

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this document, or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) ("**FSMA**") who specialises in advising on the acquisition of shares and other securities.

This document comprises an admission document prepared in accordance with the rules of the AIM Market of the London Stock Exchange plc ("**AIM**"). Application has been made for the whole of the issued and to be issued ordinary share capital (the "**Ordinary Shares**") of Loungers plc (the "**Company**") to be admitted to trading on AIM. It is expected that such application to AIM will become effective and that dealings will commence on 29 April 2019. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for any such admission to any such exchange. It is emphasised that no application is being made for the admission of the Ordinary Shares to the Official List of the United Kingdom Listing Authority.

This document does not constitute a prospectus within the meaning of section 85 of FSMA, has not been drawn up in accordance with the Prospectus Rules published by the Financial Conduct Authority ("**FCA**") and a copy of this document has not been, and will not be, filed or reviewed by the FCA, the United Kingdom Listing Authority or any other competent authority.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The whole of the text of this document should be read. The attention of investors is drawn especially to the Risk Factors set out in Part II of this document. All statements regarding the Company's business, financial position and prospects should be viewed in light of these risk factors.

Loungers plc

(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 11910770)

Placing of 41,625,000 Ordinary Shares at 200 pence per Ordinary Share

and

Admission to trading on AIM

NOMINATED ADVISER



JOINT BOOKRUNNERS



Share capital immediately following Admission

<i>Issued and fully paid</i>	<i>Amount</i>	<i>Number</i>
ordinary shares of 1 pence each	£185,000,000	92,500,000

The directors of the Company, whose names appear on page 11 of this document, accept responsibility both individually and collectively for the information contained in this document. Those directors have taken all reasonable care to ensure that the information contained in this document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Placing is conditional, amongst other things, on Admission taking place on or before 29 April 2019 (or such later date as the Company, GCA Altium Limited ("**GCA Altium**") and the Joint Bookrunners (as defined below) may agree, but in any event not later than 13 May 2019). The New Ordinary Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends or other distributions declared, made or paid after Admission.

GCA Altium, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively as the Company's nominated adviser for the purposes of the AIM Rules and for no one else in connection with Admission and will not be responsible to any person other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or Admission or any other matter referred to herein. GCA Altium's responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any director or shareholder of the Company or to any subsequent purchaser of Ordinary Shares and accordingly no duty of care is accepted in relation to them. No representation or warranty, express or implied, is made by GCA Altium as to, and no liability whatsoever is accepted by GCA Altium in respect of, any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). GCA Altium has not authorised the contents of any part of this document and accepts no liability for the accuracy of any information or opinion contained in this document or for the omission of any material information from this document, for which the Company and the directors of the Company are solely responsible.

Liberum Capital Limited ("**Liberum**") and Peel Hunt LLP ("**Peel Hunt**", together with Liberum, the "**Joint Bookrunners**"), which are each authorised, and regulated in the United Kingdom, by the FCA, are acting as joint bookrunners to the Company in connection with the proposed Placing and Admission and will not be acting for any other person (including a recipient of this document) or otherwise

be responsible to any person for providing the protections afforded to clients of the Joint Bookrunners or for advising any other person in respect of the proposed Placing and Admission or any transaction, matter or arrangement referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on GCA Altium and the Joint Bookrunners by the FSMA or the regulatory regime established thereunder, GCA Altium and the Joint Bookrunners do not accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Placing and Admission. GCA Altium and the Joint Bookrunners accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement.

A copy of this document is available, subject to certain restrictions relating to persons resident in certain overseas jurisdictions, at the Company's website www.loungers.co.uk.

IMPORTANT INFORMATION

General

Prospective investors should only rely on the information contained in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors, GCA Altium or the Joint Bookrunners. No representation or warranty, express or implied, is made by GCA Altium or the Joint Bookrunners as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by GCA Altium or the Joint Bookrunners as to the past, present or future. No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised. Without prejudice to any legal or regulatory obligation on the Company to publish a supplementary admission document pursuant to the AIM Rules, neither the delivery of this document nor any subscription or sale made pursuant to this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group taken as a whole since the date of this document or that the information in it is correct as of any time after the date of this document.

The Company will update the information provided in this document by means of a supplement to it if a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in this document. Any supplementary admission document will be made public in accordance with the AIM Rules.

The contents of this document are not to be construed as legal, financial or tax advice. Each prospective investor should consult a legal adviser, an independent financial adviser duly authorised under FSMA or a tax adviser for legal, financial or tax advice in relation to any investment in or holding of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

Investing in and holding the Ordinary Shares involves financial risk. Prior to investing in the Ordinary Shares, investors should carefully consider all of the information contained in this document, paying particular attention to the Risk Factors in Part II of this document. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information contained in this document and their personal circumstances.

In connection with the Placing, the Joint Bookrunners and any of their affiliates, acting as investors for their own accounts, may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Ordinary Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, the Joint Bookrunners and any of their affiliates acting as investors for their own accounts. The Joint Bookrunners do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

The Joint Bookrunners and their affiliates may have in the past engaged, and may in the future, from time to time, engage in transactions with, and provided various investment banking, financial advisory and other ancillary activities in the ordinary course of their business with the Company, in respect of which they have received, and may in the future receive, customary fees and commissions. As a result of these transactions, these parties may have interest that may not be aligned, or could possibly conflict, with the interests of investors.

Notice to overseas persons

This document does not constitute an offer of, or the solicitation of an offer to buy or subscribe for, Ordinary Shares to any person to whom, or in any jurisdiction in which, such offer or solicitation is unlawful and is not

for distribution in or into the United States, Australia, Canada, the Republic of Ireland, the Republic of South Africa, Japan, New Zealand or any other jurisdiction where to do so would be in breach of any law and/or regulations (the “**Prohibited Territories**”). The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, (the “**Securities Act**”) or under the securities laws of any state or other jurisdiction of the United States or under any applicable securities laws of any of the Prohibited Territories. The Ordinary Shares may not be offered for sale or subscription, or sold or subscribed, directly or indirectly, within the United States unless the offer and sale of the Ordinary Shares has been registered under the Securities Act or is made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Ordinary Shares are being offered and sold only in “**offshore transactions**” outside the United States in reliance on Regulation S of the Securities Act.

The distribution of this document and the Placing in certain jurisdictions may be restricted by law. No action has been taken or will be taken by the Company, the Directors, GCA Altium or the Joint Bookrunners to permit a public offer of Ordinary Shares or to permit the possession or distribution of this document in any jurisdiction where action for that purpose may be required. This document may not be distributed in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes are required by the Company, the Directors, GCA Altium and the Joint Bookrunners to inform themselves about and to observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of the relevant jurisdiction.

THE ORDINARY SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) OR BY ANY US STATE SECURITIES COMMISSION OR AUTHORITY, NOR HAS ANY SUCH US AUTHORITY PASSED ON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE. THE ORDINARY SHARES HAVE NOT BEEN (AND WILL NOT BE) REGISTERED UNDER THE SECURITIES ACT OR SECURITIES LAWS OF ANY US STATE AND WILL NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH OTHER APPLICABLE LAWS.

Notice to investors in the United Kingdom

In the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “**relevant persons**”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) no offer of Ordinary Shares may be made to the public in that Relevant Member State other than:

- (a) at any time, to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time, to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant underwriter or underwriters nominated by us for any such offer;
- (c) at any time, in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall require the Company or any other person to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant

to Article 16 of the Prospectus Directive and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of the law of the Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

Neither the Company, GCA Altium or the Joint Bookrunners have authorised, nor do they authorise, the making of any offer of Ordinary Shares in circumstances in which an obligation arises for the Company, GCA Altium or the Joint Bookrunners to publish a prospectus or a supplemental prospectus for such offer.

For the purpose of the above provisions, the expression “an offer to the public” in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Notice to investors in France

No prospectus (including any amendment, supplement or replacement thereto) has been prepared in connection with the offering of the Ordinary Shares that has been approved by the Autorité des Marchés Financiers (the “**AMF**”) or by the competent authority of another state that is a contracting party to the Agreement on the European Economic Area and notified to the AMF, and (ii) it has not offered or sold and will not offer or sell, directly or indirectly, the Ordinary Shares to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed, to the public in France, this document or any other offering material relating to the Ordinary Shares, and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers*); and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Notice to investors in Sweden

This document is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Swedish Financial Instruments Trading Act (Sw. lagen (1991:980) om handel med finansiella instrument) nor any other Swedish enactment. Neither the Swedish Financial Supervisory Authority (Sw. Finansinspektionen) nor any other Swedish public body has examined, approved or registered this document or will examine, approve or register this document. Accordingly, this document may not be made available, nor may the Ordinary Shares otherwise be marketed and offered for sale, in Sweden other than in circumstances that constitute an exemption from the requirement to prepare a prospectus under the Swedish Financial Instruments Trading Act.

Notice to investors in Switzerland

The Ordinary Shares may not be publicly offered, distributed or redistributed on a professional basis in or from Switzerland, and neither document nor any other solicitation for investments in the Ordinary Shares may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a or 1156 of the Swiss Code of Obligations (“**CO**”). Without limitation to the generality of the foregoing, the Ordinary Shares may not be offered to any person in Switzerland who is not a “qualified investor” within the meaning of article 10(3) of the Swiss Federal Act on Collective Investment Schemes (“**CISA**”). This document may not be copied, reproduced, distributed or passed on to others without the Company’s prior written consent. This document is not a prospectus within the meaning of Articles 652a and 1156 CO or a listing prospectus according to Article 32 et seq. of the Listing Rules of the SWX Swiss Exchange and may not comply with the information Standards required thereunder. The Company will not apply for a listing of the Ordinary Shares on any Swiss stock exchange.

Forward-looking statements

This document contains statements that are, or may be deemed to be, “forward-looking statements”. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, the terms “anticipates”, “believes”, “could”, “envisages”, “estimates”, “expects”, “intends”, “may”, “plans”, “projects”, “should”, “will” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs and current expectations of the Company or the Directors concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth and strategies of the Company and the industry in which the Group operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual results, performance or achievements of the Company or developments in the industry in which the Group operates may differ materially from the future results, performance or achievements or industry developments expressed or implied by the forward-looking statements contained in this document. Prospective investors are strongly recommended to read the risk factors set out in Part II of this document for a more complete discussion of the factors that could affect the Company’s future performance and the industry in which the Group operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur. The forward-looking statements contained in this document speak only as at the date of this document. The Company undertakes no obligation to update or revise publicly the forward-looking statements contained in this document to reflect any change in expectations or to reflect events or circumstances occurring or arising after the date of this document, except as required in order to comply with its legal and regulatory obligations (including under the AIM Rules).

Market and financial information

The data, statistics and information and other statements in this document regarding the markets in which the Group operates, or the Group’s position therein, are based on the Group’s records or are taken or derived from statistical data and information derived from the sources described in this document. In relation to these sources, such information has been accurately reproduced from the published information and, so far as the Directors are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

Presentation of financial information

The report on financial information included in Part III of this document has been prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and the related consent to its inclusion in this document appearing in Part V of this document has been included as required by the AIM Rules and solely for that purpose.

Unless otherwise indicated, the historical financial information included in Part III of this document, including the Group’s audited combined and consolidated historical financial information for the years ended 24 April 2016, 23 April 2017 and 22 April 2018 and the 24 weeks ended 7 October 2018 and the unaudited consolidated historical financial information for the 24 weeks ended 8 October 2017 and the notes to those financial statements, has been prepared in accordance with IFRS and is presented in sterling.

The preparation of historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group (as applicable). The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group’s historical financial information, are disclosed in the Group’s historical financial information.

Non-IFRS information

Unless stated otherwise, all trading information included in this document not extracted from the Group’s historical financial information is derived from the unaudited management accounts or internal financial reporting systems supporting the preparation of the Group’s historical financial information for the relevant periods. These management accounts and internal financial reporting systems are prepared in accordance

with the principles of UK GAAP, and subsequently converted to IFRS, using information derived from accounting records used in the preparation of the Group's historical financial information, but may also include certain other management assumptions and analyses.

This document contains certain financial measures that are not defined or recognised under IFRS, including EBITDA, Adjusted EBITDA, adjusted profit after tax, adjusted operating profit, EBITDA cash conversion and organic growth CAGR. These financial measures are used as the Directors believe that these provide important alternative measures with which to assess the Group's performance. Such measures as presented in this document may not be comparable to similarly titled measures of performance presented by other companies, and they should not be considered as substitutes for, or superior to, measures calculated and presented in accordance with IFRS.

Rounding

Certain data in this document, including financial, statistical and operational information has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data. Percentages in tables have been rounded and, accordingly, may not add up to 100 per cent.

Currency presentation

In the document, references to "sterling", "£", "pence" and "p" are to the lawful currency of the United Kingdom, references to "€" and "euros" are to the lawful currency of certain of the countries within the EU and references to "\$" are references to the lawful currency of the United States.

Unless otherwise indicated, the financial information contained in this document has been expressed in sterling. The Group presents its financial statements in sterling.

No incorporation of website information

The contents of the Company's website or any hyperlinks accessible from the Company's website do not form part of this document and investors should not rely on them.

Defined terms and references

Certain terms used in this document are defined and certain technical and other terms used in this document are explained at the section of this document under the heading "**Definitions and Terms**".

All times referred to in this document are, unless otherwise stated, references to London time.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

Notice to distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares have been subject to a product approval process, which has determined that the Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, distributors should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Bookrunners will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Ordinary Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Ordinary Shares and determining appropriate distribution channels.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<i>EVENT</i>	<i>DATE</i>
Publication of this document	24 April 2019
Admission and commencement of dealings in the Enlarged Ordinary Share Capital on AIM	8.00 a.m. on 29 April 2019
Delivery of Ordinary Shares in CREST accounts (where applicable)	8.00 a.m. on 29 April 2019
Dispatch of definitive share certificates (where applicable)	within 10 Business Days of Admission

Notes:

- (1) Each of the times and dates set out above and mentioned elsewhere in this document may be subject to change at the absolute discretion of the Company, GCA Altium and the Joint Bookrunners without further notice. References in this document to time are to London time unless otherwise stated.

PLACING STATISTICS

Placing Price	200 pence
Number of Existing Ordinary Shares (following completion of the Reorganisation immediately prior to Admission)	61,701,903
Number of Placing Shares	41,625,000
Percentage of Enlarged Ordinary Share Capital being placed pursuant to the Placing	45 per cent.
Number of New Ordinary Shares to be issued by the Company	30,798,097
Gross proceeds of the Placing receivable by the Company	£61.6 million
Estimated net proceeds of the Placing receivable by the Company	£56.4 million
Number of Existing Ordinary Shares to be sold by the Selling Shareholders	10,826,903
Gross proceeds of the Placing receivable by the Selling Shareholders	£21.7 million
Number of Ordinary Shares in issue at Admission	92,500,000
Market capitalisation of the Company at the Placing Price at Admission	£185 million
ISIN number	GB00BH4JR002
SEDOL number	BH4JR00
AIM "ticker"	LGRS

DIRECTORS, SECRETARY AND ADVISERS

Directors	Alex Reilley <i>Chairman</i> Nick Collins <i>Chief Executive Officer</i> Gregor Grant <i>Chief Financial Officer</i> James Cocker <i>Non-Executive Director</i> Nick Backhouse <i>Senior Independent Non-Executive Director</i> Adam Bellamy <i>Independent Non-Executive Director</i> Jill Little <i>Independent Non-Executive Director</i>
Company Secretary	Gregor Grant
Registered Office	15-16 Lower Park Row Bristol BS1 5BN
Company website	www.loungers.co.uk
Nominated Adviser	GCA Altium Limited 1 Southampton Street London WC2R 0LR
Joint Bookrunners	Liberum Capital Limited Ropemaker Place, Level 12 Ropemaker Street London EC2Y 9LY Peel Hunt LLP Moor House, 120 London Wall London EC2Y 5ET
Legal advisers to the Company	Jones Day 21 Tudor Street London EC4Y 0DJ
Legal advisers to the Nominated Adviser and the Joint Bookrunners	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Auditors and Reporting Accountants to the Company	PricewaterhouseCoopers LLP 2 Glass Wharf Bristol BS2 0FR
Registrar	Link Market Services Limited (trading as Link Asset Services) The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Public Relations adviser to the Company	Instinctif Partners Limited 65 Gresham Street London EC2V 7NQ

DEFINITIONS AND TERMS

“Act”	the Companies Act 2006, as amended from time to time;
“Adjusted EBITDA”	EBITDA excluding site pre-opening costs, share based payments and exceptional items;
“Admission”	admission of the Enlarged Ordinary Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules;
“Admission Document”	this document;
“AIM”	the AIM market operated by the London Stock Exchange;
“AIM Rules”	the rules of AIM as issued by the London Stock Exchange;
“all-day operator”	an operator who is open from morning until late and whose menu includes breakfast, lunch, dinner, coffee, snacks, alcoholic and non-alcoholic beverages;
“Articles of Association”	the articles of association of the Company that will be in force on Admission;
“Banks”	GCA Altium and the Joint Bookrunners;
“Board” or “Directors”	the directors of the Company whose names appear on page 11 of this document;
“CAGR”	compound annual growth rate;
“certificated” or “in certificated form”	a share or other security which is not in un-certificated form (i.e. not in CREST);
“City Code”	the City Code on Takeovers and Mergers;
“Company” or “Loungers”	Loungers plc;
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations), which facilitates the transfer of title to shares without a written instrument;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755) (as amended);
“Deeds of Election”	the deeds of election described in paragraph 10.2 of Part V of this document;
“Director Sellers”	Alex Reilley, Nick Collins and Gregor Grant;
“EBITDA”	profit/(loss) for the period before taxation, finance costs, depreciation and amortisation;
“Enlarged Ordinary Share Capital”	the Existing Ordinary Shares and the New Ordinary Shares;
“Existing Ordinary Shares”	the 61,701,903 Ordinary Shares in issue prior to the Placing (assuming completion of the Reorganisation);
“EU”	the European Union;

“Euroclear”	Euroclear UK & Ireland Limited (registered number 02878738) whose registered office address is at 33 Cannon Street, EC4M 5SB;
“FCA”	the Financial Conduct Authority;
“FSMA”	the Financial Services and Markets Act 2000;
“FY16”	the 52 week period ended 24 April 2016;
“FY17”	the 52 week period ended 23 April 2017;
“FY18”	the 52 week period ended 22 April 2018;
“FY19”	the 52 week period ended 21 April 2019;
“GCA Altium”	GCA Altium Limited;
“Group”	(i) in respect of the period before Admission, Lion/Jenga Topco Limited and its wholly owned subsidiaries; and (ii) with effect from Admission, the Company and its wholly owned subsidiaries (and a reference to a “Group Company” shall be interpreted accordingly);
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board and as adopted by the European Union;
“Interim Articles of Association”	the articles of association of the Company to be adopted following the Exchange Allotment (as defined in paragraph 3.3.1 of Part V of this document);
“ISIN”	International Securities Identification Number;
“HMRC”	Her Majesty’s Revenue & Customs;
“Joint Bookrunners”	Liberum and Peel Hunt;
“JSOP”	the joint share ownership plan set out in paragraph 8.6 of Part V;
“Liberum”	Liberum Capital Limited;
“Lion Capital”	Lion Capital LLP or, if the context requires (i) an affiliate of Lion Capital LLP or (ii) a fund or funds managed by Lion Capital LLP or an affiliate thereof;
“Locked-in Shareholders”	means the Director Sellers, Jake Bishop and Justin Carter;
“London Stock Exchange”	London Stock Exchange plc;
“MAR”	the Market Abuse Regulation (Regulation EU No 596/2014)
“New Ordinary Shares”	the 30,798,097 new Ordinary Shares to be issued at the Placing Price by the Company pursuant to the Placing;
“Ordinary Shares”	ordinary shares of 1 pence each in the capital of the Company;
“Peel Hunt”	Peel Hunt LLP
“Placee”	a person subscribing for or acquiring Placing Shares under the Placing;
“Placing”	the conditional placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement;

“Placing Agreement”	the conditional agreement dated 24 April 2019 relating to the Placing between (1) the Company, (2) the Directors, (3) the Principal Sellers, (4) GCA Altium and (5) the Joint Bookrunners, relating to the Placing, further details of which are set out in paragraph 10.2 of Part V of this document;
“Placing Shares”	together, the New Ordinary Shares and the Sale Shares;
“Placing Price”	200 pence per Placing Share;
“Principal Sellers”	Jake Bishop and Lion Capital;
“QCA”	the Quoted Companies Alliance;
“Registrar”	Link Asset Services;
“Relationship Agreement”	the relationship agreement dated 24 April 2019 between the Company and Lion Capital, summary details of which are set out in paragraph 10.10 of Part V of this document;
“Reorganisation”	the pre-Admission reorganisation of the Group, relevant details of which are set out in paragraph 3 of Part V of this document and the issue of Ordinary Shares to the EBT in connection with the JSOP, details of which are set out in paragraph 8.5 and 8.6 of Part V of this document;
“RIS”	Regulatory Information Service
“Sale Shares”	the 10,826,903 Existing Ordinary Shares being sold on behalf of the Selling Shareholders, in each case, at the Placing Price, pursuant to the Placing;
“SEDOL”	Stock Exchange Daily Official List;
“Selling Shareholders”	(i) the Director Sellers, (ii) the Principal Sellers, (iii) Justin Carter, (iv) Amber Wood, (v) Mark Comer, (vi) Antony Doyle, (vii) Warren Lewis and (viii) Raj Manek;
“Shareholders”	the holders of Ordinary Shares from time to time;
“Share Plans”	the Value Creation Plan, the Senior Management Restricted Share Plan and the Employee Share Plan, details of which are set out in paragraph 8 of Part V of this document;
“Takeover Panel”	the Panel on Takeovers and Mergers;
“UK GAAP”	United Kingdom Generally Accepted Accounting Practice;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction;
“£”	UK pounds sterling, the lawful currency of the United Kingdom;
“\$”	US dollar, the lawful currency of the United States of America; and
“€”	Euro, the lawful currency of certain of the countries comprising the EU.

Notes:

- (1) Any reference to any provision of any legislation includes any amendment, modification, re-enactment or extension of it. Words importing the singular include the plural and vice versa and words importing the masculine gender shall include the feminine or neuter gender.

PART I

INFORMATION ON THE GROUP

1. Overview

Loungers is an operator of 146 café/bar/restaurants across England and Wales under two distinct but complementary brands, Lounge and Cosy Club. The Group is the only growing all-day operator of scale in the UK, with a strong reputation for value for money. The Group's sites offer something for everyone regardless of age, demographic or gender and the Group operates successfully in a diverse range of different sites and locations across England and Wales.

The Group was founded in Bristol in 2002 by three friends who wanted to create a neighbourhood café-bar that they would want to go to. That focus on hospitality, comfort and familiarity remains at the core of the Group, driven by an independent culture and focus on the local community.

(£'000s)	52 weeks ended			24 weeks ended	
	24-Apr-16	23-Apr-17	22-Apr-18	Unaudited 8-Oct-17	7-Oct-18
Revenue	68,475	91,753	121,067	51,662	65,444
Adjusted EBITDA	8,658	12,682	16,639	6,654	8,113

The Group has a proven track record of sales growth, profitability and operating cash generation. This growth has been driven by a combination of new Lounge and Cosy Club site openings and strong like-for-like sales growth in the existing estate. Sales grew at a CAGR of 33 per cent. between 24 April 2016 and 22 April 2018 and Adjusted EBITDA grew at a CAGR of 39 per cent. over the same period.

The ongoing growth of the Group has been underpinned by continuous investment in the regional and head office infrastructure.

The Directors intend to continue with the current rollout strategy of 25 new sites per annum over the medium term, of which approximately 20 are expected to be Lounges and approximately five are expected to be Cosy Clubs. Independent analysis by location planning consultants CACI has identified the potential for more than 400 Lounges and for more than 100 Cosy Clubs in England and Wales.

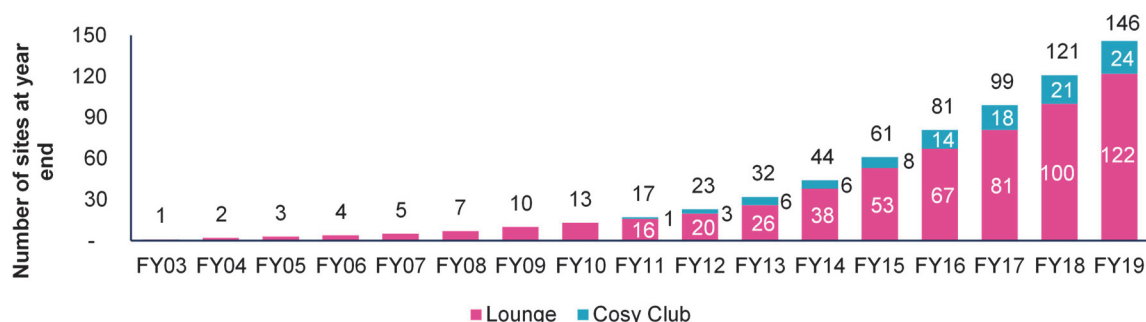
It has long been the ambition of the founders and CEO that Loungers become a quoted entity and the Directors believe that Admission will position the Group strongly for the next stage of its development, further raising the profile of the Group, assisting in attracting and retaining employees through appropriate incentive arrangements and providing it with an appropriate structure for future growth. Admission will also enable the Selling Shareholders to realise part of their investment in the Company.

2. History and Development

- **August 2002:** Alex Reilley, Jake Bishop and Dave Reid opened the first Lounge in North Street, Bristol
- **July 2007:** Velo Lounge in Bath, the Group's first Lounge outside of Bristol, opened
- **September 2010:** First Cosy Club opened in Taunton
- **January 2012:** Nick Collins joined the Group as Finance Director
- **April 2012:** Piper Private Equity acquired a minority stake in Loungers and Dave Reid left the Group
- **January 2014:** Nick Collins promoted to Chief Operations Officer
- **January 2015:** Nick Collins promoted to Chief Executive Officer. Alex Reilley became Executive Vice-Chairman

- **December 2016:** Lion Capital acquired a majority stake in the Group and Piper Private Equity exited their investment in Loungers. Alex Reilly became Executive Chairman
- **August 2017:** The Group achieved annual sales in excess of £100 million
- **April 2019:** As at the date of this document the Group has 146 sites

Number of sites at year end, by brand



3. Key Strengths of the Group

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

- **Broad, nationwide demographic appeal**

The Group's sites offer something for everyone regardless of age, demographic or gender and operate successfully in a diverse range of different site types and locations across England and Wales.

- **Value for money all-day offer**

The Group is the only growing all-day operator of scale in the UK with a strong reputation for value for money, which, the Directors believe, offers proven resilience in a tighter and more competitive consumer spending environment.

- **Two distinct but complementary brands**

The dual brand approach, with Lounge and Cosy Club, allows Loungers to maximise its geographic and demographic reach. The Group 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 site economics**

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

- **Clear, proven growth potential**

Independent analysis by location planning consultants CACI 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 new sites.

- **Strong pipeline of new sites and track record of successful openings**

The Group opened 21, 20 and 22 sites in FY16, FY17 and FY18 respectively. The Group opened 25 sites and relocated one site in FY19. As at the date of this document, the Group has a further 13 sites where contracts have been exchanged and 35 sites in legal documentation or at heads of terms stage.

- **Well invested central infrastructure to support growth**

The Group has invested significantly over the past three years to build an operational and head office structure capable of supporting its growth plans, in addition to having a well-developed roadmap for continued investment.

- **Experienced management team**

The Loungers 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 CEO Nick Collins and CFO Gregor Grant each have over 15 years of experience within the hospitality industry.

4. Business Overview

Loungers is a substantial and growing operator in the UK hospitality sector. As at the date of this document, Loungers operates 146 sites in England and Wales across two distinct but complementary brands, Lounge and Cosy Club. Founded in 2002 by three friends who wanted to create a neighbourhood café-bar that they would want to go to, the Group is now the only growing all-day operator of scale in the UK and has consistently outperformed the wider UK hospitality sector over the past three years.²

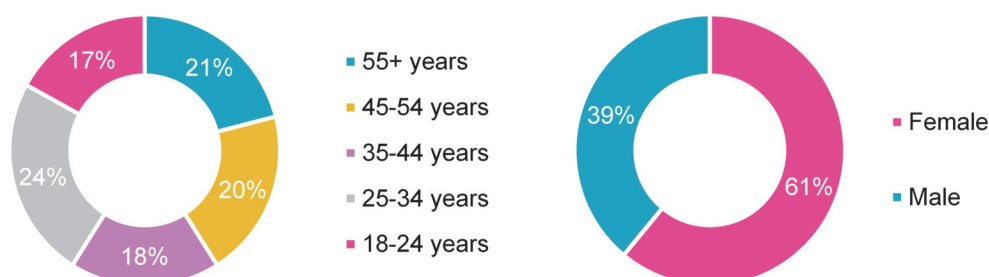
4.1 Lounge

A Lounge is a neighbourhood café/bar combining elements of a restaurant, British pub and coffee shop culture. As at the date of this document, there are 122 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 locally³, underlining each Lounge’s local neighbourhood credentials.

Lounges appeal to a diverse customer base, offering something for everyone regardless of age, demographic or gender.

Demographic profile of Lounge customers



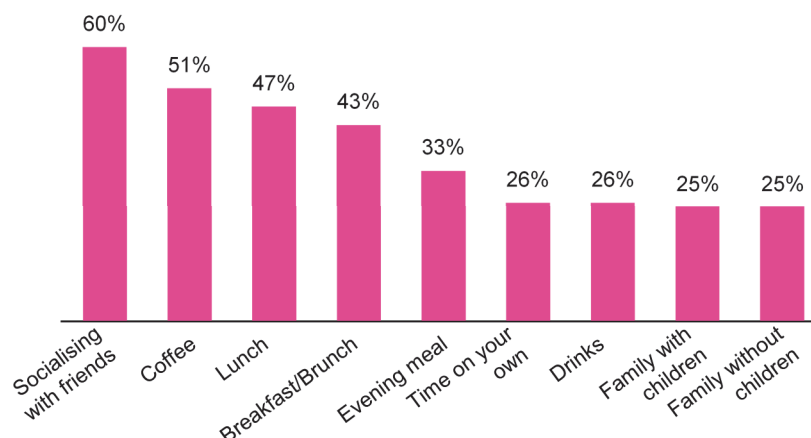
Source: November 2018 survey of 1,529 customers undertaken by consultancy firm Market Measures

A Lounge represents something different to different people. For some it is somewhere to go for a coffee after the school run; for others it is a place to catch up with friends; a place for an informal meal, a celebration or a night out. 90 per cent. of Lounge customers visit for multiple occasions, 25 per cent. of Lounge customers visit at least weekly and two thirds visit every month³, which demonstrates the versatility of the Lounge offering and the loyalty of the customer base.

² As measured by the Coffer Peach Business Tracker

³ November 2018 survey of 1,529 customers undertaken by consultancy firm Market Measures

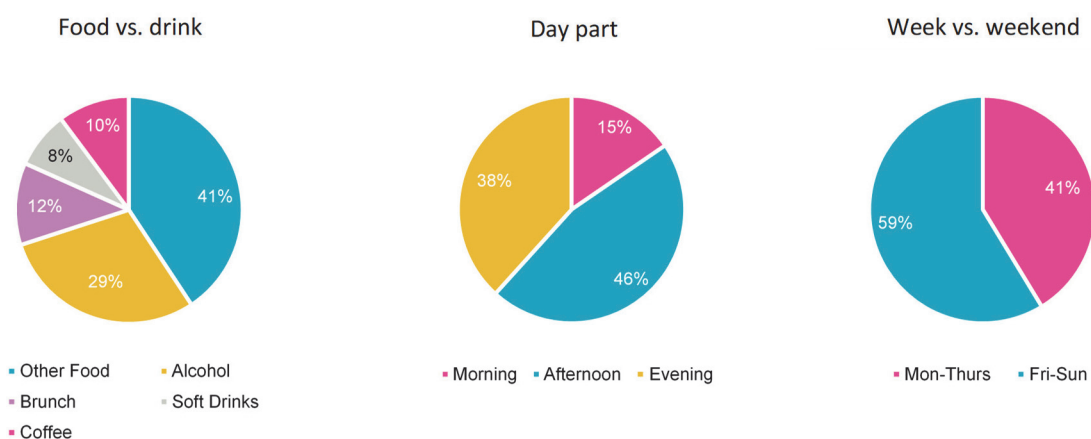
Occasions for which customers visit a Lounge



Source: November 2018 survey of 1,529 customers undertaken by consultancy firm Market Measures

Every Lounge offers all-day dining, with the same menu served from 9.00 a.m. to 10.00 p.m., everyday. Sales are well diversified across all day parts and days of the week as well as across all food and drink types. In addition to helping to drive repeat custom and maximise the trading efficiency of the sites, the all-day offering involves managing operational complexity, particularly in the kitchens, which the Directors believe is a meaningful barrier to entry for other operators.

Lounge FY18 sales breakdown



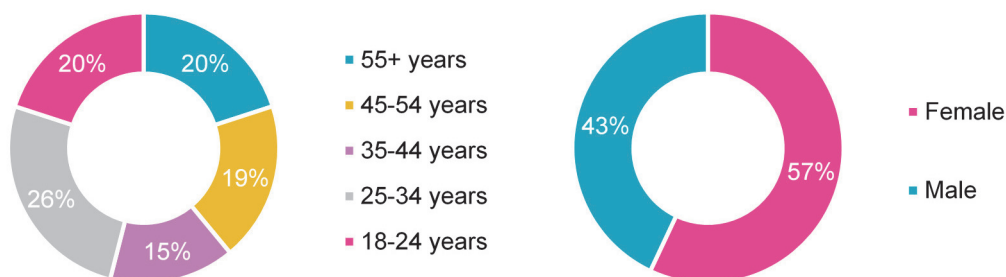
Day parts: Morning 09.00-12.00; Afternoon 12.00-18.00; Evening 18.00-00.00

4.2 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 large 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 (Birmingham, for example, has nine Lounges and one Cosy Club within a ten mile radius). Sales, EBITDA and capital expenditure are typically higher for a Cosy Club than for a Lounge. There are currently 24 Cosy Clubs in England and Wales.

Cosy Clubs benefit from a similarly demographically diverse customer base as Lounges, appealing to all age groups and genders.

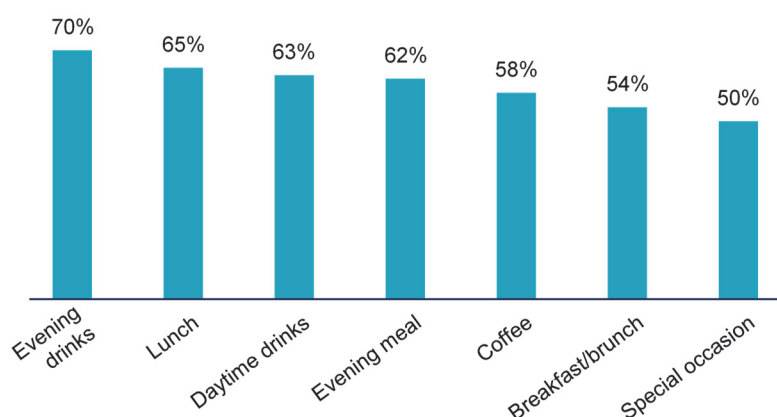
Demographic profile of Cosy Club customers



Source: December 2017 survey of 860 customers undertaken by consultancy firm Market Measures

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.

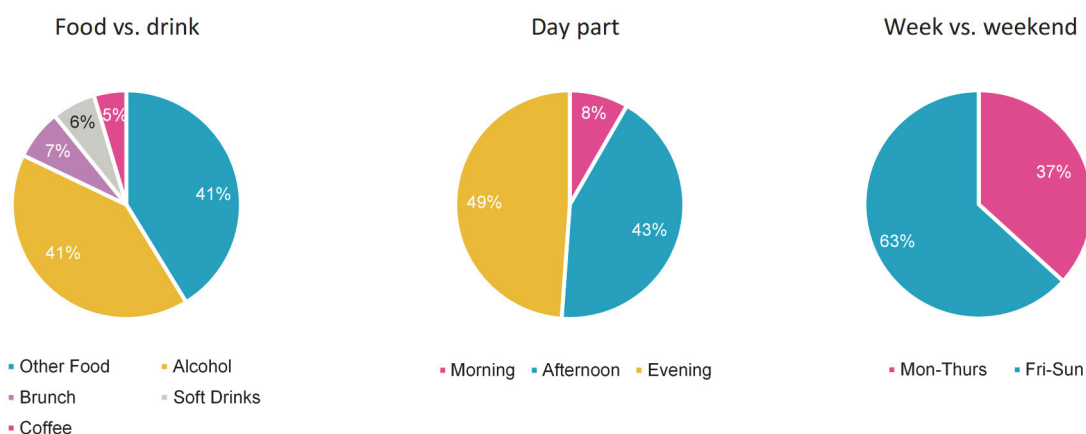
Occasions for which customers visit a Cosy Club



Source: December 2017 survey of 860 customers undertaken by consultancy firm Market Measures

The more occasion-led usage means that Cosy Clubs have a slightly higher proportion of evening, weekend and alcohol sales than Lounges, but sales remain well diversified by product, day part, and day of the week. The Christmas and New Year trading period is more important for Cosy Clubs than for Lounges but the 4 week period from 4 December 2017 to 31 December 2017 still only represented 12.5 per cent. of Cosy Club FY18 sales.

