LOUNGERS PLC ANNUAL REPORT 2023

LOUNGERS

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 16 APRIL 2023

Company number 11910770

LOUNGE

CAFÉ BARS

COSY CLUB

Brightside

ROADSIDE DINING

WHAT WE DO

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MARKET OVERVIEW

Loungers plc (Loungers) operates through its three complementary brands – Lounge, Cosy Club and Brightside – in the UK hospitality sector.

At the year end the Group had 222 sites (2022: 195 sites), comprising 186 Lounges, 35 Cosy Clubs and 1 Brightside. Whilst it competes with coffee shops, pubs, restaurants and local independent operators, 72 per cent of Lounge customers see it as a unique proposition, rather than categorise it solely as a restaurant, pub or coffee shop. The Group competes with every element of the trade of a pub chain, coffee shop, or restaurant, whereas each of those operators only competes for a part of Loungers' sales. It is this level of differentiation that has enabled the Group to deliver significant and consistent like for like ("LFL") sales outperformance, and in turn, it is this sales outperformance allied to the new site roll-out and growing scale of the Group that have provided the scope to better withstand the cost pressures that have afflicted the broader hospitality sector in recent years.

LOUNGE

CAFÉ BARS

THELOUNGES.CO.UK

LOUNGE

186
LOUNGES NATIONWIDE

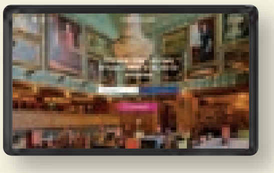
A Lounge is a neighbourhood café/bar combining elements of a restaurant, the British pub and coffee shop culture.

As at the 16 April 2023, there were 186 Lounges nationwide. Lounges are principally located in secondary suburban high streets and small town centres. The sites are characterised by informal, unique interiors with an emphasis on a warm, comfortable atmosphere, often described as a "home from home". The Lounge estate has a consistent look and feel but each Lounge is individually named and tailored to the site and local area, and the design of each Lounge is continually evolving, meaning no two sites are the same.

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

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

COSY CLUB



COSYCLUB.CO.UK

COSY CLUB

35
COSY CLUBS NATIONWIDE

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

Cosy Clubs are typically located in city centres and larger market towns. Interiors tend to be larger and more theatrical than for a Lounge, and heritage buildings or first-floor spaces are often employed to create a sense of occasion. The Cosy Club brand enables the Group to operate in areas where there is a more occasion-led demographic and offers an opportunity for greater coverage within cities. Sales, EBITDA and capital expenditure are typically higher for a Cosy Club than for a Lounge. As at the FY23 year end, there were 35 Cosy Clubs nationwide.

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

Brightside
ROADSIDE DINING

BRIGHTSIDE.CO.UK

BRIGHTSIDE

1
BRIGHTSIDE NATIONWIDE

Loungers launched its third brand, a roadside dining concept called Brightside, in November 2022.

The first two Brightside locations are now open, on the A38, south of Exeter, and on the A38 at Saltash with a further site to open on the A303 in summer 2023.

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

I am delighted to report on another year of excellent financial, operational, and strategic progress for Loungers.

A RECORD YEAR

In the financial year ending 16 April 2023 we opened a record number of new sites (29), achieved record turnover of £283.5m, and delivered Adjusted EBITDA of £47.3m. The business grew overall sales by 19.5% and posted like-for-like sales growth of 7.4% on a one-year basis - or 17.6% on a three-year basis (albeit an increasingly less relevant metric).

We also opened our 200th site (Cosy Club Chester) and ended the year on 222 sites including the opening of the first Brightside, our new roadside restaurant brand, on the A38 near Exeter. The momentum of FY23 and the quality of our new site openings has been maintained into the new year, with the recent opening of Ormo Lounge in Llandudno representing, from a sales perspective, the biggest Lounge opening in our history.

A STRENGTHENED TEAM

During the year, we made some key hires into newly created roles for the business: Guy Youll joined the business as Chief People Officer in the autumn, and has quickly set about delivering a better, more joined up people strategy. Having a proven people leader of his calibre is already helping us to substantially build on great work like The Commitments (our five point covenant with our employees), and will ultimately only make the business an even better place in which to work; Kate Lister joined us at the same time as our first ever Marketing Director, and has made an immediate impact in helping us to move away from our previous 'light touch' approach to promoting our brands; and, more recently, Jono Jenkins, who was previously Lounge Head of Food, has been promoted to Commercial Director. Having someone senior leading our commercial team should help us deliver not just our immediate goals, but also our more medium to long term ambitions.

It isn't all one-way traffic, however, and we are sorry to say goodbye to Amber Wood who leaves her role as Cosy Club MD in August. Amber has been an integral part of the Loungers journey for a number of years now and has achieved a huge amount in her time with us. We were very lucky to have Amber as part of our executive team, and I wish her all the very best for the future.

EXCEPTIONAL RESILIENCE IN THE FACE OF MULTIPLE CHALLENGES

Loungers has been a listed company for over four years now and in that time it's fair to say we have had to deal with some unprecedented challenges, most notably the Covid pandemic. Despite having to be constantly reactive, and at times having to roll with multiple punches, the executive team, masterfully led as ever by Nick Collins, has risen to every challenge. With the exception of the period in which we were unable to trade due to the UK hospitality industry being forced to close, the business has delivered time-and-time again.

Our brands have proved to be exceptionally resilient and, through constant innovation and evolution, our offer is more relevant and compelling than it has ever been before. Whilst the majority of businesses in our sector have struggled, Loungers has thrived, and whilst many of our peers still talk about 'recovery' we have been back to full speed for over 18 months now - with the business enjoying significant growth despite the challenging backdrop. When comparing our FY23 results to our results for FY19, which was our year end just before the business listed on the London Stock Exchange, Loungers now has 52% more sites. This in turn has increased revenue by 85%, generated 66% more Adjusted EBITDA, and reduced net debt by £21.5m. In short, there is a great deal for the business to be extremely proud about, not the least the fact we have created 3,675 new jobs in the last four years – creating fantastic career opportunities for people from all backgrounds, all over the UK.

TIME TO CELEBRATE SUCCESS STORIES ACROSS THE SECTOR: NOT ALL DOOM AND GLOOM

During the pandemic, the UK hospitality industry received unprecedented levels of government support thanks in no small part to the tireless efforts of the various trade bodies that represent the sector. This support was, of course, very much required and more than justified, given the sector was forced to close entirely at times due to the various lockdowns. Since emerging from the Covid period, the industry has been significantly impacted by soaring energy costs, high inflation, the rising cost of labour, the cost-of-living crisis, and rail strikes (most acutely felt by London-centric businesses) and lobbying for more government support continues. Whilst highlighting the issues the sector continues to face and seeking more government support is understandable, it concerns me that hospitality is now viewed as a sector that is still very much on life-support.

Clearly it is very challenging at the moment, particularly for smaller independent businesses in our sector who have been hit by outrageous and unsustainable energy costs. But surely we need to start to provide some balance to the way the sector portrays itself, because it is simply not accurate to characterise it as being all doom and gloom. As our results show, Loungers is doing extremely well and I make no apology for the success we continue to enjoy. Operating a hospitality business has always been challenging and our continued success is down to a number of factors, not least the hard work and talent of our executive team and our site teams' dedication to providing consistently great hospitality. However, at the heart of our success has been our ability to make the most of the cards we have been dealt and to get our heads down and crack on. This is undeniably a major reason why we emerged strongly from the Covid lockdowns and is also why we are successfully navigating the cocktail of challenges the sector faces post-pandemic.

