LOUNGERS PLC ANNUAL REPORT 2021

LOUNGERS

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 18 APRIL 2021

LOUNGE
CAFÉ BARS

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MARKET OVERVIEW

Loungers operates through its two complementary brands – Lounge and Cosy Club - in the UK hospitality sector.

At the year end the Group had 168 sites, comprising 138 Lounges and 30 Cosy Clubs. Whilst it competes with coffee shops, pubs, restaurants and local independent operators, 72 per cent of Lounge customers see it as a unique proposition, rather than categorise it solely as a restaurant, pub or coffee shop. The Group competes with every element of the trade of a pub chain, coffee shop, or restaurant, whereas each of those operators only competes for a part of Loungers' sales. It is this level of differentiation that has enabled the Group to deliver significant and consistent like for like ("LFL") sales outperformance, and in turn, it is this sales outperformance allied to the new site roll-out and growing scale of the Group that have provided the scope to better withstand the cost pressures that have afflicted the broader hospitality sector in recent years.

138
LOUNGES NATIONWIDE

30
COSY CLUBS NATIONWIDE

LOUNGE

A Lounge is a neighbourhood café/bar combining elements of a restaurant, the British pub and coffee shop culture.

As at the FY21 year end, there were 138 Lounges nationwide. Lounges are principally located in secondary suburban high streets and small town centres. The sites are characterised by informal, unique interiors with an emphasis on a warm, comfortable atmosphere, often described as a "home from home". The Lounge estate has a consistent look and feel but each Lounge is individually named and tailored to the site and local area, and the design of each Lounge is continually evolving, meaning no two sites are the same.

The Lounge brand aims to have hospitality and familiarity at its core, driven by an independent culture and focus on the local community. Each site has its own social media presence and staff are encouraged to engage with the local community through events, charity, and community groups. 80 per cent of customers live locally, underlining each Lounge's local neighbourhood credentials.

Every Lounge offers all-day dining, with the same menu served from 9am to 10pm, every day. Sales are well diversified across all day parts and all days of the week as well as across all food types. In addition to helping to drive repeat custom and maximise the trading efficiency of the sites, the all-day offering gives the Group experience in managing operational complexity, particularly in the kitchens, which the Directors believe is a meaningful barrier to entry for other operators.

COSY CLUB

Cosy Clubs are more formal bars/restaurants offering reservations and table service but share many similarities with the Lounges in terms of their broad, all-day offering and their focus on hospitality and culture.

Cosy Clubs are typically located in city centres and larger market towns. Interiors tend to be larger and more theatrical than for a Lounge, and heritage buildings or first-floor spaces are often employed to create a sense of occasion. The Cosy Club brand enables the Group to operate in areas where there is a more occasion-led demographic and offers an opportunity for greater coverage within cities. Sales, EBITDA and capital expenditure are typically higher for a Cosy Club than for a Lounge. As at the FY21 year end, there were 30 Cosy Clubs nationwide.

Whilst during the daytime, customers use Cosy Clubs much like they use Lounges (for instance, for coffee or a quick lunch), in the evenings they are used more formally for drinks and dinner and frequently host larger tables celebrating a special occasion.

LOUNGE
CAFÉ BARS

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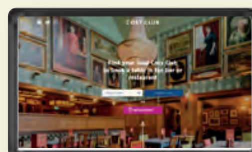


COSYCLUB.CO.UK

Strategic Report

CHAIRMAN'S STATEMENT

INTRODUCTION

When writing my chairman's statement for our FY20 annual report, some 10 months ago, I had rather hoped that we were facing a future where the impact of Covid-19 was increasingly in the past. Regrettably, as we now know, even bigger challenges lay ahead for the business and, as it turns out, we were only able to trade for a handful more weeks of FY21 as the second and then third lockdowns saw the business closed.

As we went into the autumn and further restrictions were layered on at regular intervals trading became tougher and it felt increasingly inevitable that the hospitality sector would once again be forced into lockdown. It was a deeply frustrating time in terms of having to deal with restrictions, some of which were puzzling and introduced at very short notice, that allowed us to continue trading but effectively tied one hand behind our back. During the third lockdown, that frustration was very much centred around the government's approach of engaging and listening to the sector but then seemingly making decisions that had no bearing on that consultation. As someone who was part of some of those discussions, it did feel at times that we were banging our heads against a brick wall. Notwithstanding the above, we are very appreciative of the significant financial support provided to Loungers and the wider hospitality sector, and the role this played in enabling us to keep our teams intact.

Despite this hugely distracting and frustrating backdrop it has been a good year for Loungers albeit this isn't obviously reflected in this set of accounts. Not only have we traded exceptionally well when we have been allowed to open, but in periods of lockdown the Loungers team made great use of their time to accelerate the development and evolution of the business. We must hope that the worst is now firmly behind us and we can look forward to a positive future.

STRATEGIC

Whilst none of us would ever again want to see the business closed for any period of time, having the opportunity to work through really big strategic objectives without the distraction of a trading business has been invaluable. The senior management team, supported ably by the plc board, has worked through a series of challenges focusing on how we can make the business better. The Loungers way has always been about constant evolution, innovation and improvement and we have made a great deal of progress in addressing and accelerating some long-term objectives.

We have continued to evolve both our food and drink menus with a focus on some more comprehensive changes to the Cosy Club food menu, which are currently being trialled.

We have tweaked and refined our web-based at-seat ordering app, having launched it in July 2020 after just six weeks of development. Orders through the app account for over 70% of all sales in Lounge and whilst we would expect this number to reduce when our customers are once again allowed to order at the bar, it's very clear that ordering at-table is a big behavioural shift that is here to stay.

We have undertaken comprehensive improvements to our external trading areas as well as extending some where we have been permitted to do so. Improving our outside seating areas had actually been a key objective before the pandemic struck as we felt the design of our external areas didn't reflect the strong look-and-feel of our sites internally. Consequently, with the importance of outside trading areas becoming only too apparent, we were well-placed to tackle the challenge of maximising the sales potential of our external areas as we already had the basis of a plan in place. We have invested in around 50% of the overall estate, with a focus on making the most of the space we have and significantly improving the look-and-feel of our external areas. There is an obvious short-term benefit from this investment, but more importantly we will reap long-term benefits too as the external areas of new sites will be much better designed going forwards.

Whilst a break from the roll-out of new sites has been unwelcome it has given us the time to review our design and build processes. This has resulted in a focus, and a plan, on how we can build better and more efficiently. We have also challenged ourselves to continue to turn the dial on our designs and to build and open better sites from a look-and-feel perspective. I am really pleased with the way this is evolving and believe our most recent openings represent a significant step-change in the quality and inventiveness of our design.

We have also made significant strides in the construction of our pipeline of new sites, not only in terms of quantity but more importantly in terms of quality. In the near 19-year history of Loungers we have never had a better pipeline of sites and such is the quality that we have genuine competitive tension. Critically I believe the sites in the pipeline, which stretches well into FY23, represent at least top quartile opportunities and in some cases I see sites that I believe could be in our top ten best performers.

THE TEAM

Despite the stressful and extremely distracting backdrop of Covid-19, and the associated lockdowns, FY21 has seen yet another stellar performance from the whole senior management team. If you learn a lot about people in a crisis, then what I have learnt is that we have a team, and a business, with tremendous ability and tenacity. The senior management team

have dealt with everything that has been thrown at them head-on and with a positive mindset. There has been no hiding, and everyone has risen to every challenge, no matter its nature. We have seized every opportunity to trade when we could and played the hand we have been dealt to the best of our ability. We have a very talented team and it has been an absolute privilege to work with, and be part of, that team.

The positivity of the senior management team is also reflected in the way in which the whole business has responded to the challenges of Covid-19. It has been incredibly tough for our teams to deal with operating in a new Covid-secure environment with ever-changing restrictions and having to close and then reopen and then close again. However, despite all the challenges of trading during Covid-19 our teams have responded brilliantly and have seemingly taken everything in their stride, with a smile on their face (underneath their face mask), and with the same level of warmth and hospitality that Loungers has always been known for. Loungers would be nothing without our teams and, in what has been the most challenging of years, I would like to thank everyone on the Loungers' bus for their dedication, hard work and unwavering commitment to the cause.

THE BOARD

The plc board has continued to play a significant role, particularly in supporting the executive team in meeting their main objectives. I am hugely grateful for their continued support and for the role they have played in helping the executive team to reach the right conclusions.

We recently managed to hold our annual strategy day in person, which made such a difference, despite how well connected we have managed to be during the pandemic. It was so good to meet in person and we had a thoroughly enjoyable and much more constructive day than I believe we would have had if we had met remotely. It was a very productive session and set out the key objectives for the executive team for the coming months. As always there is lots for us to do.

POST-LOCKDOWN TRADING

When we have been allowed to trade we have undoubtedly traded very strongly, which gives us great encouragement for the future. Our like-for-like (LFL) sales have been sector-leading and at times off the scale. This has clearly been influenced by some pent-up demand after periods of lockdown, but is also, I believe, a consequence of how well we have managed the various restrictions and the positive mindset we have adopted in making the most of being able to trade. Net turnover for FY21 was £78.3m, which whilst considerably down on FY20 (£166.5m), is a remarkable number when you consider how blighted the year was by lockdowns. We managed to post positive Adjusted EBITDA of £3.5m (IAS17), which is also no mean feat.

Like-for-likes since 17th May 2021, after which we have been permitted to trade indoors, have been very strong at +23.7% when compared against the same period in 2019 and with a summer of staycationing to come we expect a very busy few months ahead. We have restarted the roll-out and have so far opened 7 new sites in FY22. Our strong trading, coupled with the strength of our property pipeline, has encouraged us to return to our pre-pandemic run-rate of 25 new site openings per year, which is earlier than we had anticipated.

THE FUTURE

It is difficult not to get too carried away when looking to the future. We have a business that is currently trading fantastically well and a really exciting, fully formed pipeline of new sites, which we are now opening at the same rate as before the pandemic. The business is led by a best-in-class executive management team, which in turn is supported by a superb senior management team. However, whilst small, the threat of further disruption in the future from Covid-19 still remains and we have to be mindful of that. We are currently also dealing with a very substantial shortage of staff in hospitality and, whilst I believe Loungers are faring better than most, it remains unclear whether this is an acute short-term challenge or something we are going to be grappling with longer term. In my 28 years in hospitality, recruitment has always been challenging but I have never known there to be such a shortage of people in the sector as there is now. We desperately need the sector to work together and then, more importantly, for the government to assist in helping to address the labour crisis we currently have.

Whilst there are big challenges ahead, we have, I believe, the best team to rise to these challenges. I also believe there are very few businesses in our sector that have such a strong platform to continue to build from and such a fantastic opportunity to grow. Post-pandemic there are some unique opportunities for a business like Loungers and we fully intend to seize them.

Alex Reilley
Chairman
21 July 2021

CHIEF EXECUTIVE'S STATEMENT

INTRODUCTION

The year was dominated by Covid-19 and the constantly changing environment brought about by the response to the pandemic. When we were forced to close we focused on our financial position, engaging with our teams, using the downtime to evolve and improve and preparing ourselves to re-open. When we re-opened our emphasis was on the safety of our teams and customers, providing amazing hospitality whilst complying with the rules, and approaching the restricted environment with a positive attitude and a will to come out as winners.

Throughout the year a number of themes have consistently resonated:

- When we have been allowed to trade, our sales have been industry leading, and post Covid our brands have never looked more relevant.
- When the business has been closed we have used the downtime well, evolving and getting better at what we do.
- Our senior team is best in class, as has been demonstrated by our performance over this period.
- The culture in the business has never been stronger and I am incredibly appreciative and proud of the loyalty, commitment and hard work of our teams across the UK.

EVOLUTION

The pandemic in itself accelerated change within the business that might otherwise have taken years. In the enforced downtime whilst the sites were closed we were also presented with an extraordinary opportunity to analyse the business and challenge how it could be improved. Some of the most important ways in which the business has evolved over the past year are set out below:

- Our web-based order at table app currently accounts for over 70% of sales in Lounge (with only order at table being permitted). Once our customers are allowed to order at the bar again, we anticipate in excess of 40% of customers will still use the app. As a result of the app we have benefited from average spend increasing, table turns becoming faster, ticket times reducing, our team being freed up to focus more on hospitality, tens of thousands of weekly pieces of feedback and detailed data on the performance of our sites. We recognised early the risk of our standards of hospitality dropping with technology being added and we have successfully avoided this.
- Our menus have reduced in size with no adverse customer reaction. This has led to quicker delivery of dishes to customers, higher levels of efficiency and simplicity in the kitchens and a reduced number of ingredients. Simplifying our kitchens has long-been one of our key priorities and the menu reduction brought about due to Covid-19 has really pushed this on.
- Whilst the menus have got smaller, the dishes have continued to evolve and improve. The lockdowns provided valuable time for our teams to be in the development kitchen and we achieved a great deal without the need to focus on the day to day operations of the business.
- Lockdown 3 saw the business focus on improving our external seating areas. Over two thirds of the sites within the estate have some outside seating and we have known for some time it's an aspect of the business that we could improve. Starting in January 2021, we have had a programme of improvements across some 81 sites, introducing bespoke planters, barriers, furniture, signage and lighting in these external areas. These improvements weren't just to maximise sales during the April/May period when we were only allowed to trade in external areas, but they will benefit sales at these sites for the foreseeable future.

RE-OPENING AND TRADING SAFELY AMID COVID

The considerable investment we made post-Lockdown 1 in terms of bespoke timber partitions and carefully scrutinising every single site's 'Covid layout' has been critical. We removed around 10% to 15% of the covers throughout the business to achieve '1m plus' social distancing and currently have in excess of £1m of sofas and armchairs stored in a warehouse in South Wales, awaiting their return to Lounges and Cosy Clubs across the UK. Back in June 2020 we were determined our sites would look better than ever when we re-opened, and we have maintained this attitude throughout Covid, approaching every challenge positively.

If you consider the many barriers, we have had to put between us and our customers as a result of Covid, it is all too easy to see how the customer experience could suffer. Our teams have had to deal with test and trace, masks, distancing, sanitising, order at table only, substantial meal rules, rule of six, external areas only and different regional variations on all of the above. All of these present an opportunity to detract from amazing hospitality. Our detailed, collaborative and considered approach, has ensured we have made the most of everything that has been thrown at us and huge credit has to go to our teams who have absorbed one rule change after another, ensuring our customers left happy.

During the first lockdown in 2020 we opened for takeaway only in 27 sites. This was not an exercise in profitability, but we recognised it would allow us to learn about trading with Covid and ensure we were more fully prepared once we were allowed to fully open. That approach ensured we hit the ground running in July 2020, aware of the challenges our customers, suppliers and teams would face, and having evolved our training materials and processes accordingly. Likewise in April 2021 we opened 46 (ultimately increased to 88) sites for external trading only and were able to bring the business back to life gradually, unfurloughing our teams, and ensuring we were prepared to reopen the estate fully on 17th May.

TRADING PERFORMANCE POST LOCKDOWNS

Both Lounge and Cosy Club have demonstrated extraordinary resilience every time they have re-opened.

- In July 2020 it typically took two to three weeks for sites to return to pre-Covid levels of sales, despite the reduction in capacity, restrictions to our trading model, and the general nervousness in some parts of the population. Eat Out to Help Out ("EOTHO") in August 2020 was an astonishing month with our sites achieving record levels of sales. Between 4 July and 4 October the business achieved headline LFL sales of +25.1%, with underlying LFL sales of -1.1%, once the benefit of EOTHO and the reduction in the VAT rate are removed. Loungers out-performed its sector by around +30% consistently.
- Since reopening fully on 17 May 2021 over the nine weeks to 18 July 2021 we have achieved LFL sales of +23.7% (versus the same period in 2019), with underlying LFL sales of +11.6% excluding the impact of the reduction in VAT rate, again despite the restrictions to our trading model and the reduction in capacity. Once again this represents a material out-performance of our sector more broadly and it has been fantastic to see the sites re-open immediately at pre-Covid levels of sales. The successful ongoing vaccination programme in the UK has clearly resulted in a more confident consumer with a willingness to eat and drink out.
- Our consistent out-performance can be put down to a few key factors:
- Geography - our focus on small towns and secondary suburbs means we are not exposed to the types of locations most impacted by Covid. We do not have a presence in travel hubs, tourism locations nor large office communities.
- We are benefitting from more people working from home, spending money on their local high street rather than in the city centre where their office is located.
- Our focus on community has never been more important as customers have returned to places where they have a connection and familiarity.

- Some of the changes we have made within the business as a result of Covid have enhanced sales, in particular the introduction of the app and the reduction in menu size.
- The culture within the business and the positive approach towards dealing with the challenges we have faced over the last 18 months.

FINANCIAL POSITION

During the first lockdown we took the appropriate steps to ensure our liquidity was sufficiently robust to survive our worst-case planning scenarios. We raised £8.1m (net) of equity capital via a placing of new shares in April 2020 and agreed additional debt facilities of £15m with our banks. We are grateful for the continued excellent support of both Santander and Bank of Ireland. It was important that we had the funding to not just survive Covid, but also to allow us to return to growth as soon as possible once we were back up and trading.

During each lockdown the business has struck the right balance between controlling expenditure and minimising cash burn, whilst ensuring critical work-streams continue. We are very grateful for the support we have received from our supply chain, and in particular our core suppliers in Matthew Clark, Elite, Reynolds United, and Clifton Coffee.

Throughout the pandemic, our approach with landlords has been to be collaborative and maintain a dialogue. In line with the Government's code of practice we have asked our landlords to share some of the cost of Covid through partial rent waivers for periods when we have been unable to trade. The majority of our landlords have been supportive, and we continue to engage with the small number of landlords with whom we have not yet agreed terms.

We are grateful for the support the Government has provided to the sector during the pandemic in the form of the business rates holiday, the short-term reduction in the VAT rate, and the various support grants. In addition, the furlough scheme has provided our team with an income during lockdowns and allowed us to keep the team together. The ongoing support is critical to the economic recovery from Covid. The hospitality sector has a crucial role to play in the recovery, and continued Government support through the VAT rate reduction and business rates support should be a catalyst for entrepreneurialism and economic growth.

PEOPLE

I am very proud of the performance of our teams over what has been a very difficult year. At times over 99% of our 4,500 employees were furloughed and at each time of asking, reopening was approached positively and enthusiastically. We worked hard to strike the right balance over the closure periods, communicating regularly and honestly with our teams with respect to their financial position, while ensuring that they stayed in touch with each other, and had access to any support or guidance they might need.

Ultimately, all of the Covid restrictions and rules have had to be interpreted and monitored by our teams in the sites, putting them in difficult situations and effectively acting as the police to an often confused consumer. In this environment our teams performed astonishingly well, maintaining the highest standards of hospitality whilst keeping everyone safe.

Our senior team, both at an operational level and within HQ, has performed incredibly well over the past year. Our collaborative, detailed approach has meant that in a very fluid and challenging environment, we have been able to make considered decisions with positive outcomes for our teams and customers. The senior team was bolstered during the year with the addition of Eve Bugler as COO and we have also made senior hires in the finance team, property team and on the people side. We continue to focus on having the right leadership structure and senior team for a 250 plus site business.

