As part of that process the Company maintains strong links with its supplier base and places a high value on the longstanding relationships created over time.

D&M 2 Limited

Strategic Report (continued) for the 52 Weeks Ended 28 March 2021

Financial key performance indicators

The directors would normally consider total sales growth and adjusted EBITDA* margin as the key performance indicators of the Company which, for the current period, are as follows:

	52 weeks ended 28 March 2021	52 weeks ended 29 March 2020
Like for like sales growth	(89.6%)	(10.3)%
Adjusted EBITDA*	£(10.0)m	£4.4m

* Adjusted EBITDA is operating profit before exceptional costs, pre-opening expenses and depreciation

The impact of the pandemic in FY21 has meant that the traditional KPI's are not representative of the underlying performance of the company and the directors expectation is that profitability will return to pre-pandemic levels during FY22 into FY23.

Going concern

The directors have adopted a going concern basis in preparing these accounts having considered the ongoing risk of the Covid-19 pandemic and its potential impact on the business over the next 12 months and beyond.

The Company is reliant on the trading results of its subsidiary in order to meet its obligations under the Group's banking facility to which it is subject, therefore the Directors have considered going concern from a group perspective.

The business started the financial year with all venues closed as a result of the national lockdown that began on 23 March 2020. This remained the case until the easing of the initial lockdown in July 2020 when venues were cautiously re-opened in line with Government advice on social distancing. However, despite benefitting from the government assistance on offer, such as the Job Retention Scheme (CJRS) (furlough), business rates reductions and government grants, the subsequent lockdowns commencing November 2020 for four weeks and again in January 2021, preceded by significant trading restrictions in London in mid-December 2020, placed significant pressure on the financial stability of the business.

The directors continued to closely monitor and review the financial position of the business under various scenarios throughout the period but as a result of the protracted nature of the third lockdown commencing January 2021, the directors reached the decision that a Company Voluntary Arrangement (CVA) was necessary.

The CVA, which was approved by 89.9% of the subsidiary's (Drake & Morgan Limited) creditors on 2 June 2021, comprised a number of creditor arrears that enabled the business improve liquidity. These actions have included the compromise of rent arrears arising in FY21 on a percentage basis of between 50% and 90% in respect of the site leases, moving certain leases to a turnover based rent to ensure sites could operate on a financially sustainable basis for the remainder of the Covid-19 affected period and the decision to exit from three sites that were no longer deemed viable as part of the company's future plans.

Alongside the CVA, the business extended the maturity of investor loan notes and banking facilities to December 2023, having previously been due to expire in April 2022. The banking covenants were also reset providing the Company with greater protection against any future trading restrictions.

These actions, alongside additional funding provided from the company's majority shareholder, Bowmark Capital LLP, interest deferral from the Secured Lender and a number of payment plans from the company's trade and other creditors has resulted in the directors belief that the business is well placed to manage its financing and other business risks.

D&M 2 Limited


Strategic Report (continued) for the 52 Weeks Ended 28 March 2021

The directors have tested their forecasts against various downside scenarios, including significant increases in a number of input costs in recognition of current inflationary pressures and further short lockdowns. Although it isn't possible to predict all future scenarios, they have reasonable expectations that the group has adequate resources and cash liquidity headroom to continue in operation and withstand potential downside scenarios for at least the next 12 months from the date of signing of these financial statements. They therefore consider it appropriate to adopt a going concern basis of accounting in preparation of the financial statements.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The board of directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 28 March 2021.

This report was approved by the board and signed on its behalf.


.....
D King
Director

Date: 21 MARCH 2022

D&M 2 Limited

Directors' Report for the 52 Weeks Ended 28 March 2021

The directors present their report and the financial statements for the 52 weeks ended 28 March 2021.

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 company will continue in business.

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

Principal activity

The principal activity of the company during the period continued to be that of ownership and management of bars and restaurants.

Results

The loss for the period, after taxation, amounted to £4,565,845 (52 weeks to 29 March 2020 - £4,607,578).