And Loungers is by no means alone. There are countless other hospitality businesses that are growing, investing, creating jobs, building their brands, and being ambitious. A lot of these businesses, almost all of which are privately owned, are not making the same mistakes as others, because they have learnt from them, and instead of pausing their innovation and evolution post-pandemic they have accelerated it. They are helping to rejuvenate our high streets and aid the economic recovery and it is time that we start to shine a light on the success stories of our sector instead of allowing a message of woe to be promoted.

The investment community too needs to start hearing a different, more up-to-date message. Just because a number of over-leveraged casual dining brands have failed over the last few years doesn't mean that casual dining is totally broken. Indeed, most of the growth and innovation in the sector is currently in casual dining. Likewise, just because certain high-profile operators are reducing their leisure/retail park estates doesn't mean that these types of locations are absolutely off-limits. Indeed, some of our best performing Lounge sites are in exactly the locations that sector commentators seem to have condemned.

The UK consumer is on the one hand looking for familiarity but also for adventure. They are attracted to brands that they feel constantly deliver a great experience but also, and most importantly, that they feel are relevant. Brands that have failed in recent years have done so for a number of reasons; their offer hasn't evolved, their sites look tired and under-invested, and the business model that sits behind the brand is broken. These brands have lost their relevance and the UK consumer has simply moved on to better, more relevant brands operated by smart management teams who know not to repeat the mistakes of others.

EXCITING TIMES AHEAD

On which note, as Loungers enters FY24 we are in a great place, and I firmly believe that we are armed with the best thought-through and most realistically deliverable strategic plan that the business has ever had. We will open another record number of new sites in FY24, which will be overwhelmingly dominated by Lounge openings, including our first sites in the North East. Lounge will break through the 200 sites landmark and, with a sizeable runway ahead of us, we believe there is scope for at least 600 Lounges across the UK.

We will continue to be selective about Cosy Club opportunities and look forward to opening our first ever site in Oxford, a city in which we envisage having at least four Lounge sites in the future, when we open Cosy Club Oxford in late summer.

At the time of writing our second Brightside has recently opened on the A38 near Saltash and our third site will open on the A303 near Honiton in early August. Whilst we have already learnt an awful lot about operating a roadside brand in just a short space of time, with three sites open and a summer's trade ahead there will be a lot more to learn and the brand will inevitably need to spend some time 'in the lab'. However, we are encouraged by how Brightside has traded to date and remain hugely excited about its potential.

In the case of both Cosy Club and Brightside, we will remain disciplined in our approach to new openings and will not allow either brand to distract the business from the overall strategy which, for the foreseeable future, remains taking full advantage of the sizeable runway we have identified for new Lounge sites.

Despite the challenging trading conditions, we are, as ever, working tirelessly to improve the business and our brands. There is a real ambition within the executive team to make tangible progress on a number of areas of the business where we believe we can improve, particularly in light of the key hires that we made in FY23. Most notably, we believe we can improve margin, develop even better capex controls, and promote a more fully-formed, authentic ESG strategy that has total buy-in from our teams.

A BIG THANK YOU TO ALL OUR PEOPLE

On the subject of our teams, the importance of community engagement post-pandemic has never been greater, and the business owes a huge debt of gratitude to our wonderful site teams and the hardworking, talented ops team that support them. They not only provide first-rate, genuine hospitality, but also work tirelessly to help us earn our place on every high street and in every town centre where we are lucky enough to operate. As always, my sincere thanks goes to them for their outstanding commitment, professionalism and enthusiasm for providing outstanding quality and service to our customers.

Alex Reilley
Chairman
12 July 2023

CHIEF EXECUTIVE'S STATEMENT

INTRODUCTION

I am pleased to report on a very successful year for Loungers. We achieved record revenue of £283.5m, operating profit of £14.8m, opened a record 29 new sites, and our Adjusted EBITDA performance of £47.3m represents growth of 66% since our IPO in 2019.

Our LFL sales performance has consistently out-performed the wider sector, according to the Coffer CGA Tracker and we have successfully mitigated much of the inflationary pressure, which is now diminishing.

SALES PERFORMANCE AND OUR EVOLVING OFFER

Our sales performance throughout the year was once again exceptional, achieving underlying LFL sales growth of 7.4%.

In a year of fluctuating consumer sentiment and inconsistent macro-economic signals, it was hard to ascertain any material shift in our customers' attitudes towards going out, or their behaviour once they were in our premises. Covid, or any lingering nervousness as a result of it, was certainly not a factor throughout the year. It continues to be the case that the evolution and value of our offer, alongside our ability to deliver it well operationally, are the core factors that drive our sales growth.

We have delivered some fantastic menu evolution during the year, and I look forward to seeing this momentum continue into FY24. Over the last three years we haven't been as bold evolving our food offer as we might have liked, predominantly as a result of the trickier employment market and our determination to make life as easy as possible for our kitchen teams, avoiding more substantial change. However, the most recent March 2023 menu change in Lounge saw some really bold and more significant changes, which have had a material impact on our food sales mix, as have the more recent changes in Cosy Club. Our development teams in both food and drink have never been so strong and there is a healthy restlessness to drive further evolution and improvement.

The table below shows our annual LFL sales performance over the last ten years. Over this period the estate has grown from 44 sites to 222. The consistency of our performance whilst having gradually accelerated the roll-out is second to none and demonstrates the relevance of our offer, our understanding of the UK consumer and the strength of our team.

CONVERSION AND INFLATIONARY PRESSURE

I am pleased with the way in which we have managed the cost base in the business in an inflationary environment and we continue to be very well-placed versus our peers as a result of our growth and operational flexibility.

In the first half we saw some margin deterioration, predominantly due to wage inflation. Whilst annual National Living Wage increases of 10% are of course a significant factor, how we manage labour is also critically important. Our labour management, coming out of a very tight labour market, improved throughout the year, and I was more pleased with our performance in the second half.

On the food and drink side, we have mitigated inflationary pressure well, and price increases alongside our rolling supplier renegotiation program, have allowed us to slightly increase our food and drink margin. In the second half of the year we started negotiations in respect of several material food and drink supply contracts which will see further margin benefit in FY24 as these negotiations draw to a close. It remains the case that our significant growth allows us to challenge hard on cost and mitigate some of the inflationary pressure. We took a further step on the supply-chain consolidation journey during the year, through our switch to Bidfood and have learnt more about the actions we will need to take to optimise the supply chain further.

We continue to benefit from our May 2020 electricity and gas hedge which runs until September 2024, albeit as a result of our growth 25% of the estate is hedged at higher levels. This will continue to have a modest negative impact on our conversion over the next couple of years, but we will look to offset this as we challenge our energy efficiency in the sites.

There is no doubt that the inflationary environment has eased, and whilst wage inflation through annual National Living Wage increases is here to stay, our medium-term margin outlook is positive. It's critical that we strike the right balance between margin protection and value for money and the 10-year LFL sales chart above would suggest that we have historically got the balance right. This year I anticipate maintenance of our gross profit margins as we move towards our medium-term goal of restoring margins to their pre Covid levels.