Since coming out of lockdown 3, recruitment has become more challenging, and it is clear the hospitality sector is suffering from an outflow of talent to other sectors. We are not immune from this, although to date it has impacted us in a minority of locations where we are finding it difficult to recruit. As a fast-growing business we can provide progression opportunities for those wanting a career in hospitality and we will continue to work hard to both improve as an employer and highlight what sets us apart. As a sector we need to work hard to demonstrate it is a fantastic career option.

PROPERTY AND PIPELINE

The roll-out was paused with the onset of Covid and we only opened three sites during the year - Ponto Lounge in Hull, Sentado Lounge in Sittingbourne and a Cosy Club in Brindleyplace, Birmingham - bringing us to 168 sites at the year end. These were all sites where the builds were largely complete ahead of Lockdown 1. Since the year end and with the success of the UK vaccination programme we have cautiously restarted the roll-out and have opened a further seven Lounge sites in Wolverhampton, St Ives, Stourbridge, Welwyn Garden City, Blackpool, Scarborough and Aberystwyth.

Management's confidence in the roll-out of both Lounge and Cosy Club has been reinforced by the strength of our trading when we have been allowed to open. In the second half of the year we continued to work hard on developing our new site pipeline. We now have good visibility as to openings for more than the next 12 months, and the quality of the pipeline sites is better than ever before. It remains the case that the majority of our sites are retail conversions from A1 use, but over the course of the last few months, we have taken a handful of former restaurant sites as a result of CVA's. Covid has undoubtedly strengthened our pipeline and accelerated changes we were already starting to see on the high street pre-Covid, presenting Loungers with good property opportunities. Most importantly we are seeing prime pitch sites in key target locations, including coastal locations where we trade very strongly, which will help us increase average site sales and EBITDA.

CURRENT TRADING AND OUTLOOK

Since reopening fully on 17 May 2021, we have achieved LFL sales growth of +23.7% (versus the same period in 2019). Excluding the positive impact of the VAT reduction this represents underlying LFL sales growth of +11.6% and represents a significant out-performance to the market.

As we look ahead, we now have sufficient confidence to resume new site openings with four in-house build teams, which will allow us to return to a run-rate of 25 new site openings per year. As such we now anticipate opening 23 new sites during this financial year, with 7 open already.

Whilst there is no guarantee that there will not be further interruption from Covid-19 restrictions, the business is uniquely well-placed to move forwards and we take confidence from our continued out-performance of the market.

Nick Collins
Chief Executive Officer
21 July 2021

KEY STRENGTHS

The Directors believe that the Group has the following key strengths and competitive advantages:

BROAD, NATIONWIDE DEMOGRAPHIC APPEAL

We offer something for everyone regardless of age, demographic or gender and operate successfully in a diverse range of site types and locations across England and Wales.

VALUE FOR MONEY ALL-DAY OFFER

We are the only growing all-day operator of scale in the UK with a strong reputation for value for money which offers proven resilience in a tighter and more competitive consumer spending environment. The strength of our all-day trade and repeat custom enables us to trade successfully in smaller, secondary locations which typically have lower rents and less competition.

TWO DISTINCT BUT COMPLEMENTARY BRANDS

Our dual brand approach, with Lounges and Cosy Clubs, allows us to maximise our geographic and demographic reach. We can open Lounges in a broad range of smaller secondary locations in suburban high streets and market towns, as well as opening Cosy Clubs in larger market towns and city centres.

RESILIENT AND CONSISTENT OUTPERFORMANCE, RETURNS AND ECONOMICS

Like-for-like sales have consistently and significantly outperformed the Coffer Peach Business Tracker which is seen as the benchmark for the UK hospitality sector. This like-for-like sales outperformance to date has been primarily driven by volume, rather than price. Our sites have delivered consistently strong returns and site economics across vintages and locations.

CLEAR, PROVEN GROWTH POTENTIAL

Independent analysis has identified the potential for more than 400 Lounges and more than 100 Cosy Clubs in England and Wales. This is supported by a consistent track record of successful openings and a strong pipeline of sites.

STRONG PIPELINE OF NEW SITES AND TRACK RECORD OF SUCCESSFUL OPENINGS

We opened 20, 22 and 25 sites in FY17, FY18 and FY19 respectively, with a further 21 new sites opened in FY20 pre lockdown. Whilst openings were restricted to three new sites in FY21 as at the date of this report, the Group has opened seven new sites (all Lounges) in the current financial year and is looking forward to returning to a run rate of 25 new site openings per annum.

WELL INVESTED CENTRAL INFRASTRUCTURE TO SUPPORT GROWTH

We have invested significantly over the past four years to build an operational and head office structure capable of supporting our growth plans, in addition to having a well-developed roadmap for continued investment.

EXPERIENCED MANAGEMENT TEAM

The Group's senior management team combines entrepreneurial spirit with significant sector experience and has a track record of meeting openings, sales, and profitability targets. Two of the original founders, Alex Reilley and Jake Bishop, remain active in the Group while Nick Collins and Gregor Grant each have over 17 years of experience within the hospitality industry.

The Directors consider that within the key strengths identified above the following are of particular relevance in the current Covid-19 environment:

- **Broad demographic customer base** – there is no reliance on any single demographic segment
- **Wide geographic spread** – limits exposure to any one geographic area or region
- **All day / everyday offer** – there is no reliance on peak trading periods, reducing the potential negative impact of capacity constraints resulting from social distancing
- **Focus on suburbs and market towns** – very limited exposure to city centre office communities, overseas tourism, and travel hubs

DIRECTORS' DUTIES – S172 STATEMENT

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

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

The following disclosure describes how the Directors have had regard to the matters set out in Section 172(1)(a) to (f) and forms the Directors' statement under section 414CZA of the Companies Act 2006.

OUR KEY STAKEHOLDERS AND HOW WE ENGAGE WITH THEM

The Directors consider the Group's key stakeholders to be its employees, its customers, its suppliers, the community in which it operates and its shareholders.

	STAKEHOLDER KEY INTERESTS	HOW WE ENGAGE
Employees		
Having high quality team members, both at site and at head office, is critical to the functioning of the Group. At site level the ability to be truly engaging in delivering genuine hospitality, whilst also preparing and delivering high quality food and drink is fundamental to delivering our strategy and the long-term success of the Group.	• Training and development • Career progression • Reward • Engagement • Health and safety • Respect	• Training and feedback • Identifying and progressing talented individuals • Competitive rates of pay and recognition schemes • Employee engagement surveys, briefings, and events
Customers		
Our customers cover a broad demographic and show considerable loyalty, typically visiting for a wide range of occasions across all day parts. The ability to attract a broad customer base across all day parts and across all days of the week is key to generating our sales and profitability levels.	• Hospitality and "home from home" familiarity • Safe food and environment • Broad menu range, with specific vegetarian, vegan, and gluten free menus • Value for money pricing • Responsiveness to feedback	• Offering an informal, quirky, "home from home" • Strong emphasis on hospitality and familiarity, really getting to know our customers • Random acts of kindness to lift those who are low and to rejoice with those celebrating • Formal feedback and customer surveys • Social media

	STAKEHOLDER KEY INTERESTS	HOW WE ENGAGE
Local Community		
Lounges, in particular, are at the heart of their community, the "third space" of choice for the local community. We look to have a positive impact on the communities within which we operate through job creation, re-invigoration of the high street and support for local charities.	• Community resource • Investment and re-invigoration of the local economy • Community events and charity fundraising	• Staff out-reach • Events • Charity • Provision of space and a welcome for community groups and activities
Suppliers & partners		
The Group has developed long-term relationships with many of its suppliers, across both its hospitality operations and its capital projects. Many of these suppliers have grown alongside the Group to become significant businesses. We need to maintain trusting relationships with suppliers and partners for mutual benefit and to ensure they are meeting our standards of operation and conducting business ethically.	• Long-term relationships • Growth • Trade profitably and efficiently • Logistics efficiency • Responsible procurement, trust and ethics	• Internal Loungers resource dedicated to ensuring close and timely communication • Collaborative work on product innovation • Participation and attendance at Loungers events • Contract negotiation and contract renewals
Shareholders		
Gaining the confidence of existing and potential investors has remained a priority for the Group following its IPO in April 2019. The confidence of our shareholders is key to delivering our strategy as access to capital may be critical to the long-term performance of our business. We ensure that we provide fair, balanced and understandable information to shareholders and investment analysts and work to ensure that they have a strong understanding of our strategy and performance.	• Financial performance • Governance and transparency • Operating and financial information • Confidence and trust in the Group's leadership team	• Regular market updates • Investor days/presentations • One-to-one meetings • Investor roadshows • Dedicated investor section on corporate website • Shareholder consultations • Annual reports • Annual General Meetings

FINANCIAL REVIEW

OVERVIEW

The year to 18 April 2021 has seen many challenges but importantly we ended the year with a clear roadmap to re-opening, and indeed with 46 sites open for outdoors only trading in the final week of the year, and a balance sheet that has weathered the storm of Covid-19 remarkably well.

The financial highlights below demonstrate the financial pain the Group has suffered. Year on year revenue was down by £88.2m, a fall of 52.9%, albeit a creditable performance given our sites were only able to trade for 34% of the available trading weeks in the year. However, the prompt actions that the Group took at the start of the pandemic, raising net equity proceeds of £8.1m, securing additional financing, and focusing on maximizing cashflows through controlling costs and accessing Government support, has left us well positioned at the end of the year, with year-end net debt (excluding IFRS16 liabilities) of £34.2m showing a modest year on year improvement.

	IFRS 16			IAS 17		
	Year ended 18 April 2021 £000	Year ended 19 April 2020 £000	Change	Year ended 18 April 2021 £000	Year ended 19 April 2020 £000	Change
Revenue	78,346	166,502	-52.9%	78,346	166,502	-52.9%
Adjusted EBITDA	13,913	28,767	-51.6%	3,530	18,813	-81.2%
Adjusted EBITDA margin (%)	17.8%	17.3%	+0.5ppts	4.5%	11.3%	-6.8ppts
Loss before tax	(14,722)	(14,781)		(12,979)	(13,020)	
Adjusted profit / (loss) before tax	(13,395)	2,002		(11,652)	3,763	
Adjusted diluted earnings / (losses) per share (p)	(9.8)	2.4		(8.4)	3.8	
Net debt	144,823	139,895		34,245	34,956	

Throughout the Annual Report we use a range of financial and non-financial measures to assess our performance. A number of the financial measures, for example Adjusted EBITDA, Adjusted profit / (loss) before tax and Adjusted diluted earnings / (losses) per share are not defined under IFRS and accordingly they are termed Alternative Performance Measures ("APMs"). The Group believes that these APMs provide stakeholders with additional useful information on the underlying trends, performance and position of the Group and are consistent with how business performance is measured internally. Adjusted EBITDA is also the measure used by the Group's banks for the purposes of assessing covenant compliance.

Reconciliations of statutory numbers to adjusted numbers reported above are included after the financial statements as an annex to this Strategic Report on pages 80 to 81.

FINANCIAL PERFORMANCE

I noted in last year's financial review the challenges posed by Covid-19 when it came to interpreting our financial performance. The further lockdowns we have endured, and the various support measures introduced by Government, make the challenge even greater when it comes to interpreting the results for the year to 18 April 2021. Looking at the year split between the first and second halves:

24 WEEKS ENDED 4 OCTOBER 2020

The first 24 weeks of the year included 11 weeks of lockdown, four weeks of phased re-opening, four weeks of Eat Out to Help Out ("EOTHO") in August and ended with relative normality for the five weeks to 4 October 2020. The net effect of the lockdowns and phased re-opening was that our sites traded for 48% of the available weeks. Importantly, during the weeks that sites were able to trade they traded very strongly with headline LFL sales of +25.1%; excluding the positive effects of EOTHO and

the VAT reduction the underlying LFL result was -1.1%. The strong sales performance, allied to the positive margin impact of the VAT reduction and the business rates holiday, saw the Group deliver an Adjusted EBITDA margin of 24.7% against 18.1% in the same period in 2019.

28 WEEKS TO 18 APRIL 2021

The second half of the year covering the 28 weeks to 18 April 2021 opened with all sites trading but, as the infection rate climbed, a second national lockdown commenced on 5 November. 106 sites reopened on 2 December, however as restrictions and the tier system became increasingly onerous this had reduced to just 35 sites trading when the third national lockdown commenced on 31 December. This lasted just over 14 weeks, with sites allowed to trade in external areas only from 12 April 2021. The net effect of these two lockdowns is that our sites were able to trade for just 22% of the available weeks across the second half of the year.

The increasingly challenging restrictions in place across the weeks when trading was possible, for example the Rule of 6, the 10pm curfew and the substantial meal requirement, impacted the LFL sales performance. Those sites that were able to trade during October and December delivered a net LFL sales result of -6.4%. The lower sales volumes, allied to the increasing costs of funding the furlough scheme and the costs of closing and reopening sites, contributed to the reduction in gross margin in the second half to 32.2%. The increased costs of Covid-19 that impacted the second half of the year were in part offset by additional Government grant support, principally through the Local Restrictions Support Grant funding, with £3.5m of grant support being recognised in the second half.

	24 Weeks ended 4 October 2020 £000	28 Weeks ended 18 April 2021 £000	52 Weeks ended 18 April 2021 £000
% of Weeks able to trade	48%	22%	34%
Turnover	53,493	24,853	78,346
Gross profit	24,716	8,003	32,719
Gross profit %	46.2%	32.2%	41.8%
Administrative expenses	(12,111)	(10,749)	(22,860)
Other income	600	3,454	4,054
Adjusted EBITDA	**13,205**	**708**	**13,913**
Adjusted EBITDA margin	**24.7%**	**2.8%**	**17.8%**

IMPACT OF UK GOVERNMENT SUPPORT INITIATIVES

The Group has benefited over the year from a number of UK Government initiatives introduced to mitigate the impact of Covid-19, notably:

- **The Coronavirus Job Retention Scheme ("CJRS")** – At the onset of lockdown 1 in March 2020, with all our sites closed, we transferred all site employees and the majority of head office employees (in total 99% of employees) into the CJRS. Subsequently, and notably in periods of increasing restrictions, the Group was able to utilise the flexible furlough scheme. During the year under review the Group received a total of £35.7m of funding under the CJRS. A total of £33.4m was recognised in the statement of comprehensive income in the year, offsetting site payroll costs on the cost of sales line and head office payroll costs on the administrative expenses line. Cash receipts included £4.3m that was recognised in the FY20 results and £2.0m was receivable as at 18 April 2021.
- **The Eat Out to Help Out Scheme ("EOTHO")** – The Group completed the phased re-opening of all its sites after Lockdown 1 by 7 August and was therefore well-placed to benefit from the Eat Out to Help Out ("EOTHO") scheme that ran on Monday to Wednesday throughout August 2020. The Group received total funding under the EOTHO scheme of £5.6m. This has been recognised as revenue in the year.
- **Business Rates Relief** – The Group's sites have benefitted from the business rates holiday that ran from 1 April 2020 to 30 June 2021. During the year to 18 April 2021 the Group has benefitted by £5.9m.
- **Support Grant Funding** – In the year under review the Group has recognised £4.1m of grant funding received variously under the Retail, Leisure and Hospitality Scheme, the Local Restrictions Support Grant Scheme, and latterly the Re-Start Grant Scheme. This income has been recognised under other income.

In addition to the support initiatives described above the Government introduced the Corporate Insolvency and Governance Bill which provided a range of protections for tenants. The Group has sought to work collaboratively with all of its landlords, seeking to reach agreement over an equitable share of the pain of lockdown whilst recognizing the significant Government support the Group has received. The Group has recognised £1.4m in the year in respect of rent waivers and as at 18 April 2021 there were deferred rent liabilities carried in the balance sheet of £6.3m.

EXCEPTIONAL COSTS

The statutory operating loss of £7.7m is after charging exceptional costs totaling £1.3m (2020: £15.3m). Exceptional costs include:

- £0.4m relating to the write off of stock on the forced closures of the estate due to Covid-19;
- £0.3m in respect of the costs of removing and storing excess furniture to allow the Group to comply with social distancing measures; and
- £0.4m of professional fees relating to the renegotiation of banking arrangements and legal advice relating to Covid-19 matters.

Details on the prior year charge are included in note 9.

LONG TERM EMPLOYEE INCENTIVES

Keeping our employees engaged and motivated during the sporadic trading was critical to the Group. During the year the Group granted further share awards under the employee share plan (360,664 shares) and the senior management restricted share plan (718,766 shares). These awards were made to a total of 799 employees who work across the business, predominantly at site level, and in hourly paid and salaried positions. In addition, awards covering 480 employees and in respect of 650,000 shares vested in the year.

The Group recognised a share based payment charge in the year of £2.0m, the charge covering the employee share plan, the senior management restricted share plan and the value creation plan. Further details are provided in note 21.

FINANCE COSTS AND NET DEBT

Finance costs of £7.0m (2020: £8.1m) include IFRS 16 lease liability finance costs of £5.6m (2020: £5.5m) and bank interest payable of £1.4m (2020: £1.2m). The reduction in year on year finance costs relates to the inclusion in 2020 of a £1.4m exceptional charge in respect of the write-off of unamortised loan arrangement fees relating to the Group's pre IPO banking facilities.

Net debt (excluding IFRS16 lease liabilities) at the year end of £34.2m (2020: £35.0m) represented a small decrease. The Group enjoyed excellent support from its banking partners during the year, taking prompt action to secure an incremental RCF facility of £15m which provided additional liquidity, albeit that it remained unutilized during the year. The robustness of the year end balance sheet combined with the strength of post year end trading has resulted in the Group being able to repay the £7m drawn down at year end under existing facilities post year end.

TAXATION

The Group has reported a tax credit of £3.6m for the year to 18 April 2021 (2020: credit of £2.0m) and at year end carried a deferred tax asset of £3.8m (2020: £0.2m). Overpaid corporation tax of £1.1m, relating to payments on account made in advance of Covid-19, was recovered in the year.

CASH FLOW

The Group maintained a strict focus on controlling cash flow during the period, predominantly through the immediate halt of further new site rollouts in March 2020, but also through cost control, accessing Government support and the support of our trading partners and landlords.

Net cash generated from operating activities declined by 50.7% to £12.0m (2020: £24.4m). Cash generation reflects a working capital cash outflow of £1.3m (2020: cash inflow of £1.7m). The negative impact of the working capital unwind resulting from the payment of outstanding trade supplier balances was offset by the build-up of deferred rent liabilities and a reduction in the year end outstanding furlough claim debtor. The Group is grateful for the support it has received from trade suppliers, notably during the first national lockdown, and from those landlords who have agreed rent waivers and deferrals.

Cash outflows in the year in respect of capital expenditure totaled £7.8m (2020: £23.1m) and compare to the cost of fixed asset additions (excluding right of use assets) recognised in the year of £5.1m. The excess cash outflow reflects the unwind of capital expenditure liabilities carried at 19 April 2020. Capital expenditure in the year of £5.1m (2020: £22.8m) included £2.8m (2020 £17.4m) in respect of new site openings.