Directors

The directors who served during the 52 weeks were:

J MacLean
J Sherrington (resigned 11 January 2021)
L Campbell
G Yarrow (resigned 14 October 2020)
S Adcock
S Price (appointed 14 October 2020)
D King (appointed 11 January 2021)

D&M 2 Limited

Directors' Report (continued) for the 52 Weeks Ended 28 March 2021

Social

The Group provided jobs for over 400 people during the year paying them competitive salaries which represents a significant amount of its profit in salaries and bonuses, providing high quality training to these people and contributing to the government by paying its various taxes.

Beyond that, the Company supports three charities; Pennies, Aston Lark and Belu providing a platform for customers to donate as they pay, designating special dishes with part or all of the income donated to charity and holding and supporting internal and external fund-raising events.

Matters covered in the strategic report

As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008, certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the Strategic Report on pages 1 - 5.

Disclosure of information to auditor


Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.


D King
Director

Date: 21 MARCH 2022

D&M 2 Limited

Independent Auditor's Report to the Members of D&M 2 Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 March 2021 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of D&M 2 Limited ("the Company") for the 52 weeks ended 28 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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.

D&M 2 Limited

Independent Auditor's Report to the Members of D&M 2 Limited (continued)

Other information

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

Other Companies Act 2006 reporting

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

D&M 2 Limited

Independent Auditor's Report to the Members of D&M 2 Limited (continued)

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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- enquiring of management and the directors, including obtaining and reviewing supporting documentation, concerning the group's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established by the group to mitigate risks related to fraud or non-compliance with laws and regulations.
- discussing among the engagement team including significant component audit teams, how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:
 - Management override of controls;
 - obtaining an understanding of the legal and regulatory frameworks that the group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the group. The key laws and regulations we considered in this context included the UK Companies Act, UK GAAP and relevant tax and employment legislation.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations noted above;
- enquiring of management, the directors and legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing correspondence with HMRC; and
- addressing the risk of fraud through management override of controls by, testing the appropriateness of journal entries including journal entries posted to revenue and other adjustments; assessing whether the judgements made about assumptions reflected in accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in

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Independent Auditor's Report to the Members of D&M 2 Limited (continued)

the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Mark RA Edwards

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Mark RA Edwards (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date: 21 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

D&M 2 Limited

Statement of Comprehensive Income for the 52 Weeks Ended 28 March 2021

	Note	52 Weeks Ended 28 March 2021 £	52 Weeks Ended 29 March 2020 £
Administrative expenses		(37,793)	(201,222)
Operating loss	4	<u>(37,793)</u>	<u>(201,222)</u>
Interest receivable and similar income	5	415,919	365,919
Interest payable and similar expenses	6	(4,943,971)	(4,541,111)
Loss before tax		<u>(4,565,845)</u>	<u>(4,376,414)</u>
Tax on loss	7	-	(231,164)
Loss for the financial period		<u><u>(4,565,845)</u></u>	<u><u>(4,607,578)</u></u>

All amounts relate to continuing operations.

There was no other comprehensive income for 52 weeks ended 28 March 2021 (52 weeks ended 29 March 2020 - £Nil).


The notes on pages 15 to 25 form part of these financial statements.

D&M 2 Limited
Registered number: 08482792

Statement of Financial Position
as at 28 March 2021

	Note	2021 £	2020 £
Fixed assets			
Investments	8	28,293,621	28,293,621
Debtors: amounts falling due after more than one year	9	8,521,537	8,564,564
		<u>36,815,158</u>	<u>36,858,185</u>
Current assets			
Debtors: amounts falling due within one year	9	9,874	6,384
Creditors: amounts falling due within one year	10	(9,121,890)	(8,328,447)
Net current liabilities		<u>(9,112,016)</u>	<u>(8,322,063)</u>
Total assets less current liabilities		<u>27,703,142</u>	<u>28,536,122</u>
Creditors: amounts falling due after more than one year	11	(56,337,815)	(52,604,750)
Net liabilities		<u>(28,634,473)</u>	<u>(24,068,628)</u>
Capital and reserves			
Share capital	14	1	1
Profit and loss account	15	(28,634,474)	(24,068,629)
		<u>(28,634,473)</u>	<u>(24,068,628)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


D King
Director

Date: 21 March 2022

The notes on pages 15 - 25 form part of these financial statements.