Financial Year	FY23	FY22[1]	FY21[1]	FY20[2]	FY19	FY18	FY17	FY16	FY15	FY14
Loungers LfL growth (%)	7.4%	4.2%	10.7%	4.4%	6.9%	6.0%	5.3%	2.2%	3.9%	5.1%

1 Based upon 13 weeks trading not impacted by lockdowns / restrictions
2 44 weeks ending 23 February 2020

PEOPLE AND CULTURE

Improving as an employer, and protecting and nurturing the Loungers culture, continue to be the foundations of our roll-out strategy. Last year (FY22) we introduced The Commitments, setting out to our team what we wanted to represent as an employer, and this year we have worked hard to fulfil these commitments. We regularly survey our team to understand how they feel about working for Loungers – the most recent survey confirmed that we are performing better, but there is still more that we can do.

Towards the end of the year we restructured our site salaried team's pay, transferring some cash away from potential bonus awards and increasing salaries across the board, resulting in on average +11% salary increases. This has made us more competitive from a salary point of view and helped our team address the cost of living increases that they are experiencing. For our hourly paid team, whilst we continue to pay slightly above average rates, we have worked hard to maintain our appeal through benefits including free staff food and drinks for all shifts and staff discount alongside the softer aspects such as not having to wear a uniform, and our annual staff party Loungefest. One of the consistent messages we hear from our team is that it's not all about pay. Working in hospitality should be rewarding and fun, and this is inherent in the Loungers culture.

For anyone wanting a career in hospitality, there can be no better home than Loungers. This year saw a record number of promotions from people working at site level into our operations team. We have introduced new processes to ensure we are recognising talent and the desire to progress earlier, and are allowing people the best opportunity to succeed through development programs. We have a unique opportunity to shape careers in hospitality and progress talented individuals early in their careers.

The appointment of Guy Youll as Chief People Officer in the second half of the year was an important step in the journey. As we head into FY24, the People side of the business has never had more prominence and we are excited about the opportunities in respect of recruitment, learning and development and career progression.

I am enormously grateful to our teams across the country for their commitment and contribution over the year. Working in hospitality is incredibly rewarding but can also be demanding at times, and our continued growth and success reflects the efforts of our amazing teams in Lounge, Cosy Club, Brightside and our head office.

THE ROLL-OUT AND THE OPPORTUNITY IN FRONT OF US

During the year we opened 29 sites – 24 Lounges, four Cosy Clubs and our first Brightside. To facilitate this, we managed the phased introduction of a fifth build team, increasing our annual site-opening capacity to around 34 sites per year.

We continue to open sites very well, with newer sites increasing the average level of unit sales and EBITDA and achieving our returns hurdle. The diversity and quality of site openings during the year really highlights the opportunity in front of us, particularly from a Lounge perspective.

Lounge's uniquely consistent success in a variety of location types clearly demonstrates the relevance of our offer and the positive impact we have in communities. Over one stretch during March and April we opened six sites in six weeks, illustrating the roll-out capability within the business. Our typical Lounge openings are in small market-towns or secondary-suburbs, but we continue to see real success in coastal locations and exceptional out-performance in the occasional retail park. Retail parks are interesting – historically they have been talked-down, but I think this is more as a consequence of the quality or relevance of food and drink offer within them. Our experience suggests that the right locations with a strong retail and leisure offer and therefore strong footfall, represent an excellent opportunity for us.

The more sites we have opened, the more we have learnt about the type of location in which Lounges perform well, and we are now very confident there is scope for at least 600 Lounges across the UK. We have a detailed target list which is derived and updated from road trips carried out by the executive and property teams over the last 20 years; our combined knowledge of small and medium UK towns is impressive. When we reference the existing Lounge estate and its performance alongside the estates of other national food and drink operators, it would suggest 600 is a conservative target. We have also looked at the Cosy Club list and believe the potential scale here is realistically between 50 and 65 sites. In FY24 we expect to open one Cosy Club, and going forward the ratio of Cosy Club new openings to Lounge new opening is likely to continue to be low as we look for opportunities in a diminishing pool of potential locations.

Geographically we continue to push further into the North and the South East with openings in Richmond (North Yorkshire), and Clacton-on-Sea (Essex). The Lounge new site pipeline continues to be in excellent shape, with FY24 likely to see further expansion in the North West and the North East and continued infill across England and Wales. It remains our strategy to gradually nudge into new territories so we can pull on culture and team strength to ensure we open new sites well. We get asked a lot about when we will get to Scotland, and it feels like the next year or two should see a Loungers presence there.

On the Cosy Club side, we opened four sites during the year in Chester, Canterbury, Harrogate and Milton Keynes and are opening in Oxford towards the end of the summer. The sites have opened well and highlight the diversity of property type and our design team's ability to transform space. Potential Cosy Club locations however are less numerous and at present, outside of Oxford we don't have further Cosy Club opportunities in the pipeline.

BRIGHTSIDE

The first Brightside restaurant, our new roadside dining brand focused on busy A roads close to towns, opened its doors in Exeter on 10 February, and post year-end we have opened our second Brightside in Saltash. It has been a fantastic opportunity for the talent across the business to come together to create something that we are all enormously proud of. The sites look fantastic, the food and drink offer is exceptionally good, and differentiated from the Lounge and Cosy Club offers, whilst drawing on our core strength of all-day dining. Whilst Loungers has become a big business, at its heart is a young, entrepreneurial team and approach, and Brightside has given us the opportunity to express ourselves.

We have been relatively pleased with the very early sales performance at Exeter and Saltash and are excited about the forthcoming opening in Honiton. Customer reaction has been largely excellent and we have learnt some important lessons already in the early weeks of trade. The next three months will be a great test - and opportunity - for the business as the three west-country locations trade over the busy summer period. We look forward to providing an update in November with further thoughts on the brand and its performance.

OUR IMPACT ON SOCIETY AND THE ENVIRONMENT

Community has been at the heart of our business for our 20 year history and is the core focus of our positive impact. With the opening of every new Lounge comes new jobs, a place for anyone in the community to meet and support for local charities, causes and groups. Through our 29 new openings we have created around 1,000 new jobs and significantly 21% of these are in government identified "Levelling Up" areas.

This year we have prioritised both Community and wider Force for Good activities in our strategy and planning. This has resulted in the establishment of our first ever Force for Good Committee, led by our COO, and a Force for Good Roadmap that unites our commercial, maintenance, people, marketing and food teams. Highlights include an update to our build specification to make our sites more energy efficient, an energy reduction and waste sorting project which will be delivered directly by our 200+ site teams, the investment in seven Regional Community Managers to extend our local outreach and a full review of our supply chain so we have clarity on our ingredients and confidence in our Modern Slavery Act ("MSA") Commitments. Whilst our senior leadership is 36% female we believe that we have significantly further to go, not least in improving the gender balance within our operational leadership.

We are pleased to share our first full Scope 1-3 carbon mapping in this report, in next year's report you will see our carbon roadmap including stepped green energy targets and our plans to convert our full estate to electric only.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

MANAGEMENT TEAM

We remain very focused on evolving and building the strongest management team in the sector to facilitate the successful roll-out of our brands. As mentioned above Guy Youll joined us as Chief People Officer during the year and we also welcomed Kate Lister who joined as our first Marketing Director. Jono Jenkins was promoted to Commercial Director following four-years as Lounge Head of Food. We will continue to seek to internally develop and progress people where we have the opportunity.

Amber Wood has decided to leave in August following eight successful years with Loungers plc, including the last six as Cosy Club Managing Director. Amber has played a really important role in the growth and success of the Cosy Club brand, and leaves with my enormous gratitude for a job very well done. We are currently recruiting for her replacement.