Cosy Club FY18 sales breakdown



Day parts: Morning 09.00-12.00; Afternoon 12.00-18.00; Evening 18.00-00.00

4.3 Menu and pricing strategy

Value for money is a core tenet for both brands and the Directors believe this offers resilience in a tighter consumer spending environment. The Group has one Lounge menu and one Cosy Club menu with the same price point nationwide, which is intended to fill the middle ground between value-pub and national restaurant brands/independents. Customers can eat a substantial, good quality meal for less than £10 and the coffee is priced in line with other national coffee chains.

Loungers has never operated discount codes or schemes. The Group runs selected promotions around special occasions such as Valentines Day and runs regular promotions such as “Cheeky Mondays” and “Tapas Tuesdays” designed to drive footfall on quieter or more competitive nights. Staff are actively encouraged to offer free drinks and food on an ad hoc basis at their discretion. Examples where free drinks and food could be offered include rewarding a regular customer, a less advantaged customer or a customer who is having a very good or bad day. The Group does not offer a takeaway or delivery service from any of its sites, focusing instead on community engagement and bringing people together.

Neither brand is wedded to a specific cuisine. The menus include classics such as an all-day breakfast and burgers, alongside tapas dishes and sharing plates, as well as salads and a variety of main and children’s dishes, offering something for everyone at a range of price points. The Group also offers vegan and gluten free menus. This diverse menu gives the Group the flexibility to adapt and change its menu quickly in response to consumer trends as well as cost pressures, allowing the Group to be both proactive and defensive in its strategy.

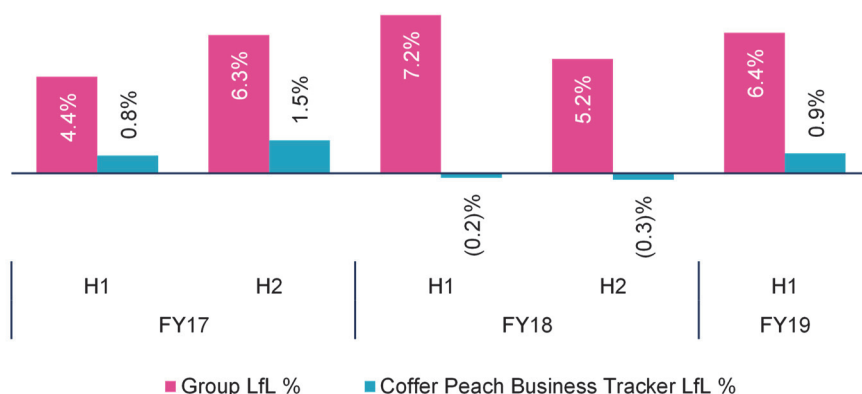
Menus are typically revised bi-annually and, historically, price increases have been very limited and focused. Food is freshly prepared at each site and the Group does not operate central production facilities.

4.4 Market and competition

Loungers operates in the UK hospitality sector, competing with coffee shops, pubs, restaurants and local independent operators. However, 72 per cent. of Lounge customers see it as a unique proposition⁴, rather than categorise it solely as a restaurant, pub or coffee shop. Independent analysis recently undertaken by CACI concluded that the Group has no single competitor and that it can co-exist with all other operators. 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.

Over the past three years, the Group’s like-for-like sales have consistently and significantly outperformed the Coffer Peach Business Tracker, which is seen as the benchmark index for the UK hospitality sector. The Directors believe this demonstrates the Group’s unique positioning and resilience. The Group’s like-for-like sales outperformance to date has primarily been driven by volume, rather than price.

Group like-for-like sales vs Coffer Peach Business Tracker

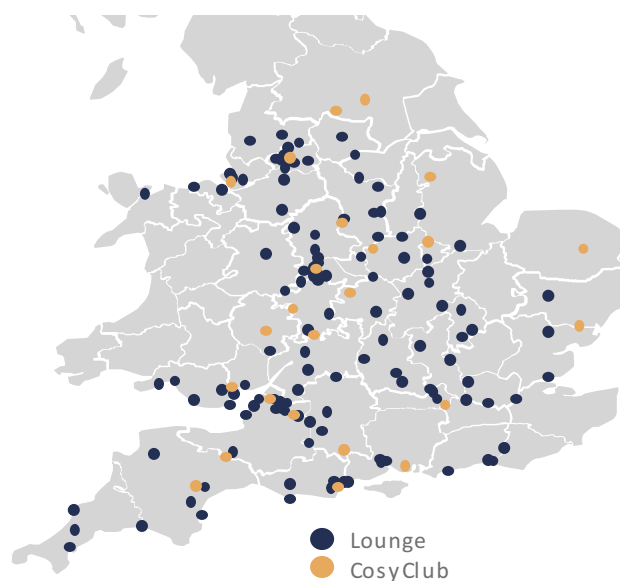


4.5 Estate

Loungers operates from sites in 146 locations and communities across England and Wales. The Group currently has three sites within the M25, and whilst it has no plans to open in Central London, the Group sees further opportunity within Greater London, in locations which have a similar demographic profile to the existing estate.

⁴ November 2018 survey of 1,529 customers undertaken by consultancy firm Market Measures

Locations of all Lounges and Cosy Clubs



Abingdon, Pablo Lounge
 Amersham, Metro Lounge
 Aylesbury, Rococo Lounge
 Banbury, Pinto Lounge
 Bangor, Clio Lounge
 Barnstaple, Tarko Lounge
 Bath, Velo Lounge
 Bedford, Albero Lounge
 Bicester, Torino Lounge
 Biggleswade, Rosso Lounge
 Birmingham, Allegro Lounge
 Birmingham, Arco Lounge
 Birmingham, Desco Lounge
 Birmingham, Loco Lounge
 Birmingham, Paramo Lounge
 Birmingham, Quinto Lounge
 Birmingham, Renato Lounge
 Birmingham, Sorrento Lounge
 Birmingham, Verdo Lounge
 Bournemouth, Circo Lounge
 Bournemouth, Conto Lounge
 Bournemouth, Ludo Lounge
 Bridgend, Corvo Lounge
 Brighton, Alcampo Lounge
 Bristol, Banco Lounge
 Bristol, Grupo Lounge
 Bristol, Lounge
 Bristol, Porto Lounge
 Bristol, Tinto Lounge
 Bury St Edmunds, Edmundo Lounge
 Bury, Racconto Lounge
 Cardiff, Fino Lounge
 Cardiff, Juno Lounge
 Cheadle, Brezo Lounge
 Chesterfield, Sorbo Lounge
 Chippenham, Rivo Lounge
 Christchurch, Arcado Lounge
 Cirencester, Toro Lounge
 Clevedon, Teatro Lounge
 Corby, Paletto Lounge
 Derby, Carnero Lounge
 Didcot, Berro Lounge
 Dorchester, Vivo Lounge
 Epsom, Caballo Lounge
 Evesham, Orto Lounge
 Exeter, Puerto Lounge
 Falmouth, Palacio Lounge
 Frome, Cordero Lounge
 Glossop, Pico Lounge

Gloucester, Portivo Lounge
 Grantham, Cinco Lounge
 Heswall, Otto Lounge
 Hinckley, Tarro Lounge
 Hitchin, Granello Lounge
 Hove, Modelo Lounge
 Kettering, Kino Lounge
 Keynsham, Bonzo Lounge
 Kidderminster, Tappeto Lounge
 Letchworth Garden City, Cultivo Lounge
 Lewes, Fuego Lounge
 Lichfield, Faro Lounge
 Liverpool, Brasco Lounge
 Liverpool, Milo Lounge
 Loughborough, Centro Lounge
 Manchester, Benito Lounge
 Manchester, Expo Lounge
 Manchester, Navarro Lounge
 Mansfield, Capo Lounge
 Market Harborough, Mercado Lounge
 Melton Mowbray, Montero Lounge
 Monmouth, Estero Lounge
 New Brighton, Marino Lounge
 Newcastle-under-Lyme, Cappello Lounge
 Newport, Drago Lounge
 Newquay, Concho Lounge
 Newton Abbot, Orsino Lounge
 Northampton, Zapato Lounge
 Nottingham, Bendigo Lounge
 Oldham, Molino Lounge
 Ormskirk, Nordico Lounge
 Orpington, Pato Lounge
 Penarth, Ocho Lounge
 Peterborough, Argo Lounge
 Plymouth, Seco Lounge
 Poole, Delfino Lounge
 Portishead, Impero Lounge
 Prestatyn, Torello Lounge
 Reading, Alto Lounge
 Reading, Bosco Lounge
 Rugby, Bacco Lounge
 Rustington, Establo Lounge
 Sheffield, Amaro Lounge
 Southampton, Maritimo Lounge
 Southampton, Santo Lounge
 Southampton, Trago Lounge
 Southend-on-Sea, Molo Lounge
 Stafford, Verso Lounge
 Staines-upon-Thames, Nostrano Lounge

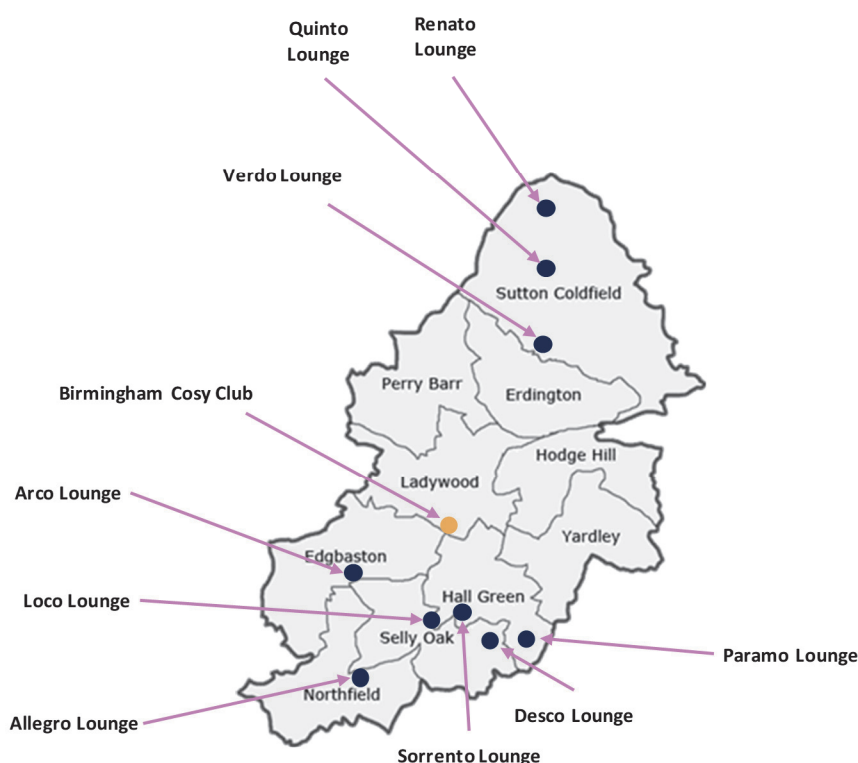
Stockport, Berretto Lounge
 Stocksbridge, Zorro Lounge
 Street, Fondo Lounge
 Stroud, Curio Lounge
 Sudbury, Prado Lounge
 Swansea, Croeso Lounge
 Swansea, Zinco Lounge
 Telford, Novello Lounge
 Tewkesbury, Rosado Lounge
 Torquay, Visto Lounge
 Trowbridge, Valeroso Lounge
 Truro, Truro Lounge
 Urmston, Bevano Lounge
 Warrington, Dorado Lounge
 Wellingborough, Castello Lounge
 West Bridgford, Portello Lounge
 Weston-super-Mare, Brunello Lounge
 Weymouth, Nautico Lounge
 Wilmslow, Unico Lounge
 Witham, Valero Lounge
 Witney, Como Lounge
 Woking, Marciano Lounge
 Wokingham, Sedero Lounge
 Yate, Bolero Lounge

Cosy Club Bath
 Cosy Club Birmingham
 Cosy Club Bournemouth
 Cosy Club Bristol
 Cosy Club Cardiff
 Cosy Club Cheltenham
 Cosy Club Coventry
 Cosy Club Derby
 Cosy Club Exeter
 Cosy Club Guildford
 Cosy Club Hereford
 Cosy Club Ipswich
 Cosy Club Leeds
 Cosy Club Leicester
 Cosy Club Lincoln
 Cosy Club Liverpool
 Cosy Club Manchester
 Cosy Club Norwich
 Cosy Club Portsmouth
 Cosy Club Salisbury
 Cosy Club Stamford
 Cosy Club Taunton
 Cosy Club Worcester
 Cosy Club York

The Group operates successfully in city centres, market towns, high streets, secondary suburban high streets and retail centres, achieving consistently strong like-for-like sales and returns wherever it has opened.

The Lounge brand has a proven ability to operate in populations as low as 10,000 and still generate attractive returns on capital. The strength of the Group's all-day trade and repeat custom enables the Group to trade successfully in smaller secondary locations that typically have lower rent and less competition. The Group also has the ability to cluster in the suburbs of larger cities, with new units opening in close proximity to existing sites without cannibalising sales, as demonstrated in Birmingham, which has nine Lounges and one Cosy Club.

Location of Lounges and the Cosy Club in Birmingham



Like-for-like sales and returns are consistent across vintages and geographic regions.

Every mature site is profitable and the Group has only ever closed four sites one of which was due to a site approaching the end of its lease. In addition, one site was recently relocated to a larger site on the same high street.

The existing estate of Lounges and Cosy Clubs is well maintained. The individual nature of each site and the "lived in" feel of the interiors means that sites often look better with age and, to date, no older sites have ever needed a full refurbishment. This has resulted in low maintenance capex, which, in FY18, averaged less than £10,000 per site. In addition to ongoing maintenance capex, from time to time, the Group undertakes 'splash and dash' refurbishments (which typically involve changing elements of decoration furniture, artwork or lighting within a Lounge or Cosy Club). Such investments are typically undertaken to introduce new design features into older sites. In FY18 the Group undertook eight refurbishments at an average cost of £94,000 per site.

The Group typically enters into 15 year leases on its sites. By entering into 15 year leases, the Group is able to secure attractive rental terms and landlord incentive packages which, coupled with the Group's ability to trade all day, allows the Group to trade successfully in low population locations. Average passing rent per square metre is £295 for a Lounge and £300 for a Cosy Club and rents averaged circa five per cent. of sales between FY16 and FY18. The Group also seeks landlord contributions and rent free periods when it takes on new long term leases.

4.6 New site openings

The Group's highly refined rollout model includes a dedicated property function that supports the senior management with site selection, evaluation and contract negotiation. The Group has four dedicated in-house build-teams that manage the entire fit out process for each new site. The familiarity, efficiency, cost-effectiveness and reliability of these in-house teams have been an important factor in the successful acceleration of the rollout in recent years, and the ability of the Group to manage in excess of 20 openings per year. The Directors believe that this in-house build capability is relatively unusual in the hospitality sector and helps the Group to keep capital expenditure on new sites well below that of other operators, while maintaining the uniqueness of each Lounge and Cosy Club.

New site capital expenditure is tightly controlled and is typically £0.6 million for a Lounge and £1.0 million for a Cosy Club. The overall cash return on capital invested has remained consistent at circa 34 per cent. in each of FY17, FY18 and the 24 weeks to 7 October 2018.

The Group's operational infrastructure has been built to facilitate the rollout of 25 new sites per year, with a high ratio of operations staff to sites providing the capacity to support the rollout and ensure intensity of site management. New staff are trained in nearby sites prior to opening and experienced staff are often brought in to help manage an opening. As a result of the gradual acceleration of the rollout, with a new site opening every two weeks on average over the last 12 months, openings have become part of the day-to-day operation of the Group. As the number of sites in the Group increases, the Group benefits from having an expanded base of experienced employees and a larger regional management infrastructure to support new site openings.

New Lounge sites typically achieve sales maturity after 52 weeks and will often demonstrate a "honeymoon" in sales over the first four to six months. Cosy Clubs can take up to two years to reach sales maturity. Gross margins and labour ratios typically take four to six months to reach mature levels across both brands as a site reaches operational efficiency and sales normalise following any honeymoon period.

4.7 Central infrastructure

The Group has made significant investment over the past three years to build an operational and head office structure capable of supporting the Group's growth plans.

Both Lounge and Cosy Club have their own brand Managing Directors and standalone regional operating structures, supported by centralised finance, property, IT and HR teams. Head office functions have largely been brought in-house but some functions (for example IT support) are out-sourced. The Group uses industry standard EPOS, labour scheduling, property management and financial reporting software.

Investment in building and developing the Group's operational capabilities has continued during FY19 with the appointment of the Group's first People Director and Head of IT and the strengthening of the property team with a new Property Director.

The Directors intend to continue to invest in order to equip the Group for future growth, through additional brand specific resource and continued investment in technology.

The Group has a diverse supplier base with the top five suppliers accounting for 42 per cent. of total spend in FY18. Loungers typically enters into two or three year supply agreements with its main food, drink and consumables suppliers following competitive tendering processes. Prices for seasonal market products are fixed for between three to six months depending on the product, with non market products typically subject to annual increases. Suppliers to the Group who import goods from outside the UK will typically hedge their foreign exchange exposure for the duration of each fixed price period. The Group has very limited direct exposure to foreign exchange movements with all but a small minority of capex suppliers paid in sterling.

4.8 Corporate values and culture

The Directors believe that the Loungers culture contributes significantly to the success of the Group. Employees are encouraged to engage with customers and the local community to ensure "every customer leaves happy". Diversity and individuality among the employee base is also encouraged. The high ratio of operations staff to sites allows the operations team to remain close to the sites. The senior management

team also spend a significant amount of time visiting sites and engaging with employees, then providing feedback to the operations team about the strength of their respective teams and culture.

The Group has regular monthly forums across the country called “Glue Crews” and the “Squadron” where the senior management team meet with employees of all levels and listen to feedback on how they feel about their Lounge and/or Cosy Club and suggestions for how the Group could improve. There is also an anonymous email feedback service that can be used at any time. Furthermore, the Group undertakes an annual survey to understand employee priorities, with the enjoyment of working as part of a great team, the lack of uniform and freedom to express themselves consistently featuring among the top responses. Regular staff incentives include trips overseas, nights out and the opportunity for the team to have a night off while the senior leadership team take over the running of the site for the night. The majority of sites are closed Christmas Day and Boxing Day and for the annual staff festival, which is an opportunity for all employees nationwide to come together and celebrate being part of the Group.

Site teams are encouraged to participate in new openings by supporting and training new employees and the growth of the Group provides significant opportunities for development and progression for ambitious team members.

5. Strategy

The Directors intend to continue to pursue an organic growth strategy, driven by the rollout of new Lounge and Cosy Club sites and an ongoing focus on operational improvements to drive further sales and margin improvements across the existing estate. The Group has opened 25 sites in the financial year ended 21 April 2019. This strategy is consistent with the strategy successfully executed by the Group over the past three years.

5.1 *Rollout of new Lounge and Cosy Club sites*

The Directors are targeting 25 new site openings per annum over the medium term, of which approximately 20 are expected to be Lounges and approximately five are expected to be Cosy Clubs.

Independent analysis by location planning consultants CACI has identified the potential for more than 400 Lounges and for more than 100 Cosy Clubs in England and Wales. The Directors believe that the number of potential new Lounge sites is conservative given the recent performance of new openings across a range of catchments. At 400 sites, the Lounge estate would still be less than half the size of the current estates of certain other operators in the UK hospitality sector.

The Group opened 21, 20 and 22 sites in FY16, FY17 and FY18, respectively. The Group has opened 25 sites and relocated one site in FY19. The Group has a further 13 sites where contracts have been exchanged and 35 sites in legal documentation or at heads of terms stage. The Group is typically evaluating approximately 40 additional locations at any one time.

The Group adheres to rigorous new site selection criteria and a structured appraisal process. New sites are assessed against a number of investment, demographic and catchment criteria, and are subject to sign off by the Board.

The Group has a revolving credit facility to help fund capital expenditure and working capital but the Directors expect the rollout to be funded by internally generated operating cashflows within the next two years.

5.2 *Ongoing focus on operational improvements*

The Directors believe that by continuing to focus on exceptional hospitality, menu evolution, community engagement and its culture, the Group will continue to drive like-for-like sales growth and operational improvement as it has done successfully over the past three years.

The Directors believe that there is always scope to improve speed of delivery and product consistency. During FY19, the Group invested in a project to improve the design and operation of the kitchens, in large part to improve the working life and efficiency of the back of house teams. In addition to elements of kitchen re-design and new equipment, the project has involved the installation of kitchen screens (as a replacement for kitchen printers and paper tickets). Kitchen screens and the data they provide will help the Group to

assess kitchen efficiency and in turn customer satisfaction (as measured by ticket times). The Directors expect to rollout this project across a large part of the estate during the next financial year.

The Group already has a rigorous focus on managing its costs but the Directors believe there is more that can be done to optimise the cost base, particularly in relation to the supply chain and the potential introduction of a central distribution capability to reduce the number of daily deliveries to each of the sites. Loungers' top five suppliers accounted for 42 per cent. of third-party invoices in FY18 and the Group is currently undertaking a review of the supply chain including the re-tendering of a number of key suppliers. The Directors also expect performance to benefit from operational gearing and economies of scale as the Group continues to grow.

6. Summary Financial Information

The table below, which have been extracted from the historical financial information set out in Part III of this document, sets out a summary of the financial results of the Group for the three financial years to 22 April 2018 and the two 24 week periods to 8 October 2017 and 7 October 2018. Prospective investors should read the full historical financial information in Part III of this document and not solely rely upon the summary below.

	52 weeks ended			24 weeks ended	
	24 April	23 April	22 April	Unaudited 8 October	7 October
	2016	2017	2018	2017	2018
	£000	£000	£000	£000	£000
Revenue	68,475	91,753	121,067	51,662	65,444
Cost of sales	(41,415)	(52,856)	(70,479)	(30,475)	(38,842)
Gross Profit	27,060	38,897	50,588	21,187	26,602
Administrative expenses	(25,242)	(39,828)	(43,592)	(19,156)	(23,396)
Operating Profit/(Loss)	1,818	(931)	6,996	2,031	3,206
Exceptional items	452	5,869	542	327	–
Share based payment charge	249	380	533	246	246
Site pre-opening costs	1,710	1,585	2,001	701	1,081
Adjusted operating profit	4,229	6,903	10,072	3,305	4,533
Depreciation	4,429	5,779	6,567	3,349	3,580
Adjusted EBITDA	8,658	12,682	16,639	6,654	8,113

Revenue and profitability

Between 24 April 2016 and 22 April 2018 sales grew at a CAGR of 33 per cent., driven by a combination of new site openings and like-for-like sales growth in the existing estate.

Adjusted EBITDA grew at a CAGR of 39 per cent. over the same period.

The Group has maintained consistent gross profit and Adjusted EBITDA margins despite well documented consumer sector pressures.

Seasonality and working capital

The Group benefits from negative working capital but experiences significant intramonth and seasonal working capital movements based around the timing of supplier, landlord, payroll and HMRC payment runs. All suppliers are paid to contracted terms. This negative working capital has enabled the Group to achieve operating cash conversion of in excess of 100 per cent.

Conditional on Admission, the Company has entered into a new £10 million revolving credit facility to fund working capital movements and capital expenditure.

7. Current Trading

Historical financial information on the 24 week period ended 7 October 2018 is set out in Part III of this document.

Since 7 October 2018, the Group has continued to expand, opening 10 new Lounges and two new Cosy Clubs and bringing the total for both brands to 146 as at the date of this document. Over the 24 weeks ended 24 March 2019, the Group achieved like-for-like sales growth of 7.7 per cent., maintaining its track record of consistently outperforming the wider hospitality sector.

Since 24 March 2019 and through its FY19 year end, the Group has continued to trade in line with the Directors' expectations.

8. Dividend Policy

In the short term, the Directors intend to retain the Group's earnings for re-investment in the rollout of new Lounge and Cosy Club sites. It is the Directors' ultimate intention to pursue a progressive dividend policy, subject to the availability of sufficient distributable profits and the need to retain sufficient earnings for the future growth of the Group.

9. Directors and Senior Management

Directors

On Admission, the Board will consist of three Executive Directors and four Non-Executive Directors, three of whom are considered to be independent. Brief biographies of the Directors and the senior managers of the Group are set out below.

Paragraph 7 of Part V of this document contains further details of current and past directorships and certain other information relating to the Directors. The Board believes that Loungers benefits from a strong, stable and proven executive and senior management team.

Alex Reilley (aged 45) – Founder 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 a number of roles within the leisure sector including as Operations Manager at Glass Boat Co., where he spent seven years.

Nick Collins (aged 44) – 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 146 sites as at the date of this document. 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 (aged 52) – 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 20 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 Southern Dental 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.

James Cocker (aged 36) – Non-Executive Director

James is a Partner and member of the Investment Committee at Lion Capital. James joined the Group as a Non-Executive Director in December 2016, having led the transaction that resulted in Lion Capital's investment. Since joining Lion Capital in 2006, James has led investments into a number of consumer brands, including Grenade, DMC Group, and Kix Soccer Centers. Prior to joining Lion Capital, James spent two years at McKinsey & Company with a focus on the consumer and retail sectors. James holds a degree in Philosophy, Politics and Economics from Oxford University.

Nick Backhouse (aged 55) – 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 Eaton Gate Gaming Ltd (2018 – Present) and as a Trustee and Director of Chichester Festival Theatre (2014 – 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 (aged 49) – 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 a Non-Executive Director of PureGym Ltd (2018 – Present) where he also served as CFO (2012 – 2018) and a Non-Executive Director at Ten Entertainment Group plc (2018 – Present). Prior to his role as CFO at PureGym Ltd, Adam was Finance Director at Atmosphere Bars & Clubs Ltd (2009 – 2012), Finance Director at D&D London Ltd (2006 – 2009) and has held various other finance positions at House of Fraser Ltd, Granada Group plc and Whitbread Plc.

Jill Little (aged 65) – 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) and Nobia AB (2017 – Present) and Shaftesbury plc (2010 – Present). 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. Jill also acts as an adviser to El Corte Ingles S.A. (2012 – Present), Europe's largest department store group.

Senior Management

Justin Carter (aged 54) – Managing Director of Lounge

Justin joined the Group in January 2015 as Chief Operating Officer and was appointed Managing Director of the Lounge brand in summer 2017. Justin is responsible for the management of the whole Lounge team, its financial performance, the evolution of the Lounge offering and its continued expansion. Prior to joining the Group, Justin was Operations Director at Fuller Smith & Turner P.L.C. where he was responsible for the Premium City division of London managed pubs. In 1995 Justin founded The Elbow Room Ltd, a UK-based chain of pool bars, which he ran until its sale to Inc Group in 2008.

Amber Wood (aged 40) – Managing Director of Cosy Club

Amber joined the Group in August 2015 as a Regional Operations Manager for the Lounge brand before moving to Managing Director of the Cosy Club brand in summer 2017. Amber is responsible for the whole Cosy Club team, its financial performance, the evolution of the Cosy Club offering and its continued expansion. Prior to joining the Group, Amber spent nine years at Novus Leisure Ltd including two years as Head of Operations.

Jake Bishop (aged 45) – Commercial Director

Jake co-founded the Group in 2002 and has held various senior operational roles since that time. After a year establishing the role of Managing Director of the Cosy Club brand, Jake became Commercial Director in summer 2017 and is responsible for the Group's food and kitchen operations.

Rob Walls (aged 42) – Property Director

Rob joined the Group in January 2019 as Property Director to supplement the existing property function. Rob brings significant experience from other multi-site consumer businesses, having spent seven years at Halfords Group plc (2011 – 2018) as Property Portfolio Manager and latterly Head of Property and worked at Pets at Home Group plc as Acquisition Manager (2008 – 2011) and Home Retail Group Ltd (2007 – 2008). Rob started his career as an Acquisition Surveyor at Brantano N.V. (2003 – 2007).

10. Employees and Locations

Loungers is headquartered in Bristol, and operates from 146 sites across England and Wales. As at 23 April 2019, the Group employed 3,927 people, all of whom were employed in the UK and only 14 per cent. of these employees were from the EU27.

The Group's employee base is broadly divided into the following key functions:

	<i>Head office</i>	<i>Lounge</i>	<i>Cosy Club</i>	<i>Total</i>
Senior management	11	–	–	11
Finance & IT	23	–	–	23
HR & People	6	–	–	6
Property, Maintenance & Facilities	43	–	–	43
Commercial & Operations	30	–	–	30
Regional and operations management	23	–	–	23
Salaried site employees	–	603	211	814
Hourly site employees	–	2,300	677	2,977
Total	136	2,903	888	3,927

The Group currently pays all employees, regardless of age, at least the National Living Wage rate of pay for employees aged 25 and over.

11. Details of the Placing

In relation to the Placing, Loungers, the Directors (in their capacities as Directors and, where applicable, Selling Shareholders), the Selling Shareholders, GCA Altium and the Joint Bookrunners have entered into the Placing Agreement. Pursuant to the Placing Agreement, the Joint Bookrunners have conditionally placed, 41,625,000 Placing Shares at the Placing Price with institutional investors, consisting of 30,798,097 New Ordinary Shares and 10,826,903 Sale Shares. The Placing Shares will represent approximately 45 per cent. of the Enlarged Ordinary Share Capital following Admission. The Placing has not been underwritten.

Details of the Selling Shareholders and the number of Sale Shares being sold pursuant to the Placing are set out below:

<i>Selling Shareholder</i>	<i>Number of Sale Shares</i>
Lion Capital	5,778,075
Alex Reilley	2,213,779
Jacob Bishop	2,213,779
Nick Collins	375,422
Justin Carter	166,319
Gregor Grant	48,939
Other management sellers	30,590
TOTAL	10,826,903

The Placing will raise approximately £61.6 million (before expenses) for the Company and will raise approximately £21.7 million (before expenses) for the Selling Shareholders.

The Placing Agreement is conditional, *inter alia*, upon Admission having become effective by not later than 8.00 a.m. on 29 April 2019 or such later time and date, being not later than 8.00 a.m. on 13 May 2019, as the Company, GCA Altium and the Joint Bookrunners shall agree.

GCA Altium and the Joint Bookrunners have the right under the Placing Agreement to terminate the Placing at any time prior to Admission in certain circumstances. If this right is exercised, the Placing will lapse.

Further details of the Placing Agreement are set out in paragraph 10.2 of Part V of this document.

The New Ordinary Shares will be issued fully paid, and following allotment, will rank in full for all dividends or other distributions declared, made or paid on the Ordinary Share capital of the Company following Admission and will rank *pari passu* in all other respects with all Existing Ordinary Shares in issue on Admission. The rights attaching to the Ordinary Shares are set out in paragraph 9 of Part V of this document.

12. Reasons for Admission and Use of Proceeds

It has long been the ambition of the Founders and the CEO that Loungers become a quoted entity with publicly traded shares. The Directors believe that Admission will position the Group strongly for the next stage of its development, including raising the profile of the Group and assisting in the attraction, incentivisation and retention of employees through appropriate incentive arrangements.

The Placing will raise net proceeds for the Company of approximately £56.4 million (after the deduction of Placing commissions and estimated fees and expenses of approximately £5.2 million). The net proceeds of the Placing will be used, alongside new bank facilities, to repay the Group's current debt facilities and reduce the level of indebtedness in the Group, providing the Group with an appropriate capital structure to pursue its growth plans.

13. Lock-In Arrangements

Each of the Locked-in Shareholders and Lion Capital have undertaken to the Company, GCA Altium and the Joint Bookrunners (subject to certain limited customary exceptions) not to dispose of the Ordinary Shares held by each of them following Admission or any other Ordinary Shares which they may acquire as a result of its or their holding of such shares at any time prior to the date falling, in the case of the Locked-in Shareholders, 12 months from Admission, and in the case of Lion Capital, six months from Admission (the "**Lock-in Period**") without the prior written consent of the Company, GCA Altium and the Joint Bookrunners. Each of the Locked-in Shareholders and Lion Capital have also undertaken to the Company, GCA Altium and the Joint Bookrunners not to dispose of their Ordinary Shares following the expiry of the Lock-in Period otherwise than through either Liberum or Peel Hunt (subject to certain limited customary exceptions) for the period of, in the case of the Locked-in Shareholders 12 months, and in the case of Lion Capital, six months, following the expiry of the Lock-in Period.

A summary of the Lock-In Arrangements are set out in paragraph 10.2 of Part V of this document.

14. Share Plans

The Directors recognise that the success of the Group in the future depends to a significant degree on the performance of its management team. The Directors also believe in the importance of ensuring that all employees are well motivated and identify closely with the success of the Group. To that end, the Company has adopted the Value Creation Plan, the Senior Management Restricted Share Plan and the Employee Share Plan, to align the interests of the participants with the Shareholders.

Value Creation Plan

The Value Creation Plan (the “**VCP**”) is a discretionary executive share plan. Under the VCP, the Remuneration Committee may, within certain limits and subject to any applicable performance conditions, grant to the three Executive Directors and two divisional managing directors awards giving them a future right to be issued Ordinary Shares. Further details of the VCP are set out in paragraph 8.1 of Part V of this document.

Senior Management Restricted Share Plan

The Senior Management Restricted Share Plan (the “**RSP**”) is a discretionary executive share plan. Under the RSP, the Remuneration Committee may, within certain limits, grant to members of the senior management team (as proposed by the Executive Directors on an annual basis) an entitlement to Ordinary Shares in the Company. Further details of the RSP are set out in paragraph 8.2 of Part V of this document.

Employee Share Plan

The Employee Share Plan (the “**ESP**”) is a discretionary all-employee share plan under which senior management may, within certain limits, grant conditional awards on an annual basis to acquire Ordinary Shares to employees. Awards made on Admission are intended to be granted to certain employees. Future awards made under the ESP may be subject to different eligibility criteria and award amounts. Further details of the ESP are set out in paragraph 8.3 of Part V of this document.

15. Admission to Trading, Settlement and Dealing Arrangements

Application has been made for the admission of the Enlarged Ordinary Share Capital of the Company to trading on AIM. It is expected that Admission will become effective and that dealing in the Ordinary Shares will commence on 29 April 2019.

It is expected that, subject to the satisfaction of the conditions of the Placing, the Placing Shares will be registered in the names of the Placees subscribing for or acquiring them and issued or transferred either:

- (a) in CREST, where the Placee so elects and only if the Placee is a “system member” (as defined in the CREST Regulations) in relation to CREST, with delivery (to the designated CREST account) of the Placing Shares subscribed for or purchased expected to take place on 29 April 2019; or
- (b) otherwise, in certificated form, with the relevant share certificate expected to be despatched by post within 10 Business Days of Admission.

Notwithstanding the election by Placees as to the form of delivery of the Placing Shares, no temporary documents of title will be issued. All documents or remittances sent by or to Placees or as they may direct will be sent through the post at their risk.

Pending despatch of definitive share certificates or crediting of CREST stock accounts (as applicable), the Registrar will certify any instrument of transfer against the Group’s register of members.

The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

16. CREST

CREST is a paperless settlement procedure which allows securities to be evidenced without a certificate and transferred other than by written instruction. The Articles of Association permit the holding of Ordinary Shares under the CREST system. Application has been made for all of Enlarged Ordinary Share Capital to be eligible for admission to CREST with effect from Admission. Accordingly settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if the individual Shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

17. Corporate Governance

AIM quoted companies are required to adopt a recognised corporate governance code on Admission, however there is no prescribed corporate governance regime in the UK for AIM companies. The Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Group and the interests of its Shareholders.

The QCA has published the QCA Corporate Governance Code 2018 (the “**QCA Code**”), a set of corporate governance guidelines, which include a code of best practice, comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters. The Board has adopted the QCA Code with effect from Admission.

The Board

Following Admission, the Board will comprise seven Directors, three of whom will be Executive Directors and four of whom will be Non-Executive Directors reflecting a blend of different experience and backgrounds. Three of the Non-Executive Directors – Nick Backhouse, Adam Bellamy and Jill Little – are considered to be independent.

The Board will meet regularly and will be responsible for strategy, performance, approval of any major capital expenditure and the framework of internal controls. Briefing papers will be distributed to all Directors in advance of Board meetings and all Directors will have access to the advice and services of the Chief Financial Officer and Company Secretary, who will be responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with, in accordance with the QCA Code.

The Board has delegated specific responsibilities to the committees referred to below all of which have written terms of reference and formally delegated duties.