KEY PERFORMANCE INDICATORS ("KPI'S")

The KPI's, both financial and non-financial, that the Board reviews on a regular basis in order to measure the progress of the Group are as follows:

	FY21 Growth /(decline)	FY20 Growth /(decline)
New site openings	3	21
Capital expenditure (IAS 16 PPE excluding IFRS RoU assets)	£5.1m	£22.8m
LFL sales growth (excluding lockdown periods)	+13.3%	+4.4%
Total sales growth	(52.9%)	8.8%
Adjusted EBITDA margin (IFRS 16)	17.8%	17.3%

GOING CONCERN

In concluding that it is appropriate to prepare the FY21 financial statements on the going concern basis attention has been paid to the impact of Covid-19 on the Group, both experienced to date and potentially foreseeable in the future.

COVID-19 ACTIONS TAKEN TO MITIGATE THE IMPACT OF LOCKDOWN

The Group has to date successfully navigated the three national lockdowns through a combination of:

- Strong financial performance of the business prior to the first lockdown on 20 March 2020;
- Rapid actions taken during March and April 2020 and in subsequent lockdowns to preserve liquidity;
- Equity raise and banking amendments concluded in April 2020;
- Level of Government support made available;
- Strong levels of trade when we have re-opened after periods of lockdown.

As a consequence of the above the Group has managed to maintain significant levels of liquidity at all times. At 18 April 2021, with a clear roadmap to re-opening and with 46 sites re-opened for external trading, the Group had available liquidity of £22.9m, sufficient to fund 37 weeks of lockdown on the basis of a working capital unwind of £5.1m and a rent inclusive weekly cash burn during lockdown of £0.48m.

Significant work has been undertaken throughout the year to model an ever-changing range of potential scenarios. Following the announcement of the government's reopening roadmap on 22 February 2021 and the subsequent announcement of further support measures in the budget on 3 March 2021 the base case model was updated to reflect the following key assumptions:

- Limited reopening on 12 April 2021 for external trade only with no positive contribution to fixed costs;
- Total estate re-opening from 17 May 2021, with gross sales (i.e. before reflecting any benefit from the VAT reduction) LFL performance ranging from -25% to -15% over the 8 weeks to 11 July 2021;
- Sites trade at flat LFL gross sales (compared to 2019/20 sales) for the remainder of the financial year to 17 April 2022 and return to modest LFL sales growth in FY23;
- VAT reduction to 5% ends on 30 September 2021 and replaced with reduction to 12.5% through to 31 March 2022;
- Business rates holiday to 30 June 2021, followed by 66% relief capped at £2m to 31 March 2022; and
- A resumption of the new site roll-out programme, with a return to a run rate 25 new sites in the year.

In light of the extended third lockdown and the impact on second half profitability highlighted above a further amendment was agreed with the Group's lenders. This amendment included:

- An extension of the additional £15m revolving credit facility ("RCF"). This facility was previously due to expire in October 2021 but will now run to October 2022;

- A waiver of the covenant tests due at 18 April 2021 and amendment of the covenant tests scheduled for 11 July 2021, 3 October 2021 and 26 December 2021.

PERFORMANCE POST LOCKDOWN

As previously reported the Group delivered a very strong trading performance in the period following the resumption of trading from 4 July 2020. Trading in the period from 4 July 2020 to 4 October 2020 delivered LFL sales growth (including the impact of the VAT reduction on food and non-alcoholic drinks) of +25.1%. Excluding the positive impacts of the VAT reduction and the EOTHO scheme, underlying trading in that period was LFL-1.1%.

The very strong trading performance that followed the resumption of trading after lockdown 1 has been repeated in the period from 17 May 2021, when full indoor and outdoor trading resumed after the third lockdown. In the nine weeks ended 18 July 2021 the Group has delivered net LFL sales growth of +23.7%. Excluding the positive impact of the VAT reduction underlying LFL sales growth was +11.6%. This underlying performance compares to the base case management plan that assumed LFL sales between -25% and -15% across the period from 17 May 2021 to 11 July 2021.

As was the case after trading resumed following the first lockdown, the strength of trading post reopening on 17 May and the accompanying working capital rewind has delivered a significant reduction in net debt. As of 11 July 2021, net debt was £18.2m. Adjusted to reflect deferred liabilities to landlords and HMRC as if they had been paid, net debt was £25.7m. This compares favourably to net debt of £28.8m on 22 March 2020, immediately post the start of lockdown 1.

CASH FLOW AND COVENANT MODELS

Under the management base case scenario described above, borrowing under the Group's total RCF facility of £25m would not exceed £2.0m and the Group would be in compliance with its bank covenants. The Group is subject to leverage and interest cover covenant tests, and as referred to above, the amendment to the Group's banking facilities agreed in April 2021 included the waiver of the covenant tests scheduled for 18 April 2021 and amendments to the tests running through to 26 December 2021. To the extent that covenant tests were not waived, the Group was in compliance with its covenants throughout the year ended 18 April 2021.

Additional downside scenarios have been modelled against the management base case. These include a severe but plausible downside scenario based upon the following assumptions:

- Total estate re-opening from 17 May 2021, with gross sales (i.e. before reflecting any benefit from the VAT reduction) LFL performance ranging from -25% to -15% over the 8 weeks to 11 July 2021;
- Gross LFL sales over the 16 weeks to 31 October 2021 in line with those delivered by the Group during October 2020 when full, and increasingly restrictive, social distancing measures were in place;
- Gross LFL sales declining to -25% in the four weeks to 28 November 2021 and then to -60% in the four weeks to 26 December, seeking to reflect increasing lockdown measures as we enter the winter season;
- Full lockdown in the eight weeks to 20 February 2022;
- Reopening and flat LFL sales in the final eight weeks of the year to 17 April 2022 followed by a return to modest LFL growth in FY23; and
- Mitigations consistent with those adopted during FY21 (for example pausing the rollout of new sites and negotiations with landlords)

The impact of reflecting all these assumptions in the downside scenario is to reduce expectations of Adjusted EBITDA by approximately 46% for FY22 relative to the Board's base case forecast. Under this downside scenario the Group is forecast to remain within its borrowing facilities and to be in compliance with its covenant obligations, and accordingly the Directors have concluded that it is appropriate to prepare the financial statements for the year ending 18 April 2021 on the going concern basis.

Gregor Grant
Chief Financial Officer
21 July 2021

CLIFTON

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

KEY RISKS	RISK DESCRIPTION	MITIGATING ACTIONS
Covid-19	The Group derives all its sales and profits from its 175 sites. The complete closure of sites as required during the Covid-19 lockdowns had a very severe negative impact on sales and profits. Whilst the estate is now re-opened the risk of a return to social distancing, trading restrictions or indeed lockdown remains.	The preceding pages have set out in detail the specific mitigating actions taken in response to Covid-19, particularly those relating to preserving liquidity within the business, the secure lockdown of our sites, and the safe resumption of trading. The planning and implementation of these mitigating actions was managed through the Directors and the executive management team. Throughout the period from early March 2020 to the reopening of sites in April / May 2021 the Directors and executive team met remotely on an increased basis, with weekly meetings throughout much of the first lockdown.
Consumer confidence	The Group derives all its profits from the United Kingdom and is therefore sensitive to fluctuations in the UK economy. The Group's performance depends to a certain extent on several factors outside of the control of the Group which impact on consumer sentiment.	The Group's existing offer has value for money as a core principle and the Directors believe this will provide a level of resilience in the event of a consumer slow down.
Brexit	Brexit has the potential to adversely impact the business in several ways, notably: • weaker economic performance in the UK that may impact consumer demand, • further depreciation of sterling that may drive cost inflation, • cross border supply issues that may impact availability of imported goods, and • the recruitment and retention of team members in our sites.	Mitigating actions have focused upon the security of our supply chain and ensuring availability of product. Higher risk products have been identified and plans put in place to both secure supply or identify and source alternative products as appropriate.
Cost inflation	The Group operates in a sector that has been subject to significant cost pressures in recent years, notably staff costs driven by annual increases in the National Living Wage ("NLW"), utilities, business rates and food and drink cost inflation. The value for money principles of the Group's offer require the Group to manage cost inflation tightly.	The increasing scale of the Group and its attractiveness to suppliers has assisted in mitigating cost inflation in respect of food and drink products. In addition, the Group has recruited additional internal resource to manage relationships with suppliers.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

KEY RISKS	RISK DESCRIPTION	MITIGATING ACTIONS
Health and safety and food safety	The health and safety of the Group's employees and guests is of key concern and the Group is required to comply with health and safety legislation that includes fire safety, food hygiene, and allergens.	The Group invests significantly in the training of its employees and in third party specialists to ensure adherence to legislation and the safety of our employees and guests. In re-opening sites post lockdown there has continued to be particular focus and attention on allergen awareness training. The Group has established a Health and Safety Committee to oversee the operation and development of health and safety policies and Health and Safety matters are formally reported to the plc Board.
Recruitment and retention	The success of the business to date and our ability to maintain our roll-out programme is in large part down to our ability to recruit and retain the best teams in our sites. Coming out of Lockdown 3 recruitment has been very challenging across the hospitality sector. The increased level of competition has the potential to put additional pressure on wage inflation.	Employee engagement and satisfaction is a key focus of management. The Group's IPO provided another mechanism by which the Group can incentivise and reward team members. The Group continues to strengthen its recruitment and training and development teams to assist in recruiting and retaining the best talent.
Availability of new sites	The Group's growth strategy includes an expectation that we can continue to open approximately 25 new sites per annum. The Board only approves new site investment where strict economic criteria are met. The availability of sites, with the correct rent levels, cost of investment, and demographics, are critical to the delivery of the roll-out programme.	The Group further strengthened its property resource in the year to ensure that Covid-19 related landlord negotiations did not lead to significant disruption of the property acquisition programme. As we emerge from Covid-19 there is considerable new site acquisition opportunity in a more tenant friendly environment.
Information technology and data security	The Group is increasingly reliant on information technology and the risk of failure leading to disruption of trading, loss of data and reputational damage. The Group recognizes that cyber threats pose a significant risk and works to continually assess and manage these risks.	The Group continues to invest in its IT platforms to ensure that upgrades are implemented on a timely basis and that appropriate data protection measures are in place. Initiatives during the year have included: • continued infrastructure, network security and network resilience upgrades; • completion of project to upgrade firewall security; and • refining the customer digital journey and continued development of the order at table app. The Covid-19 pandemic provided a successful test of the ability of Head Office teams to operate remotely.

The Strategic Report, from pages 3 to 20, was approved by the Board of Directors and signed on its behalf by:

Nick Collins
Chief Executive Officer
21 July 2021

Governance

BOARD OF DIRECTORS

ALEX REILLEY
EXECUTIVE CHAIRMAN

Alex co-founded the Group in 2002, acting as Managing Director until 2015 when he assumed the role of Executive Vice Chairman. In 2016, following the investment from Lion Capital, Alex assumed the role of Executive Chairman and remains heavily involved in the branding and look and feel of the Loungers estate. Prior to founding Loungers, Alex had several roles within the leisure sector including as Operations Manager at Glass Boat Co., where he spent seven years.

NICK COLLINS
CHIEF EXECUTIVE OFFICER

Nick joined the Group in January 2012 as Finance Director, becoming Chief Operating Officer in January 2014 and Chief Executive Officer in January 2015. He has overseen the expansion of the Group from 56 sites as at January 2015 to 168 sites at 18 April 2021. Prior to joining the Group, Nick spent three years as Finance Director at AIM quoted Capital Pub Company plc, leaving when that company was sold to Greene King plc in 2011. Prior to that Nick founded Fuzzy's Grub, a sandwich business in London, which he grew to eight outlets and a central production facility over five years. Nick also spent five years in corporate finance at Arthur Andersen where he qualified as a chartered accountant in 2001.

GREGOR GRANT
CHIEF FINANCIAL OFFICER

Gregor joined the Group in August 2018 as Chief Financial Officer. Gregor qualified as a chartered accountant with Deloitte and Touche in 1992 and, after leaving Deloitte in 1998, has spent the last 21 years in a variety of CFO roles, primarily in the hospitality sector. Prior to joining the Group, Gregor spent two years as interim CFO at Colosseum Dental UK Ltd (2016 – 2018), the third largest provider of NHS dental services in the UK, three years as Finance Director at Novus Leisure Ltd (2013 – 2016), and acted as interim CFO at ETrawler Unlimited (trading as CarTrawler) (2011 – 2012) and CFO at Fuddruckers Inc., a US hamburger chain based in Austin, Texas (2007 – 2010). Gregor was also part of the management buy in team that acquired regional brewers Morrells of Oxford Ltd in 1998, which was subsequently sold to Greene King plc in 2002, and Eldridge, Pope & Co. Ltd in 2004 which was subsequently sold to Marston's plc in 2007.

NICK BACKHOUSE
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Nick joined the Board in March 2019 as an Independent Non-Executive Director and is the Senior Independent Director of the Board and chair of the Nomination Committee. Nick has extensive public company, finance, and leisure sector experience. He currently also serves as Senior Independent Director of Hollywood Bowl Group plc (2016 – Present), as a Non-Executive Director of Hyve Group plc (2019 – Present) and as Non-Executive Chairman of Giggling Restaurants Limited (2019 - Present). Nick has also held positions as Non-Executive Director at Marston's Plc (2012 – 2018) and at All3Media Ltd (2011 – 2014) and Senior Independent Director at Guardian Media Group Plc (2007 – 2017). Nick started his career at Baring Brothers and Co. where he became a Board Director (1989-99) following which he held CFO positions at Freeserve Plc (1999 – 2001), The Laurel Pub Company Ltd (2002 – 2005) and National Car Parks Ltd (2006 – 2007), and was Managing Director and Deputy CEO of David Lloyd Leisure Ltd (2008 – 2011).

ADAM BELLAMY
INDEPENDENT NON-EXECUTIVE DIRECTOR

Adam joined the Board in March 2019 as an Independent Non-Executive Director and chair of the Audit Committee. Adam is also the Chairman at Ten Entertainment Group plc (2018 – Present) and is a Non-Executive Director and chair of the Audit Committee at In the Style plc (2021-present) and a Non-Executive Director at Gymfinity Kids Limited (2020 - Present). Adam was previously CFO (2012-2018) and then a NED (2018 - 2020) at PureGym Ltd, prior to which he was Finance Director at Atmosphere Bars & Clubs Ltd (2009 – 2012) and Finance Director at D&D London Ltd (2006 – 2009). He has also held various finance positions at House of Fraser Ltd, Granada Group plc and Whitbread Plc.

JILL LITTLE
INDEPENDENT NON-EXECUTIVE DIRECTOR

Jill joined the Board in March 2019 as an Independent Non-Executive Director and chair of the Remuneration Committee. Jill is also a Non-Executive Director of Joules Group plc (2016 – Present). Jill also held positions as Non-Executive Director at Nobia AB (2017 – 2020) and Shaftesbury plc (2010 – 2020), as an adviser to El Corte Ingles S.A. (2012 – 2020), Europe's largest department store group, and as Chairman of the National Trust Commercial Group (2014 – 2021). Jill spent the majority of her executive working life at John Lewis Partnership (1975 – 2012) where she held positions including Merchandise Director, Strategy & International Director and Business Development Director.

ROBERT DARWENT
NON-EXECUTIVE DIRECTOR

Robert Darwent is a Founding Partner and member of the Investment Committee of Lion Capital. Prior to founding Lion Capital, Robert served with Hicks, Muse, Tate & Furst for six years. Prior to joining Hicks Muse, he was employed in the private equity group of Morgan Stanley in London. Robert received his BA and MA from Cambridge University.

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

CHAIRMAN'S STATEMENT

As Loungers' Chairman, I am responsible for leading the Board and for ensuring the overall effectiveness of the Company's governance arrangements, particularly at Board level.

The Board supports high standards of corporate governance and considers that the Company's continuing success on AIM is enhanced by a strong corporate governance framework.

COMPLIANCE WITH THE QCA CODE

The Company has chosen to adopt and report against the Quoted Companies Alliance Corporate Governance Code 2018 (the "**QCA Code**"). This Corporate Governance Statement for the year to 18 April 2021 provides an account of how Loungers has applied and complied with the principles of the QCA Code and summarises how the Board and its Committees operate, highlighting key activities during the year. The Board expects to provide at least annual updates on the Company's compliance in the manner recommended by the QCA Code and required by the AIM rules.

Whilst as a Board we believe the ten principles of the QCA Code have been applied during the year, we recognise the need for continued evolution of our governance practices and disclosures in order to ensure they support the growth and strategic progress of the business and the effective application of the principles going forwards.

APPLICATION OF THE QCA CODE PRINCIPLES

Delivering Growth

The Board has collective responsibility for setting the strategic aims and objectives of the Group. These aims are articulated in the Strategic Report on pages 3 to 20. The Board held a strategy day in May 2021, part of which was attended by senior members of the management team. In addition to consideration of the Group's operational strategy, the session provided an opportunity for discussion around other topics of key strategic importance, including:

- the Group's Environmental, Social and Governance ("**ESG**") agenda and areas of focus;
- the Group's people strategy and pay practices; and
- the Group's culture and employee engagement.

The Board intends to hold at least one such session each year dedicated to strategy, with input from senior members of the management team and, where appropriate, senior advisers. In the course of implementing the agreed strategic aims, the Board takes into account the expectations of the Company's shareholder base and also its wider stakeholder and social responsibilities.

The Board is committed to an open and ongoing engagement with the Company's shareholders. It takes collective responsibility for ensuring a satisfactory dialogue with shareholders takes place and reviews and discusses the make-up of the Company's shareholder base at Board meetings.

The Company takes its corporate social responsibilities very seriously. The Board recognises that, for the Company to achieve long-term success, effective working relationships must be maintained across a wide range of stakeholders, including shareholders, employees, existing and new customers, suppliers and others that it collaborates with as part of its business strategy.

Effective risk management is also critical to meeting the Company's strategic objectives and the Company operates a risk management and internal control framework. The Board has overall responsibility for determining the Company's risk management objectives and policies and for keeping under review the Company's systems for risk management and internal control. The Company's principal risks can be found on pages 19 to 20. The Board regularly monitors the risks the Company faces and takes appropriate action where necessary. This has continued to be an area of focus for the Board as the Covid-19 pandemic has progressed and a central consideration for the Board when reviewing strategy and preparing for and implementing plans to reopen sites following lockdowns.

Maintaining a Dynamic Management framework

As Chairman, I consider both the operation of the Board as a whole and the performance of individual Directors regularly. We completed our first internal Board performance evaluation this year, in compliance with principle 7 of the QCA Code, which requires the Company to carry out a full annual Board performance evaluation. Further details on the process and outcomes can be found on page 24.

The results of the formal evaluation reflected that, taken as a whole, the Board represents a suitable balance of independence and detailed knowledge of the Company and is well positioned to fulfil its roles and responsibilities as effectively as possible. Future Board appointments will continue to consider diversity, including gender and race, alongside commercial and experience-based suitability criteria, to complement the current balance of skills on the Board.