D&M 2 Limited

Statement of Changes in Equity for the 52 Weeks Ended 28 March 2021

	Share capital £	Profit and loss account £	Total equity £
At 30 March 2020	1	(24,068,629)	(24,068,628)
Comprehensive loss for the period			
Loss for the period	-	(4,565,845)	(4,565,845)
At 28 March 2021	1	(28,834,474)	(28,834,473)

Statement of Changes in Equity for the 52 Weeks Ended 29 March 2020

	Share capital £	Profit and loss account £	Total equity £
At 1 April 2019	1	(19,461,051)	(19,461,050)
Comprehensive loss for the period			
Loss for the period	-	(4,607,578)	(4,607,578)
At 29 March 2020	1	(24,068,629)	(24,068,628)

The notes on pages 15 to 25 form part of these financial statements.

D&M 2 Limited

Notes to the Financial Statements for the 52 Weeks Ended 28 March 2021

1. General information

D&M 2 Limited is a private company limited by shares, incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the group and company's operations and its principal activities are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of D&M 1 Limited as at 28 March 2021 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

D&M 2 Limited

Notes to the Financial Statements for the 52 Weeks Ended 28 March 2021

2. Accounting policies (continued)

2.3 Going concern

The directors have adopted a going concern basis in preparing these accounts having considered the ongoing risk of the Covid-19 pandemic and its potential impact on the business over the next 12 months and beyond.

The company is reliant on the trading results of another subsidiary within the Group, therefore the Directors have considered going concern from a group perspective.

The business started the financial year with all venues closed as a result of the national lockdown that began on 23 March 2020. This remained the case until the easing of the initial lockdown in July 2020 when venues were cautiously re-opened in line with Government advice on social distancing. However, despite benefitting from the government assistance on offer, such as the Job Retention Scheme (CJRS) (furlough), business rates reductions and government grants, the subsequent lockdowns commencing November 2020 for four weeks and again in January 2021, preceded by significant trading restrictions in London in mid-December 2020, placed significant pressure on the financial stability of the business.

The directors continued to closely monitor and review the financial position of the business under various scenarios throughout the period but as a result of the protracted nature of the third lockdown commencing January 2021, the directors reached the decision that a Company Voluntary Arrangement (CVA) was necessary.

The CVA, which was approved by 89.9% of the subsidiary's (Drake & Morgan Limited) creditors who voted on 2 June 2021, comprised a number of creditor arrears that enabled the business improve liquidity. These actions have included the compromise of rent arrears arising in FY21 on a percentage basis of between 50% and 90% in respect of the site leases, moving certain leases to a turnover based rent to ensure sites could operate on a financially sustainable basis for the remainder of the Covid-19 affected period and the decision to exit from three sites that were no longer deemed viable as part of the company's future plans.

Alongside the CVA, the business extended the maturity of investor loan notes and banking facilities to December 2023, having previously been due to expire in April 2022. The banking covenants were also reset providing the Company with greater protection against any future trading restrictions.

These actions, alongside additional funding provided from the company's majority shareholder, Bowmark Capital LLP, interest deferral from the Secured Lender and a number of payment plans from the company's trade and other creditors has resulted in the directors belief that the business is well placed to manage its financing and other business risks.

The directors have tested their forecasts against various downside scenarios, including significant increases in a number of input costs in recognition of current inflationary pressures and further short lockdowns. Although it isn't possible to predict all future scenarios, they have reasonable expectations that the group has adequate resources and cash liquidity headroom to continue in operation and withstand potential downside scenarios for at least the next 12 months from the date of signing of these financial statements. They therefore consider it appropriate to adopt a going concern basis of accounting in preparation of the financial statements.

2.4 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

D&M 2 Limited

Notes to the Financial Statements for the 52 Weeks Ended 28 March 2021

2. Accounting policies (continued)

2.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.6 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

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

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

D&M 2 Limited

Notes to the Financial Statements for the 52 Weeks Ended 28 March 2021

2. Accounting policies (continued)

2.7 Creditors

Short term creditors are measured at the transaction price. 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 method.