Audit Committee

The Group has established an Audit Committee, which will comprise Adam Bellamy as Chairman, Nick Backhouse and Jill Little. It will meet at least three times each year and at any other time when it is appropriate to consider and discuss audit and accounting related issues. The Audit Committee is responsible for determining the application of the financial reporting and internal control principles, including reviewing regularly the effectiveness of the Group’s financial reporting, internal control and risk-management procedures and the scope, quality and results of the external audit.

Remuneration Committee

The Group has established a Remuneration Committee, which will comprise Jill Little as Chairman, Nick Backhouse and Adam Bellamy, which will review the performance of the Executive Directors and set the scale and structure of their remuneration and the basis of their service agreements with due regards to the interests of Shareholders. In determining the remuneration of Executive Directors, the Remuneration Committee will seek to enable the Group to attract and retain executives of the highest calibre. The Remuneration Committee also makes recommendations to the Board concerning the allocation of awards under the Share Plans and for the administration of the Share Plans. No Director is permitted to participate in discussions or decisions concerning their own remuneration.

Nomination Committee

The Group has established a Nomination Committee, which will comprise Nick Backhouse as Chairman, Adam Bellamy and Jill Little and will be responsible for reviewing the structure, size and composition of the Board, preparing a description of the role and capabilities required for a particular appointment and identifying and nominating candidates to fill Board positions as and when they arise.

Relationship with Lion Capital

Lion Capital is currently the holder of approximately 67.3 per cent. of the Existing Ordinary Shares. Immediately following Admission, Lion Capital will hold approximately 38.6 per cent. of the Enlarged Ordinary Share Capital. The Company has entered into the Relationship Agreement with Lion Capital, which governs its relationship with Lion Capital to ensure that the Company is able to carry on its business independently. Lion Capital has agreed that all transactions and relationships with the Company shall be on an arms' length and normal commercial basis. Where it holds 10 per cent. or more of the total voting rights in the Company Lion Capital has the right to appoint a representative director. In addition, where it holds 15 per cent. or more of the total voting rights in the Company, Lion Capital has the right to appoint a board observer. Further details of the Relationship Agreement are set out in paragraph 10.10 of Part V of this document.

18. Share Dealing Code

The Company has adopted, with effect from Admission, a share dealing code for the Directors and all employees, which is appropriate for a company whose shares are admitted to trading on AIM and which is in accordance with Rule 21 of the AIM Rules. The Company will take all reasonable steps to ensure compliance by the Directors and any other applicable employees with the terms of this code.

19. The City Code

The City Code applies to the Company. Under Rule 9 of the City Code, if an acquisition of interests in Ordinary Shares were to cause the acquirer and/or persons acting in concert with it to be interested in Ordinary Shares carrying, in aggregate, 30 per cent. or more of the voting rights in the Company, the acquirer and/or (depending on the circumstances) persons acting in concert with it would be required (except with the consent of the Takeover Panel) to make a cash offer for all of the equity share capital of the Company not already owned by the acquirer and persons acting in concert with it at a price not less than the highest price paid for an interest in a share by the acquirer or persons acting in concert with it during the previous 12 months. A similar obligation to make such a mandatory cash offer would also arise on the acquisition of interests in Ordinary Shares by a person who alone or together with persons acting in concert with is interested in Ordinary Shares carrying at least 30 per cent. but not more than 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and the persons acting in concert with it.

The City Code defines persons "acting in concert" to comprise "persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate an offer for a company". The City Code defines "control" to mean "an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interest give de facto control."

Squeeze out

Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making its takeover offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will acquire their Ordinary Shares and then, six weeks later, it would execute a transfer of the outstanding Ordinary Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders.

The consideration offered to the Shareholders whose Ordinary Shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

Sell out

The Act also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which the takeover offer relates who has not accepted the offer can require the offeror to acquire his Ordinary Shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises its rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

20. Taxation

Information regarding taxation is set out in paragraph 14 of Part V of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. If you are in any doubt as to your tax position you should consult your own independent financial adviser immediately.

21. Further Information

Prospective investors should read the whole of this document which provides additional information on the Group and not rely on summaries or individual parts only. In particular, the attention of prospective investors is drawn to Part II of this document, which contains a summary of the risk factors relating to any investment in the Ordinary Shares.

PART II

RISK FACTORS

An investment in Ordinary Shares involves a high degree of risk. Accordingly prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in Ordinary Shares. The Board considers the following risk factors to be the most significant for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority.

If any of the following risks actually occur, the Group's business, financial condition, capital resources, results or future operations could be materially adversely affected. In such a case, the price of Ordinary Shares could decline and investors may lose all or part of their investment.

Additional risks and uncertainties not currently known to the Board may also have an adverse effect on the Group's business and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group. In particular, the Group's performance may be affected by changes in the market and/or economic conditions and in legal, regulatory and tax requirements.

An investment in Ordinary Shares described in this document is speculative. Potential investors are accordingly advised to consult a person authorised for the purposes of FSMA who specialises in advising on the acquisition of shares and other securities before making any investment decisions. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her. If you are in any doubt about the action you should take, you should consult your independent professional adviser authorised under FSMA.

1. Risks relating to the Group and its business

Operating results may deteriorate and current operating results may not be an indicator of results in the future

The Group's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside of its control. Accordingly, investors should not rely on comparisons with the Group's results to date as an indication of future performance. Factors that may affect the Group's operating results include, without limitation, the potential for increased competition in the UK hospitality sector, or a negative change in the macro-economic environment impacting consumer confidence and discretionary spend. There can be no assurance that a material deterioration in the Group's operating results would not lead to violations of the Group's debt facility agreements, which could have a material adverse effect on the financial position and prospects of the Group. If the Group's operating results fall below the expectations of securities analysts or investors in the future, the trading price of the Ordinary Shares may decline significantly.

A failure to successfully implement the Group's expansion strategy

The Group's core strategy is to open further sites in England and Wales under the Lounge and Cosy Club brands. However, the Directors cannot guarantee that the Group will be able to locate or secure a sufficient number of appropriate sites to meet its growth and financial targets. Further, new openings may take time to reach profitable operating levels or to match historical financial returns due to local competition, the ability to hire staff and other factors. The success of any new openings undertaken by the Group will depend on a number of factors, many of which are beyond the Group's control, including the following:

- the ability to identify and secure available and suitable sites on an economic basis;
- obtaining the required planning consents;
- the ability to secure all necessary operating approvals and licences in a timely manner and in a satisfactory form;
- the extent of the competition for sites;

- the ability to conclude a lease on acceptable terms;
- the ability to fit out new sites at an economic cost;
- delays in the timely development of sites;
- the ability to hire staff that are of a similar standard to those at the rest of the estate; and
- general economic conditions.

Risks associated with site leases

The Group's operating performance depends in part on its ability to secure leases in desired locations at rents the Directors believe to be reasonable. Where applicable, the leases for the Group's sites generally require that their annual rent be reviewed on an "upwards-only" basis every five years. If agreement on "open market" rent cannot be reached between the two parties, the matter is referred to an independent surveyor, who determines the premises' open market rent. The annual rent for the premises then becomes the greater of such open market rental value and the previous contractually agreed rent. As a result, the Group is unable to predict or control the amount of any future increases in its rental costs arising from the review of rents it pays for its sites and is unable to benefit from any decline in the open market rental value of its sites. There can be no assurance that any increase in rent would be offset by an increase in the Group's revenues and accordingly any substantial increase in the rent paid by the Group on its sites could adversely affect the Group's business, financial and other conditions, profitability and results of operations.

Each lease agreement also provides that the landlord may terminate the lease by exercising the usual landlord right to forfeiture in the event of non-payment of rent, tenant insolvency or breach of the tenant covenants in the lease. Termination of any of the Group's leases could harm the results of the Group's operations. Although the Directors believe that they will be able to renew the Group's existing leases, they can offer no assurances that it will succeed in obtaining extensions, or that any such extensions will be on reasonable terms. In addition, lengthy lease terms, restrictive alienation clauses and potential liability for dilapidation costs at the end of a lease may hinder the Group's operational flexibility and have a negative effect on its business.

Most of the Group's leases benefit from security of tenure under the Landlord and Tenant Act 1954 which means that, subject to certain exceptions such as the landlord wanting to carrying out a redevelopment, the relevant member of the Group will be able to apply to court for a renewal of the lease after the expiry of the contractual period. Any lease renewal will be on the same terms as the existing lease subject to updates to cater for reasonable modernization and the current market rent. Where a lease is excluded from these security of tenure provisions, the Group does not have the benefit of this protection and would need to renegotiate with the landlord.

The Group may also decide to enter into lease arrangements that are linked to the turnover of the site. Any turnover linked lease entered into by the Group may, therefore, have a negative impact on the profit margin of any site.

The Group is dependent on obtaining appropriate licences, permits and approvals

The Group's sites are subject to laws and regulations that affect their operations, including in relation to employment, minimum wages, premises and personal licences, alcoholic drinks control, entertainment licences, competition, health & safety, sanitation and data protection. These laws and regulations impose a significant administrative burden on the Group, as managers have to devote significant time to ensure compliance with these requirements and therefore have less time to dedicate to the business. If additional or more stringent requirements were to be imposed in the future, it would increase this burden, which could adversely affect the Group's operating results (as a result of increased costs or lower revenues) and, in turn, adversely affect the Group's financial condition and prospects.

The food and beverage industry in the United Kingdom is regulated at both national and local levels, and each of the Group's sites require licences, permits and approvals to permit, among other things, the sale of alcoholic drinks. Delays and failures to obtain the required licences or permits could adversely affect the operations of the Group. Difficulties or failures in obtaining or maintaining required licences or approvals could delay or prohibit the operation of the Group's sites. If any of the Group's sites have their licences withdrawn or amended, the ability of the Group's sites to sell alcoholic drinks, and other products or services, to its customers may be reduced. Accordingly, the profitability of any such site could be adversely impacted

and this in turn, may have an adverse effect on the Group's operating results, financial condition and/or prospects.

The Group may be subject to privacy or data protection failures and fraudulent activity, and/or incur liabilities as a result of violations of applicable legislation

The Group is subject to regulation regarding its use of personal customer data. These regulations include but are not limited to the UK's Data Protection Act 2018, the General Data Protection Regulation (Regulation (EU) 2016/679) ("**GDPR**") the Privacy and Electronic Communications (EC Directive) Regulations 2003 ("**PECR**") and other applicable legislation. After Brexit the Group will also be subject to any measure that succeeds the GDPR in the UK. The Group processes customer data as part of its business, some of which may be personal data. The Group therefore must comply with the applicable data protection and privacy laws and regulations. These laws restrict the Group's ability to collect and use personal information relating to customers and potential customers including the use of that information for marketing purposes. Further there can be no assurance that the Group's systems will be effective in preventing cyber security related incidents.

The Group uses customer email addresses for marketing purposes. Under applicable regulations, this typically requires consent in a form that meets the requirements of the GDPR, and such consents may not have been obtained by the Group in the required form and/or in all cases. The Group is conducting a review to monitor ongoing compliance of its marketing processes in light of the GDPR and other data protection regulation. Therefore, there is a risk that this review may identify instances where the Group's use of customer email addresses for marketing purposes has involved a breach of the GDPR and/or PECR. Breach of these rules can lead to third party liability, regulatory action or a fine of up to the greater of four per cent. of turnover or €20 million, as well as adverse publicity, any of which could have a material adverse effect on the Group's prospects. Further, there can be no assurance that future compliance with the relevant regulations and the absence of required consents will not curtail the Group's ability to conduct marketing activities to its customer base, which could also adversely affect the Group's business and prospects.

The Group is also exposed to the risk that personal data could be wrongfully appropriated, lost or disclosed, stolen or processed and that the Group may be in breach of applicable data protection and privacy laws and regulations. If the Group or any of the third party service providers on which it relies fails to store or transmit customer information in a secure manner, or if any loss of personal customer data were otherwise to occur, the Group could be subject to investigative or enforcement action by relevant regulatory authorities and could face liability under data protection and privacy laws and regulations. This could result in liability to data subjects, regulatory action and/or a fine of up to four per cent. of global turnover or, if greater, €20 million. The Group could also be subject to various forms of fraudulent activity if it does not have appropriate cyber security protections. The Group is also subject to a number of requirements relating to the processing of credit card data, and there can be no assurance that these requirements have always been met. Any violations may result in the Group incurring liabilities to, for example, card scheme providers, which may have an adverse effect on the Group's financial position, business and prospects.

Any of the event referred to above could also result in the loss of the goodwill of its customers, damage to reputation and deter new customers which could have a material adverse effect on the Group's business, financial condition, results of operation and prospects.

The Group may not be successful in attracting suitable employees or retaining key personnel

The Group's success depends on its retention of key personnel and its ability to recruit, retain and develop suitable personnel for its business, including chefs, site managers and front of house staff. Any future shortages of qualified personnel or the Group's inability to recruit and retain such personnel could have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and/or prospects.

The Group's future development and prospects are substantially dependent on the continuing services and performance of the Executive Directors, and its ability to continue to attract and retain highly skilled and qualified site and regional managers. The Directors cannot give assurances that they or members of the management team will remain with the Group, although the Directors believe the Group's culture, the continued involvement of the Group's founders, and remuneration packages are attractive. If members of the Group's key senior management or teams depart, the Group may not be able to find effective

replacements in a timely manner, or at all, and its business may be disrupted or damaged. The loss of the services of any of the Executive Directors or a number of site managers, chefs and other key employees could damage the Group's business.

Health and Safety regulation may require additional expenditure by the Group

The Group is subject to regulation in areas such as health and safety and fire safety. Whilst the Group believes it has appropriate policies and procedures in place to address such regulatory requirements, these may need to adapt which may require additional expenditure. Furthermore, in order to ensure the Group's sites remain fully compliant with legislative requirements there will always be the need to maintain premises, not only generally but if an ad hoc issue arises, which again will require capital expenditure. Failure by the Group to comply with the relevant legislative requirements may result in fines, penalties, closure of sites and/or litigation which could adversely affect the Group's reputation and business, results of operations, financial condition, or prospects.

The Group's computer and IT systems may not function properly

If any of the Group's operational, financial, human resources, communication or other systems were to be disabled or did not operate properly (including as a result of computer viruses, problems with the internet, sabotage or cyberattack) notwithstanding the controls put in place by the Group to prevent such disablement or failure to operate, the Group could suffer disruption to its business, loss of revenues, loss of data, regulatory intervention or reputational damage. This could have an adverse impact on the Group's operating results, financial condition and prospects.

There may be disruptions in card payment services

The Group is highly dependent on card payment providers as a majority of the Group's revenues are generated from customer card payments. Any temporary or sustained disruption in card payment processing services, resulting in the Group's failure to receive payments and/or the inability of customers to make card payments after dining, would have a significant negative impact on the Group's operations and its financial position. There is no guarantee that any such risk could be mitigated, whether through implementing a "cash-only" policy throughout the Group's estate or otherwise.

Transition to a public company may have adverse effects

The Group has been successful as a private business whose existing shareholders, for the most part, have been closely involved in the business. The Company's transition to a public company involves changes in its ownership and to the Board structure. The Directors expect certain Existing Shareholders to continue to be closely involved in the business, particularly Alex Reilley, Jake Bishop, Nick Collins, Gregor Grant and Justin Carter. There can, however, be no assurance that, in the more public environment of a quoted public company, the Group will be able to manage its operations and strategic direction as successfully as it has as a private business, which may adversely affect the Group's operations and business.

The Group may not be able to maintain its culture

The Group's success has been historically dependent on its existing culture, which includes promoting the individuality of employees and focus on local communities. While the Group had been able to maintain this culture in its growth from one site in 2002 to 146 sites as at the date of this document, there can be no assurance that continued growth resulting from the Company's transition to a public company from a private business will not have an adverse impact on such culture, which may negatively impact the Group's business.

The Group does not currently have registered intellectual property and could be sued for infringement of third party intellectual property rights

The Group's continued success is dependent on its ability to use and exploit the Lounge and Cosy Club brands in the United Kingdom. However, the Group has not historically registered its intellectual property and there is therefore an inherent risk that individuals may assert that the Group's brand or marks infringe their proprietary rights. Even if such claims are without merit, it could cause the Group significant costs in defending such a claim.

The continuing success of the Lounge and Cosy Club brands will depend on its ability to operate without violating the intellectual property rights of others. While the Group takes precautions to minimise the risk of

any infringement of third party intellectual property rights, there can be no assurance that the Group's brands do not currently, and will not in the future, infringe any proprietary rights of others.

The Group's lack of registered intellectual property may increase the risk of a third party using the Lounge and Cosy Club brands without the Group's authorisation. While the Group may be entitled to certain legal remedies in respect of its unregistered intellectual property, there is no guarantee that the pursuit of such legal action would be successful, and any sustained or continued authorised use by third parties may have a negative effect on the Group's branding, business and prospects.

Thus, the Group may need to engage in litigation to defend itself against any claims or to avail itself of legal remedies to protect its brands. Litigation is inherently expensive and time consuming and even if the outcome of litigation is ultimately favourable to the Group, litigation can result in the diversion of substantial resources from the Group's other activities as well as exposing the Group to adverse publicity and reputational risk. Disputes relating to contested intellectual property rights and related litigation may therefore have a material adverse effect on the Group's business, financial condition and/or operating results.

Changes in accounting standards

Changes in accounting standards, rules and regulations (including the implementation of IFRS 16) may have a significant impact on the reported financial results of the Group, and it is impossible to specify or ascertain the effect of such changes or new standards, which is dependent on the financial position of the Group at the time. Moreover, in connection with financial reporting under new or amended accounting standards, the Group will make its own accounting judgements and elections in the future, which cannot be determined at this time.

Changes in taxation, statutory charges and compliance costs.

As a licensed retailer and employer of a large number of employees, the Group is subject to a number of tax and duties levied by the government. The Group's operating and other expenses could increase, without a corresponding rise in revenues, as a result of increases in taxation arising from changes in taxation policies and/or other statutory charges (including, without limitation, increases in business rates across the Group's estate or reductions in capital allowance rates). The Group's financial results may also be adversely affected by other changes in laws, regulations or government policies that lead to increased costs of compliance.

Material loss may arise in excess of any insurance proceeds or from uninsured events

The Group's portfolio of sites could suffer physical damage resulting in losses which may not be fully compensated for by insurance, or at all. In addition, there are certain types of losses, generally of a catastrophic nature, that may be uninsurable or are not able to be insured at a reasonable cost. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose its capital invested in the affected site as well as anticipated future revenue from that property. Material uninsured losses could have a material adverse effect on the Group's results from operations, financial condition and/or business prospects.

2. Risks relating to the Hospitality Industry

The Group's performance could be adversely affected by poor economic conditions

The Group derives all of 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 a number of factors outside of the control of the Group which impact on consumer sentiment and the cost of supply in the UK, including political and economic conditions. Changes in economic conditions in the United Kingdom and elsewhere, including, for example, lower economic growth, interest rates, rates of inflation, industry conditions, political and diplomatic events and trends, tax laws, gross domestic product levels, credit conditions, rising levels of consumer debt, a deterioration in the pound sterling's foreign exchange position, levels of employment, and other factors could have an adverse effect on the financial performance and prospects of the Group.

Risks relating to the supply of food and beverages may have an adverse impact on the Group's operations and financial performance

The Group has agreements, formal and informal, with all of its key suppliers. Given the Group's dependence on a small number of key suppliers, termination of these agreements, variation of their terms, uncertainty as to undocumented terms, or the failure of a key supplier to comply with its obligations under these agreements

(including if a key supplier were to become insolvent or experience other significant financial difficulties) could have a negative impact on the Group's ability to ensure that its sites are properly supplied with food and beverage products and could increase costs if it becomes necessary to find alternative suppliers. In addition, a number of the Group's material supply arrangements are due for renewal in the short term and there can be no assurance that such renewal will be possible on acceptable terms or at all.

The Group's operations depend on timely deliveries and the quality of fresh ingredients, including fresh produce and dairy products, as well as other items, including prepared beverages and non-perishable food and drink items. The Group depends substantially on third party distributors and suppliers for such deliveries. The Group has enjoyed high service standards from its suppliers historically, however, delivery delays and/or a reduction in the quality or volume of produce received and/or a failure or closure of the Group's suppliers could adversely impact the Group's business and ability to service its customers to the required standard. The Group may also be subject to logistical disruptions or failures in the distribution and delivery of supplies. In the event of a major disruption to the timely supply of quality, fresh ingredients, alternative suppliers of goods and/or distribution services (as the case may be) may not be available or may be available only on unacceptable commercial terms. The Group's ability to source supplies may be negatively affected by the United Kingdom's withdrawal from the European Union (see below "*The United Kingdom's anticipated withdrawal from the European Union could adversely affect the Group*").

In addition, the Group typically trades with suppliers on supplier-friendly terms and conditions. These terms and conditions include, in certain circumstances, obligations on the Group to meet minimum purchase orders, a supplier's ability to terminate a contract without cause and rights to suspend deliveries, and uncapped indemnities given by the Group to a supplier. There is no guarantee that the absence of bespoke, negotiated contracts, on more favourable terms to the Group, will not have an adverse effect on the Group's business.

Changing consumer habits or consumer sentiment may have a negative impact of the Group's financial performance

The Group's financial results may be materially impacted by any material change in consumer habits within the United Kingdom. While the Group is responsive to changing trends in consumer tastes, unpredictable and unanticipated changes in demand for gluten free, allergen free, alcohol-free and other specialist foods and beverages, the impact of any 'sugar tax' and demographic trends may also affect the appeal of the Group's offering to consumers, especially if the Group does not anticipate, identify and respond to such changes by evolving its offering adequately and sufficiently promptly, which could hinder the Group's brands to remain relevant in the market and have a negative impact on the Group's financial performance. Further, there can be no assurance that terrorism or other threats would not have a detrimental impact on trading, both as a result of affecting consumer sentiment and possible site closures.

Competitive risk

The Group competes for customers with a wide variety of other operators of cafes, restaurants, pubs and bars, some of which may offer higher amenity levels or lower prices and be backed by greater financial and operational resources. The Group also faces competition from other leisure activity providers and home entertainment providers. Continuing and increased competition from other operators could adversely affect the Group's operating results, financial condition and prospects.

The United Kingdom's anticipated withdrawal from the European Union could adversely affect the Group

On 23 June 2016, a majority of UK voters voted in favour of the United Kingdom's exit from the European Union (commonly referred to as "**Brexit**") in a national referendum, and on 29 March 2017, the UK government triggered Article 50 of the Treaty on European Union, which initiated the withdrawal procedure pursuant to which the United Kingdom is currently due to exit the EU by no later than 31 October 2019. Brexit has created significant political, social and macroeconomic uncertainty for the United Kingdom and Europe and could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate.

Worsening of general economic conditions in the UK could significantly affect the Group's activities in the UK, including, through a negative impact on consumer confidence and sentiment. As negotiations with the European Union are ongoing, it is not clear what the impact on the Group will be when the United Kingdom eventually withdraws from the European Union. However, any of the aforementioned possible effects of

Brexit, and others the Group cannot anticipate, could materially adversely affect the Group's business, prospects, results of operations and financial position.

In addition to the general economic risk that Brexit poses to the Group's business, withdrawal from the European Union may inhibit the Group's ability, and the ability of its suppliers, to source the supplies required for the Group's operations and disruptions to the Group's supply chain may deprive the Group of certain meat, produce, and other fresh ingredients and/or non-perishable items, which could impair the Group's daily operations across its estate, and result in a material adverse effect on the Group's business, prospects, and financial position. This risk is enhanced by the Group's dependence on particular suppliers of fresh ingredients that are sourced from outside the United Kingdom.

Additionally, a disruption to the Group's supply chain, and the need to find alternative sources of meat, produce and other products either in the UK, the EU or internationally, may result in significantly higher prices for certain products necessary to the Group's daily operations and adversely affect the Group's business, prospects and financial position. This shortage of such fresh ingredients and non-perishable items imported from abroad, together with the inflationary effects arising from a deterioration in the foreign exchange rate of the pound sterling against foreign currencies and increased demand for ingredients and items sourced from within the United Kingdom, may lead to a long-term and sustained upwards trend in the cost of the Group's supplies, which could negatively impact the Group's business, prospects and long-term financial position.

While the Group can implement contingency plans in anticipation of potential disruptions on its supply chain, including pre-stocking non-perishable items and products that can be kept frozen, (i) there is no guarantee that such contingency plans would be effective for all products required for the Group's operations and (ii) the implementation of such contingency plans may result in additional costs for the Group.

Furthermore, the Group may face increased competition for personnel given a potential shortage of suitable workers across labour markets following the United Kingdom's withdrawal from the European Union, leading to potentially higher labour costs and difficulties in contracting and retaining staff. Such shortage of personnel may have an adverse impact on the Group's operations, business and prospects.

The Group's financial performance may suffer from food related health concerns and liability

The food and beverage industries can be adversely affected by litigation and complaints from customers or regulatory authorities resulting from quality, illness, injury or other health concerns or other issues stemming from one product or a number of products including products provided by the Group. The Group cannot guarantee that its internal controls and training will be fully effective in preventing all food borne illnesses. Furthermore, some food borne illness incidents could be caused by third party food suppliers and transporters outside of the Group's control. One or more instances of food borne illness at one of the Group's sites could result in increased costs and/or reduced turnover, and negatively affect the Group's profitability and prospects. Furthermore, if any person becomes ill, or alleges becoming ill, as a result of food at one of the Group's sites, the Group may be liable for damages, or be subject to regulatory action or adverse publicity. Such litigation, concerns and complaints and any adverse publicity surrounding such issues may have a material adverse effect on the Group or on the leisure sector generally and therefore on the Group.

The Group is susceptible to local, national or international food or beverage contamination, allergy incident or other health and safety issues affecting the type of food and beverages sold in, and attendance levels at, the Group's sites. Such incidents could affect consumer confidence and preferences, resulting in reduced attendance or expenditure at the Group's sites, or could lead to increased costs for the Group (including in relation to sourcing alternative suppliers or products). In addition, a serious contamination, allergy related incident or related scare at one of the Group's sites could negatively affect the reputation of that site, as well as of the Group as a whole. Negative publicity relating to one of the Group's sites, food quality, food contamination, health inspection scores, accommodation quality, or employee relationships may have a negative impact on the trading performance of the relevant site and potentially the Group's other sites, regardless of whether the allegations are valid or whether the Group is at fault.

Furthermore, the Group's operations and financial conditions are subject to legislative risk as compliance with new regulations affecting the industry, including but not limited to displaying the nutritional value and calorie content of foods, may result in increased costs for the Group, which may have an adverse impact on its operations, prospects and financial conditions.

Complaints or litigation from customers, landlords, local authorities and/or third parties may have a negative impact on the Group's financial performance

The Group could be the subject of complaints or litigation from individuals or groups of customers and/or class actions, as well as local authority environmental health departments, alleging illness or injury or raising other health or operational concerns, and from other third parties in relation to nuisance and negligence. In such circumstances, it may also incur additional liabilities as a leasehold property owner to its landlord. If the Group were to be found liable in respect of any complaint or litigation, this could adversely affect the Group's results or operations and could also adversely affect the Group's reputation.

Changes in the cost of labour and employment risk could adversely affect the Group's financial performance

An increase in labour and employee benefit costs may adversely affect the Group's operating costs. Any shortage in the labour pool or other general inflationary pressures or changes will increase the Group's labour costs. Any increases in labour costs could have a material adverse effect on the Group's prospects, results of operations and financial condition.

Furthermore, as a result of recent case law and government consultation surrounding whether certain types of overtime, tips, bonus, commission payments and other variable remuneration should be included in holiday pay, there may be potential future liabilities or increase in labour costs as the Group may have to make additional payments to its employees in future.

Increases in the National Minimum Wage and availability of minimum wage workers in certain areas may impact the business, results of operations and financial condition of the Group. The National Minimum Wage is a prescribed minimum hourly rate of pay which employers must legally pay to most of their workers dependent on the employee's age. From 1 April 2019 the minimum rates of pay (across all age groups) has increased. The minimum hourly rates applicable to workers aged 25 or over (i.e. the "**National Living Wage**") increased by approximately 4.9 per cent. and the size of any future increases are unknown. A significant proportion of the Group's employees are paid at the National Minimum Wage and, therefore, an increase in the National Living Wage will increase the Group's labour costs. As labour costs are a large proportion of the Group's overall costs, it is possible that future increases could have a material adverse effect on the Group's business, profitability and results of operations. The complex nature of legislation and regulations governing the National Minimum Wage and the National Living Wage may lead to increased compliance costs and/or unintentional breaches of such legislation and/or regulations, and there is no guarantee that the Group would be able to rectify such non-compliance without incurring costs in the form of fines, or suffering from negative publicity.

Increase in minimum contribution rates for automatic enrolment pensions

UK pension automatic enrolment regulations require that qualifying workers are automatically enrolled into a pension plan with minimum contribution rates. The total minimum contribution is currently five per cent. of qualifying earnings (inclusive of at least a two per cent. employer contribution) but this will increase to eight per cent. (inclusive of at least a three per cent. employer contribution) from April 2019. As the Company currently contributes the minimum contribution in respect of a vast majority of its employees, the increase in minimum contribution rates will result in an overall increase in the Group's costs, which may lead to an adverse effect on the Group's financial position, profitability and results of operations.

Potential unionisation of employees or workers

While none of the Group's workforce are currently members of a labour union, there is no guarantee that the Group's workforce will not unionise in the future given the growth of unions in the hospitality sector. Unionisation of the workforce in the future may decrease the Group's bargaining power in negotiating employment terms and conditions, which would lead to higher costs of labour through increased wages and other employment benefits. A unionised workforce may hinder operational flexibility by inhibiting the Group's ability to hire and terminate employees and workers.

Maintaining a positive dialogue with a unionised workforce may lead to increased operational and compliance costs. The failure to maintain such positive relations may lead to labour action, which would adversely affect the Group's business, operations prospects, and lead to negative publicity for the Group.

3. Risks relating to the Ordinary Shares

Risk attaching to the market in Ordinary Shares

As the Ordinary Shares have not previously traded, their market value is uncertain. There can be no assurance that the market will continue to value the Ordinary Shares at the Placing Price. Following Admission, the market price of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment. The Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. At the same time, stock market conditions may affect the Ordinary Shares regardless of the operating performance of the Group. Stock market conditions are affected by many factors, such as general economic outlook or interest rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand and supply of capital. Accordingly, the market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets, and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which pertain to the Group while others of which may be outside the Group's control.

Possible lack of liquidity in Ordinary Shares

Although the Company has applied for the Ordinary Shares to be admitted to trading on AIM, no assurance can be given that at any time after Admission a liquid market for the Ordinary Shares will develop. In the future, Shareholders who need to dispose of their Ordinary Shares may be forced to do so at prices that do not fully reflect the net asset value per Ordinary Share.

AIM

Application has been made for the Ordinary Shares to be admitted to trading on AIM, a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the FCA. AIM has been in existence since June 1995 but its future success, and liquidity in the market for the Company's securities, cannot be guaranteed.

Dividends

The Group has not made any commitment to pay dividends in the future. The ability of the Group to pay dividends is dependent on a number of factors and there is no assurance that the Group will pay dividends or, if a dividend is paid, what the amount of such dividend would be. Consequently, it is possible Shareholders may not receive any return on their investment unless they sell their Ordinary Shares for a price greater than that which they paid for them.

Tax considerations

Changes in tax laws or subordinate legislation or the practice of any taxation authority could have a material adverse effect on the Group. An investment in the Ordinary Shares may involve complex tax considerations which may differ for each investor and each investor is advised to consult its own tax advisers. Any tax legislation and its interpretation and the legal and regulatory regimes which apply in relation to an investment in Ordinary Shares may change at any time.

Investors should refer to the paragraph entitled "**United Kingdom taxation**" in paragraph 14 of Part V of this document for a summary of the possible tax consequences of owning the Ordinary Shares.

Conditionality of the Placing

The Placing is conditional upon, among other things, Admission. In the event that any condition to which Admission is subject is not satisfied or, if capable of waiver, waived, Admission will not be implemented.

No prior market for the Ordinary Shares

Before Admission, there has been no prior market for the Ordinary Shares. Although application has been made for the Ordinary Shares to be admitted to trading on AIM, an active public market may not develop or be sustained following Admission.

There is no guarantee that the Company will maintain its quotation on AIM

The Company cannot assure investors that the Company will always retain a quotation on AIM. Additionally, if in the future the Company decides to obtain a listing or quotation on another exchange in addition to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

Issuance of additional Ordinary Shares

It is possible that the Company may decide to issue, pursuant to a public offer or otherwise, additional Ordinary Shares in the future at a price or prices higher or lower than the Placing Price. An additional issue of Ordinary Shares by the Company, or the public perception that an issue may occur, could have an adverse effect on the market price of Ordinary Shares and could dilute the proportionate ownership interest, and hence the proportionate voting interest, of Shareholders if, and to the extent that, such an issue of Ordinary Shares is not effected on a pre-emptive basis or Shareholders do not take up their rights to subscribe for further Ordinary Shares as part of a pre-emptive offer.

Substantial sales of Ordinary Shares

There can be no assurance that certain Shareholders will not elect to sell their Ordinary Shares following the expiry of applicable lock-in and orderly marketing arrangements contained within the Placing Agreement, details of which are set out in paragraph 10.2 of Part V of this document, or otherwise. The market price of Ordinary Shares could decline as a result of any such sales of Ordinary Shares or as a result of the perception that these sales may occur. In addition, if these or any other sales were to occur, the Company may in the future have difficulty in offering Ordinary Shares at a time or at a price it deems appropriate.

Substantial Shareholders

On Admission, Lion Capital, Alex Reilly and Jake Bishop will hold, in aggregate, approximately 52.7 per cent. of the Enlarged Ordinary Share Capital. Notwithstanding the terms of the Relationship Agreement (in relation to Lion Capital), the Articles and applicable laws and regulations, these Shareholders will be able to exercise significant influence over the Company and the Group's operations, business strategy and those corporate actions which require the approval of Shareholders.

Market perception

Market perception of the Group may change, potentially affecting the value of investors' holdings of Ordinary Shares and the ability of the Company to raise further funds by the issue of further Ordinary Shares or otherwise. Negative perceptions of the Group's competitors may result in negative market perception of the hospitality and food industry as a whole, which would have an adverse effect on price of the Ordinary Shares as well as the Company's ability to raise further funds either publicly or privately.

Forward-looking statements

This document contains forward-looking statements that involve risks and uncertainties. All statements, other than those of historical fact, contained in this document are forward-looking statements. The Group's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors. Investors are urged to read this entire document carefully before making an investment decision.

The forward-looking statements in this document are based on the Directors' beliefs and assumptions and information only as of the date of this document, and the forward-looking events discussed in this document might not occur. Therefore, investors should not place any reliance on any forward-looking statements. Except as required by law or regulation, the Directors undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future earnings or otherwise.

PART III

HISTORICAL FINANCIAL INFORMATION

This Part III contains in Section 1 the accountants report from PricewaterhouseCoopers on the Combined and Consolidated Historical Financial Information of the Group and in Section 2 the Combined and Consolidated Historical Financial Information for FY16, FY17, FY18 and the 24 weeks ended 8 October 2017 and 7 October 2018.

Section 1: Accountants Report on the Combined and Consolidated Historical Financial Information



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24 April 2019

Dear Ladies and Gentlemen

Lion/Jenga Topco Limited

We report on the Combined and Consolidated Historical Financial Information for the 52 week periods ended 24 April 2016, 23 April 2017 and 22 April 2018 and the 24 week period ended 7 October 2018 of Lion/Jenga Topco Limited and subsidiaries (the “**Operating Group**”) set out in section 2 of Part III below (the “**Financial Information Table**”). The Financial Information Table has been prepared for inclusion in the admission document dated 24 April 2019 (the “**Admission Document**”) of Loungers plc (the “**Company**”) on the basis of the accounting policies set out in note 2 to the Financial Information Table. This report is required by item Schedule Two of the AIM rules for Companies published by the London Stock Exchange plc (the “**AIM Rules**”) and is given for the purpose of complying with that Schedule and for no other purpose.

We have not audited or reviewed the financial information for the 24 week period ended 8 October 2017 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

Responsibilities

The Directors of the Company are responsible for preparing the Financial Information Table in accordance with the basis of preparation set out in note 2 to the Financial Information Table.