The Company 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 Company'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 Board places significant importance on the promotion of ethical values and good behaviour within the Company and takes ultimate responsibility for ensuring that these are promoted and maintained throughout the organisation and that they guide the Company's business objectives and strategy.

Build Trust

The Board recognises the importance of understanding the expectations of our shareholders and wider stakeholders, and a description of our activity in this area is set out on page 12. The Chief Executive Officer is the primary contact for the Company's shareholders and is responsible for ensuring that the links between the Board and the shareholders are strong and efficient. The Board as a whole is responsible for the good management of the Company and its principal aim is to enhance the Company's long-term value for the benefit of shareholders whilst having regard to its wider stakeholders.

The Board has a schedule of matters that are reserved for its decision, which include corporate governance, strategy, major investments, financial reporting and internal controls.

The Board has also established an Audit Committee, a Remuneration Committee and a Nomination Committee, each with written terms of reference. The responsibilities and current membership of these committees are set out in their respective reports, which can be found on pages 29, 31 and 36, respectively. From time to time, separate committees may be set up by the Board to consider and address specific issues, as and when they arise.

BOARD STRUCTURE AND OPERATION

The Board comprises seven Directors: the Founder Chairman, four Non-Executive Directors and two Executive Directors. Three of the Non-Executive Directors, Nick Backhouse, Adam Bellamy and Jill Little are considered by the Board to be independent and are members of each of the three principal Committees. The fourth Non-Executive Director, Robert Darwent, is not considered to be independent because of his relationship with Lion Capital LLP ("**Lion Capital**"), a substantial shareholder of the Company, and is not a member of any Committee.

The Chairman leads the Board and is responsible for its governance structures, performance and effectiveness. The Independent Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions. The Chief Executive Officer and the Chief Financial Officer are responsible for the day-to-day management of the Company and for implementing the strategic goals agreed by the Board. The non-independent Non-Executive Director, Robert Darwent, represents Lion Capital, a substantial shareholder of the Company, on the Board. A relationship agreement is in place between the Company and Lion Capital to ensure their ongoing relationship is at arm's length and on a normal commercial basis. The skills and experience of the Board are set out in their biographies on page 22.

The Board meets regularly (at least eight times a year, and met 12 times during the year under review) and is responsible for strategy, performance, approval of any major capital expenditure and the framework of risk management and internal control.

Briefing papers are distributed to all Directors in advance of Board meetings and all Directors have access to the advice and services of the Chief Financial Officer and Company Secretary, who are responsible for ensuring that Board procedures are followed, that each Director is at all times provided with such information as is necessary for him or her to discharge their duties and that applicable rules and regulations are complied with, in accordance with the QCA Code and AIM Rules. In addition, all Directors can obtain independent professional advice in the furtherance of their duties at the Company's expense, if requested.

The rules governing the appointment and replacement of Directors are set out in the Company's Articles of Association, which can be found on the Company's website: www.loungers.co.uk. In accordance with the Company's Articles of Association, one-third of Directors are subject to re-election by shareholders at the Annual General Meeting and any new Directors appointed during a financial year must be formally elected at the Annual General Meeting following their appointment.

The Articles of Association may be amended by special resolution of the Company's shareholders.

BOARD AND COMMITTEE MEETINGS

During the year the Board has met formally 12 times, the Audit Committee three times and the Remuneration and Nomination Committees four times respectively. Board and Committee meetings are also convened on an ad-hoc basis from time to time in order to consider specific corporate activity, and since the outbreak of the coronavirus pandemic the Board has also held regular calls outside of scheduled Board meetings.

When possible, the location of Board and Committee meetings is varied so that the Directors visit different sites and have the opportunity to meet with local management teams. However, during the year under review, the majority of meetings were held electronically due to the restrictions imposed by the Covid-19 pandemic.

Directors are expected to attend all meetings of the Board and the Committees on which they sit, and the Non-Executive Directors are expected to devote sufficient time to the Company to enable them to fulfil their duties as Directors. The Board is satisfied that the Chairman and each of the Non-Executive Directors is able to devote sufficient time to the business, and they each maintain open communication with the Executive Directors and senior management between the formal scheduled meetings.

Director	Scheduled Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Chairman				
Alex Reilley	12/12	NA	NA	NA
Executive Directors				
Nick Collins	12/12	NA	NA	NA
Gregor Grant	11/12	NA	NA	NA
Non-Executive Directors				
Nick Backhouse	12/12	3/3	4/4	4/4
Adam Bellamy	12/12	3/3	4/4	4/4
Robert Darwent	12/12	NA	NA	NA
Jill Little	12/12	3/3	4/4	4/4

Only the independent Non-Executive Directors are Committee Members.

Other Directors regularly attend Committee meetings.

Other members of the senior management team attend Board and Committee meetings at the invitation of the Board.

Gregor Grant missed a scheduled Board meeting on 16 October 2020 due to a family commitment.

Further ad hoc meetings were held during the year to deal with ad hoc approvals and issues arising from the Covid-19 crisis.

The Board has an agreed schedule of activity covering regular business updates, financial, operational and governance matters. Each Board Committee also has a schedule of work to ensure that all areas for which the Board has overall responsibility are addressed and reviewed during the course of the year. These schedules of activity are reviewed at least annually to ensure that key matters and developments are discussed at the appropriate time.

BOARD COMMITTEES

The Board has delegated specific responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee.

Each Committee has written terms of reference setting out its duties, authority and reporting responsibilities. The terms of reference of each Committee are reviewed on an annual basis to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice. The terms of reference are available on the Company's website: www.loungers.co.uk/.

EXTERNAL ADVISERS

The Board seeks advice and guidance on various matters from its Financial and Nominated Advisor, GCA Altium, its Joint Brokers, Liberum and Peel Hunt and its Financial Public Relations Adviser, Instinctif Partners. The Board also uses the services of an external company secretarial provider, Prism Cosec.

CONFLICTS OF INTEREST

At each meeting of the Board or its Committees, the Directors are required to declare any interests in the matters to be discussed and are regularly reminded of their duty to notify any actual or potential conflicts of interest. The Company's Articles of Association provide for the Board to authorise any actual or potential conflicts of interest if deemed appropriate to do so. The Board has effective procedures in place to monitor and manage conflicts of interests.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has ultimate responsibility for the Group's system of risk management and internal control and for the ongoing review of its effectiveness. The system of risk management and internal control can only identify and manage risk and not eliminate it entirely. As a result, such a framework cannot provide an absolute assurance against misstatement or loss. The Board considers that the framework which has been established and implemented is appropriate for the size, complexity and risk profile of the Group. The Board continues to review the system of risk management and internal control to ensure it is fit for purpose and appropriate for the size and nature of the Company's operations and resources.

BOARD AND COMMITTEE EVALUATION

During the year the Company completed its first internal evaluation of the performance of the Board as a whole and of its Committees, by way of questionnaires issued to the Board, results of which were tabled to the Board in October 2020. Questionnaires elicited feedback on the performance of individual Directors, including the Chairman, in order for the Board to satisfy itself that all are committed, independent (where relevant) and provide a relevant and effective contribution.

The questionnaire evaluating the function of the Board covered the following topics:

- Strategy
- Board effectiveness
- Chairmanship and leadership
- Succession and composition
- Stakeholders
- Board processes

Committee questionnaires included questions regarding Committee constitution and composition, as well as the running of meetings and other topics relevant to each Committee's area of responsibility.

Overall, results were positive and the Directors concluded that the Board and its Committees have formed and functioned well despite the challenges and stresses of the Covid-19 pandemic. The Board discussed the results and agreed various actions, including around the development of the succession planning process, assessment and oversight of risk management and internal control and the timeliness and quality of Board and Committee papers.

The evaluation process further concluded that the Chairman provides valuable and effective leadership to the Board, effectively running meetings and ensuring the effective contribution of all attendees.

STAKEHOLDER ENGAGEMENT

The Board places a strong emphasis on the standards of good corporate governance and maintaining effective engagement with its shareholders and key stakeholders, which it considers to be integral to longer term growth and success.

The principal methods of communication with shareholders are the Annual Report, the half-year and full-year results announcements, trading updates (where required or appropriate), Annual General Meetings and the investor relations section of the Company's website (in particular the 'AIM Rule 26' page): www.loungers.co.uk.

The Company's website is updated with information regarding the Company's activities and performance. The Company's reports and presentations and notices of Annual General Meetings are made available on the website when available, as are the results of voting at shareholder meetings. The Company will publish an explanation around any actions it proposes to take on votes where a significant proportion of independent votes have been cast against any resolution, being those where 20 per cent or more of votes have been cast against the Board recommendation for a resolution.

ANNUAL GENERAL MEETING ("AGM")

Shareholders will have an opportunity to raise questions with the Board at the Group's Annual General Meeting, which will be held at Cosy Club, 14 Tunsgate Quarter, Guildford GU1 3QY on 15 October 2021. Details of the business to be transacted at the AGM are set out in the Notice of AGM, which is available on the Company's website.

Alex Reilley
Chairman
21 July 2021

AUDIT COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Audit Committee Report for the 52 weeks ended 18 April 2021.

The Committee consists of the three independent Non-Executive Directors and is chaired by myself. The Board is satisfied that I, as Chairman of the Committee, have recent and relevant financial experience. I am a chartered certified accountant with experience as a Finance Director in multi-site leisure and hospitality operations. The Committee met three times during the year, and all members of the committee attended each meeting. Although not members of the Audit Committee, our Executive Chairman, CEO and CFO are also invited to attend meetings unless they have a conflict of interest.

COVID-19

Covid-19 has presented many challenges to the Group and has required the Audit Committee and the Group's finance team to strike the balance between their ongoing commitment to developing systems and processes appropriate for the Group's increasing scale and the more immediate requirement to manage the substantial disruption caused by the pandemic.

The impact of Covid-19 was identified as a key audit matter in the year ending 19 April 2020 and again in the current year. The Committee has worked alongside the Board, particularly with regard to assessing the Group's liquidity and public statements on that matter, and has primary responsibility for reviewing and considering the Group's going concern assessment.

ROLES AND RESPONSIBILITIES

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported on and reviewed. Its role includes monitoring the integrity of the Group's financial statements and results announcements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems and overseeing the relationship with the external auditors (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings). It is also responsible for establishing, monitoring and reviewing procedures and controls for ensuring compliance with the AIM Rules. The detailed duties of the Audit Committee are set out in its Terms of Reference which are reviewed by the Committee on an annual basis, no material changes were made to the Terms of Reference during the year. The principal areas of focus for the Committee over the course of the year have been as follows:

- Approving the external auditors' plan for the audit of the Group's annual financial statements, including key audit matters, key risks, confirmation of auditors' independence and terms of engagement;
- Reviewing the Group's draft financial statements and interim results statements and reviewing the external auditors' detailed reports including their analysis of key audit matters and risks;
- Meeting the external auditors and their team during the year, to review the audit plan, timetables, specific matters relating to the audit work and any issues arising;
- Reviewing the performance of the external auditors;
- Considering new accounting standards and their implications for the Group; and
- Reviewing the Group's risk management processes, key risk register and risk mitigations.

SIGNIFICANT ISSUES

The significant issues considered by the Audit Committee is respect of the FY21 Annual Report are as follows:

- Going concern – The Committee has considered the impact of Covid-19 on the profitability, cash flows and liquidity of the Group. Financial modelling has been undertaken to examine the impact of a range of scenarios and the Committee has also benefitted from understanding the Group's financial performance post re-opening in order to support the assessment that it is appropriate to prepare the FY21 financial statements on the going concern basis.
- Impairment of tangible fixed assets – In light of the ongoing Covid-19 pandemic management have undertaken an impairment review at 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 that no impairment charge is required to be taken in the year.

- Accounting for Government support – The Group has received significant Government support, not least through the Coronavirus Job Retention Scheme, the Eat Out to Help Out scheme, various grant schemes, and the business rates holiday. The Committee has reviewed the accounting treatment for these various support measures.
- Exceptional costs – Exceptional items identified by management have been reviewed and considered by the Committee and the Committee is satisfied that they have been appropriately classified.
- Accounting for landlord negotiations – The Committee has reviewed management's approach to the adoption of Covid-19 Related Rent Concessions - Amendment to IFRS16 and is satisfied that the rent credit taken in FY21 to reflect rent waivers agreed with landlords has been appropriately calculated.

ROLE OF THE EXTERNAL AUDITORS

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

SHARE DEALING, ANTI-BRIBERY AND WHISTLEBLOWING

Loungers plc adopted, with effect from Admission, 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. The Group takes all reasonable steps to ensure compliance by the Directors and any other applicable employees with the terms of the Code.

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

Adam Bellamy
Audit Committee Chairman
21 July 2021

REMUNERATION COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Remuneration Committee Report for the 52 weeks ended 18 April 2021.

The Committee consists of the three independent Non-Executive Directors and is chaired by myself. The Committee met four times during the year, and all members of the Committee attended all the meetings.

COVID-19

As referenced numerous times in this document the past year has posed many challenges for the business and its people. Throughout this period the Remuneration Committee has supported the executive team in their efforts to best support our teams across the country. These efforts have encompassed:

- Regular and timely communication of developments in the business and actions to mitigate the impacts of Covid-19 on the business;
- Endeavouring to ensure that those team members who needed additional support were able to access that support;
- Ensuring, through the use of feedback surveys and the like, that our team's feelings concerning returning to work and working in a Covid-19 environment were understood and acted upon; and
- Maximising the ability of our teams to access the CJRS, and where possible and appropriate funding a furlough equivalent for those employees who due to the timing of their recruitment did not qualify for the CJRS.

Against a backdrop of many of our team members facing reduced earnings during the year, and the disappointing full-year financial out-turn, the Remuneration Committee has worked collaboratively with the Executive Team to ensure that appropriate pay policies were in place. These policies reflect the level of Government support that the Group has been able to access, and in agreeing these policies the Remuneration Committee and the Executive Team were fully aligned.

DUTIES

The Committee has responsibility for:

- Determining the policy for the remuneration of the chairman, executive directors, and any employees that the Board delegates to it;
- Within the terms of the agreed policy, determining individual remuneration packages including bonuses, incentive payments, share options, pension arrangements and any other benefits;
- Giving due regard to the comments and recommendations of the QCA Corporate Governance Code and the AIM Rules for Companies;
- Being informed of and where appropriate advising on any major changes in employee benefit structures; and
- Monitoring the level and structure of remuneration for senior managers below Board level as determined.

The detailed duties of the Remuneration Committee are set out in its Terms of Reference which are reviewed by the Committee on an annual basis, no material changes were made to the Terms of Reference during the year.

The principal objective in setting the Group's remuneration policy is to ensure the recruitment and retention of executives with the appropriate skills and qualities to drive the company's strategy and deliver value for shareholders. To achieve this, our policy on executive remuneration is designed to:

- Include a competitive mix of base salary and short and long-term incentives, with an appropriate proportion of the package determined by stretching targets linked to the Group's performance;
- Promote the long-term success of the Group, in line with our strategy and focus on profitability and growth; and
- Provide appropriate alignment between the interests of shareholders and executives, which is further enhanced through shareholding guidelines and the deferral of a proportion of the annual bonus as shares.

The Executive Chairman, Chief Executive Officer and Chief Financial Officer occasionally attend meetings and provide information and support as requested. Executive Directors are not present when their remuneration package is considered.

The Committee continues to have access to external remuneration advisors for ongoing support and advice as required.

REMUNERATION – EXECUTIVE DIRECTORS

Remuneration levels for executive directors were set at the time of the IPO with the assistance of a benchmarking

exercise undertaken by external advisors. Base salaries were re-set to bring them into line with lower quartile salaries paid by a comparator group of similarly sized listed companies. In the course of the year, and against the backdrop of lower quartile salaries, it was decided that the time and effort that Alex Reilley was committing to the business was somewhat ahead of that envisaged at the time of the IPO, accordingly it was agreed that his base salary should be increased to £175,000. In addition, it was agreed that the base salary of Gregor Grant should be increased to £200,000.

It was agreed at the time of the first lockdown in March 2020 that the Board should waive 20% and defer 30% of their salary during the period of lockdown. This measure reflected the significant efforts being taken by the business to cut costs and retain liquidity, and recognised the cuts being felt by fellow employees throughout the business. The deferred 30% element of salaries was paid at the end of August 2020 following the successful reopening of the estate.

The executive directors and the two divisional managing directors are incentivised through a combination of an annual bonus plan and a long-term value creation plan ("VCP"). The annual bonus provides an opportunity to earn a cash bonus of a maximum of 100% of salary. Awards under the annual bonus scheme are subject to achieving financial targets, with the Remuneration Committee setting the targets by reference to Group budgets and analysts' forecasts. Payments under the annual bonus plan are subject to typical malus and clawback provisions.

As a result of the impact of Covid-19 in March and April 2020 the executive team missed their bonus targets for the year ended 19 April 2020, this was despite a very strong performance in the first 44 weeks of the year. In the year to 18 April 2021, and despite once again delivering very strong out-performance when the business could trade, the Remuneration Committee and executive team have agreed that it would not be appropriate for bonuses to be paid.

The VCP was introduced at the time of the IPO and provides the executive directors and two divisional managing directors with an incentive scheme that sees them wholly aligned with the Group's shareholders. At the time of the IPO the five participants in the VCP were granted awards giving them a future right to be issued Ordinary Shares based on the excess cumulative total shareholder return generated over the VCP performance period.

It is intended that the awards made at IPO are one-off awards, with no further awards under this plan being made. The Remuneration Committee will, however, review this approach on an annual basis taking into consideration performance, retention challenges and affordability.

The VCP Awards shall have a three-year performance period commencing on the date of Admission. Participants in the VCP each have a right to share in a pool of Ordinary Shares that has a value equal to:

- 10 per cent. of any excess cumulative shareholder value created over a 12 per cent. per annum hurdle and up to 15 per cent. per annum growth over the VCP performance period
- 11 per cent. of any excess cumulative shareholder value created over a 15 per cent. per annum hurdle and up to 20 per cent. per annum growth over the VCP performance period, and
- 12 per cent. of any excess cumulative shareholder value created over a 20 per cent. per annum hurdle over the VCP performance period

Any performance conditions applying to the VCP Awards may be varied, substituted or waived by the Remuneration Committee if events occur (e.g. major acquisition or disposal) that cause it to determine that the conditions are unable to fulfil their original intended purposes and the change would not be materially less difficult to satisfy. The value created will be measured in terms of Total Shareholder Return (being the growth in the Company's market capitalisation including dividends reinvested). There will be an overall cap on the number of Ordinary Shares that can be issued under the VCP equal to six per cent. of the Group's share capital from time to time. VCP Awards will vest as to one third on the 3rd anniversary of Admission, one third on the 4th anniversary of Admission and one third on the 5th anniversary of Admission, to the extent permitted following any operation of malus or clawback.

The Remuneration Committee have commissioned advice from their external remuneration advisors about how best to reflect the impact on the VCP of the equity raise completed in April 2020.