2.8 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest 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.

2.9 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.10 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income.

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 in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following adjustments:

- Carrying value of investments (see note 8)

Determining whether the company's investments in its subsidiaries have been impaired requires estimations of the investments value in use. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the investments and a suitable discount rate in order to calculate the present value.

D&M 2 Limited

Notes to the Financial Statements for the 52 Weeks Ended 28 March 2021

4. Operating loss

The operating loss is stated after charging:

	52 Weeks Ended 28 March 2021 £	52 Weeks Ended 29 March 2020 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	6,000	6,000

The company has no employees, other than directors.

During the period, no directors received any emoluments (52 weeks ended 29 March 2020 - £Nil).

5. Interest receivable and similar income

	52 Weeks Ended 28 March 2021 £	52 Weeks Ended 29 March 2020 £
Interest receivable from group companies	415,919	365,919

6. Interest payable and similar charges

	52 Weeks Ended 28 March 2021 £	52 Weeks Ended 29 March 2020 £
Bank interest payable and related charges	701,537	759,220
Loan note interest payable	3,255,175	2,870,883
On loans from group undertakings	922,052	845,801
Amortisation of loan arrangement fees	65,207	65,207
	<u>4,943,971</u>	<u>4,541,111</u>

D&M 2 Limited

Notes to the Financial Statements for the 52 Weeks Ended 28 March 2021

7. Taxation

	52 Weeks Ended 28 March 2021 £	52 Weeks Ended 29 March 2020 £
Deferred tax		
Origination and reversal of timing differences	-	259,548
Changes to tax rates	-	(27,321)
Adjustment in respect of previous periods	-	(1,063)
Total deferred tax	-	231,164
Taxation on loss on ordinary activities	-	231,164

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	52 Weeks Ended 28 March 2021 £	52 Weeks Ended 29 March 2020 £
Loss on ordinary activities before tax	(4,565,845)	(4,376,414)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(867,511)	(831,519)
Effects of:		
Expenses not deductible for tax purposes	-	572,439
Unrelieved loss on disposal of operation	-	(27,321)
Deferred tax not recognised	867,511	429,693
Group relief	-	88,935
Adjustments in respect of previous periods - deferred tax	-	(1,063)
Total tax charge for the period	-	231,164

D&M 2 Limited

Notes to the Financial Statements for the 52 Weeks Ended 28 March 2021

8. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 30 March 2020	28,293,621
At 28 March 2021	<u>28,293,621</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Registered office	Class of shares	Holding
Drake & Morgan Limited	Ownership and management of bars and restaurants	Ordinary	100%
Daisy Bars Limited	Ownership and management of bars and restaurants	Ordinary	100%

Both entities have the same registered office as the company (see company information page).

9. Debtors

	28 March 2021 £	29 March 2020 £
Due after more than one year		
Amounts owed by group undertakings	<u>8,521,537</u>	<u>8,564,564</u>
	28 March 2021 £	29 March 2020 £
Due within one year		
Other debtors	3,490	-
Financial instruments	<u>6,384</u>	<u>6,384</u>
	<u>9,874</u>	<u>6,384</u>

D&M 2 Limited

Notes to the Financial Statements for the 52 Weeks Ended 28 March 2021

10. Creditors: Amounts falling due within one year

	28 March 2021 £	29 March 2020 £
Amounts owed to group undertakings	8,982,720	8,151,569
Other creditors	21,273	33,946
Accruals and deferred income	117,897	142,932
	<u>9,121,890</u>	<u>8,328,447</u>

11. Creditors: Amounts falling due after more than one year

	28 March 2021 £	29 March 2020 £
Bank loans	14,937,000	14,871,793
Other loans	19,594,965	19,594,965
Interest on other loans	15,709,313	12,512,762
Amounts owed to group undertakings	6,096,337	5,625,230
	<u>56,337,615</u>	<u>52,604,750</u>

D&M 2 Limited

Notes to the Financial Statements for the 52 Weeks Ended 28 March 2021

12. Loans

Analysis of the maturity of loans is given below:

	28 March 2021 £	29 March 2020 £
Amounts falling due 1-2 years		
Bank loans	14,937,000	14,871,793
Other loans	19,594,965	-
Interest on other loans	15,709,313	-
	<u>50,241,278</u>	<u>14,871,793</u>
Amounts falling due 2-5 years		
Other loans	-	19,594,965
Interest on other loans	-	12,512,762
Amounts owed to group undertakings	4,609,055	4,145,948
	<u>4,609,055</u>	<u>36,253,675</u>
Amounts falling due after more than 5 years		
Amounts owed to group undertakings	<u>1,487,282</u>	<u>1,479,282</u>

D&M 2 Limited

Notes to the Financial Statements for the 52 Weeks Ended 28 March 2021

12. Loans (continued)

Creditors include amounts not wholly repayable within 5 years as follows:

	28 March 2021 £	29 March 2020 £
Repayable other than by instalments	6,096,337	5,625,230

Included within the figure above are loan notes issued to D&M 1 Limited (shown within amounts due to group companies) and loan notes issued to the shareholders of D&M 1 Limited (shown within other loans). During the period, the company obtained investor consent from all noteholders to extend the date of redemption and repayment of the notes out to April 2022. The notes accrue interest at a rate of 10% per annum and, if not previously redeemed then the principal and any accrued but unpaid interest will be repaid by the company:

- a) in full on a sale or listing or, if earlier
- b) on 19 April 2022

Please see note 16 for further details.

The bank loan is shown net of issue costs of £65,207 (2020 - £65,207), and the loan notes shown net of issue costs of £Nil (2020 - £Nil), which have been recorded as a reduction in the proceeds of the bank loan and loan notes, and are being amortised over the terms of the loans in accordance with UK GAAP. The total amortisation charged to the income statement during the period was £65,207 (2020 - £65,207). The company refinanced its bank loan facilities extending the current deal until April 2022 on similar terms to previous arrangements.

The company has provided a charge over the assets of the group as security for the bank lending facility.

Post year end, the Group obtained investor consent from all loan note holders to extend the date of redemption and repayment of the notes out to December 2023. The termination date of the bank loan facility was also extended to December 2023 at this time.

13. Deferred taxation

	28 March 2021 £	29 March 2020 £
At beginning of period	-	231,164
Debited to the statement of comprehensive income	-	(231,164)
At end of period	-	-

D&M 2 Limited

Notes to the Financial Statements for the 52 Weeks Ended 28 March 2021

14. Share capital

	28 March 2021 £	29 March 2020 £
Allotted, called up and fully paid		
1 Ordinary share of £1.00	<u>1</u>	<u>1</u>

All ordinary shares rank pari passu in voting rights, dividend rights and rights to distribution on winding up.

15. Reserves

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

16. Related party transactions

The company has taken advantage of the exemption available under paragraph 33.1A of the Financial Reporting Standard 102 not to disclose transactions with other wholly owned members of the group.

D&M 2 Limited is related to Bowmark Capital LLP by virtue of the fact that they are the ultimate controlling party of the group. At 28 March 2021, loan notes issued by the company to funds controlled by Bowmark Capital LLP of £18,986,756 (2020 - £18,986,756) were outstanding. These loan notes had accrued unpaid interest of £15,709,313 at 28 March 2021 (2020 - £12,512,765) the movement being the interest charged in the period.

During the period, Bowmark Capital LLP charged fees of £Nil (2020 - £14,463) per quarter in respect of directors' services and at 28 March 2021, £Nil was owing to Bowmark Capital LLP (2020 - £Nil).

17. Controlling party

The immediate parent company is D&M 1 Limited. The parent of the largest and smallest group into which the results of the company are consolidated is D&M 1 Limited. Consolidated accounts can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate controlling party is Bowmark Capital LLP.

18. Post balance sheet events

On 13 May 2021 the trading subsidiary (Drake & Morgan Limited) launched a CVA which was approved on 2 June 2021. The impact of this is included in the note 2.3, Going Concern.