CURRENT TRADING AND OUTLOOK

We continue to feel very positive about the outlook for our brands. Over the 12 weeks since the year end our LFL sales have been +5.7% despite the impact of Easter timing and we are pleased with our performance and trajectory. Our new site openings continue to perform exceptionally well, achieving record levels of sales, and our pipeline of new sites is as strong as ever.

We ended FY23 by accelerating many of the initiatives that have underpinned Loungers' resilience in FY23; opening six sites in six weeks across March and April, launching new innovative menus in Lounge and Cosy Club and restructuring benefits for our salaried staff. We are confident that the good momentum we are seeing across the business, as well as the investment that we continue to make in our operational structure, puts us in the best possible position to deliver further growth and profitability in FY24.

Nick Collins
Chief Executive Officer
12 July 2023

KEY STRENGTHS

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

BROAD, NATIONWIDE DEMOGRAPHIC APPEAL

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

VALUE FOR MONEY ALL-DAY OFFER

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

THREE DISTINCT BUT COMPLEMENTARY BRANDS

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

RESILIENT AND CONSISTENT OUTPERFORMANCE, RETURNS AND ECONOMICS

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

CLEAR, PROVEN GROWTH POTENTIAL

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

STRONG PIPELINE OF NEW SITES AND TRACK RECORD OF SUCCESSFUL OPENINGS

We opened 29 new sites in FY23 and 27 new sites in FY22. We introduced a fifth build team in FY23 and anticipate that we will be able to open 32-34 sites per year going forwards.

WELL INVESTED CENTRAL INFRASTRUCTURE TO SUPPORT GROWTH

We have continued to invest to build an operational and head office structure capable of supporting our growth plans, in addition to having a well-developed roadmap for continued investment.

EXPERIENCED MANAGEMENT TEAM

The Group's senior management team combines entrepreneurial spirit with significant sector experience and has a track record of meeting openings, sales, and profitability targets. Two of the original founders, Alex Reilley and Jake Bishop, remain active in the Group while Nick Collins and Gregor Grant each have nearly 20 years of experience within the hospitality industry.

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

- **Broad demographic customer base** – there is no reliance on any single demographic segment
- **Wide geographic spread** – limits exposure to any one geographic area or region
- **Value for money all-day offer** – there is limited reliance on peak trading periods
- **Focus on suburbs and market towns** – very limited exposure to city centre office communities

ESG – LOUNGERS AS A FORCE FOR GOOD

From its first days in 2002, Loungers has sought to be a positive force as an integral part of the communities in which it operates, providing jobs and great hospitality to the local population.

In our last annual report, we reported for the first time on our ESG strategy and achievements, setting out the four pillars of our framework. In the year to April 2023, we have continued to evolve our plans and put structures in place to define ambitious goals and deliver our objectives.

During the year we established a Sustainability Committee to coordinate our ESG activities and provide oversight and governance on behalf of the Board. The Committee is chaired by Eve Bugler, Chief Operating Officer, and contains representatives from key functions including Commercial, People, Finance, Compliance, Marketing and Property, as well as an external sustainability expert. It is tasked with managing our response to the growing focus on ESG from consumers, our teams and external stakeholders and setting out policies and initiatives to deliver our goal of Loungers as a "Force for Good."

PEOPLE – LOOKING AFTER OUR TEAMS WELL AND BEING AN INCLUSIVE EMPLOYER

Our teams have always been at the heart of what we do, and we continue to strive to make Loungers a great place to work for our teams. To support that, this year we have been joined by our new Chief People Officer, upweighting the focus on supporting and developing our teams as we grow.

At the end of FY22 we launched "The Commitments," which set out what our site-based teams could expect from working at Loungers, and through FY23 we have worked to embed these in our operations and ensure that our teams benefit from fair rotas, working patterns that suit them, fair pay (including overtime), development and progression and an environment in which they can be themselves. This has been recognised in the results of the bi-annual employee survey, which last year indicated that out of a scale of 10, our average score of how much our teams enjoy working at Loungers was 7.5. And on the statement 'I feel accepted and can be myself at work' it was 8.5/10; evidence that our team really believe we're an inclusive employer and somewhere they feel they can truly be themselves.[1]

By the end of the year, Loungers employed approximately 7,500 people, creating around 1,000[2] new jobs over the course of FY23. Importantly for us, 21% of these jobs were in priority areas targeted by the Government's "Levelling Up" initiative, reflective of the role that Loungers plays in promoting social mobility and creating opportunities.

Successes this Year

- Created around 1,000 new jobs
- Loungefest 2022 – Hospitality's biggest free staff party with over 3,000 of our team attending and all sites closed for a whole day.
- Review undertaken of total reward structure for our teams
- Over 1,000 team members benefit from share awards in Loungers
- 2,000 responded to team engagement survey
- Launch of a Level 5 Apprenticeship programme

Focus going Forwards

- Ensuring that our senior leadership reflects the diversity of our workforce through recruitment and a targeted approach to development/training
- Continuing to embed the Commitments and ensure these are at the heart of decisions
- Learning and Development funding for staff from ethnic minority backgrounds to support attraction and career development
- The introduction of private healthcare for a number of our senior operational roles
- Launch of structured Manager development programs ("Step Up")
- Loungefest 2023

COMMUNITIES AND CUSTOMERS – BRINGING JOY TO LOCAL PLACES ACROSS THE COUNTRY

We opened 29 new café/bars and restaurants over the past twelve months and each one has stayed true to our original vision of being a "home from home" in the local community. Keeping that community feel and focus as we expand has been a key challenge for us and to ensure that we retain that ethos we have trialled a new "Regional Community Manager" role to help our sites engage with their local communities. In the trial regions, we have increased the number of community events from 16 to 61 per month, through initiatives and partnerships with local groups including arts and crafts groups, new parent groups and quiz groups.

1 Based on 2022 team engagement survey
2 Jobs created at sites opened between 18 April 2022 and 16 April 2023

We have continued to work with local charities through our "LoungeAid" project, which sets aside two months per year for fundraising initiatives focused on local charities chosen by the sites. In FY23, our sites supported 93 different charities and raised money through a variety of activities from sponsored head shaves to bake sales. Our site openings also continued to benefit local charities through our launch donation programme in which 50p from every burger and 20p from every coffee sold in our opening week is donated to charity. In the last financial year, this amounted to £31,000.

We are also developing national relationships with selected partners to help us welcome people of all ages and from all walks of life, such as our initiative with Peanut, an organisation which connects new mums and helps to combat loneliness for new parents at a time in their lives which can be challenging.

Our customers come from a variety of demographics and include many regular visitors. We encourage our teams to develop positive relationships with our customers, and seek to amplify their efforts through our "Random Acts of Kindness" (RAKs) programme in which staff have discretion to offer a free coffee or cake to make someone's day better. Our customer satisfaction is monitored daily through our Feeditback insight tool and our operations team review and respond to customers to ensure that concerns are addressed and praise is passed on.

Successes this Year

- 3 new Regional Community Managers trialled
- £57,500 donated to LoungeAid charities
- £31,000 new opening product donations
- £582,000 RAKS given by our sites

Focus going Forwards

- Embed a Regional Community Manager in each region
- Host 5,000 community events
- Raise £50,000 through LoungeAid for local charities (before company matching)
- Minimum of two national partnerships focusing on bringing people together

SUPPLIERS – BEING PROUD OF WHAT WE PUT ON THE PLATE

We remain very proud of what we put on our plates. We offer a menu with different options across the day, covering a wide range of options and flavours, specific menus offering wide choice of vegetarian, vegan and gluten-free options – and all at price points that represent good value for money.