REMUNERATION – NON-EXECUTIVE DIRECTORS

The remuneration policy for the non-executive directors is to pay fees necessary to attract the individual of the calibre required, taking into consideration the size and complexity of the business and the time commitment of the role, without paying more than is necessary. The fees of the non-executive directors are determined by the executive directors.

Non-executive directors may be eligible to receive benefits such as travel, the use of secretarial support and other expenses relevant to the performance of their roles. None of the non-executive directors are eligible to participate in any of the Group's incentive arrangements.

EMPLOYEE SHARE SCHEMES

The directors recognise the importance of ensuring that all employees are well motivated and aligned with the broader success of the Group. Accordingly, the directors consider equity participation to be an important element of attracting, retaining, and incentivising key staff. To this end the Group operates two shares schemes: the senior management restricted share plan ("RSP") and the employee share plan ("ESP"). Further details are provided in Note 21.

The RSP is a discretionary executive share plan. Awards shall be made on an annual basis, and as proposed by the executive directors, at the discretion of the Remuneration Committee. There will be an overall cap on the number of shares that can be issued under the RSP equal to the dilution limit of 10 per cent in 10 years (such amount to be reduced by any dilution arising from the VCP and/or the Employee Share Plan). The Group has also established a subplan to the RSP which permits the grant of RSP Awards designed to meet the requirements of a company share option plan ("CSOP") for the purposes of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 ("CSOP Options").

Awards made under the RSP plan carry no performance conditions but are subject to a three-year vesting period from the date of grant subject to continued employment with the Group. During the year 718,766 nil cost options were awarded to 82 members of the RSP and 430,000 shares were issued in respect of one-off awards made at the time of the IPO with a one year vesting period.

The ESP is a discretionary all-employee share plan under which senior management may, within certain limits, grant to any employee a conditional award (i.e. a conditional right to acquire Ordinary Shares), at their discretion. The ESP has no performance conditions, other than continued employment over the vesting period. During the year awards over 360,664 shares were made to 717 members of the ESP and 220,000 shares were issued in respect of awards made at the time of the IPO.

SINGLE TOTAL FIGURE OF REMUNERATION TABLE (AUDITED)

	Salary / Fees		Annual Bonus		IPO Cash Bonus		IPO Share Award		Total	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Alex Reilley	155	96	-	-	-	20	-	-	155	116
Nick Collins	283	273	-	-	-	200	-	1,259	283	1,732
Gregor Grant	187	158	-	-	-	50	-	100	187	308
Nick Backhouse	55	58	-	-	-	-	-	-	55	58
Adam Bellamy	50	52	-	-	-	-	-	-	50	52
Jill Little	50	52	-	-	-	-	-	-	50	52
Robert Darwent	-	-	-	-	-	-	-	-	-	-
James Cocker	-	-	-	-	-	-	-	-	-	-
Total	780	689	-	-	-	270	-	1,359	780	2,318

James Cocker resigned from the Board on 1 July 2019.

DIRECTORS' INTERESTS (AUDITED)

As at 18 April 2021 the Directors of the Company held the following number of 1p ordinary shares.

	Beneficially owned at 18 April 2021	Vested, unexercised share awards at 18 April 2021
Alex Reilley	6,951,432	-
Nick Collins	1,086,276	450,000
Gregor Grant	180,148	50,000
Nick Backhouse	13,903	-
Adam Bellamy	13,903	-
Jill Little	13,903	-

Robert Darwent is a Director of Lion Capital. At 18 April 2021 funds managed by Lion Capital were interested in 26,728,524 shares.

OUTSTANDING DIRECTORS' SHARE AWARDS (AUDITED)

	Scheme	At 19 April 2020	Granted	At 18 April 2021	Share price at grant	Exercise price	Date of Grant	Exercisable from[1]	Expiry Date
Nick Collins	RSP	450,000	-	450,000	£2.00	Nil	April 2019	April 2020	April 2029
Gregor Grant	RSP	50,000	-	50,000	£2.00	Nil	April 2019	April 2020	April 2029

(1) The RSP awards disclosed above in respect of a total of 500,000 shares are exercisable in three equal tranches on 29 April 2020, 29 April 2021 and 29 April 2022.

Jill Little
Remuneration Committee Chairman
21 July 2021

NOMINATION COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Nomination Committee Report for the 52 weeks ended 18 April 2021.

The Committee consists of the three independent Non-Executive Directors and is chaired by myself. The Committee met four times in the year, and all members of the committee attended.

DUTIES

The Committee is responsible for, *inter alia*:

- Ensuring that the Board and its Committees have the right balance of skills, knowledge, and experience;
- Considering and planning for the orderly succession of Directors and other senior managers; and
- Identifying and nominating suitable candidates to fill Board vacancies.

ACTIVITY DURING THE YEAR

There have been no changes to the Company's Board during the year, and the Committee has therefore prioritized its oversight of the development of succession planning and processes in the business. Succession planning is a standing item on the Committee's agenda, and detailed discussions have been held on this area at three of the Committee's four meetings during the year. In addition, the Committee has also reviewed the composition of the Board and its Committees, the time commitments of the Non-Executive Directors, its own terms of reference, and the outcome of the performance evaluation of the Committee conducted during the year. More detail on the Committee's discussion on each of those areas is summarised below.

Succession Planning

The Committee received and discussed regular updates from the CEO on succession plans for the Company's senior management team and recommended the development of a strategic HR approach to ensure the long-term needs of the business are factored into the succession planning process. The Committee is satisfied that good progress on succession planning within the business is being made, and that career development plans (which are being established for Operations Directors and Regional Managers) will support the development of a pipeline of internal talent for future succession. In the coming year, the Committee will continue to receive updates on progress against an action plan for succession agreed with the Executive Directors.

Board and committee composition

The Committee reviewed the balance of independence, skills, experience and diversity of the Board and Committees, noting in particular that all Committees comprise only independent Non-Executive Directors, and half the Board (excluding the Chair) are independent Non-Executive Directors. The Committee was therefore satisfied that the composition of the Board and its Committees remains appropriate for the Company.

Non-Executive Director time commitments

The Committee reviewed the time commitment required of each Non-Executive Director as set out in their letters of appointment and confirmed that the time commitment remained appropriate. Each of the Non-Executive Directors confirmed to the committee that they continue to have the capacity to devote appropriate time to the affairs of the Company in order to discharge their duties as directors.

Terms of reference

In accordance with good governance practice, the Committee conducted its annual review of its terms of reference and recommended some minor changes (which were mainly cosmetic in nature) for approval by the Board.

Board and Committee evaluation

The Committee reviewed and made recommendations to the Board regarding the appropriate methodology for undertaking the next annual Board evaluation process. The Committee also reviewed the outcome of its own performance evaluation process, which indicated that the Committee was operating effectively but highlighted the importance of maintaining the focus on succession planning. This led to the recommendation that succession planning be adopted as a standing agenda item for the Committee moving forwards.

Nick Backhouse
Nomination Committee Chairman
21 July 2021

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements of Loungers plc for the 52 weeks ended 18 April 2021.

The Corporate Governance Statement on pages 23 to 28 also forms part of this Directors' Report.

PRINCIPAL ACTIVITY

The principal activity of the Group is the operation of café bars and café restaurants.

INCORPORATION

The Company was incorporated on 28 March 2019 and was admitted to trading on the AIM market on 29 April 2019.

RESULTS AND DIVIDENDS

The consolidated statement of comprehensive income is set out on page 49 and shows the comprehensive loss for the year.

There were no dividends paid or proposed in the year under review. The Board announced, in its half year results on 2 December 2020, its intention to retain Group earnings in the short-term to bolster liquidity and balance sheet strength and for re-investment in the roll-out of new Lounge and Cosy Club sites. However, it is the Board's ultimate intention to pursue a progressive dividend policy, subject to the need to retain sufficient earnings for the future growth of the Group.

STRATEGIC REPORT

Information in respect of the Business Review, Future Outlook of the Business and Principal Risks and Uncertainties are not shown in the Directors' Report because they are presented in the Strategic Report.

ANNUAL GENERAL MEETING ("AGM")

The Group's next Annual General Meeting will be held at Cosy Club, 14 Tunsgate Quarter, Guildford GU1 3QY on 15 October 2021. Details of the business to be transacted at the AGM are set out in the Notice of AGM, which is available on the Company's website.

DIRECTORS

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

- Alex Reilley
- Nick Collins
- Gregor Grant
- Nick Backhouse
- Adam Bellamy
- Robert Darwent
- Jill Little

Brief biographical details for each of the Directors are given on page 22.

DIRECTORS' INTERESTS

A table showing the Directors' interests in the share capital of Loungers plc is set out in the Directors' Remuneration Report on page 34.

GOING CONCERN

In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities as set out on pages 7 to 10 as well as the Group's principal risks and uncertainties as set out on pages 19 to 20, including the downside sensitivities outlined on pages 16 to 17 and in note 2.2. Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

SHARE CAPITAL

Details of the issued share capital, together with details of movements during the year are shown in Note 22 to the Consolidated Financial Statements.

The Company has one class of Ordinary share and each Ordinary share carries the right to one vote at general meetings. The Company also has one class of non-voting Preference shares.

There are no restrictions on the transfer of Ordinary shares in the capital of the Company other than those restrictions which may from time to time be imposed by law, for example, insider trading law.

AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. Any shares which have

been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

At the AGM on 16 October 2020 the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 10,240,000 of its Ordinary shares. The Company has not repurchased any of its Ordinary shares under this authority, which is due to expire at the date of this year's AGM.

SUBSTANTIAL SHAREHOLDINGS

The Company is aware that the following had an interest of 3% or more of the issued Ordinary share capital of the Company at 5 July 2021, the last practicable date before the publication of this report:

	No of ordinary shares	% of share capital
Funds managed by Lion Capital	26,728,524	26.0%
Canaccord Genuity Wealth Management	9,920,732	9.7%
AXA Framlington Investment Managers	7,231,516	7.0%
Alex Reilley	6,951,432	6.8%
Jake Bishop	6,507,432	6.3%
Highclere International Investors	5,852,772	5.7%
M&G Investment Management	5,808,656	5.7%
Invesco	4,903,240	4.8%
Jupiter Asset Management	4,668,040	4.5%
Gresham House Asset Management	4,065,710	4.0%

As at 21 July 2021, the Company's ordinary issued share capital was 102,738,664 ordinary shares of 1p each, each carrying one right to vote in general meeting.

Robert Darwent is a non-executive director on the Board of Loungers plc and represents Lion Capital, a substantial shareholder of the Company. A relationship agreement is in place between the Company and Lion Capital to ensure their ongoing relationship is at arm's length and on a normal commercial basis.

EMPLOYMENT POLICY

Our policy is to promote equal opportunity in employment regardless of gender, race, 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 Loungers' 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 plans.

EMPLOYEE ENGAGEMENT

We keep our team members regularly updated with issues affecting the running of the business and obtain their views on any key matters, all of which is in accordance with our obligations under the Information and Consultation Regulations 2004. The dissemination of information is achieved in many ways including weekly and quarterly newsletters, regular regional and area meetings, our company intranet and Directors and Managers briefings. These are opportunities for team members to express their views and ask questions. Outside of these specific events, we welcome any questions that team members may have about the business. Further information on employee engagement is provided on page 11.

ENGAGEMENT WITH OTHER STAKEHOLDERS

The Board understands the importance of engagement with key stakeholders, including customers of our café bars and café restaurants, the broader communities in which we operate, our suppliers and trading partners and our shareholders. Further information on the stakeholders and the manner in which we engage with them is provided on pages 11 to 12.

FINANCIAL RISK MANAGEMENT

The Group finances its operations through a combination of intra-Group funding and bank debt. The Group uses various financial instruments in the form of cash, third-party bank debt and other items, such as trade payables, that arise directly from its operations. The main purpose of these financial instruments is to fund the Group's operations. These financial instruments expose the Group to several financial risks, principally liquidity 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. The banking facilities referred to above include a £25m revolving credit facility.

Interest rate risk is managed by the use of interest rate swaps to fix the Group's interest rate on its term loan debt. The Group has entered into a three-year interest rate SWAP through to 31 July 2022 to fix LIBOR at 0.7% on the £32.5m term loan facility.

STREAMLINED ENERGY AND CARBON REPORTING

The data below relates wholly to the United Kingdom and covers the 52 week periods to 18 April 2021 and 19 April 2020.

	2021 Energy Usage (kWh)	2021 GHG Emissions (CO2e tonnes)	2020 Energy Usage (kWh)	2020 GHG Emissions (CO2e tonnes)
Grid electricity	12,578,753	3,185	21,160,051	5,358
Natural gas	13,976,477	2,848	28,342,175	5,774
Transport fuel (purchased and reimbursed)	1,157,488	288	1,451,521	400
Total	**27,712,718**	**6,321**	**50,953,747**	**11,532**
Scope 1	13,976,477	2,848	28,342,175	5,774
Scope 2	12,578,753	2,992	21,160,051	5,095
Scope 3	1,157,488	491	1,451,521	663
Total	**27,712,718**	**6,321**	**50,953,747**	**11,532**
Intensity ratio				
Annual revenue (£000)		78,346		166,502
Total CO2e tonnes per £m revenue		80.7		69.3

The methodology adopted involved capturing energy consumption data through utility billing, this accounted for 97% of consumption. Defra 2020 conversion figures were used to calculate CO2e along with the fuel property figures to determine the kWh content for unknown liquid fuels used in transport.

During the year ended review the Group has undertaken the following energy efficiency measures:

- During the Covid-19 lockdown the Group worked closely with their energy consultants to ensure all sites were optimised to minimise energy waste. This action helped to deliver a 41% reduction in electricity consumption and a 51% reduction in gas consumption over the reporting period when compared to the previous reporting period.

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

The Group has arranged insurance cover in respect of legal action against its Directors. To the extent permitted by UK law, the Group also indemnifies the Directors. These provisions are qualifying third party indemnity provisions which were in force throughout the year and in force at the date of this report.

POLITICAL DONATIONS

During the year ended 18 April 2021 the Group made no political donations (2020 £nil).

S172 STATEMENT

The Directors behave and carry out their activities to promote the long-term success of the Group. More detail is shown in the Strategic Report.

POST BALANCE SHEET EVENTS

On 8 May 2021 the Company allotted and issued 338,664 ordinary shares of 1 pence each in the Company following the vesting of awards made to 673 Company employees pursuant to the Company's Employee Share Plan.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

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

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

DISCLOSURE OF INFORMATION TO AUDITOR

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

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

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

G Grant
Chief Financial Officer

21 July 2021

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LOUNGERS PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- Loungers plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 18 April 2021 and of the group's loss and the group's cash flows for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared 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); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: consolidated and company statements of financial position as at 18 April 2021; the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated and company statements of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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

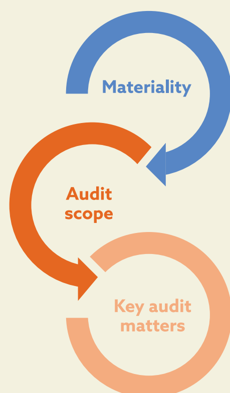
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other listed entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 5, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

OUR AUDIT APPROACH

OVERVIEW



- Following our assessment of the risk of material misstatement we selected the parent company, Loungers plc, and the trading company, Loungers UK Limited, for full scope audits and performed specified audit procedures over certain balances and transactions in the four intermediate holding companies.
- The impact of COVID-19 (group)
- Impairment of property, plant and equipment (group)
- Overall group materiality: £1,338,000 (2020: £1,665,000) based on 1% of average revenue for the last three years.
- Overall company materiality: £870,000 (2020: £1,090,000) based on 1% of total assets or an allocation of group materiality if lower.
- Performance materiality: £1,003,500 (group) and £652,500 (company).

THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter

The impact of COVID-19 (group)

As set out on pages 4 to 19, COVID-19 has had a number of significant financial, as well as operational, impacts, both during lockdown and since. Management have also considered the impacts of COVID-19 on the financial statements including in respect of their assessment on the going concern basis of preparation of the financial statements and in respect of any potential for the impairment of assets.

As part of our risk assessment, we considered the potential impact for the group to be the following:

- The effects of lockdown and social distancing restrictions on consumer behaviour has resulted in reduced footfall and therefore reduced revenue, profitability and cash generation. This creates a risk of impairment of the carrying value of property, plant and equipment as well the carrying value of goodwill.
- The lower level of revenue, profit and cash generation also creates a going concern risk related to the adequacy and availability of bank facilities going forward in the context of the overall liquidity requirements of the Group.
- Disclosure of the impact of COVID-19 on the group's business in the financial statements.

How our audit addressed the key audit matter

We have considered the impact of COVID-19 on various areas of the financial statements and performed procedures to address the risk around the impact of COVID-19. We have set out our responses to the risk in respective areas of the financial statements as below:

Regarding the impact on the potential impairment of property, plant and equipment, refer to the 'Impairment of property, plant and equipment' Key audit matter below.

In respect of the impact of potential impairment of the carrying value of goodwill, we assessed the group's annual impairment review value in use calculations, which included assumptions that were consistent with the impairment review of property, plant and equipment. There was a significant level of headroom and no indication of impairment was identified. In respect of the impact of going concern, we have understood how management have factored in the impact of COVID-19 on their assessment of future cash flows and bank facility covenant compliance. This included a downside scenario which included lower levels of revenue across sites, the potential for further lockdowns resulting in the closure of sites, and more severe affects of COVID-19 over the winter months. In doing this we have validated management's assumptions by looking at the actual impact on revenue and operating expense cash flows since the outbreak of COVID-19. We also validated the terms of the revised bank facility which took place before the year end. Further we have assessed the availability of financial resources and the ability of the Group to absorb potential severe but plausible adverse circumstances over the going concern period. In respect of the impact of the government support received under the Coronavirus Job Retention Scheme, we have tested a sample of income received to ensure that the criteria for the funding has been fully complied with, appropriately calculated, accounted for and disclosed.

Key audit matter	**How our audit addressed the key audit matter**
	We have read management's disclosures in the financial statements and the relative narrative disclosures within the 'other information' to confirm they are consistent with the financial statements and our knowledge based on our audit. Overall, we consider management's assessment of the impact of COVID-19 on the financial statements to be reasonable. Our conclusion in respect of going concern is stated below.
Impairment of property, plant and equipment (group) As noted above the effects of COVID-19 are continuing to unfold across the UK economy and business. The effects of lockdown and social distancing restrictions on consumer behaviour has resulted in reduced footfall and therefore reduced revenue and profitability. This creates a risk of impairment of the carrying value of property, plant and equipment across the sites. We focussed on this area due to the carrying value of property, plant and equipment and the impairment risk noted above. At 18 April 2021, the group reported property, plant and equipment, with a carrying value of £165 million as shown in note 12. Following an impairment review performed by management, no impairment of property, plant and equipment was recognised. Management's impairment review involved the preparation of a discounted cash flow model, which include assumptions in relation to future trading results which required management judgement as set out in note 3.	We have obtained management's impairment review of property, plant and equipment, which has been performed at an individual site level, which indicated no impairment charge in the current period. As part of our audit work, we validated the carrying amounts that were attributed to each site cash generating unit. We tested the assumptions used in determining the value in use of each site which included assessing the revenue, profit and cash flow forecasts included in the value in use calculations, taking into account the profile of actual results since the outbreak of COVID-19 and after the balance sheet date. We also considered the results of a number of sensitivity scenarios in respect of forecast revenue, discount rate and long-term growth rate. We tested the calculation in the value in use model to ensure that it appropriately determined the net present value of the future cashflows. We also considered the disclosures made in respect of the impairment review performed. We concluded that whilst management's impairment assessment is inherently judgemental, the accounting for the carrying value of property, plant and equipment and related disclosures was acceptable and consistent with the audit evidence obtained.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group consists of five holding companies and one trading company, with the accounting function of all entities based in the head office in Bristol. All entities are audited by PricewaterhouseCoopers LLP, Bristol.