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PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

It is our responsibility to form an opinion as to whether the Financial Information Table gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Operating Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information Table gives, for the purposes of the Admission Document dated 24 April 2019, a true and fair view of the state of affairs of the Operating Group as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 to the Financial Information Table.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Section 2: Combined and Consolidated Historical Financial Information

COMBINED AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	52 weeks ended			24 weeks ended	
		24 April	23 April	22 April	Unaudited 8 October	7 October
		2016	2017	2018	2017	2018
		£000	£000	£000	£000	£000
Revenue	4	68,475	91,753	121,067	51,662	65,444
Cost of sales		(41,415)	(52,856)	(70,479)	(30,475)	(38,842)
Gross Profit		27,060	38,897	50,588	21,187	26,602
Administrative expenses		(25,242)	(39,828)	(43,592)	(19,156)	(23,396)
Operating Profit / (loss)	5	1,818	(931)	6,996	2,031	3,206
Finance cost	7	(2,397)	(6,076)	(13,644)	(6,316)	(6,682)
Loss before taxation		(579)	(7,007)	(6,648)	(4,285)	(3,476)
Tax on loss	8	(79)	(279)	(601)	(233)	(295)
Loss for the period		(658)	(7,286)	(7,249)	(4,518)	(3,771)
Other comprehensive income:						
Cash flow hedge – change in value of hedging instrument		–	–	323	(21)	(42)
Other comprehensive income for the period		–	–	323	(21)	(42)
Total comprehensive income for the period		(658)	(7,286)	(6,926)	(4,539)	(3,813)
Earnings per share (expressed in pence per share):						
Basic and diluted earnings per share	10	(15.7)	(173.3)	(171.6)	(107.0)	(89.2)

Non GAAP alternative performance measure

	Note	52 weeks ended			24 weeks ended	
		24 April	23 April	22 April	Unaudited 8 October	7 October
		2016	2017	2018	2017	2018
		£000	£000	£000	£000	£000
Operating profit / (loss)		1,818	(931)	6,996	2,031	3,206
Exceptional items	9	452	5,869	542	327	–
Share based payment charge		249	380	533	246	246
Site pre-opening costs		1,710	1,585	2,001	701	1,081
Adjusted operating profit		4,229	6,903	10,072	3,305	4,533
Depreciation		4,429	5,779	6,567	3,349	3,580
Adjusted EBITDA		8,658	12,682	16,639	6,654	8,113

COMBINED AND CONSOLIDATED BALANCE SHEET

		Unaudited				
		At 24 April	At 23 April	At 22 April	At 8 October	At 7 October
		2016	2017	2018	2017	2018
	Note	£000	£000	£000	£000	£000
Assets						
Non-current						
Intangible assets	11	21,372	113,227	113,227	113,227	113,227
Property, plant and equipment	12	38,898	46,978	59,006	51,576	65,965
Total non-current assets		60,270	160,205	172,233	164,803	179,192
Current						
Inventories	13	720	932	1,065	923	1,173
Trade and other receivables	14	2,889	4,201	5,182	3,411	4,906
Derivative financial instruments	18	–	–	323	–	281
Cash and cash equivalents	15	3,803	7,171	7,669	4,696	767
Total current assets		7,412	12,304	14,239	9,030	7,127
Total assets		67,682	172,509	186,472	173,833	186,319
Liabilities						
Current liabilities						
Trade and other payables	16	(17,082)	(22,348)	(27,723)	(22,108)	(27,338)
Derivative financial instruments	18	–	–	–	(21)	–
Borrowings	17	(23,248)	(27,994)	–	–	–
Total current liabilities		(40,330)	(50,342)	(27,723)	(22,129)	(27,338)
Non-current liabilities						
Borrowings	17	(18,024)	(115,810)	(157,368)	(148,475)	(161,146)
Accruals and deferred income	16	(4,105)	(6,030)	(8,183)	(7,536)	(8,504)
Deferred tax liabilities	19	(574)	(2,604)	(2,465)	(2,487)	(2,348)
Provisions	20	(137)	(216)	(130)	(216)	(130)
Total liabilities		(63,170)	(175,002)	(195,869)	(180,843)	(199,466)
Net Assets/(Liabilities)		4,512	(2,493)	(9,397)	(7,010)	(13,147)
Equity						
Called up share capital	22	–	52	53	53	53
Share premium	23	–	4,151	4,172	4,172	4,184
Hedge reserve	23	–	–	323	(21)	281
Capital contribution reserve	23	–	–	–	–	51
Share based payment reserve	23	258	–	–	–	–
Merger reserve	23	10,107	–	–	–	–
Retained earnings	23	(5,853)	(6,696)	(13,945)	(11,214)	(17,716)
Total Equity/(Deficit)		4,512	(2,493)	(9,397)	(7,010)	(13,147)

COMBINED AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital £000</i>	<i>Merger Reserve £000</i>	<i>Share Based Payment Reserve £000</i>	<i>Profit and Loss Account £000</i>	<i>Total Equity £000</i>
At 27 April 2015	–	10,107	9	(5,195)	4,921
Share based payment	–	–	249	–	249
Total transactions with owners	–	–	249	–	249
Comprehensive income for the 52 week period					
Loss for the 52 week period	–	–	–	(658)	(658)
Total comprehensive income for the 52 week period	–	–	–	(658)	(658)
At 24 April 2016	–	10,107	258	(5,853)	4,512
Share based payment	–	–	380	–	380
Total transactions with owners	–	–	380	–	380
Comprehensive income for the period to 19 December 2016					
Loss for the period	–	–	–	(590)	(590)
Total comprehensive income for the period	–	–	–	(590)	(590)
At 19 December 2016	–	10,107	638	(6,443)	4,302

COMBINED AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share Capital £000	Share Premium £000	Merger Reserve £000	Hedge Reserve £000	Share Based Payment Reserve £000	Profit and Loss Account £000	Total Equity £000
At 19 December 2016	–	–	10,107	–	638	(6,443)	4,302
Eliminate reserves of Loungers Holdings as at 19 December 2016	–	–	(10,107)	–	(638)	6,443	(4,302)
Shares issued during the period	52	4,151	–	–	–	–	4,203
Total transactions with owners	52	4,151	–	–	–	–	4,203
Comprehensive income for the period							
Loss for the period	–	–	–	–	–	(6,696)	(6,696)
Total comprehensive income for the period	–	–	–	–	–	(6,696)	(6,696)
At 23 April 2017	52	4,151	–	–	–	(6,696)	(2,493)
Shares issued during the 52 week period	1	21	–	–	–	–	22
Total transactions with owners	1	21	–	–	–	–	22
Comprehensive income for the 52 week period							
Loss for the 52 week period	–	–	–	–	–	(7,249)	(7,249)
Other comprehensive income	–	–	–	323	–	–	323
Total comprehensive income for the 52 week period	–	–	–	323	–	(7,249)	(6,926)
At 22 April 2018	53	4,172	–	323	–	(13,945)	(9,397)

COMBINED AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share Capital £000	Share Premium £000	Hedge Reserve £000	Capital Contribution Reserve £000	Profit and Loss Account £000	Total Equity £000
At 23 April 2017	52	4,151	–	–	(6,696)	(2,493)
Shares issued during the period	1	21	–	–	–	22
Total transactions with owners	1	21	–	–	–	22
Comprehensive income for the 24 week period						
Loss for the period (unaudited)	–	–	(21)	–	(4,518)	(4,539)
Total comprehensive income for the 24 week period	–	–	(21)	–	(4,518)	(4,539)
At 8 October 2017 (unaudited)	53	4,172	(21)	–	(11,214)	(7,010)
At 23 April 2018	53	4,172	323	–	(13,945)	(9,397)
Shares transactions during the period	–	12	–	51	–	63
Total transactions with owners	–	12	–	51	–	63
Comprehensive income for the 24 week period						
Loss for the period	–	–	–	–	(3,771)	(3,771)
Other comprehensive income	–	–	(42)	–	–	(42)
Total comprehensive income for the 24 week period	–	–	(42)	–	(3,771)	(3,813)
At 7 October 2018	53	4,184	281	51	(17,716)	(13,147)

COMBINED AND CONSOLIDATED STATEMENT OF CASH FLOWS

		52 weeks ended			24 weeks ended	
		24 April	23 April	22 April	Unaudited 8 October	7 October
		2016	2017	2018	2017	2018
Note		£000	£000	£000	£000	£000
Net cash generated from operating activities	24	12,490	11,288	19,201	7,009	6,443
Cash flows from investing activities						
Purchase of subsidiary, net of cash acquired	30	–	(94,406)	–	–	–
Purchase of property, plant and equipment		(17,354)	(13,909)	(18,595)	(7,947)	(10,539)
Net cash used in investing activities		<u>(17,354)</u>	<u>(108,315)</u>	<u>(18,595)</u>	<u>(7,947)</u>	<u>(10,539)</u>
Cash flows from financing activities						
Issue of ordinary shares		–	2,737	–	–	–
Issue of preference shares		–	42,771	–	–	–
Bank loans advanced		7,250	3,000	65,000	61,500	–
Other loans advanced		–	52,726	–	–	–
Bank loans repaid		–	–	(21,050)	(21,050)	(1,000)
Repayment of loans		–	–	(39,272)	(39,272)	–
Interest paid		(919)	(839)	(4,786)	(2,715)	(1,806)
Net cash from financing activities		<u>6,331</u>	<u>100,395</u>	<u>(108)</u>	<u>(1,537)</u>	<u>(2,806)</u>
Net increase (decrease) in cash and cash equivalents		1,467	3,368	498	(2,475)	(6,902)
Cash and Cash equivalents at beginning of the period		<u>2,336</u>	<u>3,803</u>	<u>7,171</u>	<u>7,171</u>	<u>7,669</u>
Cash and Cash equivalents at end of the period	25	<u>3,803</u>	<u>7,171</u>	<u>7,669</u>	<u>4,696</u>	<u>767</u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. General information

Lion/Jenga Topco Limited is a private limited company, limited by shares, incorporated in Jersey. The address of the registered office is Aztec Group House, 11-15 Seaton Place, St Helier, Jersey, JE4 0QH.

On 19 December 2016, Lion/Jenga Topco Limited acquired, indirectly, a controlling shareholding in Loungers Holdings Limited, whose subsidiary, Loungers UK Limited (formerly Loungers Limited), constitutes the main operating business of the Group. For the purposes of this combined and consolidated historical financial information, the term “the Group” means prior to 19 December 2016, Loungers Holdings Limited and its subsidiary undertakings and, thereafter, Lion/Jenga Topco Limited and its subsidiary undertakings.

2. Accounting policies

2.1 *Basis of preparation of financial statements*

The combined and consolidated historical financial information presents the financial track record of the Group for the 52 week periods ended 24 April 2016, 23 April 2017 and 22 April 2018 and for the 24 week periods ended 8 October 2017 and 7 October 2018 incorporating the new holding company structure from the date of acquisition.

The historical information has been prepared in accordance with the requirements of the AIM Rules, in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') except as noted below.

Due to the change in the capital structure of the Group that occurred on 19 December 2016 as a result of the acquisition of Loungers Holdings Limited by a subsidiary of Lion/Jenga Topco Limited, certain accounting conventions commonly used in the preparation of combined historical financial information for investment circulars, as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board, have been applied. The application of these conventions results in the following material departures from IFRS in the 52 week periods ended 24 April 2016 and 23 April 2017, in all other respects IFRS has been applied:

- The preparation of the financial information on a combined and consolidated basis, as IFRS does not provide for such preparation;
- The calculation of earnings per share has been performed using the methodology set out in note 10 below, which is not in accordance with IAS 33.

Due to aforementioned changes in the structure of the Group, this historical financial information has been combined and consolidated on the following basis:

52 week period ended 24 April 2016

The historical financial information is the consolidated financial information of Loungers Holdings Limited.

52 week period ended 23 April 2017

The historical information is a combination of:

- the consolidated financial information of Loungers Holdings Limited for the period from 25 April 2016 to 19 December 2016; and
- the consolidated financial information of Lion/Jenga Topco Limited, which includes Loungers Holdings Limited for the period from 20 December 2016 to 23 April 2017.

52 week period ended 22 April 2018 and 24 week periods ended 8 October 2017 and 7 October 2018

The historical financial information is the consolidated financial information of Lion/Jenga Topco Limited.

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

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

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

The comparative 24 week period ended 8 October 2017 is unaudited.

2.2 **Going concern**

The Directors have reviewed the cash projections and funding requirements of the Group for a period of not less than 12 months from the date of approval of this historical financial information and believe that the Group can meet their day-to-day cash flow requirements and operate within all the terms of their banking facilities. Accordingly, this combined and consolidation historical financial information has been prepared on a 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 so as 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 **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 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 contracts 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.

2.5 **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.

2.6 **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.

2.7 **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 per cent. straight-line
Fixtures and fittings	– 6.67 per cent. - 33 per cent. 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.

During the course of the reporting period ended 22 April 2018, the Directors undertook a detailed review of the estimated useful life of the Group's fixtures and fittings. As a result of this review, the decision was taken to revise the estimated useful life of the original artwork, which is contained within fixtures and fittings, from 5 years to 15 years. The impact of this change in estimate was to reduce the depreciation charged in the period by £561,000.

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.

2.8 **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.

2.9 **Trade and other receivables**

Short-term trade and other receivables are measured at transaction prices, less any impairment.

The Group applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due.

2.10 **Impairment**

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicated that they might be impaired.

Goodwill is not allocated to individual CGUs but to a group of CGUs. As the business has a single operating segment as disclosed in note 4 below, 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.

2.11 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.

Cash includes cash in transit in respect of payments made on debit and credit cards.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.12 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, loans from banks and other third parties and loans to related 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 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 period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

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

2.13 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.

2.14 **Trade and other payables**

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

2.15 **Leased assets: the Group as lessee**

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Finance leases

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Lease incentives

Incentives received to enter into an operating lease, either in the form of landlord contributions to fit-out costs or rent free periods, are credited to the Statement of Comprehensive Income, to reduce the lease expense, on a straight-line basis over the period of the lease. The landlord contribution or rent-free accrual are recognised within accruals and deferred income.

2.16 **Pensions**

Defined contribution pension plan

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

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

2.17 **Provisions**

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the 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.

2.18 **Share based payments**

The Group provides share-based payment arrangements to certain employees.

Equity-settled arrangements

Equity-settled arrangements are measured at fair value (excluding the effect on nonmarket-based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the Statement of Comprehensive Income.

Cash-settled arrangements

Cash-settled share options are measured at fair value at the Statement of Financial Position date. The Group recognises a liability at the Statement of Financial Position date based on these fair values, taking into account the estimated number of options that will actually vest and the current proportion of the vesting period. Changes in the value of this liability are recognised in the Statement of Comprehensive Income.

2.19 **Current and deferred taxation**

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

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

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

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

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

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

2.20 **Non GAAP measures**

The directors use Adjusted EBITDA as a primary KPI in managing the business. This measure excludes exceptional items and site pre-opening costs, as defined below, and non-cash share-based payment charges. The directors believe this measure gives a more relevant indication of the underlying trading performance of the group and is also the measure used by the banks for the purposes of assessing covenant compliance.

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 in the presentation of adjusted EBITDA to provide a more accurate indication of the Group's underlying financial position.

2.21 **Related party transactions**

The Group discloses transactions with related parties which are not wholly owned within the same 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.

2.22 **New standards, amendments and interpretations not yet adopted**

The Group has applied the following standards in the preparation of this Combined and Consolidated Historical Financial Information:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*

Both these standards have been adopted retrospectively in all periods presented but these new standards did not have any impact on the amounts recognised.

IFRS 16 'Leases' establishes principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. IFRS 16 will become effective for accounting periods starting on or after 1 January 2019, and the Group do not intend to early adopt. It will therefore become applicable to the Group for the financial year 2020. Management intend to apply the fully retrospective method of adoption.

Management have performed a review to quantify the impact that this standard will have on the Group, which will result in the recognition of a lease liability and a corresponding asset on the Group's balance sheet for a majority of leases, which predominantly represent buildings currently being treated as operating leases.

The impact on the balance sheet at 23 April 2018, which will be the transition balance sheet date, is to recognise a lease liability of approximately £72 million and a right of use asset of approximately £63 million. Accruals and deferred income will also be reduced by approximately £8 million, prepayments reduced by approximately £1 million and the onerous contract provision of £0.1 million will be derecognised, resulting in an overall decrease in net assets of approximately £2 million.

The impact on the income statement for the year ended 22 April 2018 will be to increase operating profit by approximately £2.2 million, increase interest expense by approximately £3.7 million, hence decreasing profit before taxation by £1.5 million. The impact on the income statement for the 24 weeks ended 7 October 2018 will be to increase operating profit by approximately £1.2 million, increase interest expense by approximately £1.9 million, hence decreasing profit before taxation by £0.7 million.

There are no other new standards, amendments or interpretations not yet adopted by the Group that are expected to have a material impact on the Combined and Consolidated historical financial information.

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 key judgements made by the directors in preparing the historical financial information were as follows:

Intangible assets

On 19 December 2016, Loungers Holdings Limited was acquired by a subsidiary of Lion/Jenga Topco Limited. As required under IFRS 3, management undertook an assessment of intangible assets, at the acquisition date, and concluded that the only intangible item arising was goodwill. There are no other separately identifiable intangible assets.

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 below.

The Group makes estimates and assumptions concerning the future. 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.

Impairment of property plant and equipment

Annually, the Group considers whether tangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

Useful economic lives of property, plant and equipment

The depreciation charge in each period is sensitive to the assumptions used regarding the economic lives of assets. During the 52 week period ended 22 April 2018, the useful economic lives of certain categories of assets were revised and the impact is shown in note 2.7.

Share-based payments

Cash-settled share-based payment arrangements are valued at fair value at date of grant, and at subsequent period ends, using management's best estimate of the future value of the business. The sensitivity of key inputs and assumptions used was assessed and a 10 per cent. change in the estimate of the fair value of the business would cause a £214,000 change in the share based payment liability recognised at 22 April 2018 with no impact on earlier periods.

Recognition of deferred tax assets

The group has unrecognised deferred tax assets in respect of interest losses carried forward. An asset has not been recognised as there is insufficient certainty as to whether the level of future profits, and the application of the UK Corporate Interest Restriction rules, will allow these losses to be utilised, given the group's current capital structure. The potential asset that could be recognised in future periods if this assessment were to change is given in note 19 below.

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 profit / (loss)

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

	Note	52 weeks ended			24 weeks ended	
		24 April	23 April	22 April	Unaudited 8 October	7 October
		2016	2017	2018	2017	2018
		£000	£000	£000	£000	£000
Staff costs (excluding share based payments)	6	27,351	35,135	47,033	20,545	26,508
Share based payments	6	249	380	533	246	246
Depreciation of tangible fixed assets	12	4,429	5,779	6,567	3,349	3,580
Operating lease rentals:						
Land and buildings		4,107	5,324	6,782	2,816	3,582
Inventories- amounts charged as an expense		17,716	23,632	30,987	13,613	16,752
Auditor's remuneration						
– for statutory audit services		36	42	48	30	29
– for other non-audit services		9	5	21	–	6
– for tax compliance services		6	10	24	12	12
– to tax advisory services		–	–	52	–	–
Pre-opening costs		1,710	1,585	2,001	701	1,081
Exceptional costs	9	452	5,869	542	327	–

6. Employees and directors

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

	52 weeks ended			24 weeks ended Unaudited	
	24 April 2016	23 April 2017	22 April 2018	8 October 2017	7 October 2018
Management, administration and maintenance	94	105	112	109	125
Site	1,699	2,181	2,890	2,739	3,384
	<u>1,793</u>	<u>2,286</u>	<u>3,002</u>	<u>2,848</u>	<u>3,509</u>

Staff costs were as follows:

	52 weeks ended			24 weeks ended Unaudited	
	24 April 2016 £000	23 April 2017 £000	22 April 2018 £000	8 October 2017 £000	7 October 2018 £000
Wages and salaries	25,551	32,861	44,018	19,213	24,698
Social security costs	1,683	2,117	2,789	1,242	1,577
Share-based payment	249	380	533	246	246
Other pension costs	117	157	226	90	233
	<u>27,600</u>	<u>35,515</u>	<u>47,566</u>	<u>20,791</u>	<u>26,754</u>

There were four directors who served throughout the year. The directors' remuneration for the highest paid director was as follows:

	52 weeks ended			24 weeks ended Unaudited	
	24 April 2016 £000	23 April 2017 £000	22 April 2018 £000	8 October 2017 £000	7 October 2018 £000
Wages and salaries	139	144	103	47	48
Social security costs	18	19	13	6	6
	<u>157</u>	<u>163</u>	<u>116</u>	<u>53</u>	<u>54</u>

The remaining three directors of Lion/Jenga Topco Limited are appointed by Lion Capital LLP to sit on the Lion/Jenga Topco Limited Board. No directors received any emoluments from the company during any of the periods presented and no payments were made for director's services within the management charge to Lion Capital LLP. The services provided to Lion/Jenga Topco Limited are not separable from those duties performed in their roles at Lion Capital LLP.

Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	52 weeks ended			24 weeks ended	
				Unaudited	
	24 April	23 April	22 April	8 October	7 October
	2016	2017	2018	2017	2018
	£000	£000	£000	£000	£000
Salaries and other short term benefits	661	686	626	308	267
Group contributions to defined contribution pension scheme	–	–	1	–	–
	<u>661</u>	<u>686</u>	<u>627</u>	<u>308</u>	<u>267</u>

7. Finance Costs

	52 weeks ended			24 weeks ended	
				Unaudited	
	24 April	23 April	22 April	8 October	7 October
	2016	2017	2018	2017	2018
	£000	£000	£000	£000	£000
Bank interest payable	729	851	4,096	2,056	2,036
Other loan interest payable	1,668	2,771	1,969	903	910
Preference share interest	–	2,454	7,579	3,357	3,736
	<u>2,397</u>	<u>6,076</u>	<u>13,644</u>	<u>6,316</u>	<u>6,682</u>

8. Income tax expense

	52 weeks ended			24 weeks ended	
	24 April	23 April	22 April	Unaudited 8 October	7 October
	2016	2017	2018	2017	2018
	£000	£000	£000	£000	£000
Taxation charged to the income statement					
Current income taxation	2	276	755	350	412
Amounts (under)/over provisioned in earlier years	–	(13)	(15)	–	–
Total current income taxation	<u>2</u>	<u>263</u>	<u>740</u>	<u>350</u>	<u>412</u>
Deferred Taxation:					
Origination and reversal of temporary timing differences	–	–	–	–	–
Current period	125	38	(119)	(117)	(117)
Prior period	1	10	(20)	–	–
Adjustment in respect of change of rate of corporation tax	(49)	(32)	–	–	–
Total deferred tax	<u>77</u>	<u>16</u>	<u>(139)</u>	<u>(117)</u>	<u>(117)</u>
Total taxation expense in the consolidated income statement	<u>79</u>	<u>279</u>	<u>601</u>	<u>233</u>	<u>295</u>
The above is disclosed as:					
Income tax expense – current period	78	282	636	233	295
Income tax expense – prior period	1	(3)	(35)	–	–
	<u>79</u>	<u>279</u>	<u>601</u>	<u>233</u>	<u>295</u>

Further information on the movement on deferred taxation is given in note 19.

Factors affecting tax charge for the periods

	52 weeks ended			24 weeks ended	
	24 April	23 April	22 April	Unaudited 8 October	7 October
	2016	2017	2018	2017	2018
	£000	£000	£000	£000	£000
Loss before tax	<u>(579)</u>	<u>(7,007)</u>	<u>(6,648)</u>	<u>(4,285)</u>	<u>(3,476)</u>
At UK standard rate of corporation taxation of 19% (2017: 19.93%, 2016: 20%).	(116)	(1,397)	(1,263)	(814)	(661)
Expenses not deductible for tax purposes					
– Preference share interest	–	489	1,440	638	710
– Deal costs	–	665	–	–	–
– Other	258	583	459	409	245
Adjustments to tax charge in respect of prior periods	1	(3)	(35)	–	–
Adjustment in respect of change of rate of corporation tax	(64)	(58)	–	–	1
Total tax charge for the period	<u>79</u>	<u>279</u>	<u>601</u>	<u>233</u>	<u>295</u>

9. Exceptional items

	52 weeks ended			24 weeks ended Unaudited	
	24 April 2016 £000	23 April 2017 £000	22 April 2018 £000	8 October 2017 £000	7 October 2018 £000
Closed sites	452	858	107	115	–
Change of ownership	–	5,011	203	157	–
Other	–	–	232	55	–
	<u>452</u>	<u>5,869</u>	<u>542</u>	<u>327</u>	<u>–</u>

The cost relating to closed sites represent one off costs associated with closing selected sites in the relevant periods.

The costs relating to the change of ownership largely represent professional fees incurred in respect of the sale of a majority stake in the business to Lion Capital in December 2016.

The costs relating to the other category largely represent costs associated with the one off strategic review of the supply chain and employee compensation costs.

10. Earnings per share

Basic and diluted earnings per share is calculated by dividing the result attributable to equity holders by the weighted average number of ordinary shares in issue.

	52 weeks ended			24 weeks ended Unaudited	
	24 April 2016	23 April 2017	22 April 2018	8 October 2017	7 October 2018
Loss for the period (£000)	(658)	(7,286)	(7,249)	(4,518)	(3,771)
Basic loss per ordinary share (pence)	(15.7)	(173.3)	(171.6)	(107.0)	(89.2)
Diluted loss per ordinary share (pence)	(15.7)	(173.3)	(171.6)	(107.0)	(89.2)
Basic weighted average number of ordinary shares	4,203,333	4,203,333	4,223,576	4,221,924	4,225,877
Diluted weighted average number of ordinary shares	4,203,333	4,203,333	4,223,576	4,221,924	4,225,877

There are no shares or options with a dilutive effect and hence the basic and diluted earnings per share are the same.

The earnings per share presented for the 52 week period ended 24 April 2016 and 23 April 2017 is based on the issued share capital of Lion/Jenga Topco Limited at the date of the acquisition.

11. Intangible Assets

				Unaudited	
	At 24 April 2016 £000	At 23 April 2017 £000	At 22 April 2018 £000	At 8 October 2017 £000	At 7 October 2018 £000
Goodwill	<u>21,372</u>	<u>113,227</u>	<u>113,227</u>	<u>113,227</u>	<u>113,227</u>
	<u>21,372</u>	<u>113,227</u>	<u>113,227</u>	<u>113,227</u>	<u>113,227</u>

Goodwill of £21,372,000 arose on the acquisition of a minority stake in Loungers UK Limited (formerly Loungers Limited) by Piper PE LLP on 6 April 2012.

Goodwill of £113,227,000 arose on the acquisition of a majority stake in the Group by Lion Capital LLP on 19 December 2016, which replaced the goodwill generated on the acquisition by Piper PE LLP.

Further information on the generation of goodwill and the acquisition of the Group by Lion Capital LLP is given in note 30.

An impairment test is performed annually by comparing the carrying amount of the goodwill to its recoverable amount. The recoverable amount is represented by the greater of the business's fair value less costs of disposal and its value in use.

For the purposes of assessing whether there was any impairment in 2016 and 2017, the directors considered that the acquisition of the business by Lion/Jenga Topco Limited in December 2016 provided sufficient evidence that the fair value less cost to sell supported the value of the goodwill recognised at each of the 2016 and 2017 balance sheet dates.

Goodwill is monitored at the operating segment level identified in note 4. For assessing impairment at 22 April 2018 and 7 October 2018 a value in use calculation has been performed using a discounted cash flow method based on the forecast cash flows, a CGU specific discount rate and a terminal growth rate. The cash flows used in this assessment are based on a three year business plan extended out for another year. 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). The terminal growth rate is based on the current market assessment of Gross Domestic Product (GDP) for the United Kingdom. The pre-tax discount rate and terminal growth rate used in the discounted cash flow model were 9.1 per cent. and 1.5 per cent. respectively.

The estimation of value in use involves significant judgement in the determination of inputs to the discounted cash flow model and is most sensitive to changes in future cash flows, discount rates and terminal growth rates applied to cash flows beyond the forecast period. 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 per cent., the terminal growth rate was decreased by 1 per cent., and future cash flows were reduced by 10 per cent. As at 7 October 2018, 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

	<i>Leasehold Buildings Improvements £000</i>	<i>Motor Vehicles £000</i>	<i>Fixtures and Fittings £000</i>	<i>Total £000</i>
Cost				
At 27 April 2015	21,059	76	13,106	34,241
Additions	8,490	8	8,856	17,354
Disposals	(341)	–	(88)	(429)
At 24 April 2016	29,208	84	21,874	51,166
Depreciation				
At 27 April 2015	3,464	42	4,388	7,894
Provided for the period	1,672	16	2,741	4,429
Disposals	(46)	–	(9)	(55)
At 24 April 2016	5,090	58	7,120	12,268
Net book value				
At 24 April 2016	24,118	26	14,754	38,898

12. Property, plant and equipment (continued)

	<i>Leasehold Buildings Improvements £000</i>	<i>Motor Vehicles £000</i>	<i>Fixtures and Fittings £000</i>	<i>Total £000</i>
Cost				
At 25 April 2016	29,208	84	21,874	51,166
Additions up to 19 December 2016	4,865	14	3,632	8,511
Disposals up to 19 December 2016	(24)	–	(83)	(107)
Eliminate Loungers Holdings Group	(34,049)	(98)	(25,423)	(59,570)
Acquired through business combination	27,719	31	16,092	43,842
Additions from 19 December 2016	2,670	3	2,725	5,398
Disposals from 19 December 2016	(123)	(1)	(27)	(151)
At 23 April 2017	30,266	33	18,790	49,089
Depreciation				
At 25 April 2016	5,090	58	7,120	12,268
Provide for the period up to 19 December 2016	1,253	10	2,271	3,534
Disposals up to 19 December 2016	(12)	–	(59)	(71)
Eliminate Loungers Holdings Group	(6,331)	(68)	(9,332)	(15,731)
Provided for the period from 19 December 2016	956	4	1,285	2,245
Disposals from 19 December 2016	(115)	–	(19)	(134)
At 23 April 2017	841	4	1,266	2,111
Net book value				
At 23 April 2017	29,425	29	17,524	46,978
Cost				
At 24 April 2017	30,266	33	18,790	49,089
Additions	9,147	71	9,377	18,595
At 22 April 2018	39,413	104	28,167	67,684
Depreciation				
At 24 April 2017	841	4	1,266	2,111
Provided for the period	2,507	25	4,035	6,567
At 22 April 2018	3,348	29	5,301	8,678
Net book value				
At 22 April 2018	36,065	75	22,866	59,006
Cost				
At 24 April 2017	30,266	33	18,790	49,089
Additions	4,387	56	3,504	7,947
At 8 October 2017 (unaudited)	34,653	89	22,294	57,036
Depreciation				
At 24 April 2017	841	4	1,266	2,111
Provided for the period	1,277	9	2,063	3,349
At 8 October 2017	2,118	13	3,329	5,460
Net book value				
At 8 October 2017 (unaudited)	32,535	76	18,965	51,576

12. Property, plant and equipment (continued)

	<i>Leasehold Buildings Improvements £000</i>	<i>Motor Vehicles £000</i>	<i>Fixtures and Fittings £000</i>	<i>Total £000</i>
Cost				
At 23 April 2018	39,413	104	28,167	67,684
Additions	5,067	7	5,465	10,539
Disposals	—	—	(73)	(73)
At 7 October 2018	44,480	111	33,559	78,150
Depreciation				
At 23 April 2018	3,348	29	5,301	8,678
Provided for the period	1,316	12	2,252	3,580
Disposals	—	—	(73)	(73)
At 7 October 2018	4,664	41	7,480	12,185
Net book value				
At 7 October 2018	39,816	70	26,079	65,965

13. Inventories

	<i>At 24 April 2016 £000</i>	<i>At 23 April 2017 £000</i>	<i>At 22 April 2018 £000</i>	<i>Unaudited At 8 October 2017 £000</i>	<i>At 7 October 2018 £000</i>
Food and beverages for resale	720	932	1,065	923	1,173
	720	932	1,065	923	1,173

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

	<i>At 24 April 2016 £000</i>	<i>At 23 April 2017 £000</i>	<i>At 22 April 2018 £000</i>	<i>Unaudited At 8 October 2017 £000</i>	<i>At 7 October 2018 £000</i>
Included within current assets					
Trade receivables	412	157	188	558	224
Other receivables	16	16	90	38	560
Prepayments	2,461	4,028	4,904	2,815	4,122
	2,889	4,201	5,182	3,411	4,906

Receivables are denominated in sterling.

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

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

15. Cash and cash equivalents

	<i>Unaudited</i>				
	<i>At 24 April</i>	<i>At 23 April</i>	<i>At 22 April</i>	<i>At 8 October</i>	<i>At 7 October</i>
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank and in hand	3,803	7,171	7,669	4,696	767
	<u>3,803</u>	<u>7,171</u>	<u>7,669</u>	<u>4,696</u>	<u>767</u>

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 £767,000 (at 22 April 2018 £7,669,000, at 6 October 2017 £4,696,000, at 23 April 2017 £7,171,000, at 24 April 2016 £3,803,000)

16. Trade and Other Payables

	<i>Unaudited</i>				
	<i>At 24 April</i>	<i>At 23 April</i>	<i>At 22 April</i>	<i>At 8 October</i>	<i>At 7 October</i>
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Included in current liabilities:					
Trade payables	8,737	11,028	13,777	10,797	13,271
Corporation tax	2	276	445	626	362
Other taxation and social security	3,217	3,617	5,598	4,356	5,189
Other payables	3,099	4,272	4,236	3,739	4,854
Accruals and deferred income	2,027	3,155	3,667	2,590	3,662
	<u>17,082</u>	<u>22,348</u>	<u>27,723</u>	<u>22,108</u>	<u>27,338</u>
Included in non-current liabilities:					
Accruals and deferred income	4,105	6,030	8,183	7,536	8,504
	<u>4,105</u>	<u>6,030</u>	<u>8,183</u>	<u>7,536</u>	<u>8,504</u>

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.

Non-current accruals and deferred income relates to the deferred benefit of rent free periods including landlord contributions.

17. Borrowings

	<i>Unaudited</i>				
	<i>At 24 April</i>	<i>At 23 April</i>	<i>At 22 April</i>	<i>At 8 October</i>	<i>At 7 October</i>
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Short term borrowings:					
Loans from related parties	23,248	–	–	–	–
Bridging loan	–	27,994	–	–	–
Long term borrowings:					
Secured bank loans	18,024	21,050	65,268	61,614	64,400
Loans from related parties	–	26,113	15,874	14,857	16,784
Preference shares	–	68,647	76,226	72,004	79,962
	<u>18,024</u>	<u>115,810</u>	<u>157,368</u>	<u>148,475</u>	<u>161,146</u>
	<u>41,272</u>	<u>143,804</u>	<u>157,368</u>	<u>148,475</u>	<u>161,146</u>

Secured bank loans

Further to a re-financing in May 2017, the Group's financing facilities include a £60,000,000 term loan, a £15,000,000 capex facility to assist in funding the Group's expansion programme and a £5,000,000 revolving credit facility to cover working capital and liquidity commitments.

The term loan bears interest at LIBOR plus 5.25 per cent., with the margin subject to a downwards ratchet dependent upon financial performance. The loan is repayable in a single payment in May 2024. The loan was fully drawn at 22 April 2018.

The Group has entered into an interest rate swap whereby LIBOR on the £60,000,000 term loan is fixed at 0.7965 per cent. until August 2020.

The capex facility and revolving credit facility bear interest at LIBOR plus a margin of 4.75 per cent. on the drawn down amounts. Dependent upon financial performance, the margin is subject to a downwards ratchet. A commitment fee of 35 per cent. of the margin is charged on the undrawn amount. Both facilities are due for repayment in May 2023. At 22 April 2018 £5,000,000 was drawn under the capex facility and £2,000,000 under the revolving credit facility.

The bank loans totalling £21,050,000 as at 23 April 2017 and £18,024,000 as at 22 April 2016 consisted of amounts drawn down under a term loan of £8,800,000 and a capex facility of £15,000,000 both with a maturity of 5 years. Both facilities were subjected to interest of LIBOR plus a margin of 3.5 per cent. These loans were repaid at the time of refinancing and were secured by a debenture over the Group's assets.

Loans from related parties

The Company issued investor loan notes ("ILNs") with a value of £25,000,000 in December 2016. These ILN's are unsecured 13 per cent. fixed rate PIK loan notes. At the time of the refinancing in May 2017, ILNs with a principal value of £11,546,000 and accrued interest of £613,000 were redeemed. At 22 April 2018, ILNs with a principal value of £13,454,000 and accrued interest of £2,420,000 were outstanding.

At 23 April 2017, loans due within one year included £27,994,000 due to related parties. This funding was repaid at the time of refinancing in May 2017.

Preference shares

The preference shares consist of two classes of share, the P1 preference shares and the P2 preference shares. The P1 preference shares do not carry voting rights. They carry the entitlement to an annual dividend of 10.9 per cent. On a return of capital (including on winding up) they rank ahead of the A, B, C and D ordinary shares but behind the P2 preference shares. The shares are cumulative and are redeemable in certain circumstances or on maturity in December 2026.

The P2 preference shares do not carry voting rights. They carry the entitlement to an annual dividend of 13.0 per cent. On a return of capital (including on winding up) they rank ahead of the A, B, C and D ordinary shares and the P1 preference shares. The shares are cumulative and are redeemable in certain circumstances or on maturity in December 2026.