Every time a customer visits us, we are acutely aware that they have *chosen* us. The reasons for choosing where they eat increasingly factor in considerations about where food comes from and how responsibly it has been produced. Over the past year, we have increased the size of our in-house supply chain team to boost our supply chain assurance capabilities and enable us to focus on the provenance and sustainability of the ingredients that we buy.

To evolve that further, we have joined SEDEX, which will help us gain greater visibility over our supply chain in terms of sustainability and best practice, enabling us to make the right decisions about procurement.[1] Over the next few months, we will be assessing our supply chain to ensure that it is consistent with our goals and working with suppliers to address any concerns.

At all times, we continue to prioritise customer safety, with allergen training mandatory for our teams and allergen matrices available in every site.

Successes this Year

- Consolidated our delivery slots from daily to three times per week, saving 15,000 delivery trips annually
- Implemented reusable portioning scoops, reducing waste and removing single use plastic portion bags
- Moved slaw and ciabatta to side options rather than plated as standard, reducing waste
- Joined SEDEX
- Invested in our in-house supply chain assurance resource so we can carry out more supply chain diligence

Focus going Forwards

- Sustainable supply built into wider procurement process
- Innovation in plant based dishes
- Establishing goals for food waste reduction
- Carrying out a full ingredient review of our supply chain to understand use of palm oil or non free range eggs within it

1 SEDEX is a supply chain mapping organisation which provides visibility on sustainability practices within supply chains.

ENVIRONMENT – DELIVERING OUR HOSPITALITY SUSTAINABLY

We take our commitment to sustainable hospitality very seriously, recognising that with the pace of our growth, our potential to impact on our environment will only get bigger. In common with the majority of our peers in the hospitality sector, Loungers is targeting to achieve Net Zero across our own operations by 2040. The implementation of the Sustainability Committee to drive our strategy in this area is a key part of managing our approach. We have also engaged an external expert to review our climate impacts as part of our TCFD reporting, in which we have measured our scope 1 to 3 emissions for the first time. This has given us a baseline for understanding where we can target initiatives to drive the most change and will be a key focus for the Sustainability Committee over the next year.

Loungers is uniquely positioned to respond quickly to potential energy saving opportunities in that the majority of our build and fit out is done by an in-house team. We continue to use LED lighting as standard in all of our sites and, over the past year, we have finalised our kitchen reset programme, which has included installing more energy efficient equipment such as induction hobs. We have also trialled our first installation of solar panels at our new Brightside site at Exeter and are monitoring the results of this to inform future developments. We will continue to evolve our build specifications with energy efficiency in mind over the next year.

We have launched an electric car scheme for our head office and operations teams to incentivise greener travel options. Through our partnership with our energy consultants, we have also increased operational focus on energy usage in site, reviewing site consumption for any inefficiencies or anomalies. Energy usage and reduction will be a key focus for us over the next year as we seek to embed the right behaviours across the business.

Successes this Year

- Established Sustainability Committee
- First TCFD review and modelling
- First full scope 1-3 carbon mapping
- Solar panel trial
- Electric car scheme introduced
- External consultant instructed to advise on further improvements around the sustainability of our build

Focus going Forwards

- Optimise energy efficient build specification and approval process
- Target setting for energy transition to renewables
- Develop Roadmap to Net Zero
- All sites built as electric only unless exceptional reasons requiring Exec Board sign off
- Galvanise and engage our teams around behavioural change to reduce waste and energy use
- Review volume of red meat served – the largest contributor to our scope 3 footprint

TCFD REPORT

In FY23 for the first time we have reported under the framework proposed by the Task Force for Climate Related Financial Disclosure ("TCFD"). As part of this we have considered our obligations under the four pillars and reassessed our governance and processes accordingly. In addition, we have worked with an external third party to create our first full TCFD report, which is available to view on our website. While we are still developing our thinking and targets in some areas, we are pleased to have started the journey and look forward to evolving our strategy over the next year.

GOVERNANCE

The Board is responsible for setting the strategic direction of the Group and ensuring the long term success of the business. As part of ensuring that success, it ensures that risks are identified, considered and appropriate actions are taken to limit any negative impact to Loungers.

The Board delegates oversight of financial risks and opportunities to the Audit Committee and operational risks and opportunities to the Executive Board. The Executive Board is kept informed of key risk and actions through the operation of specific committees, including the Health and Safety Committee and the new Sustainability Committee.

The Sustainability Committee has been established during the year ended 16 April 2023 to deliver the Board's ESG objectives, including monitoring and responding to risks and opportunities arising from climate change. As such, it includes representatives from key areas of the business (Commercial, Finance, Operations, Marketing, Compliance, Property and People) as well as an external expert, with the remit of setting Loungers' agenda and targets in this area.

STRATEGY

Loungers' strategy is to support long term business growth whilst minimising its impact on the environment and operating in a verifiably ethical and responsible way. As part of this, the Board considered the risks and opportunities associated with climate change as part of its annual assessment of risk in April 2023.

While there are significant risks associated with climate change, there are some limited opportunities which Loungers may be able to take advantage of in the future. These include:

- Opportunity to reduce reliance on overseas supply of products such as wine, which currently require hotter climates to grow
- Opportunity to differentiate ourselves through the quality of our sustainable offerings both to customers (for example through the variety of our vegan menu) and staff (for example through our electric car salary sacrifice scheme)
- Opportunity to save costs through focus on efficiency and reducing waste

Where we are aware of significant risk or opportunity, the Sustainability Committee is responsible for coordinating the response from the wider business to ensure that we are building the appropriate actions into our operational and financial planning. This includes identifying projects such as energy efficiency as well as working with suppliers to ensure that we have a secure and ethical supply chain.

In assessing how these risks might impact us, we have applied the guidance from the London Stock Exchange which prompts the business to define whether it would still be profitable if:

- All countries were successful in achieving goals of the Paris Agreement and there is an orderly transition to a low carbon economy
- There is an abrupt and disorderly transition as countries belatedly catch up on climate crisis management
- There is a failure to transition

While it is difficult to predict the answers to those questions with certainty, Loungers believes that we will be able to develop plans that enable us to respond effectively to these scenarios and takes some comfort from the agility of our response to the Covid-19 pandemic, which severely impacted the hospitality industry but from which we have emerged strongly.

RISK MANAGEMENT

The principal risks are regularly reviewed by the Board such that our business longevity, reputation and environmental footprint are managed in a way which protects the interests of our business and its stakeholders.

Critical risks are identified as those which would prevent the business operating or have a significant impact on profitability or reputation. These form part of our risk register reviewed by the Board. Key risks are those which the business needs to consider and mitigate in the normal course of business. The Sustainability Committee has responsibility for monitoring and formulating appropriate actions plans to respond to both critical and key risks in terms of mitigation, transfer, acceptance or control of these risks and reports to the Board to ensure that sufficient progress is made.

The table below represents the critical risks that Loungers is exposed to as a result of climate change. These have been classified as "physical" – i.e., risks due to longer term shifts in climate patterns – or "transitional" – risks in transitioning to a lower carbon economy, in line with the TCFD framework. Further detail on the key environmental risks is set out in our TCFD report available on our website.