Following our assessment of the risk of material misstatement we selected the parent company, Loungers plc, and the trading company, Loungers UK Limited, for full scope audits and performed specified audit procedures over certain balances and transactions in the four intermediate holding companies. Taken together, these reporting entities where we performed audit work accounted for approximately 100% of group revenue and in excess of 90% of group loss before tax.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Financial statements – group	Financial statements - company
Overall materiality	£1,338,000 (2020: £1,665,000).	£870,000 (2020: £1,090,000).
How we determined it	1% of average revenue for the last three years	1% of total assets or an allocation of group materiality if lower
Rationale for benchmark applied	As the group is loss-making for the current year and performed close to break-even at the loss before tax level before exceptional items last year, using 1% of revenue is considered to be the most appropriate benchmark. The average of the last 3 years revenue has been used to respond to the decline in revenue due to site closures in accordance with the national Government lockdown arising from the Covid-19 pandemic.	As the entity is a holding company, we consider that total assets is the most appropriate benchmark to assess materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £870,000 and £1,271,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1,003,500 for the group financial statements and £652,500 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £67,000 (group audit) (2020: £83,000) and £43,000 (company audit) (2020: £54,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Evaluation of management's going concern assessment
- Evaluation of the Group's forecast financial performance, liquidity and covenant compliance over the going concern period including an evaluation of the impact of COVID-19 on the financial outlook of the Group
- Evaluation of stress testing performed by management in their downside scenario and consideration of whether the stresses applied are appropriate for assessing going concern
- Validation of the terms of the revised banking facility which was put in place before the year end.

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 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 18 April 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITORS' 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 auditors' 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.

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.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to those with a direct impact on the financial statements such as financial reporting regulations, taxation legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting unusual journal entries to increase revenue and profits or the manipulation of accounting estimates which could be subject to management bias. Audit procedures performed by the engagement team included:

- Confirmation and enquiry of management and those charged with governance over compliance with employment legislation and financial reporting and taxation legislation, including consideration of actual or potential litigation and claims
- Reviewing relevant minutes of director board meetings
- Evaluation of management's controls designed to prevent and detect irregularities, in particular the whistleblowing policy and employee code of conduct
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment of property, plant and equipment, useful economic lives of property, plant and equipment and share based payments
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations
- Identifying and testing journal entries, in particular any entries posted with unusual account combinations

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
21 July 2021

Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEK YEAR ENDED 18 APRIL 2021

	Note	Year ended 18 April 2021 £000	Year ended 19 April 2020 £000
Revenue	4	78,346	166,502
Cost of sales		(46,178)	(98,523)
Gross profit		32,168	67,979
Gross profit before exceptional items		32,609	68,882
Exceptional items included in cost of sales	9	(441)	(903)
Administrative expenses		(43,950)	(74,695)
Other income	5	4,054	-
Operating loss	5	(7,728)	(6,716)
Operating (loss) / profit before exceptional items		(6,401)	8,620
Exceptional items included in cost of sales	9	(441)	(903)
Exceptional items included in administrative expenses	9	(886)	(14,433)
Finance income		46	50
Finance costs	7	(7,040)	(8,115)
Finance costs before exceptional items		(7,040)	(6,668)
Exceptional finance cost	7	-	(1,447)
Loss before taxation		(14,722)	(14,781)
Tax credit on loss	8	3,580	1,960
Loss for the year		(11,142)	(12,821)
Other comprehensive income / (expense):			
Items that may be reclassified to profit or loss			
Cash flow hedge – change in value of hedging instrument		101	(332)
Other comprehensive income / (expense) for the year		101	(332)
Total comprehensive income / (expense) for the year		(11,041)	(13,153)

	Note	Year ended 18 April 2021 Pence	Year ended 19 April 2020 Pence
Earnings per share			
Basic losses per share	10	(10.9)	(14.0)
Diluted losses per share	10	(10.9)	(14.0)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 18 APRIL 2021

	Note	At 18 April 2021 £000	At 19 April 2020 £000
Assets			
Non-current			
Intangible assets	11	113,227	113,227
Property, plant and equipment	12	165,443	166,447
Deferred tax assets	20	3,816	236
Finance lease receivable	14	668	752
Total non-current assets		283,154	280,662
Current			
Inventories	13	774	815
Trade and other receivables	14	2,619	6,850
Cash and cash equivalents	15	4,912	4,083
Total current assets		8,305	11,748
Total assets		291,459	292,410
Liabilities			
Current liabilities			
Trade and other payables	16	(28,576)	(34,118)
Lease liabilities	17	(6,921)	(6,160)
Derivative financial instruments	19	(231)	(332)
Total current liabilities		(35,728)	(40,610)
Non-current liabilities			
Borrowings	18	(39,157)	(39,039)
Lease liabilities	17	(103,657)	(98,779)
Total liabilities		(178,542)	(178,428)
Net assets		112,917	113,982
Called up share capital	22	1,124	1,025
Share premium	23	8,066	-
Hedge reserve	23	(231)	(332)
Other reserve	23	14,278	14,278
Retained earnings / (accumulated losses)	23	89,680	99,011
Total equity		112,917	113,982

The financial statements on pages 49 to 76 were approved and authorised for issue by the Board and were signed on its behalf by:

Nick Collins
Chief Executive Officer
21 July 2021

G Grant
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEK YEAR ENDED 18 APRIL 2021

	Called up share capital £000	Share premium £000	Hedge reserve £000	Other reserve £000	(Accumulated losses)/ retained earnings £000	Total equity £000
At 21 April 2019	53	4,184	(10)	51	(23,370)	(19,092)
Redeemable preference shares issued	100	-	-	-	-	100
Share for share exchange – ordinary shares	8,408	(4,184)	-	(4,224)	-	-
Preference debt for equity swap	66,193	-	-	18,451	-	84,644
Ordinary shares issued	3	-	-	-	-	3
Ordinary shares issued on IPO	308	61,288	-	-	(3,655)	57,941
Capital reduction	(74,040)	(61,288)	-	-	135,328	-
Share based payment charge	-	-	-	-	3,539	3,539
Total transactions with owners	972	(4,184)	-	14,227	135,212	146,227
Loss for the year	-	-	-	-	(12,821)	(12,821)
Other comprehensive expense	-	-	(322)	-	(10)	(332)
Total comprehensive expense for the 52 week year	-	-	(322)	-	(12,831)	(13,153)
At 19 April 2020	1,025	-	(332)	14,278	99,011	113,982
Ordinary shares issued	99	8,066	-	-	(6)	8,159
Share based payment charge	-	-	-	-	1,817	1,817
Total transactions with owners	99	8,066	-	-	1,811	9,976
Loss for the year	-	-	-	-	(11,142)	(11,142)
Other comprehensive income	-	-	101	-	-	101
Total comprehensive expense for the 52 week year	-	-	101	-	(11,142)	(11,041)
At 18 April 2021	1,124	8,066	(231)	14,278	89,680	112,917

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 52 WEEK YEAR ENDED 18 APRIL 2021

	Note	Year ended 18 April 2021 £000	Year ended 19 April 2020 £000
Net cash generated from operating activities	24	12,031	24,397
Cash flows from investing activities			
Purchase of property, plant and equipment		(7,808)	(23,058)
Disposal of property, plant and equipment		-	10
Net cash used in investing activities		(7,808)	(23,048)
Cash flows from financing activities			
Issue of ordinary shares		8,158	57,941
Shares issued on exercise of employee share awards		(79)	-
Bank loans advanced		-	38,924
Bank loans repaid		-	(71,000)
Repayment of other loans		-	(17,950)
Interest paid		(1,260)	(1,099)
Principal element of lease payments		(5,303)	(5,228)
Interest paid on lease liabilities		(4,910)	(5,478)
Principal element of lease receivables		-	124
Net cash used in financing activities		(3,394)	(3,766)
Net increase / (decrease) in cash and cash equivalents		829	(2,417)
Cash and cash equivalents at beginning of the year		4,083	6,500
Cash and cash equivalents at end of the year	25	4,912	4,083

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 52 WEEK YEAR ENDED 18 APRIL 2021

1. GENERAL INFORMATION

Loungers plc ("the company") and its subsidiaries ("the Group") operate café bars and café restaurants through two complementary brands, Lounge and Cosy Club.

The Company is a public company limited by shares whose shares are publicly traded on the Alternative Investment Market ("AIM") of the London Stock Exchange and is incorporated and domiciled in the United Kingdom and registered in England and Wales.

The registered address of the Company is 26 Baldwin Street, Bristol, United Kingdom, BS1 1SE.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Loungers plc Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006.

The accounting policies adopted in the preparation of the Financial Statements are consistent with those applied in the preparation of the financial statements of the Group for the year ended 19 April 2020, except for the adoption of the Covid-19 Related Rent Concessions - Amendment to IFRS16. Further information on this amendment is provided in note 2.24.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial liabilities (including derivatives) at fair value through profit and loss. The financial statements are presented in thousands of pounds sterling ('£000') except where otherwise indicated.

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 years presented, unless otherwise stated.

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

2.2 GOING CONCERN

In concluding that it is appropriate to prepare the FY21 financial statements on the going concern basis the Directors have considered the Group's cash flows, liquidity and business activities. Particular attention has been paid to the impact of Covid-19 on the business, both experienced to date and potentially foreseeable in the future.

As at 18 April 2021 the Group had cash balances of £4.9m and undrawn facilities of £18m, providing total liquidity of £22.9m. On 17 May 2021, outdoor trading resumed in all of the Group's sites, with initial trading exceeding expectations.

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

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

- Measures put in place during lockdown to preserve and to increase liquidity and the Group's ability to comply with revised covenants, including the extension of the £15m RCF facility to October 2022
- The impact of Government measures to support industry, and in particular the hospitality industry. These measures include the Coronavirus Job Retention Scheme, the business rates holiday and the temporary VAT reduction to 5% on food and non-alcoholic drinks
- Initial trading during the period post the resumption of trading on 17 May 2021
- The repayment of liabilities deferred during FY21 and FY22, including rent and HMRC liabilities
- The potential for opening new sites

The Group's forecasts assume a level of LFL sales decline, resulting from the impact of Covid-19 on consumer behaviour, which is more prudent than the positive LFL sales growth experienced in the period post re-opening (adjusted to exclude the positive impact of EOTHO).

The Directors have also considered a more severe downside set of LFL sales assumptions. These include:

- Summer trading at the same rate of like for like decline as that experienced post the first lockdown in 2020
- Further increases in the level of LFL sales decline in the approach to winter, followed by lockdown in January and February
- Flat like for like sales in the last two months of FY22, followed by a return to modest LFL sales growth in FY23
- Some mitigation could be achieved through the scaling back of new site openings and further negotiations with landlords

The impact of these downside scenarios is to reduce expectations of Adjusted EBITDA by approximately 46% for FY22 relative to the Board's base case forecast. Under this downside scenario the Group is forecast to remain within its borrowing facilities and to be in compliance with its covenant obligations, and accordingly the Directors have concluded that it is appropriate to prepare the FY21 financial statements 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 ("APM'S")

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

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

The key APMs that the Group uses include: Adjusted EBITDA, Adjusted operating profit, Adjusted profit before tax, and Adjusted profit after tax. These APMs are set out on pages 83 to 84 including explanations of how they are calculated and how they are reconciled to a statutory measure where relevant.

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

Exceptional items

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

Site pre-opening costs

Site pre-opening costs refer to costs incurred in getting new sites fully operational, and primarily include costs incurred before opening and in preparing for launch. These costs are disclosed separately to provide a more accurate indication of the Group's underlying financial position.

2.5 REVENUE

The Group has recognised revenue in accordance with IFRS 15. The standard requires revenue to be recognised when goods or services are transferred to customers and the entity has satisfied its performance obligations under the contract, and at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Group has one revenue stream which comprises food and beverage sales at café bars and café restaurants and therefore represent one performance obligation that is satisfied when control is transferred to the customer at the point of sale when payment is received and therefore no contract assets or contract liabilities are created.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of sales/value added tax, returns and discounts.

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 expenses or 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. 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. Where an expense is not distinctly identifiable or the income relates to multiple expenses, the income is recognised within Other income.

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 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
Motor vehicles	- 25% straight-line
Fixtures and fittings	- 6.67% - 33% straight-line or over the life of the lease

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.

2.10 RIGHT OF USE ASSETS

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities, for example resulting from rent reviews. The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are related to the property leases and are depreciated on a straight-line basis over the lease term.

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 TRADE AND OTHER RECEIVABLES

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

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

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

2.13 IMPAIRMENT

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicated that it might be impaired. Goodwill is not allocated to individual cash generating units (CGUs) but to a group of CGUs. As the business has a single operating segment as disclosed in note 4, and goodwill is not disaggregated for internal management purposes, goodwill impairment testing is performed for the business as a whole, in accordance with IAS 36.

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

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

2.14 CASH AND CASH EQUIVALENTS

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

2.15 FINANCIAL INSTRUMENTS

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

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

Fees paid on the establishment of loan facilities are recognised as transactional costs of the loan and the fee is capitalised as a pre-payment for liquidity services and amortised using the effective interest rate method over the period of the facility to which it relates.

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

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

2.16 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group uses interest rate swaps to hedge its exposure to interest rate fluctuations on its variable rate bank loans. Interest rate swaps are initially measured at fair value, if any, and carried on the balance sheet as an asset or liability. The Group has adopted cash flow hedge accounting and subsequent measurement is at fair value, with the effective portion of the gain or loss on an interest rate swap recognised in other comprehensive income, whilst any ineffective portion is recognised immediately in finance costs. When a hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting, amounts previously recognised in other comprehensive income are held there until the previously hedged transaction affects the Statement of Comprehensive Income. If the hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in other comprehensive income is immediately transferred to finance costs.

2.17 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.

2.18 LEASED ASSETS: THE GROUP AS LESSEE

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 lease 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 because 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 the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, for example a rent review or a change in the lease term.

2.19 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.

2.20 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 year 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.

Onerous contracts are contracts in which the unavoidable costs of meeting obligations under the contract exceed the economic benefits expected to be received under it, where the unavoidable costs are defined as the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfill it. As soon as a contract is assessed to be onerous, a provision is recognised in the Balance Sheet and charged as an expense to the Statement of Comprehensive Income.

2.21 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 21.

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.

2.22 CURRENT AND DEFERRED TAXATION

The tax expense for each reporting year 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.

2.23 RELATED PARTY TRANSACTIONS

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

2.24 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED

Impact of the initial application of 'COVID-Related Rent Concessions' Amendment to IFRS 16

In May 2020, the IASB issued COVID-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (subsequently extended to 30 June 2022); and
- There is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all rent concessions that meet the conditions in IFRS 16:46B and has not restated prior period figures. The Group has accounted for lease payments of £1.4million as a negative variable lease payment in profit or loss. The Group has derecognised the part of the lease liability that has been extinguished by the forgiveness of lease payments, consistent with the requirements of IFRS 9:3.3.1.

Other amendments to accounting standards applied from 20 April 2020 were as follows:

- Definition of Material – amendments to IAS 1 and IAS 8;
- Definition of a Business – amendment to IFRS 3;
- Revised Conceptual Framework for Financial Reporting; and
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7

The application of these did not have a material impact on the group's accounting treatment and has therefore not resulted in any material changes.

The group has applied phase 1 of the interest rate benchmark reform and has identified one interest rate swap that is linked to the LIBOR rate. Under phase 1 the Group has elected to take the relief provided for continuation of hedge accounting and continues to hedge account on interest rate swaps. The Group is in the process of assessing the transition to alternative interest rate benchmarks ahead of phase 2 of the reform being implemented.

Certain new accounting standards and interpretations have been published that are not mandatory for 18 April 2021 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods an on foreseeable future transactions.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

KEY JUDGEMENTS

Operating Segments

The directors have taken a judgement that individual sites meet the aggregation criteria in IFRS 8 and hence have concluded that the Group only has a single reporting segment, as discussed in note 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. The weighted average discount rate applied to those leases that pre-dated the Group's IPO in April 2019 was 5.9%. Leases entered into post IPO have been discounted with a weighted average discount rate of 3.5%. For the lease liabilities at 18 April 2021 a 0.1 per cent change in the discount rate used would have adjusted the total liabilities by £600,000.

KEY ESTIMATES

Impairment of property plant and equipment

Annually, the Group considers whether tangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the CGUs. This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. Individual sites are viewed as separate CGUs in respect of the impairment of property, plant and equipment. Details of the sensitivity of the estimates used in the impairment exercise are provided in note 12.

Useful economic lives of property, plant and equipment

The depreciation charge in each year is sensitive to the assumptions used regarding the economic lives of assets. A 10% increase in the average useful economic lives results in approximately a 9% (£1,026,000) decrease in depreciation. More information on useful economic lives is presented in note 2.9.

Share-based payments

The charge for share based payments in respect of the Value Creation Plan is calculated in accordance with the methodology described in note 21. The model requires subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yield, and risk-free interest 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. A 5% change in the estimate regarding share price volatility results in a £600,000 change in the fair value of the Value Creation Plan.

4. SEGMENTAL REPORTING

IFRS 8 "Operating Segments" requires operating segments to be based on the Group's internal reporting to its Chief Operating Decision Maker ("CODM"). The CODM is regarded as the Chief Executive together with other Board Members who receive financial information at a site-by-site level. The Group trades in one business segment (operating café bars and café restaurants) and these sites meet the aggregation criteria set out in paragraph 12 of IFRS 8. 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.

The CODM uses Adjusted EBITDA as the primary measure for assessing the Group's results on an aggregated basis.

Revenue

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

5. OPERATING LOSS

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

	Note	Year ended 18 April 2021 £000	Year ended 19 April 2020 £000
Depreciation of tangible fixed assets	12	10,288	9,630
Depreciation of right of use assets	12	7,567	7,177
Inventories - amounts charged as an expense		16,804	40,876
Fees payable to the company's auditors and its associates for the audit of parent company and consolidated financial statements		60	46
Fees payable to company's auditors and its associates for other services:			
- for statutory audit services (subsidiary companies)		66	48
- for tax compliance services		71	48
- for tax advisory services		37	351
Staff costs (excluding share based payments)		69,599	69,423
CJRS Grant income		(33,157)	(4,280)
Government support grant income		(4,054)	-
Pre- opening costs		421	2,220
Exceptional costs	9	1,327	15,336

Government support grant income of £4,054,000 (2000: £nil) relates to income received variously under the Retail, Leisure and Hospitality Scheme, The Local Restrictions Support Grant Scheme and the Re-Start Grant Scheme.