18. 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 commodity price 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.

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 Brexit will cause a significant increase in wholesale food and drink prices. Prices are typically fixed for periods of 3-6 months to address seasonality, with suppliers hedging foreign exchange risk across these prices. The group uses external consultants to benchmark and verify any potential cost changes from suppliers and also has the ability to flex its menu items to mitigate specific product related 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. This is achieved by aligning borrowing facilities with forecast cash flows.

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through optimising the debt and equity balance. The capital structure of the Group, that may change post Admission, consists of debt (including preference shares), cash and cash equivalents, and equity (consisting of issued share capital, share premium and retained earnings). In order to maintain or adjust the capital structure of the Group, the directors may declare dividends to shareholders, return capital to shareholders, or issue new shares to reduce debt. The Group's capital is not restricted.

Financial Assets and Liabilities

Financial assets and liabilities consist of the following:

	<i>At 24 April</i>	<i>At 23 April</i>	<i>At 22 April</i>	<i>Unaudited</i> <i>At 8 October</i>	<i>At 7 October</i>
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Financial Assets					
Financial assets that are debt instruments measured at amortised cost	4,231	7,344	7,947	5,292	1,551
Financial assets held at fair value	–	–	323	–	281
Financial liabilities					
Financial liabilities measured at amortised cost	(53,108)	(159,104)	(175,381)	(163,011)	(179,271)
Financial liabilities held at fair value	–	–	–	(21)	–

Financial assets held at amortised cost include trade and other receivables and cash.

Financial liabilities held at amortised cost include trade and other payables, borrowings and preference share liabilities.

Financial assets and liabilities held at fair value represent interest rate swaps.

There are no material differences between the carrying values of financial assets and liabilities held at amortised cost and their fair values, other than in relation to the preference shares. It is not practical to identify the fair value of the preference shares as they can only be held by the holders of the ordinary share capital.

Hedging

The Group has entered into an interest rate swap as described in note 17 which qualifies as a cashflow hedge. The movements in fair value have been recognised as follows:

	<i>£000</i>
Derivative asset at 24 April 2017	–
Recognised through other comprehensive income	(21)
Derivative liability at 8 October 2017	(21)
Recognised through other comprehensive income	344
Derivative asset at 22 April 2018	323
Recognised through other comprehensive income	(42)
Derivative asset at 7 October 2018	281

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.

	<i>Less than 1 year £000</i>	<i>Between 1 and 5 years £000</i>	<i>More than 5 years £000</i>	<i>Total £000</i>
At 24 April 2016				
Loans from related parties	(23,248)	–	–	(23,248)
Secured bank loans	(724)	(19,944)	–	(20,668)
Trade and other payables	(11,836)	–	–	(11,836)
	<u>(35,808)</u>	<u>(19,944)</u>	<u>–</u>	<u>(55,752)</u>
At 23 April 2017				
Bridging loan	(28,042)	–	–	(28,042)
Secured bank loans	(784)	(22,382)	–	(23,166)
Loans from related parties	–	–	(45,698)	(45,698)
Preference shares	–	–	(188,869)	(188,869)
Trade and other payables	(15,300)	–	–	(15,300)
	<u>(44,126)</u>	<u>(22,382)</u>	<u>(234,567)</u>	<u>(301,075)</u>
At 22 April 2018				
Secured bank loans	(3,994)	(15,975)	(71,222)	(91,191)
Loans from related parties	–	–	(45,698)	(45,698)
Preference shares	–	–	(188,869)	(188,869)
Trade and other payables	(18,013)	–	–	(18,013)
	<u>(22,007)</u>	<u>(15,975)</u>	<u>(305,789)</u>	<u>(343,771)</u>
At 8 October 2017 (unaudited)				
Secured bank loans	(3,805)	(15,220)	(69,502)	(88,527)
Loans from related parties	–	–	(45,698)	(45,698)
Preference shares	–	–	(188,869)	(188,869)
Trade and other payables	(14,536)	–	–	(14,536)
	<u>(18,341)</u>	<u>(15,220)</u>	<u>(304,069)</u>	<u>(337,630)</u>
At 7 October 2018				
Bank loans	(3,954)	(21,693)	(62,256)	(87,903)
Loans from related parties	–	–	(45,698)	(45,698)
Preference shares	–	–	(188,869)	(188,869)
Trade and other payables	(18,125)	–	–	(18,125)
	<u>(22,079)</u>	<u>(21,693)</u>	<u>(296,823)</u>	<u>(340,595)</u>

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

19. Deferred Taxation

	<i>At 24 April</i>	<i>At 23 April</i>	<i>At 22 April</i>	<i>Unaudited</i> <i>At 8 October</i>	<i>At 7 October</i>
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance sheet liabilities arising on acquisition accounting	–	(1,927)	(1,672)	(1,810)	(1,555)
Accelerated capital allowances	(578)	(681)	(898)	(681)	(898)
Deferred taxation liabilities	<u>(578)</u>	<u>(2,608)</u>	<u>(2,570)</u>	<u>(2,491)</u>	<u>(2,453)</u>
Assets					
Short-term timing differences	4	4	105	4	105
Deferred taxation assets	<u>4</u>	<u>4</u>	<u>105</u>	<u>4</u>	<u>105</u>
Net deferred taxation liabilities	<u>(574)</u>	<u>(2,604)</u>	<u>(2,465)</u>	<u>(2,487)</u>	<u>(2,348)</u>

	<i>52 weeks ended</i>			<i>24 weeks ended</i>	
	<i>24 April</i>	<i>23 April</i>	<i>22 April</i>	<i>Unaudited</i> <i>8 October</i>	<i>7 October</i>
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Accelerated capital allowances	77	103	217	–	–
Accelerated capital allowances - Fair Value	–	(87)	(255)	(117)	(117)
Short-term timing differences	–	–	(101)	–	–
Statement of Comprehensive Income	<u>77</u>	<u>16</u>	<u>(139)</u>	<u>(117)</u>	<u>(117)</u>

The Group had unrecognised deferred tax assets as follows:

	<i>At 24 April</i>	<i>At 23 April</i>	<i>At 22 April</i>	<i>Unaudited</i> <i>At 8 October</i>	<i>At 7 October</i>
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Unrecognised deferred tax assets	<u>–</u>	<u>246</u>	<u>455</u>	<u>282</u>	<u>610</u>

20. Provisions – Onerous leases

	<i>52 weeks ended</i>			<i>24 weeks ended</i>	
	<i>24 April</i>	<i>23 April</i>	<i>22 April</i>	<i>Unaudited</i> <i>8 October</i>	<i>7 October</i>
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Opening provision	137	137	216	216	130
Created in the period	–	79	–	–	–
Charged / (released) in operating exceptional items	–	–	(86)	–	–
Closing provision	<u>137</u>	<u>216</u>	<u>130</u>	<u>216</u>	<u>130</u>

The onerous lease provision represents the expected cost to the Group of future rentals under an onerous lease contract discounted to present value.

21. Share based payments

Prior to the acquisition of Loungers Holdings Limited by Lion Capital LLP in December 2016, the group operated an equity settled share award plan for the Directors and certain employees. Under the scheme, eligible employees could be granted fully paid ordinary shares for no cash consideration. The charge recorded in the financial statements, as shown below was based on spreading the grant date fair value of the awards over the required period of service.

Following the acquisition by Lion Capital LLP, these arrangements ceased and a new cash settled Employer's Management Bonus Scheme was put in place. This requires the company to make a cash payment upon change of ownership or IPO ("an exit event"), based on the value of the company's shares at that time. This liability is remeasured at each balance sheet date, with the directors' best estimate of cost being spread over the expected period prior to the exit event. Awards are forfeited if the employee leaves the company prior to the exit event taking place.

For the purposes of computing the liability at 8 October 2017, 22 April 2018 and 7 October 2018, the directors assumed a 4 year vesting period and estimated the fair value of the business using an EBITDA based valuation multiple. It has been assumed that no awards are forfeited.

The charge recorded in the financial statements of the Group in respect of share-based payments was:

	52 weeks ended			24 weeks ended	
	24 April	23 April	22 April	Unaudited 8 October	7 October
	2016	2017	2018	2017	2018
	£000	£000	£000	£000	£000
Employee Share Scheme	249	380	–	–	–
Employer's Management Bonus Scheme	–	–	533	246	246

22. Called up share capital

	At 24 April	At 23 April	At 22 April	Unaudited At 8 October	At 7 October
	2016	2017	2018	2017	2018
	£000	£000	£000	£000	£000
Allotted, called-up and fully paid	–	52	53	53	53

	At 24 April	At 23 April	At 22 April	Unaudited At 8 October	At 7 October
	2016	2017	2018	2017	2018
Ordinary A shares at £0.01 each	–	2,737,281	2,737,281	2,737,281	2,737,281
Ordinary B shares at £0.01 each	–	946,052	946,052	946,052	946,052
Ordinary C shares at £0.09 each	–	129,999	129,999	129,999	129,999
Ordinary D shares at £0.01 each	–	390,001	411,669	411,669	417,086
Ordinary share capital of Loungers Holdings Limited	41,960	–	–	–	–

The share capital as at 24 April 2016 reflected the shareholding in Loungers Holdings Limited being 17,400 A Ordinary Shares of £0.01 each, 12,800 B Ordinary Shares at £0.01 each, 9,360 C Ordinary Shares of £0.01 each and 2,400 D ordinary Shares of £0.01 each.

The acquisition of the Group on 19 December 2016 gave rise to a new parent company; Lion/Jenga Topco Limited. Shareholdings in this company are reflected in all subsequent accounting periods.

Rights of shareholders

The A, B and C ordinary shares carry full voting rights of 1, 1 and 6 votes per share respectively and the D ordinary shares do not carry voting rights. The A, B, C and D ordinary shares rank equally in relation to their entitlement to dividends. On a return of capital (including on winding up) A, B, C and D ordinary shares rank equally. They are not subject to rights of redemption.

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.

Capital contribution reserve

The capital contribution reserve represents additional contributions from shareholders.

Share based payment reserve

The share based payment reserve represents the credit arising from the recognition of a share based payment charge on equity settled share options. The reserve was eliminated following the acquisition by Lion/Jenga Topco Limited in December 2016.

Merger Reserve

The merger reserve arose on the acquisition of Loungers UK Limited (formerly Loungers Limited) by Loungers Holdings Limited and reflects the premium on issue of equity shares. The merger reserve was eliminated following the acquisition by Lion/Jenga Topco Limited in December 2016.

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

	52 weeks ended			24 weeks ended	
	24 April	23 April	22 April	Unaudited 8 October	7 October
	2016	2017	2018	2017	2018
	£000	£000	£000	£000	£000
Cash Flows from operating activities					
Operating Profit/(Loss)	1,818	(931)	6,996	2,031	3,206
Taxation	(79)	(279)	(601)	(233)	(295)
Finance Costs	(2,397)	(6,076)	(13,644)	(6,316)	(6,682)
Loss After Tax	(658)	(7,286)	(7,249)	(4,518)	(3,771)
Adjustments for:					
Depreciation of property, plant and equipment	4,429	5,779	6,567	3,349	3,580
Share based payment transactions	249	380	533	246	246
Loss on disposal of tangible assets	374	52	–	–	–
Changes in inventories	(201)	(212)	(133)	9	(108)
Interest payable	2,397	6,076	13,644	6,316	6,682
Taxation expense	79	279	601	233	295
Changes in provisions	–	80	(86)	–	–
Changes in trade and other receivables	(1,919)	(797)	(876)	556	380
Changes in trade and other payables	7,852	6,967	6,771	818	(364)
Cash generated from operations	12,602	11,318	19,772	7,009	6,940
Tax paid	(112)	(30)	(571)	–	(497)
Net cash generated from operating activities	12,490	11,288	19,201	7,009	6,443

25. Analysis of changes in net debt

	<i>At 25 April 2015 £000</i>	<i>Cash flows £000</i>	<i>Non-cash movement £000</i>	<i>At 24 April 2016 £000</i>
Borrowings				
Cash in hand	2,336	1,467	–	3,803
Other loans – due before one year	–	–	(23,248)	(23,248)
Current net borrowings	2,336	1,467	(23,248)	(19,445)
Bank loans – due after one year	(10,774)	(7,250)	–	(18,024)
Other loans – due after one year	(21,770)	–	21,770	–
Non-current net borrowings	(32,544)	(7,250)	21,770	(18,024)
Net debt	<u>(30,208)</u>	<u>(5,783)</u>	<u>(1,478)</u>	<u>(37,469)</u>
	<i>At 24 April 2016 £000</i>	<i>Cash flows £000</i>	<i>Non-cash movement £000</i>	<i>At 23 April 2017 £000</i>
Borrowings				
Cash in hand	3,803	3,368	–	7,171
Other loans – due before one year	(23,248)	23,248	–	–
Bridging loan – due before one year	–	(27,726)	(268)	(27,994)
Current net borrowings	(19,445)	(1,110)	(268)	(20,823)
Bank loans – due after one year	(18,024)	(3,000)	(26)	(21,050)
Unsecured loan stock – due after one year	–	(25,000)	(1,113)	(26,113)
Preference shares – due after one year	–	(42,771)	(25,876)	(68,647)
Non-current net borrowings	(18,024)	(70,771)	(27,015)	(115,810)
Net debt	<u>(37,469)</u>	<u>(71,881)</u>	<u>(27,283)</u>	<u>(136,633)</u>

The other loans of £23,248,000 due before one year in the 52 weeks period ended 23 April 2017 were repaid as part of the purchase of Loungers Holdings Limited on 19 December 2016.

The non cash movement in preference shares represents preference shares issued for non-cash consideration at the time of the acquisition of Loungers Holdings Limited on 19 December 2016, plus the subsequent roll-up of accrued interest.

	<i>At 23 April 2017 £000</i>	<i>Cash flows £000</i>	<i>Non-cash movement £000</i>	<i>At 22 April 2018 £000</i>
Borrowings				
Cash in hand	7,171	498	–	7,669
Bridging loan – due before one year	(27,994)	28,042	(48)	–
Current net borrowings	(20,823)	28,540	(48)	7,669
Bank Loans – due after one year	(21,050)	21,050	–	–
Bank Loans – due after one year	–	(65,000)	(268)	(65,268)
Unsecured loan stock – due after one year	(26,113)	11,230	(991)	(15,874)
Preference shares – due after one year	(68,647)	–	(7,579)	(76,226)
Non-current net borrowings	(115,810)	(32,720)	(8,838)	(157,368)
Net debt	(136,633)	(4,180)	(8,886)	(149,699)
Derivatives				
Interest-rate swaps asset	–	–	323	323
Total derivatives	–	–	323	323
Net debt after derivatives	(136,633)	(4,180)	(8,563)	(149,376)

	<i>At 23 April 2017 £000</i>	<i>Unaudited Cash flows £000</i>	<i>Unaudited Non-cash movement £000</i>	<i>Unaudited At 8 October 2017 £000</i>
Borrowings				
Cash in hand	7,171	(2,475)	–	4,696
Bridging loan – due before one year	(27,994)	28,042	(48)	–
Current net borrowings	(20,823)	25,567	(48)	4,696
Bank loans – due after one year	(21,050)	21,050	–	–
Bank loans – due after one year	–	(61,500)	(114)	(61,614)
Unsecured loan stock – due after one year	(26,113)	11,230	26	(14,857)
Preference shares – due after one year	(68,647)	–	(3,357)	(72,004)
Non-current net borrowings	(115,810)	(29,220)	(3,445)	(148,475)
Net debt	(136,633)	(3,653)	(3,493)	(143,779)
Derivatives				
Interest-rate swaps liability	–	–	(21)	(21)
Total derivatives	–	–	(21)	(21)
Net debt after derivatives	(136,633)	(3,653)	(3,514)	(143,800)

	<i>At 22 April 2018 £000</i>	<i>Cash flows £000</i>	<i>Non-cash movement £000</i>	<i>At 7 October 2018 £000</i>
Borrowings				
Cash in hand	7,669	(6,902)	–	767
Current net borrowings	7,669	(6,902)	–	767
Bank Loans – due after one year	(65,268)	1,000	(132)	(64,400)
Unsecured loan stock – due after one year	(15,874)	–	(910)	(16,784)
Preference shares – due after one year	(76,226)	–	(3,736)	(79,962)
Non-current net borrowings	(157,368)	1,000	(4,778)	(161,146)
Net debt	(149,699)	(5,902)	(4,778)	(160,379)
Derivatives				
Interest-rate swaps asset	323	–	(42)	281
Total derivatives	323	–	(42)	281
Net debt after derivatives	(149,376)	(5,902)	(4,820)	(160,098)

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.

	<i>52 weeks ended</i>			<i>24 weeks ended</i>	
	<i>24 April 2016 £000</i>	<i>23 April 2017 £000</i>	<i>22 April 2018 £000</i>	<i>Unaudited 8 October 2017 £000</i>	<i>7 October 2018 £000</i>
Pension cost	117	157	226	90	233

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

	<i>At 24 April 2016 £000</i>	<i>At 23 April 2017 £000</i>	<i>At 22 April 2018 £000</i>	<i>Unaudited At 8 October 2017 £000</i>	<i>At 7 October 2018 £000</i>
Pension contributions	23	27	86	50	85

27. Commitments under operating leases

The Group had future minimum lease payments under non-cancellable operating leases as follows:

	<i>Land and buildings</i>				
	<i>At 24 April</i>	<i>At 23 April</i>	<i>At 22 April</i>	<i>At 8 October</i>	<i>At 7 October</i>
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Within one year	5,058	6,704	7,822	7,256	8,412
In two to five years	20,186	26,431	30,696	28,536	33,608
After five years	47,391	58,829	63,324	59,945	67,210
	<u>72,635</u>	<u>91,964</u>	<u>101,842</u>	<u>95,737</u>	<u>109,230</u>

28. 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:

	<i>At 24 April</i>	<i>At 23 April</i>	<i>At 22 April</i>	<i>At 8 October</i>	<i>At 7 October</i>
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Within one year	237	237	222	222	222
In two to five years	946	946	886	886	886
After five years	2,289	2,043	981	1,100	880
	<u>3,472</u>	<u>3,226</u>	<u>2,089</u>	<u>2,208</u>	<u>1,988</u>

29. Related party transactions

A Reilley and J Bishop, Directors of the Company's subsidiary, Loungers Holdings Limited, are Directors of Flatcappers Limited and Goldbrick House Limited. Additionally, they are Partners in Colombe D'Or Property LLP (formerly Loungers Property LLP). The Group undertook the following transactions, stated net of VAT:

	<i>52 weeks ended</i>			<i>24 weeks ended</i>	
	<i>24 April</i>	<i>23 April</i>	<i>22 April</i>	<i>At 8 October</i>	<i>At 7 October</i>
	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Sales to related to parties:					
Flatcappers Limited	77	75	85	41	48
Purchases from related parties:					
Colombe D'Or Property LLP	150	39	139	107	71
Flatcappers Limited	–	–	8	–	–
Goldbrick House Limited	2	2	–	–	–
Amounts owed by related parties:					
Flatcappers Limited	3	–	–	–	–
Goldbrick House Limited	1	–	–	–	–

The Group paid the following amounts to Reilley Properties Limited in respect of rent for a site operated by the Group. A Reilley, is a director and shareholder of Reilley Properties Limited.

	52 weeks ended			24 weeks ended	
	24 April	23 April	22 April	Unaudited 8 October	7 October
	2016	2017	2018	2017	2018
	£000	£000	£000	£000	£000
Reilley Properties Limited	–	–	51	25	28

The Group paid the following amounts to Piper PE LLP and Lion Capital LLP in repayment of loans as follows:

	52 weeks ended			24 weeks ended	
	24 April	23 April	22 April	Unaudited 8 October	7 October
	2016	2017	2018	2017	2018
	£000	£000	£000	£000	£000
Amounts paid to Piper PE	–	23,248	–	–	–
Amounts due to Piper PE	23,248	–	–	–	–
Amounts paid to Lion Capital	–	–	28,043	–	–
Amounts due to Lion Capital	–	28,043	–	–	–

The Group accrued the following amounts to Management and Lion Capital LLP in relation to accrued dividends on the preference shares as follows:

	52 weeks ended			24 weeks ended	
	24 April	23 April	22 April	Unaudited 8 October	7 October
	2016	2017	2018	2017	2018
	£000	£000	£000	£000	£000
Amounts due to Lion Capital	–	2,070	9,029	5,226	12,392
Amounts due to Management	–	384	1,004	585	1,377

The related party transactions include loans from related parties and preference shares held by related parties, as disclosed in note 16. Interest expense on these items is shown in note 7.

30. Business Combinations

On 19 December 2016, Piper PE LLP sold its interest in Loungers Holdings Limited to Lion Capital LLP. This was achieved by Lion/Jenga Topco Limited, indirectly through one of its subsidiaries acquiring 100 per cent. of the share capital of Loungers Holdings Limited.

Details of the fair value of the assets acquired are summarised below:

	<i>Book value</i> £000	<i>Fair Value Adjustment</i> £000	<i>Fair Value</i> £000
Total non-current assets	43,842	–	43,842
	43,842	–	43,842
Inventories	778	–	778
Trade and Other receivables	2,866	–	2,866
Cash and Cash equivalents	5,032	–	5,032
Total assets	52,518	–	52,518
Current liabilities	(21,375)	–	(21,375)
Non-current liabilities	(22,431)	–	(22,431)
Provisions for liabilities	(629)	(2,015)	(2,644)
Net assets	8,083	(2,015)	6,068
Goodwill			113,227
Total purchase consideration			119,295
Non-cash consideration			(24,889)
Net cash outflow on acquisition			94,406

Fair value adjustments relate to the recognition of deferred taxation on non-current assets that were ineligible for capital allowances.

The goodwill arising is attributed to “know how” within the business, the value of the work-force and other intangible values associated with the business which do not meet the definition of separately identifiable intangible assets.

Non-cash consideration comprises issuance of preference shares of £23,422,670, issuance of 946,052 Ordinary B shares of £946,052, issuance of 129,999 Ordinary C Shares of £129,999 and issuance of 390,001 Ordinary D shares of £390,001.

The trading results of the acquired entity for the pre-acquisition period are already included in this Combined and Consolidated Historical Financial Information, and hence further disclosure is not necessary or appropriate.

31. Initial adoption of IFRS

This combined historical financial information represents the first time that the Group has applied International Financial Reporting Standards (IFRS).

The transition date to IFRS is 26 April 2015.

On initial adoption, the Group has taken advantage of the exemption in IFRS 1 not to apply IFRS 3 to business combinations that took place prior to the date of transition and has recognised goodwill on initial adoption of IFRS at the carrying value of the goodwill previously recognised under UK GAAP. Accordingly, there are no differences between the opening IFRS balance sheet and the UK GAAP balance sheet at 26 April 2015 previously presented by Loungers Holdings Limited.

The opening IFRS balance sheet at the date of transition is therefore as follows:

	<i>At 27 April 2015 £000</i>
Assets	
Non-current	
Intangible assets	21,372
Property, plant and equipment	26,347
Total non-current assets	47,719
Current	
Inventories	519
Trade and other receivables	970
Cash and cash equivalents	2,336
Total current assets	3,825
Total assets	51,544
Liabilities	
Current liabilities	
Trade and other payables	(11,143)
Total current liabilities	(11,143)
Non-current liabilities	
Borrowings	(32,544)
Other payables	(2,302)
Deferred tax liabilities	(497)
Provisions	(137)
Total liabilities	(46,623)
Net Assets	4,921
Called up share capital	–
Share based payment reserve	9
Merger reserve	10,107
Retained earnings	(5,195)
Total Equity	4,921

As explained in note 1, the financial information for the 52 weeks ended 23 April 2017 represents a combination of the financial information of Loungers Holdings up until 19 December 2016 and the financial information for the Lion/Jenga Topco Limited Group for the period thereafter. The combined and consolidated historical financial information for the 52 weeks ended 22 April 2018, and the 24 weeks ended 8 October 2018 and 7 October 2018 represents financial information for the Lion/Jenga Topco Limited group. Lion/Jenga Topco Limited has never previously published financial information. Therefore, the requirement in IFRS 1 to provide a reconciliation to IFRS for the most recent financial period previously presented is not applicable.

32. Legal Entities

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

Direct Subsidiary Holding Lion/Jenga Midco Limited	Ordinary 100 per cent.	Holding company
Indirect Subsidiary Holding Lion/Jenga Bidco Limited	Ordinary 100 per cent.	Holding company
Loungers Holdings Limited	Ordinary 100 per cent.	Holding company
Loungers UK Limited (formerly Loungers Limited)	Ordinary 100 per cent.	The development, operation and management of all day neighbourhood café/bars and bar/restaurants.

The registered office of Lion/Jenga Midco is 21 Grosvenor Place, London, SW1X 7HF. The registered office of the three indirect subsidiaries is 15-16 Lower Park Row, Bristol, BS1 5BN.

33. Post Balance Sheet Events Note

In preparation for the initial public offering of Loungers plc, steps have been taken to change the capital structure of the Group. On 23 April 2019, the shareholders of Lion/Jenga Topco Limited entered into an agreement to exchange their shares in Lion/Jenga Topco Limited for shares in Loungers plc (conditional on the Placing Agreement becoming unconditional in all respects save for Admission), making Loungers plc the ultimate parent company of the Group. Following this exchange, the shares will be converted and subdivided into one new class of ordinary shares and deferred shares. A number of other agreements have been entered into which are conditional on the Placing and Admission, which include:

- The repayment of a shareholder loan of £18 million;
- The repayment of the existing senior bank loan of £60 million and the cancellation of the existing capex, overdraft and RCF facilities including the repayment of any drawn amounts;
- Entering into new bank facility agreements for £42.5 million of which £32.5 million will be drawn immediately following Admission; and
- A number of other steps to restructure the Group as soon as practical following Admission, as set out in Part V of this document.

The Company has also entered into a relationship agreement with Lion Capital that sets out certain rights and responsibilities of Lion Capital as set out in more detail in paragraph 10.10 of Part V of this document.

PART IV

TERMS AND CONDITIONS OF THE PLACING

The terms and conditions set out in this Part IV (the “**Terms and Conditions**”) and the information comprising this document are restricted and are not for publication, release or distribution, in whole or in part, directly or indirectly, in or into the United States, Australia, Canada, Japan, New Zealand, the Republic of South Africa or any other state or jurisdiction in which such release, publication or distribution would be unlawful. The Terms and Conditions and the information contained herein is not intended to and does not contain or constitute an offer of, or the solicitation of an offer to buy or subscribe for, securities to any person in the United States, Australia, Canada, Japan, New Zealand, the Republic of South Africa or any other state or jurisdiction in which such an offer would be unlawful.

Important information for invited Placees only regarding the Placing

Members of the public are not eligible to take part in the Placing. This document and the Terms and Conditions set out in this Part IV are for information purposes only and are directed only at: (A) persons in member states of the EEA who are qualified investors within the meaning of Article 2(1)(e) of EU Directive 2003/71/EC and amendments thereto, including the 2010 PD amending Directive, to the extent implemented in the relevant member state (the “**Prospectus Directive**”) (“**Qualified Investors**”), (B) if in the United Kingdom, persons who (i) have professional experience in matters relating to investments who fall within the definition of ‘Investment Professionals’ in Article 19(5) of the Order, or are high net worth companies, unincorporated associations or partnership or trustees of high value trusts as described in Article 49(2) of the Order and (ii) are “Qualified Investors” as defined in section 86 of FSMA, and (C) otherwise, to persons to whom it may otherwise be lawful to communicate it to (each a “**Relevant Person**”). No other person should act or rely on this document and persons distributing this document must satisfy themselves that it is lawful to do so. By accepting the Terms and Conditions each Placee represents and agrees that it is a Relevant Person. This document and the Terms and Conditions set out herein must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this document and the Terms and Conditions set out herein relate is available only to Relevant Persons and will be engaged in only with Relevant Persons. This document does not itself constitute an offer for sale or subscription of any securities in the Company.

The Placing Shares have not been and will not be registered under the Securities Act, or under the applicable securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, resold, transferred or delivered, directly or indirectly within, into or in the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with the securities laws of any relevant state or other jurisdiction of the United States. There will be no public offer of the Placing Shares in the United States.

The Placing Shares are being offered and sold outside the United States in accordance with Regulation S under the Securities Act.

The Placing Shares may not be publicly offered, distributed or redistributed on a professional basis in or from Switzerland, and neither document nor any other solicitation for investments in the Placing Shares may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a or 1156 of the Swiss Code of Obligations (“**CO**”). Without limitation to the generality of the foregoing, the Placing Shares may not be offered to any person in Switzerland who is not a “qualified investor” within the meaning of article 10(3) of the Swiss Federal Act on Collective Investment Schemes (“**CISA**”). This document may not be copied, reproduced, distributed or passed on to others without the Company’s and the Joint Bookrunner’s prior written consent. This document is not a prospectus within the meaning of Articles 652a and 1156 CO or a listing prospectus according to Article 32 et seq. of the Listing Rules of the SWX Swiss Exchange and may not comply with the information Standards required thereunder. The Company will not apply for a listing of the Placing Shares on any Swiss stock exchange.

Each Placee should consult with its own advisers as to legal, tax, business, financial and related aspects of a subscription for the Placing Shares.

The Placees will be deemed to have read and understood this document in its entirety and to be making such offer on the Terms and Conditions, and to be providing the representations, warranties, acknowledgements and undertakings, contained in these Terms and Conditions. In particular each such Placee represents, warrants and acknowledges that:

- (A) it is a Relevant Person (as defined above) and undertakes that it will subscribe for, hold, manage or dispose of any Placing Shares that are allocated to it for the purposes of its business; and
- (B) if it is in a member state of the EEA and/or if it is a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, that any Placing Shares subscribed for by it in the Placing will not be subscribed for on a non-discretionary basis on behalf of, nor will they be subscribed for with a view to their offer or resale to, persons in any member state of the EEA in circumstances which may give rise to an offer of securities to the public other than an offer or resale in a member state of the EEA which has implemented the Prospectus Directive to Qualified Investors (as defined above), or in circumstances in which the prior consent of the Joint Bookrunners has been given to each such proposed offer or resale.

Persons (including without limitation, nominees and trustees) who have a contractual or other legal obligation to forward a copy of this document of which these Terms and Conditions form part should seek appropriate advice before taking any action.

Neither the Joint Bookrunners, nor any of their affiliates, agents, directors, officers or employees, make any representation to any Placees regarding an investment in the Placing Shares.

Application for admission to trading

Application has been made to the London Stock Exchange for admission to trading of the Placing Shares on AIM. It is expected that Admission of the Placing Shares will become effective at or around 8.00 a.m. on 29 April 2019 and that dealings in the Placing Shares will commence immediately after that time.

Participation in, and principal terms of, the Placing

1. The Joint Bookrunners are acting as agent of the Company in connection with the Placing and are acting as agent for no one else in connection with the Placing and will not regard any other person (whether or not a recipient of these Terms and Conditions) as a client in relation to the Placing.
2. Participation in the Placing will be available only to persons who may lawfully be, and are, invited to participate by the Joint Bookrunners.
3. These Terms and Conditions apply to Placees. Each Placee hereby agrees with the Joint Bookrunners to be legally and irrevocably bound by these Terms and Conditions which will be the Terms and Conditions on which the Placing Shares will be acquired in the Placing.
4. The Terms and Conditions must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the Terms and Conditions set out herein relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.
5. Acceptance of any offer incorporating the Terms and Conditions (whether orally or in writing or evidenced by way of a contract note) will constitute a binding irrevocable commitment by a Placee, subject to the Terms and Conditions set out below, to subscribe and pay for the relevant number of Placing Shares (the **"Placing Participation"**). Such commitment is not capable of termination or rescission by the Placee in any circumstances except fraud. All such obligations are entered into by the Placee with the Joint Bookrunners in their capacity as agent for the Company and are therefore directly enforceable by the Company.
6. In the event that the Joint Bookrunners have procured acceptances from Placees in connection with the Placing prior to the date of the despatch of this document to a Placee, the Joint Bookrunners will, prior to Admission, request confirmation from any such Placee that its Placing Participation as agreed in any earlier commitment remains firm and binding upon the Terms and Conditions of this document and referable to the contents of this document of which these Terms and Conditions form part. Upon such confirmation being given (whether orally, in writing or by conduct (including, without limitation, by receipt of the relevant placing proceeds by either of the Joint Bookrunners) any agreement made in

respect of the Placing Shares shall be varied, amended and/or ratified in accordance with the Terms and Conditions and based upon this document and no reliance may be placed by a Placee on any earlier version of this document.

7. Each Placee will be deemed to have read and understood these Terms and Conditions in their entirety and to be making such offer on the Terms and Conditions and to be providing the representations, warranties and acknowledgements and undertakings contained in these Terms and Conditions.
8. All obligations under the Placing will be subject to fulfilment of the conditions referred to below under “Conditions of the Placing” and to the Placing not being terminated on the basis referred to below under “Right to terminate under the Placing Agreement”.
9. Irrespective of the time at which a Placee’s allocation pursuant to the Placing is confirmed, settlement for all Placing Shares to be subscribed for pursuant to the Placing will be required to be made at the same time, on the basis explained below under “Registration and settlement”.
10. Except as required by law or regulation, no press release or other announcement will be made by the Banks or the Company using the name of any Placee (or its agent), in its capacity as Placee (or agent), other than with such Placee’s prior written consent.
11. To the fullest extent permissible by law and applicable FCA rules, neither the Banks, the Company nor any of their respective affiliates, agents, directors, officers or employees shall have any responsibility or liability (whether in contract, tort or otherwise) to Placees (or to any other person whether acting on behalf of a Placee or otherwise).

Details of the Placing Agreement and of the Placing Shares

GCA Altium and the Joint Bookrunners (together the “**Banks**”), the Company, the Principal Sellers and the Directors have entered into a placing agreement on 24 April 2019 (the “Placing Agreement”) pursuant to which the Joint Bookrunners have agreed that they will, as agent for and on behalf of the Company and the Selling Shareholders, use their reasonable endeavours to procure Placees at the Placing Price for up to: (i) 30,798,097 New Ordinary Shares and: (ii) 10,826,903 Sale Shares, proposed to be sold by the Selling Shareholders. The Placing is not underwritten by the Joint Bookrunners.

The New Ordinary Shares will, when issued, be credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid in respect of the Ordinary Shares after Admission.

Conditions of the Placing

The Placing is conditional upon the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms.

The Placing Agreement contains certain warranties from the Directors and certain warranties and indemnities from the Company, in each case for the benefit of the Banks. Each Bank may after prior consultation with the Banks and the Company (to the extent reasonably practicable in the circumstances) terminate the Placing Agreement if prior to Admission, *inter alia*, there is a market disruption event, there is a breach of any of the undertakings or any fact or circumstances arise which cause a warranty to become untrue, inaccurate or misleading in any respect, in each case, which the Bank considers to be material in the context of Placing or Admission.

None of the Company, the Directors or the Banks owes any fiduciary duty to any Placee in respect of the representations, warranties, undertakings or indemnities in the Placing Agreement.

If (i) any of the conditions contained in the Placing Agreement, including those described above, are not fulfilled (or, where permitted, waived or extended in writing by the Banks) or have become incapable of fulfilment on or before the date or time specified for the fulfilment thereof (or such later date and/or time as the Banks may agree), or (ii) the Placing Agreement is terminated in the circumstances specified below, the Placing will not proceed and the Placees’ rights and obligations hereunder in relation to the Placing Shares shall cease and terminate at such time and each Placee agrees that no claim can be made by the Placee

in respect thereof. The Banks may waive certain conditions contained in the Placing Agreement. Any such extension or waiver will not affect Placees' commitments as set out in this document.

If (i) any of the conditions in the Placing Agreement are not satisfied (or, where relevant, waived) or (ii) the Placing Agreement is terminated or (iii) the Placing Agreement does not otherwise become unconditional in all respects, the Placing will not proceed and all funds delivered by the Placee to any Joint Bookrunner will be returned to the Placee at its own risk without interest, and each Placee's rights and obligations hereunder shall cease and determine at such time and no claim shall be made by the Placee in respect thereof.

Neither the Banks nor any of their respective affiliates, agents, directors, officers or employees shall have any liability to any Placee (or to any other person whether acting on behalf of a Placee or otherwise) in respect of any decision they may make as to whether or not to waive or to extend the time and/or the date for the satisfaction of any condition to the Placing nor for any decision they may make as to the satisfaction of any condition or in respect of the Placing generally, and by participating in the Placing each Placee agrees that any such decision is within the absolute discretion of the Banks.