Risk Identified	Impact	Type	Timeframe
Increased rainfall over UK winters increases flood risk	A minimal number of our sites are in coastal or riverside locations at risk of flooding. The risk of flooding is considered as part of the SAR process when selecting new sites and monitored through the annual insurance process.	Physical	Short
Drier/ hotter summers leads to droughts / water shortages	Water stress in sites, increased energy costs for refrigeration and cooling at sites	Physical	Short
Extreme weather events cause disruption in supply chains	Global droughts may impact our suppliers, particularly with regards to products such as coffee	Physical	Long
Compliance and cost risk from new government regulation	Increased cost to comply with new government regulation to meet climate targets, such as packaging tax, carbon taxes, EPC standards etc. Potential financial penalties and reputational damage for non compliance	Transitional	Medium
Cultural shift to prioritising sustainability	Increased focus from both customers and teams on sustainability. Impact on menus - lower food miles, vegan choices. Recruitment / retention/ reputational impacts if we're not seen to be driving change	Transitional	Medium

Timeframe: Short - 1-5 years, Medium 5-10 years, Long - 10 years plus

METRICS AND TARGETS

Loungers is targeting to achieve net zero by 2040, in line with the majority of our peers in the hospitality sector. The key metric at board level for carbon emissions is tonnes CO2e/£m turnover. In FY23 we engaged a specialist consultancy to calculate the carbon footprint of the whole supply chain from procurement of purchased goods and services through operations and included the impact of sold goods and services. As part of this process, we have used a spend based model to estimate Scope 3 emissions (those emissions from activities outside our control but for which we are indirectly responsible up and down our value chain) in addition to the Scope 3 energy component as set out in the SECR reporting.

We will use the baseline year of 2022 as a springboard to enable us to track our progress to net zero. We are in the process of establishing our carbon roadmap which will also identify the interim targets that we will need to meet to ensure that we are on track to achieve our net zero goal. At the point at which these targets are set and become deliverable we would look to include them in the performance objectives by which senior leaders are measured.

STREAMLINED ENERGY AND CARBON REPORTING

The data below relates wholly to the United Kingdom and covers the 52 week periods to 16 April 2023 and 17 April 2022.

	2023 Energy Usage (kWh)	2023 GHG Emissions (CO2e tonnes)	2022 Energy Usage (kWh)	2022 GHG Emissions (CO2e tonnes)
Grid electricity	32,696,804	7,739	26,106,974	6,034
Natural gas	30,188,963	5,554	28,945,216	5,875
Transport fuel (purchased and reimbursed)	3,819,067	939	2,109,924	519
Total	**66,704,834**	**14,232**	**57,162,114**	**12,428**
Scope 1	30,773,728	5,701	29,418,525	5,992
Scope 2	32,696,804	7,161	26,106,974	5,543
Scope 3	3,234,302	1,370	1,636,615	893
Total	**66,704,834**	**14,232**	**57,162,114**	**12,428**
Intensity ratio				
Annual revenue (£000)		283,507		237,291
Total CO2e tonnes per £m revenue		50.2		52.4

QUANTIFICATION AND REPORTING METHODOLOGY

We have followed 2019 HM Government environmental reporting guidelines to ensure compliance with the SECR requirements. The DEFRA issued 2022 conversion figures for CO2e were used along with the fuel property figures to determine the kWh content for unknown liquid fuels used in transport.

INTENSITY MEASUREMENT

The chosen intensity measurement ratio is £m turnover.

MEASURES TAKEN TO IMPROVE ENERGY EFFICIENCY

Loungers continues to strive for energy and carbon reduction arising from their activities. During this reporting period, the Group has:

- Introduced weekly energy monitoring with our energy consultants
- Consolidated its food deliveries into three deliveries per week rather than daily, saving 15,000 trips annually
- Continued to use LED lighting and vintage furnishings in its site fit out
- Continued to reuse materials in its sites, such as reclaimed flooring and vintage lampshades
- Continued to collect used cooking oil from its sites for recycling into bio-fuel

INVESTORS AND GOVERNMENT

Over the past year we have sought to be transparent about our ESG strategy and policies with our investor community. As more sustainability focused legislation is rolled out that may influence our operations, we will continue to engage with investors and regulatory bodies to understand the impact of this and ensure that we are prepared.

We continue to ensure that we provide fair, balanced and understandable information to shareholders and investment analysts and work to ensure that they have a strong understanding of our strategy and performance, through regular investor meetings, market updates, roadshows and consultations.

DIRECTORS' DUTIES - S172 STATEMENT

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

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

The Directors consider the Group's key stakeholders to be its employees, its customers, its suppliers, the communities in which it operates and its shareholders. Details about how the Group interacts with these stakeholders can be found in the ESG section of the Strategic Report on pages 10 to 12.

The following disclosure describes how the Directors have had regard to the matters set out in Section 172(1)(a) to (f) and together with the information set out in the ESG section of the Strategic Report on pages 10 to 12 forms the Directors' statement under section 414CZA of the Companies Act 2006.

The Board considers the impact upon the key stakeholders as part of all decision making. It seeks engagement from stakeholders through a variety of methods, including briefings from Executive Directors and senior leaders within the business, customer feedback and staff surveys. During the year ended 16 April 2023, measures adopted to improve awareness of stakeholder impact included the inclusion of enhanced monthly reporting focused on People (the Group's staff) and Health and Safety (the Group's customers) as well as a more detailed quarterly update to the board by the CEO following the meetings of the Health and Safety Committee.

During the year, the key strategic issues under discussion by the Board included how to respond to issues facing the hospitality industry such as cost inflation and recruitment, the launch of the Brightside brand and how to progress the Group's pipeline of new sites.

RECRUITMENT AND RETENTION

The Group monitors retention rates and conducts exit interviews with all salaried employees. Following a number of regional recruitment shortages, the Executive Directors and the brand Managing Directors sought to address key themes being raised by employees through a specific paper on Recruitment and Retention. The responses to the issues raised were developed into "The Commitments" in 2022, as referenced in the ESG section of the Strategic report on pages 10 to 12. During the year the Board continued to evaluate the success of these initiatives in order to maintain the focus on ensuring that our sites were appropriately staffed to deliver the levels of hospitality that Loungers wishes to deliver to its customers.

BRIGHTSIDE

The Board appraised and appropriately challenged the investment theory behind Brightside as the concept was developed ahead of the acquisition of the two Route companies.

NEW SITES

The Board is mindful of the positive impact that opening a Lounge, Cosy Club or Brightside can have on local communities, but also of ensuring that the Group has the operational capability to deliver new sites. During the year the Board approved a new internal structure for the Property and Build teams to ensure that the Group was well positioned to deliver on the property pipeline.

FINANCIAL REVIEW

OVERVIEW

In last year's financial review I reflected upon a year in which we had very much seen a return to normality, at least in the context of being able to trade free of restrictions. With hindsight, and looking back upon a year in which inflation really took hold, such references to normality look rather optimistic. That said the financial highlights below continue to demonstrate strong rates of revenue growth, both in terms of like for like sales from our mature estate and from new site openings, and when the positive impacts of government support measures in the prior year are adjusted out, a solid operating margin % performance against a challenging backdrop.