In the year ended 19 April 2020 the Group incurred further costs of £502,000 with the auditors in connection with the IPO, these costs have been charged directly to reserves as they related to the raising of equity.

6. EMPLOYEES AND DIRECTORS

The average monthly number of employees, including the directors, during the year was as follows:

	Year ended 18 April 2021	Year ended 19 April 2020
Management, administration and maintenance	144	142
Site	4,377	4,336
	4,521	4.478

Staff costs were as follows:

	Year ended 18 April 2021 £000	Year ended 19 April 2020 £000
Wages and salaries	64,778	64,976
Social security costs	3,928	4,496
Share based payments	2,034	4,026
Other pension costs	893	861
	71,633	74,359
CJRS Grant income	(33,157)	(4,280)
	38,476	70,079

Additional payroll costs of £1,100,000 (2020: £1,551,000) relating to the build team have been capitalised. CJRS grant income in respect of the build team amounted to £261,000 (2000: £65,000).

Wages and salaries in 2020 include IPO related employee bonus payments of £910,000 which have been treated as exceptional costs.

Share based payment costs in 2020 include an IPO related share based payment charge of £2,901,000 which has been treated as an exceptional cost.

The key management personnel are considered to be the Directors of the Company and details of their remuneration are disclosed below.

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

	Salary / Fees		Annual Bonus		IPO Cash Bonus[1]		IPO Share Award[1]		Total	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Alex Reilley	155	96	-	-	-	20	-	-	155	116
Nick Collins	283	273	-	-	-	200	-	1,259	283	1,732
Gregor Grant	187	158	-	-	-	50	-	100	187	308
Nick Backhouse	55	58	-	-	-	-	-	-	55	58
Adam Bellamy	50	52	-	-	-	-	-	-	50	52
Jill Little	50	52	-	-	-	-	-	-	50	52
Robert Darwent	-	-	-	-	-	-	-	-	-	-
James Cocker	-	-	-	-	-	-	-	-	-	-
Total	780	689	-	-	-	270	-	1,359	780	2,318

(1) The IPO cash and share awards were made in recognition of the Group's successful IPO on 29 April 2019.

Further information in respect of Directors' remuneration is provided in the Remuneration Committee Report on pages 31 to 34.

7. FINANCE COSTS

	Year ended 18 April 2021 £000	Year ended 19 April 2020 £000
Bank interest payable	1,398	1,155
Finance cost on lease liabilities	5,642	5,478
Other loan interest payable	-	18
Preference share interest	-	17
Exceptional write off of loan arrangement fees	-	1,447
	7,040	8,115

The Group's IPO in April 2019 included a re-financing of the Group's bank debt. This re-financing necessitated the write off of loan arrangement fees incurred in the Group's May 2017 financing. This was a non-cash charge.

8. TAX CREDIT ON LOSS

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

	Year ended 18 April 2021 £000	Year ended 19 April 2020 £000
Taxation credited to the income statement		
Current income taxation	-	-
Adjustments for current tax of prior periods	-	(130)
Total current income taxation	-	(130)
Deferred Taxation		
Origination and reversal of temporary timing differences		
Current year	(2,600)	(1,940)
Prior year	(980)	-
Adjustment in respect of change of rate of corporation tax	-	110
Total deferred tax	(3,580)	(1,830)
Total taxation credit in the consolidated income statement	(3,580)	(1,960)
The above is disclosed as:		
Income tax credit - current year	(2,600)	(1,940)
Income tax credit – prior year	(980)	(20)
	(3,580)	(1.960)

Further information on the movement on deferred taxation is given in note 20.

Factors affecting the tax credit for the year

	Year ended 18 April 2021 £000	Year ended 19 April 2020 £000
Loss before tax	(14,722)	(14,781)
At UK standard rate of corporation taxation of 19% (2020: 19%).	(2,797)	(2,808)
Expenses not deductible for tax purposes		
- Preference share interest	-	3
- Share based payments	(347)	545
- Other	553	661
Fixed asset differences	(9)	183
Movement in unrecognised deferred tax	-	(524)
Adjustments to tax charge in respect of prior years	(980)	(130)
Adjustment in respect of change of rate of corporation tax	-	110
Total tax credit for the year	(3,580)	(1,960)

Factors that may affect future tax charges

In the Spring budget 2021, the Government announced that from 1 April 2023, the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively executed at the balance sheet date, its effects are not included in these financial statements.'

9. EXCEPTIONAL ITEMS

	Year ended 18 April 2021 £000	Year ended 19 April 2020 £000
Included in cost of sales		
Covid-19 related	441	903
Included in administrative expenses		
Covid-19 related	886	-
Change of ownership	-	1,528
IPO Related share-based awards	-	2,901
Impairment of property, plant and equipment	-	9,829
Head office relocation	-	175
	1,327	15,336

The Covid-19 related costs included in cost of sales are in respect of the write-off of food and drink inventories resulting from the forced closure of all sites on 20 March 2020, 4 November 2020, and 30 December 2020.

The Covid-19 related costs included in administrative expenses include the costs of the removal and storage of furniture and soft furnishings to enable compliance with social distancing and professional fees incurred in respect of the amendments made to the Group's banking facilities.

The change of ownership costs in the year ended 19 April 2020 relate to costs incurred in the IPO of the business which completed on 29 April 2019. These costs include employee bonuses and professional fees. The costs incurred in the year to 21 April 2019 relate to costs incurred in the preparation for the IPO of the business.

The IPO Related share-based award charge relates to awards made to 485 employees where the shares vested either at IPO or on first the anniversary of the IPO.

The impairment charge in respect of property, plant and equipment, and the calculation methodology is set out in note 12. The impairment charge is deemed to be exceptional due both to its link to the Covid-19 impacted trading environment and to its magnitude.

10. EARNINGS PER SHARE

Basic (losses) / earnings per share is calculated by dividing the profit/ (loss) attributable to equity shareholders by the weighted average number of shares outstanding during the year, excluding unvested shares held pursuant to the following long-term incentive plans:

- Loungers plc Employee Share Plan
- Loungers plc Senior Management Restricted Share Plan
- Loungers plc Value Creation Plan

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the year ended 19 April 2020 the Group had potentially dilutive shares in the form of unvested shares pursuant to the above long-term incentive plans.

	Year ended 18 April 2021 £000	Year ended 18 April 2021 £000
Loss for the year after tax	(11,142)	(12,821)
Basic weighted average number of shares	102,291,621	91,786,283
Adjusted for share awards	2,076,783	1,734,508
Diluted weighted average number of shares	104,368,404	93,520,791
Basic losses per share (p)	(10.9)	(14.0)
Diluted losses per share (p)	(10.9)	(14.0)

The share awards are not considered to be dilutive as they would have the impact of reducing the losses per share.

Adjusted earnings per share is based on loss for the year before exceptional items and the associated tax effect.

	Year ended 18 April 2021 £000	Year ended 19 April 2020 £000
Loss for the year before tax	(14,722)	(14,781)
Exceptional items	1,327	15,336
Exceptional write off of loan arrangement fees	-	1,447
Adjusted (loss) / profit for the year before tax	(13,395)	2,002
Tax credit	3,580	1,960
Tax effect of exceptional items	(252)	(1,719)
Adjusted (loss) / profit for the year after tax	(10,067)	2,243
Basic adjusted (losses) / earnings per share (p)	(9.8)	2.4
Diluted adjusted (losses) / earnings per share (p)	(9.8)	2.4

11. INTANGIBLE ASSETS

	18 April 2021 £000	19 April 2020 £000
Goodwill	113,227	113,227
	113,227	113,227

Goodwill of £113,227,000 arose on the acquisition of a majority stake in the Group by the former controlling party, Lion Capital LLP, on 19 December 2016.

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.

Goodwill is monitored at the operating segment level identified in note 4. For assessing impairment at 19 April 2020 and 18 April 2021 a value in use calculation has been performed using a discounted cash flow method based on the forecast cash flows and a terminal growth rate. The cash flows used in this assessment are based on a three year business plan to April 2024, the cash flows include ongoing capital expenditure required to maintain the sites but exclude any growth capital. 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 post-tax discount rate and terminal growth rate used in the discounted cash flow model were 8.0% and 2.0% respectively.

The estimation of value in use 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 10%. As at 18 April 2021, no reasonably possible change in an individual key input or assumption, as described, would result in the carrying amount exceeding its recoverable amount based on value in use.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Building Improvements £000	Motor Vehicles £000	Fixtures and Fitting £000	Right of use asset £000	Total £000
Cost					
At 22 April 2019	44,927	83	39,961	100,634	185,605
Additions	9,571	10	13,217	21,029	43,827
Disposals	-	(12)	(31)	(183)	(226)
At 19 April 2020	54,498	81	53,147	121,480	229,206
Accumulated depreciation					
At 22 April 2019	5,199	-	10,151	20,994	36,344
Provided for the year	3,160	34	6,436	7,177	16,807
Impairment	2,166	-	400	7,263	9,829
Disposals	-	(12)	(26)	(183)	(221)
At 19 April 2020	10,525	22	16,961	35,251	62,759
Net book value					
At 19 April 2020	43,973	59	36,186	86,229	166,447
Cost					
At 20 April 2020	54,498	81	53,147	121,480	229,206
Additions	2,330	-	2,790	11,735	16,855
Disposals	(160)	-	(147)	(238)	(545)
At 18 April 2021	56,668	81	55,790	132,977	245,516
Accumulated depreciation					
At 20 April 2020	10,525	22	16,961	35,251	62,759
Provided for the year	3,553	31	6,704	7,567	17,855
Disposals	(159)	-	(144)	(238)	(541)
At 18 April 2021	13,919	53	23,521	42,580	80,073
Net book value					
At 18 April 2021	42,749	28	32,269	90,397	165,443

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

The Group has determined that each site is a separate CGU for impairment testing purposes. Each CGU is tested for impairment at the balance sheet date if there exists at that date any indicators of impairment. All sites were reviewed in FY20 following the first national lockdown and an impairment of £9.8m was booked in the FY20 accounts. All sites have been tested for impairment in FY21 as the Covid pandemic continues, however following the successful reopening of all sites in April and May 2021, no further impairment has been booked.

The value in use of each CGU is calculated based upon the Group's latest three-year forecast, incorporating the impact of the Covid-19 lockdown and assumptions concerning the rate at which site level cash flows will recover. The site cash flows include an allocation of central costs and ongoing capital expenditure to maintain the sites. The cash flows exclude any growth capital. Cash flows beyond the three-year period are extrapolated using the Group's estimate of the long-term growth rate, currently 2.0%.

The key assumptions in the value in use calculations are the like for like sales projections for each site, changes in the operating cost base, the long-term growth rate and the pre-tax discount rate. The post-tax discount rate is derived from the Group's WACC and is currently 8.0%.

On the basis of the impairment test undertaken the Group has not recognised any impairment charge in the year to 18 April 2021 (2020: charge of £9,829,000). The cash flows used within the impairment model are based upon assumptions which, while prudent, 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 site cash flows of 10% in each year would result in an impairment charge of £2,437,000. A 100 basis point increase in the discount rate would result in an impairment charge of £1,142,000 and a 50 basis point reduction in the terminal growth rate would result in an impairment charge of £211,000.

13. INVENTORIES

	18 April 2021 £000	19 April 2020 £000
Food and beverages for resale	774	815
	774	815

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.

14. TRADE AND OTHER RECEIVABLES

	18 April 2021 £000	19 April 2020 £000
Included within current assets		
Trade receivables	163	661
Corporation tax recoverable	-	1,126
Finance lease receivable	84	80
Other receivables	2,150	4,575
Prepayments	222	408
	2,619	6,850
Included within non-current assets		
Finance lease receivable	668	752

Receivables are denominated in sterling.

The Group held no collateral against these receivables at the balance sheet dates. The Directors consider that the carrying amount of receivables are recoverable in full and that any expected credit losses are immaterial. At each year end, there were no overdue receivable balances.

15. CASH AND CASH EQUIVALENTS

	18 April 2021 £000	19 April 2020 £000
Cash at bank and in hand	4,912	4,083
	4,912	4,083

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 of £4,912,000 (19 April 2020 £4,083,000).

16. TRADE AND OTHER PAYABLES

	18 April 2021 £000	19 April 2020 £000
Included in current liabilities:		
Trade payables	8,562	16,891
Corporation tax	5	-
Other taxation and social security	7,218	7,179
Other payables	5,408	5,579
Accruals and deferred income	7,383	4,469
	28,576	34,118

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.

17. LEASES

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

The Group leases the entire Lounge and Cosy Club estates as well as its Head Office. The leases are non-cancellable, 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. Rental contracts are typically made for fixed years of between 10 and 25 years, the average lease runs for 16.1 years from commencement.

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.

Amounts recognised in the balance sheet

	18 April 2021 £000	19 April 2020 £000
Right of use assets – leasehold properties	90,397	86,229
Lease liabilities		
Current	6,921	6,160
Non-current	103,657	98,779
	110,578	104,939

Additions to right of use assets during the year ended 18 April 2021 were £11,735,000 (2020: £21,029,000).

A maturity analysis of gross lease liability payments is included within Note 19.

Amounts recognised in the consolidated statement of comprehensive income

	18 April 2021 £000	19 April 2020 £000
Depreciation charge of right of use assets	7,567	7,177
Impairment charge of right of use assets	-	7,263
Interest expense (included in finance cost)	5,642	5,478

Total cash outflow for leases in 2021 was £10,336,000 (2020: £10,706,000).

18. BORROWINGS

	18 April 2021 £000	19 April 2020 £000
Long term borrowings:		
Secured bank loans	39,500	39,500
Loan arrangement fees	(343)	(461)
	39,157	39,039

Secured bank loans

The Group's bank borrowings are secured by way of fixed and floating charges over the Group's assets.

The facilities entered into at the time of the IPO provide for a term loan of £32,500,000 and a revolving credit facility ("RCF") of £10,000,000. The term loan is a five-year non-amortising facility with a margin of 2% above LIBOR. A three-year interest rate swap through to July 2022 has been entered into that fixes LIBOR on the full term loan facility at 0.7%.

As a consequence of Covid-19 on 22 April 2020 the Group agreed an incremental £15,000,000 RCF with its lenders, providing total a total RCF of £25,000,000. This incremental facility was originally due to expire in October 2021, however, given the prolonged Covid-19 lockdowns on 16 April 2021 the facility was extended for a further 12 months to October 2022.

The term loan and RCF are subject to financial covenants relating to leverage and interest cover. The agreement reached with lenders on 16 April 2021 included a waiver of the covenant tests due at 18 April 2021 and amendment of the covenant tests scheduled for 11 July 2021, 3 October 2021 and 26 December 2021.

At 18 April 2021 the term loan was fully drawn and £7,000,000 had been drawn down under the revolving credit facility.

19. FINANCIAL INSTRUMENTS

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

The Group enters into interest rate swap transactions, which create derivative assets and liabilities, their purpose being to manage the interest rate risk arising from the Group's borrowings.

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

Interest rate risk

The Group's exposure to the variable interest element of its term loan is fully hedged by an interest rate swap through to 31 July 2022.

Commodity price risk
The Group is exposed to movements in the wholesale prices of foods and drinks. Although the Group sources a majority of products in the UK there is a risk that disruption to supply caused by Brexit or Covid-19 will cause a significant increase in wholesale food and drink prices. Prices are typically fixed for years of 3-6 months to address seasonality, with suppliers hedging foreign exchange risk across these years. The Group benchmarks and verifies any potential cost changes from suppliers and also has the ability to flex its menu items to mitigate specific product related cost pressures.

Liquidity risk
The Group's primary objective is to ensure that it has sufficient funds available to meet its financial obligations as they fall due. The Covid-19 pandemic and the lockdown periods that ensued significantly raised the potential liquidity risk. This increased risk was addressed in April 2020 through the raising of an additional £8.1m (net) of equity capital and by agreeing an additional £15m RCF with the Group's bankers.

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, return capital to shareholders, issue new shares or sell assets to reduce debt.

Financial assets and liabilities
Financial assets and liabilities consist of the following:

	18 April 2021 £000	19 April 2020 £000
Financial Assets		
Financial assets that are debt instruments measured at amortised cost	7,977	10,214
Financial liabilities		
Financial liabilities measured at amortised cost	(163,705)	(166,448)
Financial liabilities held at fair value	(231)	(332)

Financial assets held at amortised cost include trade and other receivables, finance lease receivables and cash. Financial liabilities held at amortised cost include trade and other payables, lease liabilities and borrowings.

Financial liabilities held at fair value represent interest rate swaps. Interest rate swaps are valued at the present value of the estimated future cash flows based on observable yield curves and hence are considered to be level 2 of the fair value hierarchy under IFRS 13.

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

Hedging
The Group has entered into an interest rate swap for £32.5m to fix its floating rate loan at a rate of 0.7% as described above which qualifies as a cashflow hedge. The movements in fair value have been recognised as follows:

	£000
Derivative liability at 20 April 2020	(332)
Recognised through other comprehensive income	101
Derivative liability at 18 April 2021	(231)

Maturity analysis

The maturity analysis table below analyses the Group's contractual undiscounted cash flows (both principal and interest) for the Group's financial liabilities, after taking into account the effect of interest rate swaps.

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
For the 52 week year ended 18 April 2021				
Secured bank loans	1,035	41,584	-	42,619
Lease liabilities	12,462	51,108	86,126	149,696
Trade and other payables	13,970	-	-	13,970
	27,467	92,692	86,126	206,285
For the 52 week year ended 19 April 2020				
Secured bank loans	1,035	42,616	-	43,651
Lease liabilities	11,572	47,330	87,087	145,989
Trade and other payables	22,470	-	-	22,470
	35,077	89,946	87,087	212,110

The secured bank loans include the impact of cash flow hedges.

20. DEFERRED TAX ASSET

	Accelerated capital allowances £000	Losses £000	Acquisition accounting £000	Share schemes £000	Other £000	Total £000
At 22 April 2019	(1,067)	-	(1,417)	91	799	(1,594)
Recognised in income statement	800	318	255	135	432	1,940
Change in deferred tax rate	(126)	-	-	11	5	(110)
At 20 April 2020	(393)	318	(1,162)	237	1,236	236
Recognised in income statement	2,458	57	255	605	205	3,580
At 18 April 2021	2,065	375	(907)	842	1,441	3,816

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences where it is probable that these assets will be recovered.