Lock-In

The Company has agreed with the Banks that it will not at any time during the period of 180 days from the date of Admission, without the prior written consent of the Banks (such consent not to be unreasonably withheld or delayed), offer, issue, sell, contract to sell, issue options in respect of or otherwise dispose of any securities of the Company (or any interest therein or in respect thereof) or any other securities exchangeable for, or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction having substantially the same effect or agree to do any of the foregoing, other than pursuant to such share option schemes and other employee incentive arrangements as are described in this document or as contemplated by the Placing Agreement.

Right to terminate under the Placing Agreement

At any time before Admission, each Bank is entitled to terminate the Placing Agreement by giving notice in writing to the Company if, amongst other things: (i) the Company or the Directors or the Selling Shareholders fail to comply with any of their obligations under the Placing Agreement or the Deeds of Election, in each case, which the Bank considers to be material in the context of the Placing or Admission; or (ii) any of the representations and warranties is, or has ceased to be, true and accurate or not misleading, in each case, which the Bank considers to be material in the context of the Placing or Admission; or (iii) in the opinion of the Banks (acting in good faith) there has been a material adverse change in, or any development involving or reasonably likely to involve a prospective material adverse change in, or affecting, the condition (financial, operational, legal or otherwise) or the earnings, management, business affairs, properties, assets, solvency, credit rating or prospects of the Company, or of the Group (taken as a whole), whether or not arising in the ordinary course of business; or (iv) in the opinion of the Banks (acting in good faith) the occurrence of a market disruption event as specified in the Placing Agreement.

Upon such notice being given, the parties to the Placing Agreement shall be released and discharged (except for any liability arising before or in relation to such termination) from their respective obligations under or pursuant to the Placing Agreement, subject to certain exceptions. If either of the Joint Bookrunners gives notice to terminate the Placing Agreement, the non-terminating Joint Bookrunner may, subject to the agreement of the Company, continue with the Placing under the Placing Agreement without the terminating Joint Bookrunner.

By participating in the Placing, Placees agree that the exercise by any Bank of any right of termination or other discretion under the Placing Agreement shall be within its absolute discretion and that they do not need to make any reference to Placees and that the Banks shall not have any liability to Placees whatsoever in connection with any such exercise and neither the Company nor the Banks nor any of their respective directors, officers, employees, agents or affiliates shall have any liability to Placees whatsoever in connection with any such exercise or failure so to exercise.

No Prospectus

No offering document or prospectus has been or will be submitted to be approved by the FCA or submitted to the London Stock Exchange in relation to the Placing and no such prospectus is required (in accordance with the Prospectus Directive) to be published and Placees' commitments will be made solely on the basis of the information contained in this document released by the Company today and any information publicly announced to a RIS by or on behalf of the Company on or prior to the date of this document and subject to the further terms set forth in the contract note to be provided to individual prospective Placees.

Each Placee, by accepting a participation in the Placing, agrees that the content of this document and all other publicly available information previously or simultaneously published by the Company by notification to a RIS or otherwise filed by the Company is exclusively the responsibility of the Company and confirms that it has neither received nor relied on any other information, representation, warranty, or statement made by or on behalf of the Company or the Banks or any other person and none of the Company, the Banks or any of their respective affiliates will be liable for any Placee's decision to participate in the Placing based on any other information, representation, warranty or statement which the Placees may have obtained or received. Each Placee acknowledges and agrees that it has relied on its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing. Nothing in this paragraph should exclude or limit the liability of any person for fraudulent misrepresentation by that person.

Registration and settlement

Settlement of transactions in the Placing Shares following Admission will take place within the CREST system administered by Euroclear, subject to certain exceptions. The Joint Bookrunners and the Company reserve the right to require settlement for and delivery of the Placing Shares (or a portion thereof) to Placees in certificated form if delivery or settlement is not possible or practicable within the CREST system within the timetable set out in this document or would not be consistent with the regulatory requirements in the Placee's jurisdiction.

It is expected that settlement will be on 29 April 2019 on a delivery versus payment basis in accordance with the instructions set out in the trade confirmation.

If Placees do not provide any CREST details or if the Placees provide insufficient CREST details to match within the CREST system to its details, the Joint Bookrunners may at their discretion deliver the Placees' Placing Participation in certificated form provided payment has been made in terms satisfactory to the Joint Bookrunners and all conditions in relation to the Placing have been satisfied or waived.

Subject to the conditions set out above, payment in respect of the Placees' Placing Participation is due as set out below. Each Placee should provide its settlement details in order to enable instructions to be successfully matched in CREST. The relevant settlement details are as follows:

CREST participant ID of Liberum:	ENQAN
Expected Trade date:	29 April 2019
Settlement date:	29 April 2019
ISIN code for the Placing Shares:	GB00BH4JR002

Deadline for Placee to input instructions into CREST: 12.00 p.m.(UK time) on 26 April 2019

If Placing Shares are to be delivered to a custodian or settlement agent, Placees should ensure that the trade confirmation is copied and delivered immediately to the Relevant Person within that organisation. So long as any transfer on sale, or unconditional agreement to transfer, the Placing Shares occurs at a time when the Placing Shares are admitted to trading on AIM and are not listed on a recognised stock exchange and included in the official list thereof, such transfer or agreement to transfer the Placing Shares should, subject to the representations and warranties provided below, be registered free from any liability to UK stamp duty or stamp duty reserve tax. Placees will not be entitled to receive any fee or commission in connection with the Placing.

Representations and warranties and further terms

By submitting a bid and/or participating in the Placing, each prospective Placee (and any person acting on such Placee's behalf) irrevocably acknowledges, confirms, undertakes, represents, warrants and agrees (as the case may be) to the Company and to the Banks (in their capacity as agent of the Company) and their respective directors, agents and advisors, in each case as a fundamental term of its application for Placing Shares, that:

- (A) it has read and understood this document and these Terms and Conditions in their entirety and that its participation in the Placing and its acquisition of Placing Shares is subject to and based upon all the terms, conditions, representations, warranties, indemnities, acknowledgements, agreements and undertakings and other information contained herein and undertakes not to redistribute or duplicate this document;
- (B) no offering document or prospectus or offering document has been or will be prepared in connection with the Placing and it has not received and will not receive a prospectus or other offering document in connection with the Placing;
- (C) the Placing does not constitute a recommendation or financial product advice and the Banks have not had regard to its particular objectives, financial situation and needs;
- (D) it has the power and authority to carry on the activities in which it is engaged, to subscribe and/or acquire Placing Shares and to execute and deliver all documents necessary for such acquisition;
- (E) that none of the Company, the Banks, any of their respective affiliates, agents, directors, officers or employees or any person acting on behalf of any of them has provided, and none of them will provide, it with any material regarding the Placing Shares or the Company or any other person other than information included in this document, nor has it requested any of the Banks, the Company, any of their respective affiliates or any person acting on behalf of any of them to provide it with any such information;
- (F) has not relied on, received or requested, nor does it have any need to receive, any prospectus, offering memorandum, listing particulars or any other document other than this document describing the business and affairs of the Company which has been prepared for delivery to prospective investors in order to assist them in making an investment decision in respect of the Placing Shares. It further confirms, represents and warrants that it is not relying on any information given or any representations, warranties, agreements or undertakings (express or implied), written or oral, or statements made at any time by the Company or any of the Banks or by any of their respective officers, directors, agents, employees or advisers, or any other person in connection with the Placing other than information contained in this document and none of the Banks, the Company or any of their respective directors and/or employees and/or person(s) acting on behalf of any of them shall, to the maximum extent permitted under law, have any liability (except in the case of fraud) in respect of any such other information, representation, warranty, agreement, undertaking or statement. It irrevocably and unconditionally waives any right it may have in respect of such other information, representation, warranty, agreement, undertaking or statement. It further confirms, represents and warrants that in making its application under the Placing it will be relying solely on the information contained in this document and these Terms and Conditions and that it has reviewed this document, including the discussion of the conditions of the Placing Agreement, commission payable to the Joint Bookrunners, and the risk factors relating to the Company, its operations and the Ordinary Shares;
- (G) (i) none of the Company, the Banks or any of their respective affiliates has made any representations to it, express or implied, with respect to the Company, the Placing and the Placing Shares or the accuracy, completeness or adequacy of any publicly available information, and each of them expressly disclaims any liability in respect thereof; and (ii) it will not hold the Banks or any of their respective affiliates responsible for any misstatements in or omissions from any publicly available information. Nothing in this paragraph or otherwise in this document excludes the liability of any person for fraudulent misrepresentation made by that person;
- (H) it and each account it represents is not and at the time the Placing Shares are subscribed for, neither it nor the beneficial owner of the Placing Shares will be a resident of Australia, Canada, Japan, New Zealand or the Republic of South Africa or any other jurisdiction in which it is unlawful to make or accept an offer to acquire the Placing Shares and further acknowledges that the Placing Shares have not been and will not be registered under the securities legislation of Australia, Canada, Japan, New Zealand or the Republic of South Africa and, subject to certain exceptions, may not be offered,

sold, transferred, taken up, renounced, distributed or delivered, directly or indirectly, within or into those jurisdictions;

- (I) it and each account it represents is outside the United States and will be (i) outside the United States at the time that any buy order for Placing Shares is originated by it; (ii) acquiring the Placing Shares in an “offshore transaction” as defined in Regulation S under the Securities Act; and (iii) not acquiring any of the Placing Shares as a result of any form of “directed selling efforts” (within the meaning of Regulation S under the Securities Act);
- (J) it understands, and each account it represents has been advised that, (i) the Placing Shares have not been and will not be registered under the Securities Act or under the applicable securities laws of any state or other jurisdiction of the United States; (ii) the Placing Shares are being offered and sold only in an “offshore transaction” within the meaning of and pursuant to Regulation S under the Securities Act; and (iii) no representation has been made as to the availability of any exemption under the Securities Act or any relevant state or other jurisdiction’s securities laws for the reoffer, resale, pledge or transfer of the Placing Shares;
- (K) it will not distribute, forward, transfer or otherwise transmit this document or any other materials concerning the Placing (including any electronic copies thereof), in or into the United States;
- (L) the content of this document is exclusively the responsibility of the Company and the Board and that neither the Banks, nor any of their respective affiliates, agents, directors, officers or employees or any person acting on behalf of any of the Banks has or shall have any liability for any information, representation or statement contained in this document or any information previously or subsequently published by or on behalf of the Company, and will not be liable for any Placee’s decision to participate in the Placing based on any information, representation or statement contained in this document or otherwise. Each Placee further represents, warrants and agrees that the only information on which it is entitled to rely and on which such Placee has relied in committing itself to subscribe for the Placing Shares is contained in this document and any information previously published by the Company by notification to a RIS, such information being all that it deems necessary to make an investment decision in respect of the Placing Shares and that it has neither received nor relied on any other information given or representations, warranties or statements made by the Banks or the Company and none of the Banks or the Company will be liable for any Placee’s decision to accept an invitation to participate in the Placing based on any other information, representation, warranty or statement;
- (M) its agreement with the Joint Bookrunners to acquire Placing Shares, whether by telephone or otherwise is a legally binding contract and the Terms and Conditions of its Placing Participation and any non-contractual obligation therefrom will be governed by and construed in accordance with, the laws of England and Wales to the exclusive jurisdiction of whose courts it irrevocably agrees to submit;
- (N) time shall be of the essence as regards obligations pursuant to these Terms and Conditions;
- (O) it is the responsibility of any person outside of the United Kingdom wishing to subscribe for or purchase Placing Shares to satisfy himself that, in doing so, he complies with the laws of any relevant territory in connection with such subscription or purchase and that he obtains any requisite governmental or other consents and observes any other applicable formalities;
- (P) it is acting as principal and for no other person and that its acceptance of the Placing Participation will not give any other person a contractual right to require the issue by the Company of any Placing Shares;
- (Q) from the point at which a request for admission to trading on AIM is made by the Company, the Company and its financial instruments will be subject to the provisions of MAR and that it will observe the provisions of MAR in relation to the Company’s financial instruments, including in relation to the control of any inside information;
- (R) if in the United Kingdom, it has complied with its obligations under the Criminal Justice Act 1993, FSMA, MAR and, in connection with money laundering and terrorist financing, under the Proceeds of Crime Act 2002 (as amended), the Terrorism Act 2000, the Terrorism Act 2006, and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the “**Regulations**”) and the Money Laundering Sourcebook of the FCA and, if making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Regulations;

- (S) if a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, that the Placing Shares subscribed for by it in the Placing will not be subscribed for on a non-discretionary basis on behalf of, nor will they be subscribed for with a view to their offer or resale to, persons in a member state of the EEA other than Qualified Investors, or in circumstances in which the prior consent of the Joint Bookrunners has been given to the proposed offer or resale;
- (T) it and any person acting on its behalf falls within Article 19(5) and/or 49(2)(a) to (d) of the Order and undertakes that it will acquire, hold, manage and (if applicable) dispose of any Placing Shares that are allocated to it for the purposes of its business only;
- (U) it has not offered or sold and will not offer or sell any Placing Shares to the public in any member state of the EEA except in circumstances falling within Article 3(2) of the Prospectus Directive which do not result in any requirement for the publication of a prospectus pursuant to Article 3 of that Directive;
- (V) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) relating to the Placing Shares in circumstances in which section 21(1) of FSMA does not require approval of the communication by an authorised person;
- (W) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Placing Shares in, from or otherwise involving, the United Kingdom;
- (X) if in a member state of the EEA, it is a "Qualified Investor" within the meaning of the Prospectus Directive;
- (Y) if in the United Kingdom, that it is a person (i) having professional experience in matters relating to investments and who falls within the definition of 'investment professionals' in Article 19(5) of the Order; or (ii) who is a high net worth entity falling within Article 49(2)(a) to (d) of the Order; or (iii) to whom this document may otherwise lawfully be communicated;
- (Z) no action has been or will be taken by either the Company or the Banks or any person acting on behalf of the Company or the Banks that would, or is intended to, permit a public offer of the Placing Shares in any country or jurisdiction where any such action for that purpose is required;
- (AA) (i) it and any person acting on its behalf is entitled to subscribe for the Placing Shares under the laws of all relevant jurisdictions which apply to it; (ii) it has paid any issue, transfer or other taxes due in connection with its participation in any territory; (iii) it has fully observed such laws and obtained all such governmental and other guarantees, permits, authorisations, approvals and consents which may be required thereunder and complied with all necessary formalities and that it has not taken any action or omitted to take any action which will or may result in the Banks, the Company or any of their respective affiliates, directors, officers, agents, employees or advisers acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Placing; and (iv) that the acquisition of the Placing Shares by it or any person acting on its behalf will be in compliance with applicable laws and regulations in the jurisdiction of its residence, the residence of the Company, or otherwise;
- (BB) it has all necessary capacity and has obtained all necessary consents and authorities to enable it to commit to its participation in the Placing and to perform its obligations in relation thereto (including, without limitation, in the case of any person on whose behalf it is acting, all necessary consents and authorities to agree to the terms set out or referred to in this document) and will honour such obligations;
- (CC) it (and any person acting on its behalf) will make payment for the Placing Shares allocated to it in accordance with the Terms and Conditions and this document, on the due time and date set out herein, failing which the relevant Placing Shares may be placed with other persons or sold as the Joint Bookrunners may in their absolute discretion determine and without liability to such Placee;
- (DD) its allocation (if any) of Placing Shares will represent a maximum number of Placing Shares which it will be entitled, and required, to subscribe for or purchase, and that the Joint Bookrunners or the Company may call upon it to subscribe for or purchase a lower number of Placing Shares (if any), but in no event in aggregate more than the aforementioned maximum;
- (EE) neither it, nor the person specified by it for registration as holder of Placing Shares is, or is acting as nominee or agent for, and the Placing Shares will not be allotted or transferred to, a person who is or may be liable to stamp duty or stamp duty reserve tax under any of sections 67, 70, 93 and 96 of the Finance Act of 1986 (depository receipts and clearance services) and the Placing Shares are not

being acquired in connection with arrangements to issue depositary receipts or to issue or transfer Placing Shares into a clearance system;

- (FF) neither the Company nor the Joint Bookrunners will be responsible for any liability to stamp duty or stamp duty reserve tax or other similar taxes resulting from a failure to observe the requirement in (EE) above. Each Placee and any person acting on behalf of such Placee agrees to indemnify on an after-tax basis and hold harmless the Company and the Banks and their respective affiliates, agents, directors, officers and employees in respect of any such liability and each Placee and any person acting on behalf of such Placee agrees that, on Admission becoming effective, the Placing Shares will be allotted to the Stock Account of Liberum who will hold them as nominee on behalf of such Placee until settlement in accordance with its standing settlement instructions;
- (GG) none of the Banks nor any of their respective affiliates, agents, directors, officers or employees nor any person acting on behalf of any of them, is making any recommendations to it or, advising it regarding the suitability of any transactions it may enter into in connection with the Placing and that participation in the Placing is on the basis that it is not and will not be a client of the Banks and that the Banks do not have any duties or responsibilities to it for providing the protections afforded to the Banks' respective clients or customers or for providing advice in relation to the Placing nor in respect of any representations, warranties, undertakings or indemnities contained in the Placing Agreement nor for the exercise or performance of any of its rights and obligations thereunder including any rights to waive or vary any conditions or exercise any termination right;
- (HH) in making any decision to subscribe for the Placing Shares, it has knowledge and experience in financial, business and international investment matters as is required to evaluate the merits and risks of subscribing for and/or acquiring the Placing Shares. It further confirms that it is experienced in investing in securities of this nature in this sector and is aware that it may be required to bear, and is able to bear, the economic risk of participating in, and is able to sustain a complete loss in connection with, the Placing. It further confirms that it relied on its own examination and due diligence of the Company and its associates taken as a whole, and the terms of the Placing, including the merits and risks involved, and not upon any view expressed or information provided by or on behalf of the Banks;
- (II) in connection with the Placing, the Banks and any of their respective affiliates acting as investors for their own account may take up Placing Shares in the Company and in that capacity may subscribe for, retain, purchase or sell for their own account such Ordinary Shares in the Company and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Placing. The Banks do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so;
- (JJ) these Terms and Conditions and any agreements entered into by it pursuant to these Terms and Conditions and any non-contractual obligations arising out of or in connection with such agreements shall be governed by and construed in accordance with the laws of England and Wales and it submits (on behalf of itself and on behalf of any person on whose behalf it is acting) to the exclusive jurisdiction of the English courts as regards any claim, dispute or matter arising out of any such contract, except that enforcement proceedings in respect of the obligation to make payment for the Placing Shares (together with any interest chargeable thereon) may be taken by the Company or the Banks in any jurisdiction in which the relevant Placee is incorporated or in which any of its securities have a quotation on a recognised stock exchange;
- (KK) the Company, the Banks and their respective affiliates and others will rely upon the truth and accuracy of acknowledgements, representations, warranties and agreements set forth herein and which are given to the Banks on their own behalf and on behalf of the Company and are irrevocable and it irrevocably authorises the Company and the Banks to produce any announcement, pursuant to, in connection with, or as may be required by any applicable law or regulation, administrative or legal proceeding or official inquiry with respect to the matters set forth herein. It agrees that if any of the acknowledgements, representations, warranties and agreements made in connection with its subscribing and/or acquiring of Placing Shares is no longer accurate, it shall promptly notify the Company and the Banks;
- (LL) it will indemnify on an after-tax basis and hold the Company, the Banks and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements,

agreements and undertakings in these Terms and Conditions and further agrees that the provisions of these Terms and Conditions shall survive after completion of the Placing;

- (MM) none of the Company or the Banks owe any fiduciary or other duties to any Placee in respect of any acknowledgements, confirmations, undertakings, representations, warranties or indemnities in the Placing Agreement;
- (NN) its acquisition of Placing Shares is in full compliance with applicable laws and regulations; and
- (OO) its commitment to take up Placing Shares on the Terms and Conditions will continue notwithstanding any amendment that may or in the future be made to these Terms and Conditions of the Placing and that Placees will have no right to be consulted or require that their consent be obtained with respect to the Company or the Banks' conduct of the Placing.

The foregoing acknowledgements, confirmations, undertakings, representations and warranties are given for the benefit of each of the Company and the Banks (for their own benefit and, where relevant, the benefit of their respective affiliates and any person acting on their behalf) and are irrevocable.

Please also note that the agreement to allot and issue or transfer Placing Shares to Placees (or the persons for whom Placees are contracting as nominee or agent) free of UK stamp duty and stamp duty reserve tax relates only to their allotment and issue or transfer to Placees, or such persons as they nominate as their agents, direct from the Company for the Placing Shares in question and is subject to the representations, warranties and further terms above and assumes and is based on the warranty from each Placee that the Placing Shares are not being subscribed for, or acquired, in connection with arrangements to issue depositary receipts or to issue or transfer the Placing Shares into a clearance service. If there are any such arrangements, or the settlement relates to any other dealing in the Placing Shares, stamp duty or stamp duty reserve tax or other similar taxes may be payable, for which none of the Company or the Banks will be responsible and the Placees shall indemnify on an after-tax basis and hold harmless the Company and the Banks and their respective affiliates, agents, directors, officers and employees for any stamp duty, stamp duty reserve tax or other similar taxes paid by them in respect of any such arrangements or dealings. If this is the case, each Placee should seek its own advice and notify the Banks accordingly.

Neither the Company nor any of the Banks is liable to bear any capital duty, stamp duty or any other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable in or outside the United Kingdom by any Placee or any other person on a Placee's acquisition of any Placing Shares or the agreement by a Placee to acquire any Placing Shares. Each Placee agrees to indemnify on an after-tax basis and hold harmless the Company, the Banks and their respective affiliates, agents, directors, officers and employees from any and all such capital duty, stamp duty and other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including interest, fines or penalties relating thereto).

Each Placee should seek its own advice as to whether any of the above tax liabilities arise and notify the Banks accordingly.

Each Placee and any person acting on behalf of each Placee acknowledges and agrees that any of the Banks or any of their respective affiliates may, at their absolute discretion, agree to become a Placee in respect of some or all of the Placing Shares.

When a Placee or person acting on behalf of the Placee is dealing with any of the Joint Bookrunners, any money held in an account with any of the Joint Bookrunners on behalf of the Placee and/or any person acting on behalf of the Placee will not be treated as client money within the meaning of the rules and regulations of the FCA made under FSMA. The Placee acknowledges that the money will not be subject to the protections conferred by the client money rules; as a consequence, this money will not be segregated from the relevant Joint Bookrunner's money in accordance with the client money rules and will be used by the Joint Bookrunner in the course of its own business; and the Placee will rank only as a general creditor of the Joint Bookrunner.

Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

The rights and remedies of the Banks and the Company under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial

exercise of one will not prevent the exercise of others. If a Placee is a discretionary fund manager, he may be asked to disclose, in writing or orally, to the Banks the jurisdiction in which the funds are managed or owned.

All times and dates in this document may be subject to amendment by the Banks (in their absolute discretion). The Joint Bookrunners shall notify the Placees and any person acting on behalf of the Placees of any changes.

In this Part IV, “after-tax basis” means in relation to any payment made to the Company, any of the Banks or their respective affiliates, agents, directors, officers and employees pursuant to this Part IV that such payment shall be calculated in such a manner as will ensure that, after taking into account (i) any tax required to be deducted or withheld from the payment; (ii) the amount and timing of any additional tax which becomes payable by the recipient as a result of the payment’s being subject to tax in the hands of the recipient of the payment, and (iii) the amount and timing of any tax benefit which is obtained by the recipient of the payment to the extent that such tax benefit is attributable to the matter giving rise to the payment or to the entitlement to, or receipt of, the payment, or to any tax required to be deducted or withheld from the payment, the recipient of the payment is in the same after-tax position as that in which it would have been if the matter giving rise to the payment had not occurred.

PART V

ADDITIONAL INFORMATION

1. The Company

- 1.1 The Company is domiciled in England and Wales and was incorporated on 28 March 2019 under the name of Loungers plc as a public limited company. The liability of the members of the Company is limited.
- 1.2 The Company is, and its securities are, governed by the Act.
- 1.3 The Company's registered office and principal place of business is at 15-16 Lower Park Row, Bristol, Avon, BS1 5BN. The telephone number of its registered office is +44 (0)117 930 9971.
- 1.4 The principal activities of the Company from Admission will be to act as the holding company for the Group, whose principal activity is operating cafés/bars/restaurants across the United Kingdom. The Group's main operating subsidiary is Loungers UK Limited.
- 1.5 The Company has no administrative, management or supervisory bodies other than its Board, the Remuneration Committee, the Audit Committee and the Nomination Committee, such committees having no members other than Directors.
- 1.6 Since the date of its incorporation save in connection with Admission and in particular with regards to the actions set out in paragraph 3 below, the Company has not commenced operations and has no material assets or liabilities. No financial statements for the Company have been prepared as at the date of this document.

2. Subsidiaries

The Company is the holding company of the Group. The following table contains details of the Company and its key subsidiary undertakings.

<i>Company name</i>	<i>Company number</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Percentage ownership (per cent.)</i>
Loungers plc	11910770	Holding company for the Group	England and Wales	100
Lion/Jenga Topco Limited*	122778	Intermediate holding company for the Group	Jersey	100
Lion/Jenga Midco Limited*	10523543	Intermediate holding company for the Group	England and Wales	100
Lion/Jenga Bidco Limited	10523688	Intermediate holding company for the Group	England and Wales	100
Loungers Holdings Limited	07980338	Intermediate holding company for the Group	England and Wales	100
Loungers UK Limited	04595806	Main operating subsidiary of the Group	England and Wales	100

* The Directors intend to arrange for these subsidiaries to be dissolved after Admission.

3. Share Capital

- 3.1 The Company was incorporated with a share capital of £50,000 comprised of (i) one ordinary share of £1.00 and (ii) one redeemable preference share of £49,999 ("**Redeemable Preference Share**").

3.2 The issued share capital of the Company at the date of this document comprises:

<i>Class of share</i>	<i>Aggregate nominal value (£)</i>	<i>Issued and fully paid number of shares</i>
Ordinary share	1.00	1
Redeemable Preference Share	49,999.00	1

3.3 The Company and the existing shareholders of Lion/Jenga Topco Limited have entered into a series of agreements to effect a share capital reorganisation in connection with the Placing and Admission (the “**Reorganisation**”). The Reorganisation is conditional upon the Placing Agreement becoming unconditional in all respects (save for any condition relating to the implementation of the Reorganisation and/or Admission). The principal terms of the Reorganisation are as follows:

3.3.1 pursuant to a share exchange agreement (the “**Share Exchange Agreement**”), the Company will allot 123,070,052 P1 Preference Shares of £0.50 each, 9,316,392 P2 Preference Shares of £0.50 each, 5,474,561 A Ordinary Shares of £1.00 each, 1,892,104 B Ordinary Shares of £1.00 each, 259,998 C Ordinary Shares of £1.00 each, 780,002 D-1 Ordinary Shares of £1.00 each, 54,170 D-2 Ordinary Shares of £1.00 each and one Redeemable Preference Share in the capital of the Company, in exchange for all issued P1 Preference, P2 Preference, A Ordinary, B Ordinary, C Ordinary, D-1 Ordinary and D-2 Ordinary Shares and one redeemable preference share of £49,999 in Lion/Jenga Topco Limited (the “**Exchange Allotment**”); and

3.3.2 following completion of the Exchange Allotment, the Company’s P1 Preference Shares of £0.50 each, P2 Preference Shares of £0.50 each, A Ordinary Shares of £1.00 each, B Ordinary Shares of £1.00 each, C Ordinary of £1.00 each, D-1 Ordinary Shares of £1.00 each and D-2 Ordinary Shares of £1.00 each will each be sub-divided, consolidated and converted into and redesignated as 61,432,745 Ordinary Shares of £0.01 each and 7,403,973,055 deferred shares of £0.01 each (the “**Deferred Shares**”) (the “**Conversion**”).

3.4 On completion of the Reorganisation, the aggregate nominal value of the issued share capital of the Company will be £74,756,747.58, comprising 61,701,903 Ordinary Shares, 7,403,973,055 Deferred Shares and two Redeemable Preference Shares.

3.5 Immediately following Admission, the aggregate nominal value of the Company’s issued share capital (including the New Ordinary Shares to be issued pursuant to the Placing) will be £75,064,728.55, comprising 92,500,000 Ordinary Shares, 7,403,973,055 Deferred Shares and two Redeemable Preference Shares (all of which will be fully paid up or credited as fully paid up).

3.6 As soon as reasonably practicable following Admission:

3.6.1 the Company intends to undertake a court-approved capital reduction in accordance with the Act and the Companies (Reduction of Share Capital) Order 2008 (SI 2008/1915) in order to provide it with additional distributable reserves. The proposed capital reduction will reduce the amount standing to the credit of the Company’s share capital and/or premium account following Admission (including cancellation of the Deferred Shares). The capital reduction has been approved (conditional on Admission) by a resolution passed by the members of the Company on 23 April 2019 and will be conditional upon both Admission and court approval after the date of Admission (the “**Share Capital Reduction**”);

3.6.2 the Company intends to redeem the Redeemable Preference Shares at par; and

3.6.3 the Group will consider simplifying its structure through a transfer of Lion/Jenga Bidco Limited by Lion/Jenga Midco Limited to the Company and the subsequent liquidation of Lion/Jenga Topco Limited and Lion/Jenga Midco Limited.

3.7 On 23 April 2019, by resolutions of the Company (the “**Resolutions**”):

3.7.1 in connection with the Exchange Allotment, conditional on the Placing Agreement becoming unconditional in all respects save for Admission, the Directors were authorised pursuant to section 551 of the Act, to exercise all the powers of the Company to allot P1 Preference Shares

of £0.50 each, P2 Preference Shares of £0.50 each, A Ordinary Shares of £1.00 each, B Ordinary Shares of £1.00 each, C Ordinary of £1.00 each, D-1 Ordinary Shares of £1.00 each and D-2 Ordinary Shares of £1.00 and one Redeemable Preference Share, up to an aggregate nominal value of £74,704,056 (the “**Exchange Allotment Resolution**”);

- 3.7.2 subject to, and with effect from, the completion of the Share Exchange Agreement, that the Interim Articles of Association be adopted as the Company's articles of association;
- 3.7.3 conditional upon and with effect from immediately after the Exchange Allotment, the Conversion was approved;
- 3.7.4 upon the Conversion becoming effective, that the Articles of Association be adopted as the Company's articles of association;
- 3.7.5 conditional upon the Placing Agreement becoming unconditional in all respects save for Admission, the Directors were authorised to issue a further 30,798,097 Ordinary Shares, being the New Ordinary Shares;
- 3.7.6 conditional upon Admission, the Directors were authorised pursuant to section 551 of the Act, to exercise all the powers of the Company to allot equity securities:
 - 3.7.6.1 up to an aggregate nominal value of £308,333.33;
 - 3.7.6.2 up to an aggregate nominal value of £616,666.67 (such amount to be reduced by any allotments made under sub-paragraph 3.7.6.1 above) in connection with a rights issue in favour of the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings on the record date for such allotment,

such power expiring at the earlier of the date of the first annual general meeting of the Company and the date which is fifteen months after the date on which the resolution was passed, save that the Company may before such expiry make an offer or agreement which would or might require Ordinary Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority had not expired;

- 3.7.7 conditional on Admission the Directors were empowered to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the authorities conferred in paragraph 3.7.6 above, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - 3.7.7.1 the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities in favour of holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings and to holders of other equity securities as required by the rights attached to those securities or as the Directors otherwise consider necessary, but subject to such restrictions or other arrangements as the Directors deem necessary or appropriate in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
 - 3.7.7.2 the allotment of equity securities (other than under (i) above) up to an aggregate nominal amount of £46,250,

such power expiring at the earlier of the date of the first annual general meeting of the Company and the date which is fifteen months after the date on which the resolution was passed, save that the Company may before the end of such period make an offer or agreement which would or might require equity securities to be allotted after expiry of the power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired;

- 3.7.8 conditional on Admission the Directors were authorised, in addition to the authority granted under the resolution referred to in paragraph 3.7.7 above, to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the authorities conferred in paragraph

(a) above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be:

- 3.7.8.1 limited to the allotment of equity securities up to an aggregate nominal amount of £46,250; and
- 3.7.8.2 used only for the purposes of financing (or refinancing if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of Admission;

such power expiring at the earlier of the date of the first annual general meeting of the Company and the date which is fifteen months after the date on which the resolution was passed, save that the Company may before the end of such period make an offer or agreement which would or might require equity securities to be allotted after expiry of the power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired; and

- 3.7.9 conditional on Admission the Company was authorised to make market purchases of up to 10 per cent. of the issued ordinary share capital of the Company immediately following Admission.
- 3.8 As at the date of this document, the Directors do not have any present intention of exercising the authorities referred to in paragraph 3.7.7, 3.7.8 and 3.7.9 above other than in connection with the Placing and the share incentives referred to in paragraph 8 below.
- 3.9 As at the date of this document, the Company does not have an authorised share capital and there is therefore no authorised but unissued share capital.
- 3.10 The Company does not have in issue any securities not representing share capital.
- 3.11 Save as set out in this Part V:
 - 3.11.1 no share or loan capital of the Company is under option or is the subject of an agreement, conditional or unconditional, to be put under option;
 - 3.11.2 no person has any preferential subscription rights for any share capital of the Company;
 - 3.11.3 there are no Ordinary Shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises, and there are no arrangements in place whereby future dividends are waived or agreed to be waived;
 - 3.11.4 there are no Ordinary Shares of the Company held by or on behalf of itself or any member of the Group; and
 - 3.11.5 no commissions, discounts, brokerages, or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company.

4. Substantial Shareholders

- 4.1 As at the date of this document, save for the persons set out below, the Directors are not aware of any beneficial holding of Ordinary Shares representing three per cent. or more of the Company's Enlarged Ordinary Share Capital nor, so far as the Directors are aware, are there any persons who, directly or indirectly, jointly or severally, exercise control over the Company:

Shareholder	Following the Reorganisation and immediately prior to Admission		Immediately following Admission	
	Number of Ordinary Shares	Percentage shareholding	Number of Ordinary Shares	Percentage shareholding
Lion Capital	41,506,599	67.27 per cent.	35,728,524	38.63 per cent.
Alex Reilley	8,720,536	14.13 per cent.	6,506,757	7.03 per cent.
Jacob Bishop	8,720,536	14.13 per cent.	6,506,757	7.03 per cent.
AXA Investment Managers GS Limited	—	—	5,802,400	6.27 per cent.
Canaccord Genuity Wealth Limited	—	—	4,566,625	4.94 per cent.
M&G Investment Management Limited	—	—	4,450,000	4.81 per cent.
Highclere International Investors LLP	—	—	3,678,442	3.98 per cent.

- 4.2 Save as disclosed in this document, there are no arrangements of which the Directors are aware which may result in a change of control of the Company.
- 4.3 The Ordinary Shares held by the Shareholders set out in paragraph 4.1 above rank *pari passu* with all other Ordinary Shares and, in particular, have no different voting rights than other Shareholders. Following the Placing and Admission, no major Shareholders will have different voting rights to other Shareholders.

5. Directors' Interests

- 5.1 The beneficial interests of the Directors and connected persons (within the meaning of sections 252 and 253 of the Act) in the Ordinary Shares immediately prior and immediately following Admission are expected to be as follows:

Name	Following the Reorganisation and immediately prior to Admission		Immediately following Admission	
	Number of Ordinary Shares	Percentage shareholding	Number of Ordinary Shares	Percentage shareholding
Alex Reilley	8,720,536	14.13 per cent.	6,506,757	7.03 per cent.
Nick Collins ⁽¹⁾	1,681,128	2.72 per cent.	1,305,706	1.41 per cent.
Gregor Grant	195,754	0.32 per cent.	146,815	0.16 per cent.
James Cocker ⁽²⁾	41,506,599	67.27 per cent.	35,728,524	38.63 per cent.
Nick Backhouse	—	—	12,500	0.01 per cent.
Adam Bellamy	—	—	12,500	0.01 per cent.
Jill Little	—	—	12,500	0.01 per cent.

(1) Including 179,439 Ordinary Shares held by Luna Nominees Limited.

(2) James Cocker is a partner in Lion Capital and is Lion Capital's representative on the Board. Lion Capital owns 67.27 per cent. of the Existing Ordinary Shares and will, on Admission, own 38.63 per cent. of the Enlarged Ordinary Share Capital.

- 5.2 None of the Directors (nor any member of their families) has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.
- 5.3 The voting rights of the Shareholders set out in paragraph 5.1 above do not differ from the voting rights held by other Shareholders.