	IFRS 16	
	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000
Revenue	283,507	237,291
Operating profit	14,751	28,437
Operating margin (%)	5.2%	12.0%
Profit before tax	7,334	21,605
Fully diluted earnings per share (p)	6.5	17.0
Net cash generated from operating activities	51,107	69,626
Net debt	140,859	120,589

Year on year revenue was up by 19.5% to a record £283.5m. Whilst our sales growth benefitted from the absence of any negative Covid impact, it also reflects strong one year like for like sales growth of 7.4% (over the 48 weeks to 16 April 2023) and the positive impact of our new site opening programme, with 29 sites opened in the financial year. The headline reduction in operating margin from 12.0% to 5.2% in large part reflects the cessation of government support measures to assist the hospitality sector during Covid. The reduction in VAT alone, which ceased on 31 March 2022, was responsible for incremental sales and operating profit of £15.1m in FY22; adjusting out this benefit reduces FY22 operating profit to £13.4m and operating margin to 6.0%. Further detail on profit margins pre and post Covid is provided below.

Net cash generated from operations of £51.1m represented 108% (2022: 130%) of IFRS 16 Adjusted EBITDA and reflects the working capital benefits accruing from the strong like for like sales performance and the new site opening programme. The reduction from FY22 reflects the one-off working capital rebuild enjoyed in FY22 as the estate returned to unrestricted trading after the third lockdown. Post investing and financing outflows, which included the acquisition of three freeholds for a net £3.7m, cash balances decreased by £4.9m to £26.4m. Total IFRS 16 net debt increased by £20.3m to £140.9m, the increase driven by taking on new leases with a capital value of £24.5m at inception.

We use a range of financial and non-financial measures to assess our performance. A number of the financial measures, for example Like for Like ("LFL") sales and Adjusted EBITDA are not defined under IFRS and accordingly they are termed Alternative Performance Measures ("APMs"). The Group believes that these APMs provide stakeholders with additional useful information on the underlying trends, performance and position of the Group and are consistent with how business performance is measured internally. Adjusted EBITDA is also the measure used by the Group's banks for the purposes of assessing covenant compliance.

Reconciliations of statutory numbers to adjusted numbers reported below are included after the financial statements as an annex to this Strategic Report on pages 85 to 86.

The table overleaf summarises the key APM's under both IFRS 16 and IAS 17 and covers the past two financial years as well as the financial year ending 21 April 2019. The rationale for including the FY19 numbers is twofold:

- It provides a clean non-Covid impacted comparative against which more meaningful comparisons of profit margins can be made, and
- It serves to demonstrate the significant growth achieved by the business in the four years post IPO, in spite of the significant challenges that have arisen in that period.

	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000	Year ended 21 April 2019 £000
Sites at year end	222	195	146
New sites opened	29	27	25
Revenue	283,507	237,291	152,999
Adjusted EBITDA – IFRS 16	47,349	53,639	28,541
Adjusted EBITDA margin (%) – IFRS 16	16.7%	22.6%	18.7%
Adjusted EBITDA – IAS 17	34,221	42,319	20,582
Adjusted EBITDA margin (%) – IAS 17	12.1%	17.8%	13.5%
Net debt – IAS 17	6,022	1,025	27,500[1]

[1] Proforma net debt on IPO on 29 April 2019

Revenue of £283.5m compares to £237.3m in the year to 17 April 2022, headline growth of 19.5% and if the one-off benefit of the VAT support is excluded from FY22 revenue growth of 27.6%. Over the four years since IPO the Group has grown revenue by 85.3%, a function of growing the estate by 52% and consistently strong like for like sales performance, whether measured on a one year, three year or four year basis.

	One year LFL	Three year LFL	Four year LFL
Gross – excluding VAT benefit	+7.4%	+17.6%	+22.8%

Adjusted EBITDA (IFRS 16) of £47.3m delivers a margin of 16.7%, some 5.9% down on FY22. As noted earlier FY22 does not provide a particularly helpful comparison, impacted as it was to the downside by restricted trading for the first four weeks and then suffering the effects of the Omicron strain over Christmas, whilst to the upside it benefited from the VAT reduction (worth £15.1m) and business rates support (worth £3.3m). Whilst somewhat historic, the four year comparison against FY19 is perhaps more useful in understanding how the Group's profitability has developed, firstly in response to the changes brought about over the Covid period and secondly over the period of significant cost inflation and allied pressure on the consumer over the past year.

Over the four year period Adjusted EBITDA (IFRS 16) has grown by 65.9%, with a more modest decline in Adjusted EBITDA margin of 2.0%. The Group has worked hard to balance the impacts of cost inflation with the need to retain its core value for money principles, and whilst it is always disappointing to report a margin decline, we believe that the correct balance has been struck. The damage has largely been done at the gross profit margin line, with a decline of 1.4% over the four years and improvements in food and drink gross margins not being sufficient to offset the labour cost pressures from a combination of a very tight labour market and significant national living wage increases.

The IFRS 16 Adjusted EBITDA measure does of course exclude the benefit delivered from our strong control of property costs and the continued reduction in our rent to revenue ratio, down to 4.6% in FY23 from 5.2% in FY19. Accordingly, on the IAS 17 basis the margin decline versus FY19 is reduced to 1.4%.

Non-property net debt increased to £6.0m, a year on year increase of £5.0m. This largely reflects the acquisition of Route Restaurants Limited and Nightlife Leisure (South West) Limited in order to gain access to two freehold sites for the development of the Group's Brightside brand and the increase in the build pipeline and related capex costs at the year end in FY23.

IMPAIRMENT COSTS

The statutory operating profit of £14.8m is after incurring net impairment charges of £1.6m. These costs include

- £2.9m relating to the impairment of right of use assets
- £0.5m relating to the impairment of property, plant and equipment
- The release of impairment provisions totaling £1.8m that were established in FY20.

The impairment methodology included the calculation of a value in use for all sites. This valuation was based upon three year site cash flow forecasts covering FY24 through FY26 which incorporated assumptions regarding future trading, and a full allocation of central costs and maintenance capex spend. The release of excess impairment provisions created in FY20 relates to the improved trading performance in a number of sites relative to the assumptions about future trading made in FY20.

LONG TERM EMPLOYEE INCENTIVES

Employee engagement and retention remains a key area of focus, and share awards continue to play a significant role in these efforts. During the year the Group granted further share awards under the employee share plan (471,500 shares) and the senior management restricted share plan (537,653 shares). These awards were made to a total of 1,055 employees who work across the business, predominantly at site level, and in hourly paid and salaried positions. In addition, awards covering 770 employees and in respect of 724,483 shares vested in the year.

The Group recognised a share based payment charge in the year of £4.0m (2022: £3.2m), the charge covering the employee share plan, the senior management restricted share plan and the value creation plan.

FINANCE COSTS AND NET DEBT

Finance costs of £7.6m (2022: £6.9m) include IFRS 16 lease liability finance costs of £6.1m (2022: £5.7m) and bank interest payable of £1.5m (2022: £1.2m). The Group received interest of £0.2m (2022: £nil) on its positive cash balances to leave net bank interest payable broadly flat year on year.

Net debt at the year end including property leases of £140.9m (2022: £120.6m) reflects the impact of adding new lease liabilities of £24.5m in the year.

At year end the Group's capital structure included a £32.5m term loan and a £10m revolving credit facility ("RCF") due for repayment in April 2024. Subsequent to the year end the Group has refinanced its borrowing facilities with its existing lenders, paying down £12.5m of the term loan to leave a term loan debt of £20.0m and extending the RCF to £22.5m to leave total facilities unchanged at £42.5m. The new facilities run for three years to June 2026. The Group's interest rate hedging arrangements ended in July 2022, and whilst the Group's positive cash balances provided an element of natural interest rate hedge the new capital structure will be more efficient in minimizing interest costs. The Board continues to consider the options for hedging the interest rate risk on the outstanding term loan.