The Group had unrecognised deferred tax assets as follows:

	18 April 2021 £000	19 April 2020 £000
Unrecognised deferred tax assets	-	58

21. SHARE BASED PAYMENTS

The Group had the following share based payment arrangements in operation during the year:

- Loungers plc Employee Share Plan
- Loungers plc Senior Management Restricted Share Plan
- Loungers plc Value Creation 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 Group recognised a total charge of £1,817,000 in respect of the Group's share based payment plans and related employer's national insurance of £217,000. The total charge of £2,034,000 is split by scheme as follows:

	Year ended 18 April 2021 £000	Year ended 19 April 2020 £000
Employee share plan	528	500
Senior management restricted share plan	733	2,754
Value creation plan	773	772
	2,034	4,026

The total cost of £4,026,000 in FY20 included £2,901,000 that related to awards made at IPO. These costs have been treated as exceptional IPO related costs.

A summary of the movements in each scheme is outlined below:

	Outstanding at 19 April 2020	Granted during the year Number	Vested during the year Number	Lapsed during the year Number	Outstanding at 18 April 2021 Number
Employee share plan	220,000	360,664	(220,000)	(22,000)	338,664
Senior management restricted share plan	1,514,508	718,766	(430,000)	(65,155)	1,738,119
Value creation plan	-	-	-	-	-

Employee Share Plan

Share grants over 285,500 shares were made at the time of the IPO. These awards had no performance conditions other than continued employment for one year post IPO. On 4 May 2020 a total of 220,000 shares were issued in respect of these awards. On 21 October 2020 share grants were made over 360,664 shares, These awards had no performance conditions other than continued employment through to 29 April 2021. Post year end a total of 338,664 shares were issued in respect of these awards.

Senior Management Restricted Share Plan

Share options in respect of 625,000 shares were granted at the time of the IPO. These options vested at the date of grant. The option price is £0.01 and the options are exercisable in equal instalments on the first, second and third anniversary of the IPO. On 4 May 2020 a total of 430,000 shares were issued in respect of the awards made.

A further 472,069 nil cost options were awarded during the year ended 19 April 2020. These options have no performance conditions, other than continued employment for three years post grant, and are exercisable on the third anniversary of issue. A total of 37,116 options in respect of this award had lapsed at year end.

During the year ended 18 April 2021 a further 718,766 nil cost options were awarded. These options have no performance conditions, other than continued employment for three years post grant, and are exercisable on the third anniversary of issue. A total of 40,600 options in respect of this award had lapsed at year end.

Value Creation Plan

The Value Creation Plan ("VCP") is a discretionary executive share plan. One-off VCP awards were granted at the time of the IPO, with no further awards being made to participants. The vesting conditions of the VCP are set out in the Remuneration Committee report.

The fair value of the total shareholder return ("TSR") element of the award was estimated at the grant date using a Monte Carlo simulation model, taking into account the terms and conditions upon which the awards were granted. This model simulates the TSR and compares it against a group of comparator companies. It 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:

Share price at date of grant	£2.00
Exercise price	Nil
Expected volatility	35%
Term until exercised	3 years
Maximum dilution	6.00%
Risk free interest rate	0.74%
Expected dividend yield	0.00%

The fair value of the VCP at grant was £2,600,000.

22. CALLED-UP SHARE CAPITAL

	18 April 2021 £000	19 April 2020 £000
Allotted, called up and fully paid ordinary shares	1,024	925
Redeemable preference shares	100	100
	1,124	1,025

	18 April 2021 Number	19 April 2020 Number
Ordinary shares at £0.01 each	102,400,000	92,500,000
Redeemable preference shares at £49,999 each	2	2

The table below summarises the movements in share capital for Loungers plc during the year ended 18 April 2021:

	Ordinary Shares £1.00 NV	Redeemable Preference Shares £49,999 NV	£'000
At 20 April 2020	92,500,000	2	1,025
Shares issued	9,900,000	-	99
At 18 April 2021	102,400,000	2	1,124

On 27 April 2020 the Company allotted 9,250,000 ordinary shares of £0.01, raising gross proceeds of £8,325,000.

On 4 May 2020 the Company allotted 650,000 ordinary shares of £0.01 to employees of the Group under the Employee Share Plan and Senior Management Restricted Share Plan.

Rights of shareholders

The redeemable preference shares carry no right to vote. They have the right to be redeemed at nominal value by the Company.

23. 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.

Hedge reserve
The hedge reserve represents the cumulative profits or losses on the mark-to-market at the balance sheet of the Group's interest rate hedge.

Other reserve
The other reserve comprises:

	Other Reserve £000	Merger Reserve £000	Capital Contribution Reserve £000	Total Other Reserves £000
At 20 April 2020 and 18 April 2021	18,451	(4,224)	51	14,278

The other reserve and the merger reserve arose on the share for share exchange between Loungers plc and Lion/Jenga Topco Limited.

The capital contribution reserve represents additional contributions from shareholders.

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

24. NOTE TO CASH FLOW STATEMENT

	Year ended 18 April 2021 £000	Year ended 19 April 2020 £000
Cash flows from operating activities		
Loss before tax	(14,722)	(14,781)
Adjustments for:		
Depreciation of property, plant and equipment	10,288	9,630
Depreciation of right of use assets	7,567	7,177
Impairment of property, plant and equipment	-	9,829
Share based payment transactions	2,034	4,027
Loss / (profit) on disposal of tangible assets	4	(5)
Finance income	(46)	(50)
Finance costs	7,040	8,115
Changes in inventories	41	685
Changes in trade and other receivables	3,108	(733)
Changes in trade and other payables	(4,414)	1,793
Cash generated from operations	10,900	25,687
Tax reclaimed / (paid)	1,131	(1,290)
Net cash generated from operating activities	12,031	24,397

25. ANALYSIS OF CHANGES IN NET DEBT

	22 April 2019 £000	Cash flows £000	Non-cash movement £000	19 April 2020 £000
Cash in hand	6,500	(2,417)	-	4,083
Bank Loans	(69,553)	32,076	(1,562)	(39,039)
Lease liabilities	(89,138)	10,706	(26,507)	(104,939)
Unsecured loan stock	(17,932)	17,950	(18)	-
Preference shares	(84,627)	-	84,627	-
Net debt	(254,750)	58,315	56,540	(139,895)
Derivatives				
Interest-rate swaps asset / (liability)	(10)	10	(332)	(332)
Total derivatives	(10)	10	(332)	(332)
Net debt after derivatives	(254,760)	58,325	56,208	(140,227)

	20 April 2020 £000	Cash flows £000	Non-cash movement £000	18 April 2021 £000
Cash in hand	4,083	829	-	4,912
Bank Loans – due after one year	(39,039)	-	(118)	(39,157)
Lease liabilities	(104,939)	10,213	(15,852)	(110,578)
Net debt	(139,895)	11,042	(15,970)	(144,823)
Derivatives				
Interest-rate swaps liability	(332)	-	101	(231)
Total derivatives	(332)	-	101	(231)
Net debt after derivatives	(140,227)	11,042	(15,869)	(145,054)

Non-cash movements in bank loans due after one year relate to the amortisation of bank loan issue costs.

26. PENSION COMMITMENTS

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group.

	Year ended 18 April 2021 £000	Year ended 19 April 2020 £000
Pension cost	890	802

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

	18 April 2021 £000	19 April 2020 £000
Pension contributions payable	316	327

27. LESSOR

The Group leases out un-utilised property space under non-cancellable operating leases. The Group is due to receive minimum lease payments under non-cancellable operating leases as follows:

	18 April 2021 £000	19 April 2020 £000
Within one year	125	125
In two to five years	500	500
After five years	307	445
	932	1,070

28. RELATED PARTY TRANSACTIONS

A Reilley and J Bishop, a director of the Company's subsidiary, Loungers UK Limited, are directors of Flatcappers Limited. Additionally, they are partners in Colombe D'Or Property LLP (formerly Loungers Property LLP); the Group leases three properties from Colombe D'Or. The Group undertook the following transactions, stated net of VAT:

	18 April 2021 £000	19 April 2020 £000
Sales to related parties:		
Flatcappers Limited	-	21
Purchases from related parties:		
Colombe D'Or Property LLP	125	117
Amounts owed (to) / from related parties:		
Colombe D'Or Property LLP	(57)	-

A Reilley is a director and shareholder of Reilley Properties Limited. The Group leases two properties from Reilley Properties Limited and undertook the following transactions:

	18 April 2021 £000	19 April 2020 £000
Purchases from Reilley Properties Limited	239	240
Amounts owed to Reilley Properties Limited	137	57

Lion Capital LLP, prior to the IPO, had the following interest in the investor loan notes:

	18 April 2021 £000	19 April 2020 £000
Interest charged in the year	-	18
Amount due to Lion Capital at year end	-	-
Amounts paid to Lion Capital	-	17,950

Management and Lion Capital LLP, prior to the IPO, had the following interests in the preference shares issued by the Group:

	18 April 2021 £000	19 April 2020 £000
Management		
Preference dividends charged in the year	-	2
Preference dividends exchanged for ordinary shares at IPO	-	7,532
Lion Capital LLP		
Preference dividends charged in the year	-	15
Preference dividends exchanged for ordinary shares at IPO	-	77,112

29. 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		
Lion/Jenga Topco Limited	Ordinary 100%	Holding company
Indirect Subsidiary Holding		
Lion/Jenga Midco Limited	Ordinary 100%	Holding company
Lion/Jenga Bidco Limited	Ordinary 100%	Holding company
Loungers Holdings Limited	Ordinary 100%	Holding company
Loungers UK Limited	Ordinary 100%	The development, operation and management of all day neighbourhood café/bars and bar/restaurants

The registered office of all five subsidiaries is 26 Baldwin Street, Bristol, BS1 1SE.

30. POST BALANCE SHEET EVENTS NOTE

On 7 May 2021 the Company allotted and issued 338,664 ordinary shares of 1 pence each in the Company following the vesting of awards made to 673 Company employees pursuant to the Company's Employee Share Plan.

On 17 May, the Group reopened all of its remaining sites, with all sites open and trading indoors and outdoors as at the date of signing the accounts.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 18 APRIL 2021

	Note	At 18 April 2021 £000	At 19 April 2020 £000
Assets			
Non-current			
Investments	5	136,300	136,300
Total non-current assets	5	136,300	136,300
Current assets			
Trade and other receivables	6	22,012	18,554
Total current assets		22,012	18,554
Total assets		158,312	154,854
Liabilities			
Current liabilities			
Trade and other payables	7	(50)	(4,225)
Total current liabilities		(50)	(4,225)
Total liabilities		(50)	(4,225)
Net assets		158,262	150,629
Called up share capital	8	1,124	1,025
Share premium		8,066	-
Other reserve		18,451	18,451
Retained earnings			
Brought forward		131,153	-
Loss for the year attributable to the owners		(526)	(520)
Other changes in retained earnings		(6)	131,673
		130,621	131,153
Total equity		158,262	150,629

The financial statements on pages 77 to 82 were approved and authorised for issue by the Board and were signed on its behalf by:

Nick Collins
Chief Executive Officer

G Grant
Chief Financial Officer

21 July 2021

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEK YEAR ENDED 18 APRIL 2021

	Called up share capital £000	Share premium £000	Other reserve £000	Retained earnings £000	Total equity £000
Balance on incorporation	50	-	-	-	50
Redeemable preference shares issued	50	-	-	-	50
Share for share exchange – ordinary shares	8,461	-	-	-	8,461
Preference debt for equity swap	66,193	-	18,451	-	84,644
Ordinary shares issued	3	-	-	-	3
Ordinary shares issued on IPO	308	61,288	-	(3,655)	57,941
Capital reduction	(74,040)	(61,288)	-	135,328	-
Total transactions with owners	975	-	18,451	131,673	151,099
Loss for the financial year	-	-	-	(520)	(520)
Total comprehensive expense for the 55 week period	-	-	-	(520)	(520)
At 20 April 2020	1,025	-	18,451	131,153	150,629
Ordinary shares issued	99	8,066	-	(6)	8,159
Total transactions with owners	99	8,066	-	(6)	8,159
Loss for the financial year	-	-	-	(526)	(526)
Total comprehensive expense for the 52 week year	-	-	-	(526)	(526)
At 18 April 2021	1,124	8,066	18,451	130,621	158,262

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 52 WEEK YEAR ENDED 18 APRIL 2021

1. GENERAL INFORMATION

Loungers plc ("the company") is incorporated and domiciled in the United Kingdom with company number 11910770. The registered address of the Company is 26 Baldwin Street, Bristol, United Kingdom, BS1 1SE.

The Company was incorporated on 28 March 2019 and was admitted to trading on the AIM market on 29 April 2019.

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

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

2. 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 United Kingdom and the 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 thousands of pounds sterling ('£000') 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 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- 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.

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

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 £526,000.

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 years 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 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED

The new standard impacting the Group for the year ended 19 April 2020 is: IFRS 16 'Leases'. The adoption of this standard has not had any impact upon the Company's financial statements.

2.4 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.

2.5 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.

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

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

2.6 FINANCIAL INSTRUMENTS

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

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

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

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

2.7 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.

2.8 CURRENT AND DEFERRED TAXATION

The tax expense for each reporting year 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.

2.9 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 5 – Auditors' remuneration

Note 21 – Share based payments

Note 30 – Post balance sheet events

4. STAFF COSTS

Loungers plc has no employees other than the Directors. Details of Directors' emoluments are disclosed in the Remuneration Committee Report on pages 31-34 and in note 6 of the notes to the consolidated financial statements.

5. INVESTMENTS

	Shares in subsidiary undertakings £000 £000
At 20 April 2020	136,300
Additions	-
At 18 April 2021	136,300

The Company's subsidiary undertakings are shown in note 29 to the Consolidated Financial Statements

6. TRADE AND OTHER RECEIVABLES

	18 April 2021 £000	19 April 2020 £000
Included within current assets		
Other receivables	103	103
Amounts owed by Group undertakings	21,909	18,451
	22,012	18,554

Amounts owed by Group undertakings are repayable on demand and are non-interest bearing.

7. TRADE AND OTHER PAYABLES

	18 April 2021 £000	19 April 2020 £000
Included within current liabilities		
Amounts owed to Group undertakings	50	4,225
	50	4,225

Amounts owed to Group undertakings are payable on demand and are non-interest bearing.

8. CALLED-UP SHARE CAPITAL

	At 18 April 2021 £000	19 April 2020 £000
Allotted, called up and fully paid ordinary shares	1,024	925
Redeemable preference shares	100	100
	1,124	1,025

	At 18 April 2021 Number	At 19 April 2020 Number
Ordinary shares at £0.01 each	102,400,000	92,500,000
Redeemable preference shares at £49,999 each	2	2

The table below summarises the movements in share capital for Loungers plc during the year ended 18 April 2021:

	Ordinary Shares	Redeemable Preference Shares	£'000
	£0.01 NV	£49,999 NV	
At 20 April 2020	92,500,000	2	1,025
Shares issued	9,900,000	-	99
At 18 April 2021	102,400,000	2	1,124

On 27 April 2020 the Company allotted 9,250,000 ordinary shares of £0.01, raising gross proceeds of £8,325,000.

On 4 May 2020 the Company allotted 650,000 ordinary shares of £0.01 to employees of the Group under the Employee Share Plan and Senior Management Restricted Share Plan.

Rights of shareholders
The redeemable preference shares carry no right to vote. They have the right to be redeemed at nominal value by the Company.

9. EQUITY

The Company's Equity comprises the following:

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

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

Other reserve
The other reserve arose on the share for share exchange between Loungers plc and Lion/Jenga Topco Limited.

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

RECONCILIATION OF STATUTORY RESULTS TO ALTERNATIVE PERFORMANCE MEASURES

	Year ended 18 April 2021 £000	Year ended 18 April 2021 £000
Operating loss	(7,728)	(6,716)
Exceptional items	1,327	15,336
Share based payment charge	2,034	1,125
Site pre-opening costs	421	2,220
Adjusted operating profit	(3,946)	11,965
Depreciation (pre IFRS 16 right of use asset charge)	10,288	9,630
IFRS 16 Right of use asset depreciation	7,567	7,177
Loss / (profit) on disposal of fixed assets	4	(5)
Adjusted EBITDA (IFRS 16)	13,913	28,767
IAS 17 Rent charge	(10,889)	(10,380)
IAS 17 Rent charge included in IAS 17 pre-opening costs	506	426
Adjusted EBITDA (IAS 17)	3,530	18,813
Loss before tax (IFRS 16)	(14,722)	(14,781)
Exceptional items	1,327	15,336
Exceptional finance costs	-	1,447
Adjusted (loss) / profit before tax (IFRS 16)	(13,395)	2,002
IAS 17 Rent charge	(10,889)	(10,380)
IAS 17 Leasehold depreciation (re landlord contributions)	(531)	(464)
IFRS 16 Right of use asset depreciation	7,567	7,177
IFRS 16 Lease interest charge	5,642	5,478
IFRS 16 Lease interest income	(46)	(50)
Adjusted (loss) / profit before tax (IAS 17)	(11,652)	3,763
Loss before tax (IFRS 16)	(14,722)	(14,781)
IAS 17 Rent charge	(10,889)	(10,380)
IAS 17 Leasehold depreciation (re landlord contributions)	(531)	(464)
IFRS 16 Right of use asset depreciation	7,567	7,177
IFRS 16 Lease interest charge	5,642	5,478
IFRS 16 Lease interest income	(46)	(50)
Loss before tax (IAS 17)	(12,979)	(13,020)

RECONCILIATION OF STATUTORY RESULTS TO ALTERNATIVE PERFORMANCE MEASURES

	Year ended 18 April 2021 £000	Year ended 19 April 2020 £000
Adjusted (loss) / profit before tax (IFRS 16)	(13,395)	2,002
Tax credit / (charge)	3,580	1,960
Tax effect of exceptional items	(252)	(1,719)
Adjusted (loss) / profit after tax (IFRS 16)	(10,067)	2,243
IAS 17 Rent charge	(10,889)	(10,380)
IAS 17 Leasehold depreciation (re landlord contributions)	(531)	(464)
IFRS 16 Right of use asset depreciation	7,567	7,177
IFRS 16 Lease interest charge	5,642	5,478
IFRS 16 Lease interest income	(46)	(50)
IFRS 16 Tax effect	(239)	(423)
Adjusted (loss) / profit after tax (IAS 17)	(8,563)	3,581
Basic weighted average number of shares	102,291,621	91,786,283
Diluted weighted average number of shares	104,368,404	93,520,791
Adjusted basic (losses) / earnings per share (p) IFRS 16	(9.8)	2.4
Adjusted diluted (losses) / earnings per share (p) IFRS 16	(9.8)	2.4
Adjusted basic (losses) / earnings per share (p) IAS 17	(8.4)	3.9
Adjusted diluted (losses) / earnings per share (p) IAS 17	(8.4)	3.8
Net cash generated from operating activities (IFRS 16)	12,031	24,397
IAS 17 Rent charge	(10,889)	(10,380)
Movement in working capital	3,012	2,616
Net cash generated from operating activities (IAS 17)	4,154	16,633

COMPANY INFORMATION

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A M Reilley
N C E Collins
G Grant
N P Backhouse
A J G Bellamy
R Darwent
J C Little

COMPANY SECRETARY

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