6. Directors' Service Agreements and Letters of Appointment

- 6.1 Set out below are details of the terms and conditions governing the engagement by the Company of the Executive Directors:

- 6.1.1 The Company is party to a service agreement dated 24 April 2019 with Alex Reilley, under which he is employed as Chairman (on the basis of three days per week) at a salary of £100,000 plus a discretionary bonus, together with the following benefits: 15 days' paid holiday plus a pro rata entitlement to the usual bank holidays, full sick pay for up to ten days in any 12 month period and enrolment into an appropriate workplace pension scheme. Other plans, such as long-term incentive plans, deferred bonus plans or share incentive plans may operate from time to time but are subject to the decision of the Board. The service agreement is terminable on six months' written notice by either party. The Company reserves the right to summarily dismiss the employee for reasons including gross misconduct and serious or repeated breach of the service agreement, any directly applicable legislation (such as MAR) or the rules of the London Stock Exchange/FCA. The service agreement contains gardening leave and payment in lieu of notice clauses and a confidentiality clause which applies during the employment and post termination. Subject to certain exceptions, Alex Reilley is subject to the following post-termination restrictions for a period of six months: (a) non-solicitation of customers; (b) non-solicitation of employees (at the level of General Manager or above) or suppliers; (c) non-compete (in respect of the business of owning, managing or operating any cafés and bars within five miles of any bar or restaurant controlled by the Company); and (d) non-dealing with customers.
- 6.1.2 The Company is party to a service agreement dated 24 April 2019 with Nick Collins, under which he is employed as Chief Executive Officer at a salary of £285,000 plus a discretionary bonus, together with the following benefits: 25 days' paid holiday plus the usual bank holidays, full sick pay for up to ten days in any 12 month period and enrolment into an appropriate workplace pension scheme. Other plans, such as long-term incentive plans, deferred bonus plans or share incentive plans may operate from time to time but are subject to the decision of the Board. The service agreement is terminable on six months' written notice by either party. The Company reserves the right to summarily dismiss the employee for reasons including gross misconduct and serious or repeated breach of the service agreement, any directly applicable legislation (such as MAR) or the rules of the London Stock Exchange/FCA. The service agreement contains gardening leave and payment in lieu of notice clauses and a robust confidentiality clause which applies during the employment and post termination. Nick Collins is subject to the following post-termination restrictions for a period of six months: (a) non-solicitation of customers; (b) non-solicitation of employees (at the level of General Manager or above) or suppliers; (c) non-compete (in respect of the business of owning, managing or operating any cafés and bars within five miles of any bar or restaurant controlled by the Company); and (d) non-dealing with customers.
- 6.1.3 The Company is party to a service agreement dated 24 April 2019 with Gregor Grant, under which he is employed as Chief Financial Officer at a salary of £165,000 plus a discretionary bonus, together with the following benefits: 25 days' paid holiday plus the usual bank holidays, full sick pay for up to ten days in any 12 month period and enrolment into an appropriate workplace pension scheme. Other plans, such as long-term incentive plans, deferred bonus plans or share incentive plans may operate from time to time but are subject to the decision of the Board. The service agreement is terminable on six months' written notice by either party. The Company reserves the right to summarily dismiss the employee for reasons including gross misconduct and serious or repeated breach of the service agreement, any directly applicable legislation (such as MAR) or the rules of the London Stock Exchange/ FCA. The service agreement contains gardening leave and payment in lieu of notice clauses and a robust confidentiality clause which applies during the employment and post termination. Gregor Grant is subject to the following post-termination restrictions for a period of six months: (a) non-solicitation of customers; (b) non-solicitation of employees (at the level of General Manager or

above) or suppliers; (c) non-compete (in respect of the business of owning, managing or operating any cafés and bars within five miles of any bar or restaurant controlled by the Company); and (d) non-dealing with customers.

- 6.2 The Board agreed that prior to but conditional on Admission, Nick Collins, Gregor Grant and Justin Carter would be awarded one-off discretionary bonuses of £1.1 million, £150,000 and £270,000 respectively to recognise their significant contribution to the Admission process. The Board agreed that a significant part of the bonuses would be in the form of a nil cost option pursuant to the rules of the RSP, and exercisable in equal parts on the first, second and third anniversary of Admission (the “**IPO Awards**”). In addition, Alex Reilley would be awarded a one-off cash bonus of £20,000 in connection with his contribution to the Admission process.
- 6.3 Each Independent Non-Executive Director has entered into a letter of appointment with the Company pursuant to which they were appointed as an Independent Non-Executive Director on 29 March 2019. The letters of appointment provide for payment of annual remuneration for each of the Independent Non-Executive Directors as follows:
- 6.2.1 Nick Backhouse – £55,000;
- 6.2.2 Adam Bellamy – £50,000; and
- 6.2.3 Jill Little – £50,000.
- 6.4 James Cocker entered into a letter of appointment with the Company pursuant to which he was appointed as a Non-Executive Director effective 28 March 2019 with an annual remuneration of £1.00.
- 6.5 The fees payable to the Non-Executive Directors cover all duties, including any service on board committees and/or the board of any Group Company. In addition, the fee payable to Nick Backhouse covers his duties as Senior Independent Director of the Company. The letters of appointment are terminable on three months’ notice by either party. The Non-Executive Directors are subject to confidentiality restrictions following termination.
- 6.6 The aggregate remuneration paid or payable by any company in the Group (including benefits in kind) to Alex Reilley and Nick Collins during the year ended 22 April 2018 was £266,366. The aggregate estimated remuneration paid or payable to the Directors by all companies in the Group for the financial year ended 21 April 2019 under the arrangements in force is expected to amount to approximately £370,716. The aggregate estimated remuneration paid or payable to the Directors by all companies in the Group for the current financial year ending 19 April 2020 under the arrangements that will be in force is expected to amount to in the region of £1.96 million (including the IPO Awards).
- 6.7 Save as disclosed in this Part V, there are no service contracts, existing or proposed, between any Director and the Company and no service contract has been entered into or amended by the Company in the six months prior to the date of this document.
- 6.8 Save for an employee loan agreement between Loungers UK Limited as lender and Gregor Grant as borrower in the amount of £69,000 for the purpose of allowing Gregor Grant to acquire shares in Lion/Jenga Topco Limited, which is expected to be repaid on Admission or shortly thereafter, there are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors.

7. Additional Information on the Board

- 7.1 The following table sets out the age and commencement date of each of the Directors:

<i>Name</i>	<i>Age</i>	<i>Commencement date</i>
Alex Reilley	45	28 March 2019
Nick Collins	44	28 March 2019
Gregor Grant	52	28 March 2019
James Cocker	36	28 March 2019
Nick Backhouse	55	29 March 2019
Adam Bellamy	49	29 March 2019
Jill Little	65	29 March 2019

7.2 The Directors hold or have held the following directorships in companies (other than the Company) incorporated in the United Kingdom and overseas (as the case may be) within the five years prior to the date of this document:

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
Alex Reilley	Colombe D'Or Property No 2 Limited Flatcappers Limited Hub Box Limited Lion/Jenga Topco Limited Loungers Holdings Limited Loungers UK Limited Pipe Smokers Limited Reilley Properties Limited	Colombe D'Or Property LLP (<i>Dissolved</i>) Goldbrick House Limited (<i>Dissolved</i>)
Nick Collins	Loungers Holdings Limited Loungers UK Limited	
Gregor Grant	Golden Cap Limited Loungers Holdings Limited Loungers UK Limited	A3D2 Limited Allington Dental Care Ltd Best Practice CDA Limited Bradlaw House Dental Care Limited Buntingford Dental Care Limited Cambourne Dental Care Limited Charlton Dental Care Limited Church Hill Dental Care Limited Colosseum Dental UK Limited Colosseum Dental UK Partnerships Limited Corby Dental Care Limited Creeside Dental Care Limited Crowborough Dental Care Limited Dale Road Oral Care Ltd Deanbrook Dental Care Limited Diplomat House Dental Care Limited Direct Dental Care Limited Eastwood Clinic Limited Gayton Road Dental Care Ltd Gentle Dental & Implant Care Limited Gravesend Dental Care Limited GW (Wood Green) Limited Halton House Dental Centre Ltd Highview Dental Care Ltd Hilsea Dental Care Limited Holborough Dental Care Limited Hollybush Dental Care Limited Honor Oak Dental Care Ltd Horsham Dental Care Limited Kennington Dental Care Ltd Kismar CDA Limited Langley Hotels Limited Late Night London Limited Little London Dental Care Limited London Pavilion II Limited Lowestoft Dental Care Limited Maidstone Dental Care Limited Manor Dental Care Limited Market Place Dental Practice Limited Mawsley Dental Clinic Limited Meyrumlu 1 Ltd Moat Road Dental Care Limited Northgate Dental Care Limited

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
Gregor Grant (continued)		Novus Bars Limited Novus Leisure Group Limited Novus Leisure Limited Paulsgrove Dental Care Limited Peckham Dental Care Limited Portsea Dental Care Limited Preston Park Dental Care Ltd R G Matthey Limited South Down Dental Care Limited South East England CDA Limited Southsea Dental Care Limited Steyping Dental Care Limited Stoke Newington Dental Care Ltd Stone Cross Dental Care Limited Survivor Group Holdings Limited (<i>Dissolved</i>) Survivor Group Limited (<i>Dissolved</i>) Taghi And Kia Limited Tempire Holdings Limited Tempire Investments Limited Tempire Midco Limited Tempire Topco Limited Tiger Tiger Limited (<i>Dissolved</i>) Tilgate Dental Care Limited Tollgate Dental Care Limited Tooth Smart Dental Care Limited Totton Dental Care Limited Trocadero Holdings Limited Trocadero Leisure Limited Trocadero London Limited Trocadero Management Services Limited Trocadero No. 2 Limited V.A.S. Dental Care Ltd Vicarage Lane Dental Care Limited Walworth Road Dental Care Limited Well Street Dental Care Limited Welldene Dental Care Ltd Wellsbourne Dental Care Limited West Hill Dental Clinic Ltd White House Dental Care Limited
James Cocker	Brave Foods Ltd Bumble Bee Foods, LLC Bumble Bee Parent, Inc. Bumble Bee Capital Corp. Bumble Bee Holdings, Inc. Connors Bros. Seafoods Company Connors Bros. Holdings Company Clover Leaf Holdings Company Connors Bros Clover Leaf Seafoods Company Crafts Group Limited Grenade (UK) Limited Grenade Holdings Limited Lion Capital General Partner LLP Lion Capital LLP Lion Cashmere Bidco Limited	Lion/Bluebell Bidco Limited (<i>Dissolved</i>) Lion/Bluebell Midco 2 Limited (<i>Dissolved</i>) Lion Capital General Partner II LLP (<i>Dissolved</i>) Lion Capital General Partner III LLP (<i>Dissolved</i>) Lion-Shoes Midco Limited Lion/Silk Investments 1 Limited (<i>Dissolved</i>) Lion/Silk Investments 2 Limited (<i>Dissolved</i>) Lion/Visor Lux 1 S.à r.l. Lion/Visor Lux 2 S.à r.l. Lion/Hotel Lux 1 S.à r.l. Lion/Rally Cayman 4 Lion/Rally Cayman 5 Lion/Hotel Dutch 1 B.V. Hema B.V. Lion/Visor Swede 1 AB Vaasan Group OY Vaasan Group 1 OY Vaasan Group 2 OY Finnvassan III AB

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
James Cocker (continued)	Lion Cashmere HedgeCo Limited Lion Cashmere Midco Limited Lion/Gemstone Bidco Limited Lion/Gemstone Midco Limited Lion/Gemstone Topco Limited Lion/Jenga Bidco Limited Lion/Jenga Midco Limited Lion/Jenga Topco Limited Loungers Holdings Limited Loungers UK Limited Piccolo Foods Limited The DMC Group Holding Limited	Lion/Rally Lux 1 S.A. Lion/Rally Lux 2 S.à r.l. Lion/Rally Lux 3 S.à r.l. Lion/Rally Lux 4 S.à r.l. Visor (Gibraltar) Limited
Nick Backhouse	Chichester Festival Theatre Eaton Gate Gaming Limited Hollywood Bowl Group PLC Westbourne House School Educational Trust Limited	All3media Holdings Limited Guardian Media Group Plc Marston's PLC
Adam Bellamy	Axis (Maidstone) Ltd Axis (Rugby) Ltd Axis Health & Fitness Limited Boomsign Limited Crown Sports Limited Dragons (Gatwick) Limited Dragons Health Clubs Limited Greystone Leisure Limited L A Fitness (1998) Limited L A Fitness Employee Benefit Trust Limited L A Hair & Beauty Limited L.A. Fitness (Luton) Limited Lambourne Golf Club Limited Mop Acquisitions (CS) Limited Pinnacle Topco Limited Pure Gym Group Plc Ten Entertainment Group PLC	CS Leisure Limited Gym Bidco Limited Gym Midco 2 Limited Gym Midco Limited L A Fitness Limited L.A. Westminster Limited LA Leisure Limited OvalHouse Limited Pinnacle Bidco Plc Pinnacle Midco 1 Limited Pinnacle Midco 2 Limited Pure Gym (Dudley) Limited Pure Gym Limited The Rugby Club Of St James Limited Tolmers Newco 1 Limited Tolmers Newco 2 Limited Trainstation Limited
Jill Little	Green Jade Limited Joules Group Plc Nobia AB Shaftesbury PLC	Houseology Design Group Limited National Trust (Enterprises) Limited (The) National Trust (Renewable Energy) Limited

- 7.3 The Directors have held the following directorships in companies that have been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement or which entered into any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company:

<i>Name</i>	<i>Company¹</i>	<i>Date</i>
Alex Reilley	Goldbrick House Limited ²	7 July 2017 (<i>Dissolution</i>)
Nick Collins	Terisco Limited ³	6 April 2016 (<i>Dissolution</i>)
	Fuzzy's Grub Holdings Limited ⁴	12 February 2010 (<i>Dissolution</i>)
	Fuzzy's Grub Limited	
	Fuzzy's Grub Crown	
	Passage Limited	

<i>Name</i>	<i>Company¹</i>	<i>Date</i>
Gregor Grant	Survivor Group Limited ⁵	15 December 2015 (<i>Dissolution</i>)
	Fuddruckers Inc ⁶	21 April 2010 (<i>entry into Chapter 11</i>)
	Magic Brands LLC ⁶	21 April 2010 (<i>entry into Chapter 11</i>)
James Cocker	Contessa (Ladieswear) Limited ⁷	24 August 2018
	La Senza Europe Limited ⁸	26 September 2018
	La Senza Limited ⁹	in administration from 10 January 2012
	Lion/Silk Investments 1 Limited ¹⁰	9 October 2014
	Lion/Silk Investments 2 Limited ¹¹	10 October 2014
	Xunely Limited ¹²	24 August 2018
Adam Bellamy ¹³	Pure Gym Group Plc	N/A
	L A Fitness Employee Benefit Trust Limited	
	Greystone Leisure Limited	
	L A Hair & Beauty Limited	
	L.A. Fitness (Luton) Limited	
	Dragons (Gatwick) Limited	
	Dragons Health Clubs Limited	
	L A Fitness (1998) Limited	
	Crown Sports Limited	
	Axis (Maidstone) Ltd	
	Boomsign Limited	
	Axis (Rugby) Ltd	
	Lambourne Golf Club Limited	
	Axis Health & Fitness Limited	

- (1) All information provided in this table is based on publicly available information at Companies House and other publicly available sources. Unless otherwise stated, the figures represent the shortfall to both secured, preferential and unsecured creditors.
- (2) Shortfall to creditors was approximately £702,846.
- (3) Terisco Limited was dissolved pursuant to a member's voluntary liquidation.
- (4) Shortfall to creditors from the liquidation of Fuzzy's Grub Holdings Limited, Fuzzy's Grub Limited and Fuzzy's Grub Crown Passage Limited (in aggregate) was approximately £1,400,000.
- (5) As part of the enforcement of security by secured creditors in order to take control of the operating business, in which secured and preferential creditors were repaid in full. The amount of shortfall to unsecured creditors (principally the private equity shareholders) was approximately £99,410,953. No creditors to the operating business in Survivor Group Limited were affected.
- (6) Magic Brands LLC and Fuddruckers Inc. filed for Chapter 11 bankruptcy protection in the United States in April 2010. The assets of Magic Brands LLC and Fuddruckers Inc were then sold pursuant to the Chapter 11 procedure in June 2010, realising an amount of \$63.45 million, which resulted in substantial recoveries for creditors.
- (7) Secured creditors were repaid in full. Shortfall to unsecured creditors was approximately £8,306,370 consisting mostly of intercompany creditors.
- (8) Secured creditor was repaid in full. Shortfall to unsecured creditors was approximately £1,920,119 consisting mostly of intercompany creditors.
- (9) Secured creditor and preferential creditors were repaid in full. Shortfall to unsecured creditors was approximately £23,779,533.
- (10) Shortfall to unsecured creditors, consisting of intragroup creditors, was approximately £151,000,000.
- (11) Secured creditors (not including subrogated secured creditors) were repaid in full. Shortfall to unsecured creditors, consisting mostly of intergroup creditors, was approximately £120,412,177.

- (12) Secured creditor paid in full. Shortfall to unsecured creditors was approximately £11,577,358, consisting mostly of intercompany creditors.
- (13) These directorships all relate to companies currently undergoing member's voluntary liquidation on a solvent basis.
- 7.4 Save in respect of James Cocker, none of the Directors are, nor have been within the five years prior to the publication of this document, partners in any partnerships (other than as disclosed in this Part V).
- 7.4.1 James Cocker is currently a partner in the following partnerships:
- Lion Capital Carry L.P.
 - Lion Capital Carry II LP.
 - Lion Capital Carry III L.P.
 - Lion Capital Carry IV L.P.
 - Lion Capital Fund II SBS, L.P.
 - Lion Capital Fund III SBS, L.P.
 - Lion Capital Fund III SBS (USD), L.P.
 - Lion Capital Fund IV SBS L.P.
 - Lion Capital Fund IV SBS (USD), L.P.
- 7.5 No Director has:
- 7.5.1 any unspent convictions in relation to indictable offences;
 - 7.5.2 had a bankruptcy order made against him or entered into an individual voluntary arrangement;
 - 7.5.3 except as disclosed in this Part V, been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement or which entered into any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceases to be a director of that company;
 - 7.5.4 been a partner in any partnership placed into compulsory liquidation, administration or partnership voluntary arrangement where such director was a partner at the time of or within the 12 months preceding such event;
 - 7.5.5 been subject to the receivership of any asset of such director or of a partnership of which the director was a partner at the time of or within 12 months preceding such event; or
 - 7.5.6 received public criticisms by statutory or regulatory authorities (including designated professional bodies) and no director has been disqualified from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 7.6 Save as disclosed in this Part V, no Director has been interested in any transaction with the Company which was unusual in its nature or conditions or significant to the business of the Company during the current financial year which remains outstanding or unperformed.
- 7.7 The Group operates from properties that are owned by companies/other entities where Alex Reilley, or in certain instances his connected persons, have a significant interest:

<i>Property</i>	<i>Company/Entity</i>	<i>Annual Rent</i>
Palacio Lounge, The Moor, Falmouth, TR11 SQA	Colombe D'Or No 2 Property Co Ltd	£60,000
Santo Lounge, 429 Shirley Road, Shirley, Southampton, SO15 3JF	Colombe D'Or SSAS	£32,500
Circo Lounge, 66 Poole Road, Westbourne, Bournemouth, BH3 9DZ	Colombe D'Or SSAS	£55,000
Castello Lounge, 1-2 Market Street, Wellingborough, NN8 1AN	Reilley Properties Limited	£52,500
Cosy Club, 45-51 London St, Norwich, NR2 1HX	Reilley Properties Limited	£175,000

7.8 Loungers UK Limited also leases The Castle Inn, 10 Mount Pleasant, Bradford on Avon, BA15 1SJ (the “**Castle Inn**”) from Castle Inn Unit Trust EPUT an entity over which Alex Reilley has a significant interest. Loungers UK Limited has sublet the Castle Inn to Flatcappers Limited for an annual rent of £75,000 which is equal to the annual rent payable by Loungers UK Limited to Castle Inn Unit Trust EPUT.

8. Share Plans

Following Admission, the Company intends to operate three share plans: the Value Creation Plan (the “**VCP**”), the Senior Management Restricted Share Plan (the “**RSP**”) and an all-employee share incentive plan (the “**Employee Share Plan**” or the “**ESP**”). The VCP, RSP and the Employee Share Plan are, together, the “**Discretionary Plans**”.

The VCP and RSP will be administered by the Remuneration Committee. The operation of the all Employee Share Plan will be supervised by senior management. The dilution limit under the Discretionary Plans is 10 per cent. in aggregate in any 10 year period.

Information on certain awards to be made at or following Admission and the principal features of the Discretionary Plans are summarised below.

8.1 *The Value Creation Plan*

8.1.1 *Status*

The VCP is a discretionary executive share plan. Under the VCP, the Remuneration Committee may, within certain limits and subject to any applicable performance conditions, grant to the three Executive Directors and two divisional managing Directors 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 (“**VCP Award**”).

8.1.2 *Eligibility and grant of VCP Awards*

Entitlements under the VCP are intended to be awarded as follows:

- Chief Executive Officer – 40 per cent.
- Chief Financial Officer – 20 per cent.
- Chairman – 15 per cent.
- Managing Director of Lounge – 15 per cent.
- Managing Director of Cosy Club – 10 per cent.

It is intended that the VCP Awards will be one-off awards granted at Admission, with no further awards being made to the participants. The Remuneration Committee shall, however, review this approach on an annual basis taking into consideration performance, retention challenges and affordability.

8.1.3 *Performance conditions*

The VCP Awards shall have a three year performance period (the “**VCP 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.

New equity issues will be excluded from the calculation unless decided otherwise by the Remuneration Committee. 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 awarded under the VCP equal to six per cent. of the Company's share capital from time to time.

8.1.4 *Vesting of VCP Awards*

At the end of the VCP Performance Period, the VCP pool value will be determined in respect of the relevant number of Ordinary Shares to the extent that the applicable performance conditions have been satisfied. 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.

8.1.5 *Malus and Clawback*

The Remuneration Committee may decide, on or before the fifth anniversary of Admission, that the number of Ordinary Shares vested pursuant to a VCP Award shall be reduced (including to nil) on such basis that the Remuneration Committee in its discretion considers to be fair and reasonable in the following circumstances:

- discovery of a material error within the financial statements which results in a re-statement; and/or
- action or conduct of a participant which, in the reasonable opinion of the Remuneration Committee, amounts to gross misconduct.

Clawback may be effected for a period of up to two years after the end of the VCP Performance Period if the Remuneration Committee determines that there has been:

- discovery of a material error within the financial statements for a period that was wholly or partly before the end of the period over which the performance target applicable to an award was assessed which results in a re-statement; and/or
- action or conduct of a participant which, in the reasonable opinion of the Remuneration Committee, amounts to gross misconduct.

Clawback may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of future awards.

8.1.6 *Change of control*

In the event of a change of control of the Company, performance shall be tested based on the offer price at such time and the value of the VCP pool shall be determined at this point. No time pro-rating shall apply as the size of the potential VCP Award is linked to the hurdle level. The hurdle shall be determined based on the achievement against the performance target at the point of change of control.

The Remuneration Committee shall have discretion to adjust the formulaic outcome to reflect underlying performance.

8.1.7 *Cessation of employment*

If a participant dies or ceases to be employed by the Company during the VCP Performance Period or during the period to the fifth anniversary of Admission by reason of ill-health, injury, disability, redundancy, retirement or any other reason at the discretion of the Remuneration Committee (each a "**Good Leaver Reason**"), any unvested VCP Award will vest on the usual vesting date taking into account the extent to which any performance condition has been

satisfied at the date of cessation, and unless the Remuneration Committee determines otherwise, pro-rated to reflect the reduced period of time between grant and the participant's cessation of employment as a proportion of the normal vesting period. The Remuneration Committee may, at its discretion, bring forward the vesting date for any such leaver, in which case any performance condition would be assessed at this point.

For all leavers who do not cease employment for a Good Leaver Reason, their VCP Award will lapse immediately upon the participant ceasing to be employed by or holding office with the Company.

8.1.8 *Joiners*

Since there is no unallocated pool, new joiners shall be unable to join the VCP part-way through the VCP Performance Period. New joiners may, however, be able to join subsequent plans at the discretion of the Remuneration Committee.

8.2 ***The Senior Management Restricted Share Plan***

8.2.1 *Status*

The RSP is a discretionary executive share plan. Under the RSP, save for the IPO Awards, the Remuneration Committee may, within certain limits, grant to members of the senior management team (as proposed by the Executive Directors on an annual basis) an entitlement to shares in the Company (the “**RSP Awards**”). The Company has also established a sub-plan 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**”). The provisions of the RSP apply to CSOP Options granted under the sub-plan subject to and insofar as permitted by the applicable requirements of the CSOP legislation.

8.2.2 *Eligibility and grant of RSP Awards*

RSP Awards shall be made on an annual basis at the discretion of the Remuneration Committee. There will be an overall cap on the number of shares that can be awarded 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).

Subject to the approval of the Remuneration Committee and a dilution limit of 10 per cent., the Executive Directors shall propose the exact RSP Awards each year for each participant within the senior management team based on individual performance over the prior year.

The sub-plan to the RSP permits the grant of CSOP Options over Ordinary Shares with a total market value of up to the permitted limit under a CSOP (currently £30,000 per employee).

The exercise price per Ordinary Share shall be determined by the Remuneration Committee and shall not be less than the market value of an Ordinary Share (in respect of the CSOP) determined in accordance with the rules of the RSP. For the first grant of RSP Awards, which it is anticipated will take place at or shortly after Admission, the Remuneration Committee reserves the right to calculate market value by reference to the Placing Price.

No RSP Awards may be granted more than 10 years from the date when the RSP was adopted.

8.2.3 *Performance conditions*

The Remuneration Committee may decide to impose performance conditions, or other conditions on the vesting of RSP Awards.

8.2.4 *Vesting and exercise*

RSP Awards will usually be subject to a three year vesting period from the date of grant subject to continued employment with the Company.

Participants may be required to hold a proportion of the RSP Award as determined by the Remuneration Committee for a period or periods post-vesting.

As noted in paragraph 6.2 the IPO Awards will vest in full on Admission and become exercisable in equal parts on the first, second and third anniversary of Admission.

8.2.5 *Malus and Clawback*

The Remuneration Committee may decide, at the end of the vesting period or at any time before, that the number of shares subject to a RSP Award shall be reduced (including to nil) on such basis that the Remuneration Committee in its discretion considers to be fair and reasonable in the following circumstances:

- discovery of a material error within the financial statements which results in a re-statement; and/or
- action or conduct of a participant which, in the reasonable opinion of the Remuneration Committee, amounts to gross misconduct.

Clawback may be effected for a period of up to two years after the end of the performance period if the Remuneration Committee determines that there has been:

- discovery of a material error within the financial statements for a period that was wholly or partly before the end of the period over which the performance target applicable to an award was assessed which results in a re-statement; and/or
- action or conduct of a participant which, in the reasonable opinion of the Remuneration Committee, amounts to gross misconduct.

8.2.6 *Change of control*

In the event of a takeover, scheme of arrangement, demerger or winding-up of the Company, the RSP Awards will vest in full. To the extent that RSP Awards vest in the event of a takeover, scheme of arrangement, demerger or winding-up of the Company they may be exercised for a period of six months measured from the relevant event (or in the case of takeover such longer period as the Remuneration Committee determines) and will otherwise lapse at the end of that period.

If there is a corporate event resulting in a new person or company acquiring control of the Company, the Remuneration Committee may (with the consent of the acquiring company) alternatively decide that RSP Awards will not vest or lapse but will be replaced by equivalent new awards over shares in the new acquiring company.

8.2.7 *Cessation of employment*

If a participant dies or ceases to be employed by the Company by reason of ill-health, injury, disability, redundancy, retirement or any other reason at the discretion of the Remuneration Committee (each a “**Good Leaver Reason**”), any unvested RSP Award will vest on the usual vesting date. Unless the Remuneration Committee decides otherwise, vesting will be pro-rated to reflect the reduced period of time between grant and the participant’s cessation of employment as a proportion of the normal vesting period. The Remuneration Committee may, at its discretion, bring forward the vesting date for any such leaver.

To the extent that RSP Awards vest for a Good Leaver Reason, they may be exercised for a period of six months following vesting (or such longer period as the Remuneration Committee determines) and will otherwise lapse at the end of that period. To the extent that RSP Awards vest following death of a participant, they may normally be exercised for a period of 12 months following death and will otherwise lapse at the end of that period.

For all other leavers who do not cease employment for a Good Leaver Reason, their RSP Award will lapse immediately upon the participant ceasing to be employed by or holding office with the Company.

8.3 **The Employee Share Plan**

8.3.1 *Status*

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 ("**ESP Awards**").

8.3.2 *Eligibility*

Initial awards under the ESP are intended to be granted to certain employees. ESP Awards granted on or shortly after Admission will be of an amount of free Ordinary Shares calculated by reference to the Placing Price.

Annual ESP Awards may be made in future years with timing aligned to the Company's financial year end, with varying eligibility criteria and quantum levels.

8.3.3 *Performance conditions*

The ESP has no performance conditions, other than the continued employment over the vesting period.

8.3.4 *Grant of ESP Awards*

ESP Awards will vest one year after the date of grant subject to the participant's continued employment with the Company during this period. There will be an overall cap on the number of shares that can be awarded under the ESP equal to the dilution limit of 10 per cent. in 10 years (such percentage to be reduced by any dilution arising from the VCP and/or the RSP).

No ESP Awards may be granted under the ESP more than 10 years from the date when the ESP was adopted.

8.3.5 *Change of control*

In the event of a takeover, scheme of arrangement, demerger or winding-up of the Company, the ESP Awards will vest in full.

If there is a corporate event resulting in a new person or company acquiring control of the Company, senior management may (with the consent of the Remuneration Committee and acquiring company) alternatively decide that ESP Awards will not vest or lapse but will be replaced by equivalent new awards over shares in the new acquiring company.

8.3.6 *Cessation of employment*

If a participant dies or ceases to be employed by the Company by reason of ill-health, injury, disability, redundancy, retirement or any other reason at the discretion of senior management (each a "**Good Leaver Reason**"), any unvested ESP Award will vest on the usual vesting date. Unless senior management decides otherwise, vesting will be pro-rated to reflect the reduced period of time between grant and the participant's cessation of employment as a proportion of the normal vesting period. Senior management may, at its discretion, bring forward the vesting date for any such leaver.

For all other leavers who do not cease employment for a Good Leaver Reason, their awards will lapse immediately upon the participant ceasing to be employed by the Company.

8.3.7 *Alternative settlement*

At its discretion, the senior management may decide to satisfy awards granted under the ESP with a payment in cash or Ordinary Shares equal to any gain that a participant would have made had the relevant award been satisfied with Ordinary Shares.

8.4 **Provisions applying to each of the Discretionary Plans**

8.4.1 *Awards not transferable*

Awards granted under the Discretionary Plans are not transferable other than to the participant's personal representatives in the event of his death provided that awards and Ordinary Shares may be held by the trustees of an employee as nominee for the participants.

8.4.2 *Variation of capital*

If there is a variation of share capital of the Company or in the event of a demerger or other distribution, special dividend or distribution, the Remuneration Committee (or senior management in respect of the ESP) may make such adjustments to awards granted under each of the Discretionary Plans, including the number of Ordinary Shares subject to awards and the option exercise price (if any), as it considers to be fair and reasonable.

8.4.3 *Rights attaching to Ordinary Shares*

Ordinary Shares issued and/or transferred under the Discretionary Plans will not confer any rights on any participant until the relevant award has vested or the relevant option has been exercised and the participant in question has received the underlying Shares. Any Ordinary Shares allotted when an option is exercised or an award vests will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their issue).

8.4.4 *Amendments*

The Remuneration Committee (or senior management in respect of the ESP) may, at any time, amend the provisions of any of the Discretionary Plans in any respect. The prior approval of the Company in general meeting must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, the price payable for Ordinary Shares (in the case of the RSP CSOP Options), the persons to whom an award can be made under the relevant Discretionary Plan, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval, save that there are exceptions for any minor amendment to benefit the administration of the relevant Discretionary Plan, to take account of the provisions of any proposed or existing legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company and/or its other Group companies. Amendments may not normally adversely affect the rights of participants except where participants are notified of such amendment and the majority of participants approve such amendment.

8.4.5 *Benefits not pensionable*

The benefits received under the Discretionary Plans are not pensionable.

8.5 **The Company's employee trust**

Prior to Admission the Company is intending to establish an employee trust (the "**Loungers plc Employee Benefit Trust**" or the "**EBT**") which is constituted by a trust deed which will be entered into between the Company and a trustee. The Company has the power to appoint and remove the trustee.

The EBT can be used to benefit employees and former employees of the Company and its subsidiaries and certain members of their families. The trustee of the EBT has the power to acquire the Ordinary Shares. Any Ordinary Shares acquired may be used for the purposes of the Discretionary Plans or other employee share plans established by the Group from time to time.

The Group may fund the EBT by loan or gift to acquire Ordinary Shares either by market purchase or by subscription. Any awards to subscribe for Ordinary Shares granted to the EBT or Ordinary Shares issued to the EBT will be treated as counting against the dilution limits that apply to the relevant plan.

The EBT will not make an acquisition of shares if that acquisition would mean that (after deducting any Ordinary Shares held as nominee for beneficiaries under the EBT) it held more than 5 per cent. of the Company's ordinary share capital, without prior shareholder approval.

8.6 **Share awards prior to Admission**

Following the establishment of the EBT, Joint ownership awards will be made prior to, but conditional upon, Admission to Nick Collins and Justin Carter (the “**Participants**” and each a “**Participant**”), jointly with the trustees (the “**Trustees**”) of the EBT, in respect of 269,158 Ordinary Shares (the “**JSOP**”).

Under the terms of the JSOP, an interest (an “**Interest**”) was acquired by the Participants taking the form of a restricted beneficial interest in a number of Ordinary Shares which, broadly, gives each Participant the right to the future increase in value of those Ordinary Shares above an agreed threshold which will not be less than the market value of the Ordinary Shares at the date the Interests are acquired (the “**Threshold**”). Each Participant acquired his Interest by entering into a joint ownership agreement with the Trustees under which the Participant and the Trustees jointly acquired the Ordinary Shares. The remaining interest in the jointly owned Ordinary Shares not acquired by the Participant was acquired by the Trustees with funding provided by the Company (a “**Trustee Interest**”).

A Participant may require the Trustees to transfer to him Ordinary Shares of equal value to the Participant’s Interests at a future date. The Remuneration Committee may also request the Trustees to consider the grant of an option to each Participant over the Trustee Interests in the Ordinary Shares which would be exercisable at any time.

A Participant may direct the Trustee to vote in accordance with the Participant’s instructions in respect of a number of jointly owned Ordinary Shares that have a value equal to the Participant’s Interests. The Trustees will not exercise voting rights attached to the Ordinary Shares subject to the Trustee Interests.

Participants may be awarded a cash amount equal to an appropriate pro rata amount of any dividend paid in respect of a number of Ordinary Shares equal to the number in respect of the Interests. Dividends on Ordinary Shares will be waived in relation to the Trustees Interests.

The Ordinary Shares issued jointly to the Trustees and each Participant under the JSOP do not count towards the dilution limits in place in respect of the Discretionary Plans.

9. **Articles of Association**

The Articles of Association, which were adopted on 23 April 2019 to take effect immediately prior to Admission, contain, amongst other things, provisions to the following effect.

9.1 **Objects**

The Articles of Association contain no specific restrictions on the Company’s objects and therefore, by virtue of section 31(1) of the Act, the Company’s objects are unrestricted.

9.2 **Voting rights**

Subject to paragraph 9.7 below, and to any special terms as to voting upon which any shares may for the time being, be held, on a show of hands every member who (being an individual) is present in person or by proxy (being a corporation) is present by a duly appointed representative shall have one vote and on a poll every member present in person or by a representative or proxy shall have one vote for every ordinary share in the capital of the Company held by him. A proxy need not be a member of the Company.

9.3 **Variation of rights**

If at any time the capital of the Company is divided into different classes of shares all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated with the consent in writing of the holders of three quarters in nominal value of the issued shares (excluding any shares of that class held as treasury shares) of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting (except an adjourned meeting), the quorum shall be two persons holding or representing by proxy one-third in nominal value of the issued shares of that class.

9.4 **Alteration of capital**

The Company may, subject to the Act, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account.

Subject to the provisions of the Act and to any rights for the time being attached to any shares, the Company may purchase, or enter into a contract under which it will or may purchase, any of its own shares of any class in any way. Any shares so purchased may be selected for purchase on any basis and in any manner whatsoever.

9.5 **Transfer of shares**

A member may transfer all or any of his shares (1) in the case of certificated shares by instrument in writing in any usual or common form or in such other form as may be approved by the directors and (2) in the case of uncertificated shares, through CREST in accordance with and subject to the CREST Regulations and the facilities and requirements of the relevant system concerned. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, if the share is not fully paid, by or behalf of the transferee.

The directors may, in their absolute discretion and without giving a reason, refuse to register the transfer of a certificated share or the renunciation of a renounceable letter of allotment unless it is:

- (a) in respect of a share which is fully paid;
- (b) in respect of a share on which the Company has no lien;
- (c) in respect of only one class of shares;
- (d) in favour of a single transferee or renouncee or not more than four joint transferees or renouncees;
- (e) duly stamped (if required); and
- (f) delivered for registration to the Company's registered office or such other place as the directors may decide, accompanied by the certificate for the shares to which it relates (except in the case of a transfer of a share, for which a certificate has not been issued, by a person in respect of whom the Company is not required by the Act to complete and have ready for delivery a share certificate, and except in the case of a renunciation) and any other evidence as the directors may reasonably require to prove the title to such share of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of such person to do so

provided that the directors shall not refuse to register any transfer or renunciation of any certificated shares on the ground that they are partly paid in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

If the directors refuse to register a transfer or renunciation, they shall, within two months after the date on which the transfer or renunciation was delivered to the Company, send notice of the refusal to the transferee or renouncee. An instrument of transfer or renunciation that the directors refuse to register shall (except in the case of suspected fraud) be returned to the person delivering it. All instruments of transfer which are registered may, subject to the Articles of Association, be retained by the Company.

In the case of uncertificated shares, the directors shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share held in uncertificated form in accordance with the CREST Regulations, except that the directors may refuse to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the CREST Regulations. In accordance with and subject to the provisions of the CREST Regulations, where title to an uncertificated share is transferred by means of CREST to a person who is to hold such share in certificated form thereafter, the Company as participating issuer shall register the transfer, but that the Company may refuse to register such a transfer in any circumstance permitted by the CREST Regulations. If the directors refuse to register any such transfer or renunciation the Company shall, within two months after the date on which the instruction relating to such transfer or renunciation was received by the Company, send notice of the *refusal to the transferee or renouncee*.

9.6 **Dividends**

The Company may by ordinary resolution in general meeting declare dividends provided that no dividend shall be paid otherwise than out of profits and no dividend shall exceed the amount recommended by the directors.

Subject to the Act, the directors may pay such interim dividends (including any dividend payable at a fixed rate) as appears to the directors to be justified by the profits of the Company available for distribution. If at any time the share capital is divided into different classes, the directors may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears. If the directors act in good faith, they shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of an interim dividend on any shares ranking after those with preferential rights.

Except as otherwise provided by the Articles of Association or the rights attached to, or the terms of issue of shares:

- (a) a dividend shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the nominal value of the shares on which the dividend is paid; and
- (b) dividends shall be apportioned and paid proportionately to the amounts paid up on the nominal value of the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

Except as otherwise provided in the Articles of Association or the rights attached to shares:

- (a) a dividend may be paid in any currency or currencies decided by the directors; and
- (b) the Company may agree with a member that any dividend declared or which may become due in one currency will be paid to the member in another currency for which purpose the directors may use any relevant exchange rate current at any time as the directors may select for the purpose of calculating the amount of any member's entitlement to the dividend.

All unclaimed dividends or other monies payable by the Company in respect of a share may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. The payment of any unclaimed dividend or other amount payable by the Company in respect of a share into a separate account shall not constitute the Company a trustee in respect of it.

The directors may, if authorised by an ordinary resolution of the Company, offer the holders of shares the right to elect to receive additional shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend. The directors may at their discretion make the right to participate in any such elections subject to restrictions necessary or expedient to deal with legal, regulatory or other difficulties in respect of overseas shareholders.

9.7 **Suspension of rights**

If a member or any other person appearing to be interested in shares held by such shareholder has been duly served with notice under section 793 of the Act and is in default in supplying to the Company within 14 clear days the information thereby, required, then (unless the directors otherwise decide) such member shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings of the Company (whether by a show of hands or by poll) in respect of the shares which are the subject of such notice (including in a general meeting or a meeting of the members of that class of shares).

Where the holding represents more than 0.25 per cent. of the issued shares of that class (calculated exclusive of any treasury shares of that class) the payment of dividends may be withheld, and such member shall not be entitled to transfer such shares otherwise than under certain circumstances, including an arms' length sale in good faith.

9.8 **Return of capital**

On any voluntary winding-up of the Company, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act or the Insolvency Act 1986 (as amended), divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division shall be in accordance with the existing rights of the members. The liquidator may, with the like sanction, vest the whole or any part of the assets of the Company in trustees on such trusts for the benefit of the members as he, with the like sanction, shall determine, but no member shall be compelled to accept any assets on which there is a liability.

9.9 **Pre-emption rights**

There are no rights of pre-emption under the Articles of Association of the Company in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

9.10 **Shareholder meetings**

Annual general meetings should be held within the time periods specified by the Act. Other general meetings may be called whenever the directors think fit or when one has been requisitioned in accordance with the Act. Two members present in person or by proxy (or, being a corporation, present by a duly appointed representative) at the meeting and entitled to vote shall be a quorum for all purposes.

Annual general meetings are called on at least 21 clear days' notice in writing. Other general meetings are to be called on 14 clear days' notice. The annual general meeting may be called on shorter notice providing all members entitled to attend and vote agree and a general meeting can be called on shorter notice if a majority in number of the members having a right to attend and vote at the general meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, consent.

The directors may determine that the members entitled to receive notice of a meeting are those persons entered on the register of members at a time determined by the directors (subject to the CREST Regulations if the Company is then a participating issuer for the purpose of the Uncertificated Securities Regulations) which shall not be more than 48 hours before the time fixed for the meeting excluding any part of any day that is not a working day. Changes to entries on the register after the time so specified in the notice shall be disregarded in determining the rights of any person to so attend or vote.

In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll vote instead of him/her, and that a proxy need not be a member.

9.11 **Directors**

Save as provided in the Articles of Association or by the terms of any authorisation given by the directors, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract or arrangement or any other proposal to which the Company is or is to be a party and in which he has an interest which is to his knowledge a material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company).

The directors may authorise a director to be involved in a situation in which the director has or may have a direct or indirect interest which conflicts or may conflict with the interests of the Company and may

impose such terms or conditions on the grant of such authorisation as they think fit and in doing so will act in such a way, in good faith, as they consider will be most likely to promote the success of the Company.

A director shall (in the absence of some other interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution relating to any of the following matters namely:

- (a) relating to the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of a Group undertaking;
- (b) relating to the giving of any security, guarantee or indemnity in respect of a debt or obligation of a Group undertaking for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) relating to, or in the context of, an offer of securities by a Group undertaking in which he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (d) relating to another company in which he does not have to his knowledge an interest in shares (as that term is used in sections 820 to 825 of the Act) representing one per cent. or more of either any class of the equity share capital, or the voting rights in, such company;
- (e) relating to an arrangement for the benefit of employees of any Group undertaking which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- (f) concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons including directors; or
- (g) relating to a contract relating to a pension, superannuation or similar scheme or a retirement, death, disability benefits scheme or employees' share scheme which gives the director benefits which are also generally given to the employees to whom the scheme relates.

Unless otherwise decided by the Company by ordinary resolution, the Company shall pay to the directors (but not alternate Directors) for their services as Directors such aggregate amount of fees as the directors decide (not exceeding £1,000,000 per annum or such larger amount as the Company may by ordinary resolution decide). The aggregate fees shall be divided among the directors in such proportions as the directors decide or, if no decision is made, equally. Such fee shall be distinct from any salary or remuneration payable to a director under a service agreement or other amount payable to him pursuant to other provisions of these Articles and accrues from day to day.

A director who, at the request of the Board, goes or resides abroad, makes a special journey or performs a special service on behalf of or for the Company (including, without limitation, services as a chairman or vice-chairman of the board, services as a member of any board committee and services which the board considers to be outside the scope of the ordinary duties of a director) may be paid such reasonable additional remuneration (whether by way of salary, bonus, commission, percentage of profits or otherwise) and expenses as the directors (including, for the avoidance of doubt, the board acting through a duly authorised board committee) may decide.

A director may also be paid all travelling, hotel and other expenses properly incurred by him in connection with his attendance at meetings of the directors or of committees of the board or general meetings or separate meetings of the holders of any class of shares or otherwise in connection with the discharge of his duties as a director, including (without limitation) any professional fees incurred by him (with the approval of the directors or in accordance with any procedures stipulated by the directors) in taking independent professional advice in connection with the discharge of such duties.

Subject to the Act and compliance with the provisions in the Articles of Association relating to disclosure of interests, a director, notwithstanding his office:

- (a) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, either in connection with his tenure of any office or place of profit or as vendor, purchaser or otherwise;
- (b) may hold any other office or place of profit under the Company (except that of auditor) in conjunction with the office of director and may act by himself or through his firm in a professional

capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the directors may arrange, either in addition to or in lieu of any remuneration provided for by any other provisions of the Articles of Association;

- (c) may be a director or other officer of, or employed by, or a party to any contract, arrangement, transaction or proposal with or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and
- (d) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal

and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

Save as provided by the Articles of Association or by the terms of authorisation given by the directors, a director shall not vote as a director or be counted in the quorum in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement in which he has any interest which conflicts or may conflict with the interests of the Company. If he does vote, his vote shall not be counted.

The remuneration and other terms and conditions of appointment of a director appointed as managing director or to any other executive office or employment under the Company shall from time to time (without prejudice to the provisions of any agreement between him and the Company) be fixed by the directors or by any committee appointed by the directors, and may (without limitation) be by way of fixed salary, lump sum, commission on the dividends or profits of the Company (or of any other company in which the Company is interested) or other participation in any such profits or otherwise or by any or all or partly by one and partly by another or others of those modes.

Any statutory provision which, subject to the provisions of the Articles of Association, would have the effect of rendering any person ineligible for appointment as a director or liable to vacate office as a director on account of his having reached any specified age or of requiring special notice or any other special formality in connection with the appointment of any director over a specified age shall not apply to the Company.

9.12 **Borrowing powers**

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or part of the undertaking, property and assets (present or future) and uncalled capital of the Company and, subject to the Act, to create and issue debentures and other securities, whether outright or as collateral security for a debt, liability or obligation of the Company or of a third party.

The Directors shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to ensure (as regards subsidiary undertakings, to the extent possible by such exercise) that the aggregate principal amount outstanding in respect of borrowed monies by the Group and its undertakings does not at any time, without the previous sanction of an ordinary resolution, exceed the higher of (i) a sum equal to five times the Company's adjusted capital and reserves and (ii) £1,000,000,000.

9.13 **Squeeze out**

Under sections 974 to 991 of the Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. In addition, pursuant to section 983 of the Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

9.14 **Redeemable Preference Shares**

The Redeemable Preference Shares shall not confer any right to dividends or other distributions and, subject to the provisions of the Act, profits of the Company available for distribution shall be applied in paying dividends to the holder of the Ordinary Shares.

In the event of the winding up of the Company or other return of capital, the assets of the Company remaining after payment of its debts and liabilities and of the costs, charges and expenses, such winding up or other return of capital shall be applied first in repaying in full to the holders of the Redeemable Preference Shares the amounts paid up or credited as paid up in respect of such Redeemable Preference Shares (if any) and thereafter shall be applied on a *pro-rata* basis in proportion to the number of fully paid up Ordinary Shares held.

The holders of the Redeemable Preference Shares shall have the right to receive notice of and attend and speak at any general meeting of the Company but, subject to certain limited circumstances, only the holders of Ordinary Shares shall be entitled to vote.

At the Company's election, the Company may give notice for the Redeemable Preference Shares to be redeemed at nominal value.

10. **Material Contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and/or any of its subsidiaries in the two years immediately preceding the date of this document and are, or may be, material:

10.1 **Nominated Adviser Agreement and Financial Advisory Engagement Letter**

A nominated adviser agreement between GCA Altium and the Company dated 24 April 2019 in respect of GCA Altium acting as nominated adviser for the purposes of AIM for an initial minimum period of 12 months (terminable on three months' notice thereafter by either party). The Company has agreed to pay to GCA Altium an annual retainer for acting as nominated adviser, as well as its reasonable out of pocket expenses. GCA Altium will, *inter alia*, assist the Company with complying with the AIM Rules. The agreement also contains a customary indemnity given by the Company to GCA Altium in relation to the provision by GCA Altium of its services under the agreement.

Under an engagement letter between GCA Altium and Lion/Jenga Topco Limited dated 13 November 2018 (the "**Engagement Letter**"), GCA Altium was appointed as financial adviser in connection with Admission and is entitled to receive an advisory fee.

10.2 **Placing Agreement/Lock-In Arrangements**

A placing agreement dated 24 April 2019 between the Company, the Principal Sellers, the Directors, GCA Altium and the Joint Bookrunners whereby Liberum and Peel Hunt were appointed as the agent of the Company and the Selling Shareholders for the purpose of managing the Placing and have agreed to use reasonable endeavours to procure Placees to subscribe for the New Ordinary Shares and to purchase the Sale Shares, in each case at the Placing Price. Pursuant to the Placing Agreement, the Company and the Directors have given certain warranties to GCA Altium and the Joint Bookrunners regarding, amongst other things, the accuracy of the information in this document. The liability of the Company in respect of its obligations under the warranties is unlimited as to the amount. The liability of each of the Directors and the Principal Sellers under certain warranties are limited as to the amount and time.

The Company has also provided each of GCA Altium and the Joint Bookrunners with a customary indemnity to cover GCA Altium and the Joint Bookrunners for liabilities they may suffer as a result of acting as nominated adviser or placing agent (as applicable) pursuant to the Placing Agreement. The Placing Agreement is conditional, amongst other things, on Admission taking place no later than 29 April 2019, or such later date as the Company, GCA Altium and the Joint Bookrunners may agree, being no later than 13 May 2019, and the Company and the Directors complying with certain obligations under the Placing Agreement. Under the Placing Agreement, the Company has agreed to pay each Joint Bookrunner (i) a commission and (ii) a total discretionary commission to be paid at the

sole and absolute discretion of the Company and the Principal Sellers, together with all costs and expenses and VAT thereon, where appropriate.

GCA Altium and the Joint Bookrunners are entitled in certain limited circumstances to terminate the Placing Agreement prior to Admission, and such termination rights are customary for agreements of this nature, which include material adverse change or a breach of warranty or undertaking by any party giving such warranty or undertaking in each case, which the relevant Bank considers to be material in the context of Placing or Admission and non-compliance by such persons with any obligation contained in the Placing Agreement.

Each of the Locked-in Shareholders and Lion Capital have undertaken to the Company, GCA Altium and the Joint Bookrunners (subject to certain limited customary exceptions) not to dispose of the Ordinary Shares held by each of them following Admission or any other Ordinary Shares which they may acquire as a result of its or their holding of such shares at any time prior to the date falling, in the case of the Locked-in Shareholders, 12 months from Admission, and in the case of Lion Capital, six months from Admission (the “**Lock-in Period**”) without the prior written consent of the Company, GCA Altium and the Joint Bookrunners. Each of the Locked-in Shareholders and Lion Capital have also undertaken to the Company, GCA Altium and the Joint Bookrunners not to dispose of their Ordinary Shares following the expiry of the Lock-in Period otherwise than through either Liberum or Peel Hunt (subject to certain limited customary exceptions) for the period of, in the case of the Locked-in Shareholders 12 months, and in the case of Lion Capital, six months, following the expiry of the Lock-in Period.

In addition, the Selling Shareholders who are not Director Sellers or Principal Sellers entered into individual Deeds of Election each dated 24 April 2019 (“**Deeds of Election**”) appointing the Company as their agent in the Placing.

10.3 **Existing Facility Agreement**

Partners Group (Guernsey) Limited, Santander UK Plc and certain other lenders (the “**Senior Lenders**”) have made certain facilities available to Lion/Jenga Bidco Limited, Loungers Holdings Limited and Loungers Limited (together, the “**Borrower Group**”) pursuant to a senior facilities agreement dated 28 April 2017 and entered into by, amongst others, (1) the Borrower Group (as borrowers and guarantors); (2) Partners Group (Guernsey) Limited and Santander UK Plc (as mandated lead arrangers); and (3) Santander UK Plc (as agent and security agent, the “**Senior Agent**”), as amended by an amendment agreement dated 11 December 2017 (the “**Senior Facilities Agreement**”). The following facilities were made available to the Borrower Group under the Senior Facilities Agreement:

- (A) a term loan facility in the sum of £60 million to refinance outstanding indebtedness and finance certain permitted payments (“**Facility B**”);
- (B) a term loan facility in the sum of £15 million to finance certain permitted acquisitions, permitted joint ventures and capital expenditure (the “**Acquisition/Capex Facility**”);
- (C) a revolving credit facility in the sum of £5 million for general working purposes (the “**Revolving Facility**”); and
- (D) letters of credit or similar guarantees and certain ancillary facilities including an overdraft, short term loan facilities, derivatives facilities and foreign exchange facilities.

The Borrower Group may voluntarily prepay each of the loans drawn under Facility B, the Acquisition/Capex Facility or the Revolving Facility in full by giving the Agent not less than three business days’ notice (or such shorter period as the Agent may agree). Any prepayment must be made together with accrued interest on the amount prepaid and will be subject to break costs if that prepayment is made on a date that is not an interest payment date, or a scheduled repayment date. Otherwise, there are no premiums or penalties in respect of prepayment (the prepayment fees fall away after the first anniversary of the first utilisation under the Senior Facilities Agreement). If the notice of voluntary prepayment is conditional or revocable, the Borrower Group will be liable for any costs, loss or liability reasonably incurred by the Senior Lenders as a result of that prepayment not being made, if the prepayment is not made.

Lion/Jenga Bidco Limited also entered into fee letters in connection with the Senior Facilities Agreement each dated 28 April 2017 and in respect of an original issue discount fee, an agent fee and a security agent fee. Each of these fees are non-refundable, save for the security agent and agent fee which may be refundable with the written consent on the Senior Agent.

The Senior Facilities Agreement will be terminated and refinanced when Lion/Jenga Bidco Limited refinances its existing external debt pursuant to the New Facilities Agreement described in paragraph 10.6 below.

10.4 **Existing Security Agreement**

Each of the Borrower Group has granted security in favour of the Senior Agent (as security agent) by way of a debenture dated 16 May 2017 securing obligations under the Senior Facilities Agreement and certain hedging agreements (the “**Security Agreement**”). This Security Agreement will be released and terminated when Lion/Jenga Bidco Limited refinances its existing external debt pursuant to the New Facilities Agreement described in paragraph 10.6 below.

10.5 **Existing Intercreditor Agreement**

Each of the Borrower Group have entered into an intercreditor agreement dated 28 April 2017 with, amongst others, (1) Lion/Jenga Midco Limited (as a subordinated creditor); (2) the Senior Lenders; (3) the Senior Agent (as agent and security agent); and (4) any counterparty to a hedge agreement that has acceded to the intercreditor agreement (the “**Hedge Counterparty**”) (the “**Intercreditor Agreement**”). The Intercreditor Agreement ranks certain of the liabilities of the parties thereto in the following order:

- (A) first, the liabilities of the Borrower Group to: (1) the Senior Lenders under the Senior Facilities Agreement; (2) a Hedge Counterparty under certain hedging agreements; and (3) the Senior Lenders or a Hedge Counterparty for the account of the Senior Agent under certain finance documents (the “**Senior Liabilities**”), shall rank *pari passu* and without preference between them;
- (B) secondly, the liabilities of the Borrower Group as between themselves (the “**Intragroup Liabilities**”) are subordinated to the Senior Liabilities; and
- (C) lastly, the liabilities of the Borrower Group to Lion/Jenga Midco Limited (the “**Subordinated Liabilities**”) are subordinated to both the Senior Liabilities and the Intragroup Liabilities.

The Intercreditor Agreement also contains certain restrictions on and regulates the repayment of the Senior Liabilities, the Intragroup Liabilities and the Subordinated Liabilities and enforcement of any related security.

The Intercreditor Agreement will be terminated when Lion/Jenga Bidco Limited refinances its existing external debt pursuant to the New Facilities Agreement described in paragraph 10.6 below.

10.6 **New Facilities Agreement**

Santander UK Plc and The Governor and Company of the Bank of Ireland (together the “**Senior Lenders**”) shall make certain facilities available to Loungers Holdings Limited and Loungers Limited (together, the “**Borrowers**”) pursuant to a senior facilities agreement entered into on 23 April 2019 by, amongst others, (1) Lion Jenga/Bidco Limited as the Parent (the “**Parent**”), (2) Loungers Holdings Limited and Loungers Limited (as borrowers), (3) the Parent, Loungers Holdings Limited and Loungers Limited (together the “**Group**”) (as guarantors), (4) Santander UK Plc and The Governor and Company of the Bank of Ireland (as mandated lead arrangers) and (5) The Governor and Company of the Bank of Ireland (as agent and security agent, the “**Senior Agent**”) (the “**Senior Facilities Agreement**”). The following facilities shall be made available under the Senior Facilities Agreement:

- (a) a term loan facility shall be made available to Loungers Holdings Limited in the sum of £32,500,000 to refinance outstanding indebtedness and finance certain refinancing and floatation costs (“**Facility B**”);

- (b) a revolving credit facility in the sum of £10,000,000 to repay the Group's existing working capital facilities, for general working purposes and to finance certain refinancing and floatation costs (the **"Revolving Facility"**); and
- (c) letters of credit or similar guarantees and certain ancillary facilities including overdrafts, short term loan facilities, derivatives facilities and foreign exchange facilities, each as part of the Revolving Facility commitments,

(together the **"Facilities"**). Each of the Facilities shall terminate on the fifth anniversary of the date on which first utilisation of the Facilities occurs (the **"Closing Date"**).

The Group may voluntarily prepay each of the loans drawn under Facility B or the Revolving Facility in full by giving the Agent not less than three (3) business days' notice (or such shorter period as the majority lenders under the relevant facility may agree). Any prepayment must be made together with accrued interest on the amount prepaid and will be subject to break costs if that prepayment is made on a date that is not an interest payment date or a scheduled repayment date. Otherwise, there are no premiums or penalties in respect of prepayment. If the notice of voluntary prepayment is conditional or revocable, the Group will be liable for any costs, loss or liability reasonably incurred by the Senior Lenders as a result of that prepayment not being made, if the prepayment is not made.

The Parent shall also enter into certain fee letters in connection with the Senior Facilities Agreement in respect of an arrangement fee, an agent fee and a security agent fee. Each of these fees are not payable unless the Closing Date occurs, but are non-refundable.

10.7 **New Security Arrangements**

Each member of the Group has granted security in favour of the Agent (as security agent) by way of a debenture dated 23 April 2019 to secure obligations under the Senior Facilities Agreement and other related finance documents, including certain hedging agreements (the **"Debenture"**). Pursuant to the Debenture each member of the Group will grant security over its assets by way of certain fixed and floating charges.

10.8 **New Intercreditor Agreement**

Each member of the Group has entered into an intercreditor agreement dated 23 April 2019 with, amongst others, (1) the Senior Lenders, (2) the Agent (as agent and security agent) and (3) any counterparty to a hedging agreement that has acceded to the intercreditor agreement (each a **"Hedge Counterparty"**) (the **"Intercreditor Agreement"**). The Intercreditor Agreement shall rank certain of the liabilities of the parties thereto in the following order:

- (a) firstly, the liabilities of the Group to: (1) the Senior Lenders under the Senior Facilities Agreement, (2) a Hedge Counterparty under certain hedging agreements, and (3) the Senior Lenders or a Hedge Counterparty for the account of the Agent under certain finance documents (the **"Senior Liabilities"**), shall rank *pari passu* and without preference between them;
- (b) secondly, the liabilities of the Group as between themselves (the **"Intragroup Liabilities"**) and the liabilities of the Group to Subordinated creditor (the **"Subordinated Liabilities"**) are each subordinated to both the Senior Liabilities.

The Intercreditor Agreement shall also contain certain restrictions on and regulate the repayment of the Senior Liabilities, the Intragroup Liabilities and the Subordinated Liabilities and enforcement of any related security.

10.9 **The Reorganisation Agreements**

On 23 April 2019, the Company entered into certain agreements with the existing shareholders of Lion/Jenga Topco Limited to implement the Reorganisation described in paragraph 3.3 of this Part V.

10.10 **Relationship Agreement**

On 24 April 2019, Lion Capital entered into the Relationship Agreement with the Company. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying

on its business independently of Lion Capital and its affiliates (excluding portfolio companies) (together, the “**Lion Group**”).

The Relationship Agreement takes effect from Admission. The Relationship Agreement shall terminate on the earlier of: (1) Lion Capital removing its representative director and its board observer and irrevocably indicating that it no longer wishes to exercise its rights to appoint a representative director and a board observer; and (2) the date on which Lion Capital is no longer entitled to appoint a representative director to the Board. The Relationship Agreement may also be terminated by either the Company or Lion Capital if the Ordinary Shares cease to be admitted to trading on AIM, certain steps are taken relating to the winding up of the Company, arrangements with the Company’s creditors, or the appointment of a receiver in respect of the Company’s assets.

Under the Relationship Agreement, Lion Capital shall, and has agreed to use its reasonable endeavours to procure that each other member of the Lion Group shall, among other things:

- (A) not take any action that is intended to preclude or inhibit the Company or any other member of the Group from operating independently of any member of the Lion Group at all times;
- (B) make and conduct all transactions and arrangements between the Company (or any member of the Group) and each member of the Lion Group on an arm’s length and normal commercial basis; and
- (C) not take any action that would have the effect of preventing the Company or any other member of the Group from complying with its obligations under the AIM Rules or other applicable law;
- (D) not exercise any of its voting or other rights and powers as a shareholder of the Company:
 - (1) to procure or propose, or vote in favour of, any resolution for any amendment to the Articles which would be inconsistent with or undermine any of the provisions of the Relationship Agreement or would be contrary to the principle of independence of the Company from the Lion Group;
 - (2) in a manner which would be inconsistent with, or breach any of the provisions of, the Relationship Agreement or any applicable law;
 - (3) on any resolution required by applicable law to approve a “related party transaction” involving any member of the Group where a member of the Lion Group is the related party, or otherwise in respect of any contract or arrangement (whether legally binding or not) in which any member of the Lion Group has a material interest (other than by virtue of its interest in shares in the Company); or
 - (4) on any matter which is the subject of any such conflict or potential conflict of interest between the interests of any member of the Lion Group, on the one hand, and the interests of any member of the Group, on the other; and
- (E) not act in a way which any member of the Lion Group knows (or should reasonably know) shall render the Company’s shares unsuitable for continued admission to trading on AIM or result in the Company being subject to regulatory censure or other adverse regulatory action.

Under the Relationship Agreement, for so long as the Lion Group, in aggregate, exercises or controls 10 per cent. or more of the total voting rights in the Company, Lion Capital has the right to nominate one person as a Director and if it controls 15 per cent. or more of the total voting rights in the Company, Lion Capital has the right to appoint one person as a board observer, who shall have the right to attend Board meetings, but shall not have the right to vote or count towards a quorum.

11. Premises

The Group’s key sites are set out in paragraph 4.5 of Part I of this document.

12. Working Capital

The Directors are of the opinion that, having made due and careful enquiry and taking into account the bank facilities available to the Group and the net proceeds of the Placing of the New Ordinary Shares, the working

capital available to the Group will be sufficient for its present requirements, that is for the period of at least 12 months from Admission.

13. Litigation

The Group is not involved nor has been involved in any legal or arbitration proceedings in the previous 12 months which have or may have had in the recent past, a significant effect on the Group's financial position or profitability nor, so far as the Directors are aware are any such proceedings pending or threatened against any member of the Group.

14. United Kingdom Taxation

The following paragraphs are intended as a general guide based on current legislation and HMRC practice as at the date of this document regarding the UK tax position of Shareholders who are resident in the United Kingdom for tax purposes and who beneficially hold their shares as investments (otherwise than under an individual savings account).

14.1 *Taxation of dividends*

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

UK resident individual Shareholders

Under current UK tax rules, specific rates of tax apply to dividend income. As of 6 April 2016, the notional dividend tax credit system was abolished. Instead, there is a dividend allowance which taxes the first £2,000 of dividend income received by an individual Shareholder who is resident for tax purposes in the UK for 2019/2020 at 0 per cent. (the "**Nil Rate Amount**"). Dividend income in excess of the Nil Rate Amount (taking account of any other dividend income received by the Shareholder in the same tax year) will be taxed at the following rates for 2019/2020: 7.5 per cent. (to the extent that it falls below the threshold for higher rate income tax); 32.5 per cent. (to the extent that it falls above the threshold for higher rate income tax and is within the higher rate band); and 38.1 per cent. (to the extent that it is within the additional rate). For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the Nil Rate Amount which would (if there was no Nil Rate Amount) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

UK resident corporate Shareholders

Shareholders within the charge to UK corporation tax which are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will generally not be subject to UK corporation tax on any dividend received provided certain conditions are met (including an anti-avoidance condition).

A UK resident corporate Shareholder (which is not a "small company" for the purposes of the UK taxation of dividends legislation in Part 9A of the Corporation Tax Act 2009) will be liable to UK corporation tax (currently at a rate of 19 per cent. from 1 April 2017, and reducing to 17 per cent. from 1 April 2020) unless the dividend falls within one of the exempt classes set out in Part 9A. Examples of exempt classes (as defined in Chapter 3 of Part 9A of the Corporation Tax Act 2009) include dividends paid on shares that are "ordinary shares" (that is shares that do not carry any present or future preferential right to dividends or to the Company's assets on its winding up) and which are not "redeemable", and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital in respect of which the distribution is made). It should be noted that the exemptions are not comprehensive and are subject to anti-avoidance rules.

Non-UK resident Shareholders

Non-UK resident Individual Shareholders who receive a dividend from the Company are treated as having paid UK income tax on their dividend income at the dividend ordinary rate (7.5 per cent.). Such

income tax will not be repayable to a non-UK resident Individual Shareholder. A non-UK resident Shareholder is not generally subject to further UK tax on dividend receipts.

A non-UK resident Individual Shareholder may also be subject to taxation on dividend income under local law, in their country or jurisdiction of residence and/or citizenship. A shareholder who is not solely resident in the UK for tax purposes should consult his own tax advisers concerning his tax liabilities (in the UK and any other country) on dividends received from the Company in respect of liability to both UK taxation and taxation of any other country of residence or citizenship.

14.2 **Taxation of chargeable gains**

Individual and corporate Shareholders who are resident in the United Kingdom may, depending on their circumstances (including the availability of allowances, exemptions or reliefs), realise a chargeable gain or an allowable loss for the purposes of taxation of capital gains on a sale or other disposal (or deemed disposal) of Ordinary Shares.

UK resident individual Shareholders

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. The rate of capital gains tax on disposal of shares is 10 per cent. (2019/2020) for individuals who are subject to income tax at the basic rate and 20 per cent. (2019/2020) for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise an annual exempt amount of gains (currently £12,000) for the year to 5 April 2020 without being liable to UK capital gains tax.

UK resident corporate Shareholders

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain at the rate of corporation tax applicable to that Shareholder (currently 19 per cent. with effect from 1 April 2017, and reducing to 17 per cent. from 1 April 2020) or an allowable loss for the purposes of UK corporation tax.

Non UK resident Shareholders

An individual Shareholder who is only temporarily resident outside the United Kingdom may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised when they resume UK tax residence (subject to available allowances, exemptions or reliefs) upon a sale or other disposal (or deemed disposal) of Ordinary Shares.

Shareholders who are not tax resident in the United Kingdom and, in the case of an individual Shareholder, not temporarily non-resident, will not generally be subject to UK taxation of capital gains on a sale or other disposal (or deemed disposal) of Ordinary Shares unless such Ordinary Shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency or, in the case of a corporate Shareholder, through a permanent establishment. Shareholders who are not resident in the United Kingdom may be subject to non-UK taxation on any gain under local law.

14.3 **Inheritance tax**

The Ordinary Shares will be assets situated in the United Kingdom for the purposes of UK inheritance tax. A gift of such assets during lifetime or on the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax, even if the holder is or was neither domiciled in the United Kingdom nor deemed to be domiciled there, under certain rules relating to long residence or previous domicile. Generally, UK inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to the death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit following a gift of an asset. Special rules also apply to close companies and to trustees of settlements who hold Ordinary Shares bringing them within the charge to inheritance tax. A charge to inheritance tax may also arise if the shares are transferred to a trust during their lifetime or on death. Holders of Ordinary

Shares should consult an appropriate professional adviser if they make a gift or any kind of transfer at less than market value, or if they intend to hold any Ordinary Shares through a trust or similar indirect arrangements. They should also seek professional advice in a situation where there is potential for a double charge to UK inheritance tax and an equivalent tax in another country or if they are in any doubt about their UK inheritance tax position.

14.4 **Stamp duty and stamp duty reserve tax (“SDRT”)**

No UK stamp duty or SDRT will be generally payable on the issue of Ordinary Shares. AIM qualifies as a recognised growth market for the purposes of the UK stamp duty and SDRT legislation. Accordingly, for so long as the Ordinary Shares are admitted to trading on AIM and are not listed on any other market no charge to UK stamp duty or SDRT should arise on their subsequent transfer. If the Ordinary Shares cease to qualify for this exemption their transfer on sale will be subject to stamp duty and/or SDRT (generally at the rate of 0.5 per cent. of the consideration subject to a de minimis threshold), although special rules apply in respect of certain transfers including transfers to market intermediaries and transfers into clearance services or depositary receipt arrangements. The statements in this paragraph apply to any holders of Ordinary Shares irrespective of their residence, and are a summary of the current position and are intended to be a general guide to the current stamp duty and SDRT position. Shareholders in any doubt about their position should seek appropriate tax advice.

15. **Other Information**

15.1 The accounting reference date of the Company is 22 April.

15.2 The fees and expenses of, and incidental to, the Placing and Admission that are payable by the Company are estimated at approximately £5.2 million. These include (but are not limited to) accountancy fees, solicitors fees and the fees of the Company’s financial and nominated adviser and the Joint Bookrunners.

15.3 Except for the Material Contracts referred to in paragraph 10 of this Part V, there are no contracts or agreements which are of fundamental importance to the Company’s business.

15.4 Save as disclosed in this document, the Company is not dependent on any patents, licences, industrial or commercial or financial contracts or new manufacturing processes which have a material effect on the Company’s business or profitability.

15.5 None of the Directors perform any principal activities outside the Company that are significant with respect to the Company.

15.6 Except as stated in this document, there have been no principal investments made by the Company during the last three financial years and there are no principal future investments on which firm commitments have been made.

15.7 No person (excluding professional advisers named in this document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the Company’s application to AIM, or has entered into any contractual arrangements with the Company to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more, securities which have a value of £10,000 or more or any other benefit with a value of £10,000 or more at the date of Admission.

15.8 PricewaterhouseCoopers LLP, a member of the Institute of Chartered Accountants in England and Wales and registered auditors, is registered in England and Wales under number OC303525 and its registered office is at 1 Embankment Place, London, WC2N 6RH. PricewaterhouseCoopers LLP has given and not withdrawn its written consent to the inclusion in this document of the report set out in Part III of this document and has authorised the contents of its report for the purposes of Schedule Two of the AIM Rules in the form and context in which it appears.

15.9 GCA Altium, as nominated adviser to the Company, has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which it appears.

- 15.10 Each of the Joint Bookrunners, has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which it appears.
- 15.11 Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 7 October 2018, being the date to which the financial information in Part III of this document has been prepared.
- 15.12 Save as disclosed in this document there are no environmental issues that the Directors have determined may affect the Company's utilisation of tangible fixed assets and the Directors have not identified any events that have occurred since the end of the last financial year and which are considered to be likely to have a material effect on the Company's prospects for the current financial year.
- 15.13 The historical financial information relating to the Company contained in this document does not comprise statutory accounts for the purposes of section 431 of the Act.
- 15.14 The Placing Price of 200 pence represents a premium of approximately 199 pence to the 1 pence nominal value of an Ordinary Share.

16. Documents Available for Inspection

Copies of the following documents will be available for inspection at the offices of Jones Day at 21 Tudor Street, London, EC4Y 0DJ during normal business hours on any weekdays (Saturdays and Public Holidays excepted) for 30 days from the date of Admission:

- (a) the Articles of Association of the Company;
- (b) the combined and consolidated financial information in respect of the years ended 24 April 2016, 23 April 2017 and 22 April 2018, the 24 weeks ended 7 October 2018 and the unaudited consolidated historical financial information for the 24 weeks ended 8 October 2017, together with the related Accountants Report from PricewaterhouseCoopers LLP, which are set out as Section 2 and Section 1 of Part III of this document, respectively;
- (c) the service agreements and letters of appointment referred to in paragraph 6 of this Part V;
- (d) the rules of the Share Plans referred to in paragraph 8 of this Part V; and
- (e) the consent letters from the Company's advisers referred to in paragraphs 15.9 and 15.10 of this Part V.

17. Availability of this Document

Copies of this document will be available free of charge to the public on any weekday (Saturdays, Sundays and public holidays excepted) for a period of one month from the date of Admission at the Company's offices and the offices of Jones Day, the Company's legal advisers, the addresses of which are disclosed on page 11 of this document. A copy is also available on the Company's website at www.Loungers.co.uk.



LOUNGE **COSY CLUB**