TAXATION

The Group has reported a tax charge of £0.4m for the financial year to 16 April 2023 (2022: charge of £3.7m) and at year end carried a corporation tax receivable of £0.1m (2022: £0.1m receivable) and a deferred tax asset of £0.9m (2022: £1.4m). The corporation tax charge represents 5.5% of profit before tax (2022: 17.3%), benefiting from the 130% capital allowance super deduction, and without which the corporation tax rate would have been 20.9%.

CASH FLOW AND CAPITAL EXPENDITURE

Net cash generated from operating activities of £51.1m (2022: £69.6m) reflects a working capital cash inflow of £7.3m (2022: cash inflow of £19.7m). The reduced working capital cash inflow reflects the one-off benefit to working capital in FY22 as the Group emerged from lockdown and rebuilt its negative working capital position.

Cash outflows in the year in respect of capital expenditure totalled £37.0m (2022: £22.8m) and compare to the cost of fixed asset additions (excluding right of use assets) recognised in the year of £39.2m (2022: £26.2m). Capital expenditure incurred in the year of £39.2m (2022: £26.2m) included £29.6m in respect of new site openings, of which £26.9m related to the 29 sites opened in the year (2022: total new site capex spend of £19.6m of which £18.2m related to the 24 sites built and opened in the year). In addition capital expenditure in the year included £2.7m on the Lounge kitchen reset programme, completed in May 2023 (2022: £0.6m) and a further £0.9m in respect of the freehold purchase of our Cosy Club Canterbury site.

As referenced earlier, the Group invested a further £2.7m in the acquisition of Route Restaurants Limited and Nightlife Leisure (South West) Limited.

KEY PERFORMANCE INDICATORS ("KPIs")

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

	Year ended 16 April 2023	Year ended 17 April 2022	Year ended 21 April 2019
New site openings	29	27	25
Capital expenditure (excluding IFRS16 RoU assets)	£39.2m	£26.2m	£23.2m
LFL Sales growth	+7.4%(1)	+14.2%(2)	+6.9%
Total sales growth	19.5%	302.9%	26.4%
Adjusted EBITDA margin (IFRS16)	16.7%	22.6%	18.7%

(1) One year LFL calculated over 48 weeks from 16 May 2022
(2) Three year LFL calculated over 48 weeks from 17 May 2021 and excluding VAT benefit

GOING CONCERN

In concluding that it is appropriate to prepare the financial statements for the year to 16 April 2023 on the going concern basis attention has been paid both to the current sector headwinds in terms of consumer confidence and inflationary pressures and also longer term risks such as climate change.

The Group has traded successfully over the past year, and ended the year with net debt (including property leases) of £140.9m and total liquidity of £36.4m.

In order to assess the Group's going concern position the Board has considered a base case and downside case scenario. The base case assumes below inflation selling price increases and flat volumes and reflects current assumptions in respect of future cost inflation and incorporates increases in energy costs to reflect the continued opening of new sites whose energy costs are hedged at current rates. The base case scenario indicates that the Group has significant headroom in respect of both its liquidity position and its banking covenants.

In the downside scenario it has been assumed that sales volumes fall by 10% from the base case with an associated reduction in labour and variable cost efficiency and a resultant 38% decline in adjusted EBITDA. Under this scenario the Group is able to maintain its new site opening programme and continues to have significant liquidity and banking covenant headroom and accordingly the Directors have concluded that it is appropriate to prepare the financial statements for the year ending 16 April 2023 on the going concern basis.

Gregor Grant
Chief Financial Officer
12 July 2023

PRINCIPAL RISK AND UNCERTAINTIES

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

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

KEY RISKS	RISK DESCRIPTION	MITIGATING ACTIONS
Consumer confidence	The Group derives all its profits from the United Kingdom and is therefore sensitive to fluctuations in the UK economy. The Group's performance depends to a certain extent on several factors outside of the control of the Group which impact on consumer sentiment.	The Group's existing offer has value for money as a core principle and the Directors believe this will provide a level of resilience in the event of a consumer slow down.
Cost inflation	The Group operates in a sector that has seen significant cost pressures over the past year, notably staff costs driven by annual increases in the National Living Wage ("NLW"), utilities and food and drink input cost inflation. The value for money principles of the Group's offer require the Group to manage cost inflation tightly.	The increasing scale of the Group and its attractiveness to suppliers has assisted in mitigating cost inflation in respect of food and drink products. Utility costs are hedged until September 2024 and the Group is in the process of reviewing energy hedge options from 1 October 2024 onwards. The Group continues to monitor its supply chain constantly and seeks to optimise efficiency through a number of initiatives.
Health and safety and food safety	The health and safety of the Group's employees and guests is of key concern and the Group is required to comply with health and safety legislation that includes fire safety, food hygiene, and allergens.	The Group invests significantly in the training of its employees and in third party specialists to ensure adherence to legislation and the safety of our employees and guests. Allergen training is mandatory for all employees in sites. The Group has established a Health and Safety Committee to oversee the operation and development of health and safety policies and health and safety matters are formally reported to the plc Board.
Recruitment and retention	The success of the business to date and our ability to maintain our roll-out programme is in large part down to our ability to recruit and retain the best teams in our sites. Recruitment remains challenging across the hospitality sector. The increased level of competition has the potential to put additional pressure on wage inflation.	Employee engagement and satisfaction is a key focus of management. Employees are incentivised through a mixture of competitive pay scales, bonus and equity awards. The Group is also committed to offering a fair and supportive workplace. The Group continues to strengthen its recruitment and training and development teams to assist in recruiting and retaining the best talent.
Availability of new sites	The Group's growth strategy includes an expectation that we can continue to open up to 34 new sites per annum. The Board only approves new site investment where strict economic criteria are met. The availability of sites, with the correct rent levels, cost of investment, and demographics, are critical to the delivery of the roll-out programme.	In the current economic environment there is considerable new site acquisition opportunity in a more tenant friendly environment. The Group continues to strengthen its property team to ensure that we can respond to the right opportunities in a timely fashion.
Information technology and data security	The Group is increasingly reliant on information technology and the risk of failure leading to disruption of trading, loss of data and reputational damage. The Group recognises that cyber threats pose a significant risk and works to continually assess and manage these risks.	The Group continues to invest in its IT platforms to ensure that upgrades are implemented on a timely basis and that appropriate data protection measures are in place.
Environment and sustainability	The Group recognises that climate change may impact on its ability to operate, through weather related impacts (flooding closing sites, disruption to supply chain) and shifts in consumer behaviour towards sustainable choices.	Loungers seeks to deliver a credible ESG agenda for its customers and employees. The Group has established a Sustainability Committee to monitor climate related risks, set targets for efficiency and decarbonisation and deliver initiatives to meet those targets effectively.

The Strategic Report, from pages 3 to 22, was approved by the Board of Directors and signed on its behalf by:

Nick Collins
Chief Executive Officer
12 July 2023

CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS

ALEX REILLEY
EXECUTIVE CHAIRMAN

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

NICK COLLINS
CHIEF EXECUTIVE OFFICER

Nick joined the Group in January 2012 as Finance Director, becoming Chief Operating Officer in January 2014 and Chief Executive Officer in January 2015. He has overseen the expansion of the Group from 56 sites as at January 2015 to 222 sites at 16 April 2023. Prior to joining the Group, Nick spent three years as Finance Director at AIM quoted Capital Pub Company plc, leaving when that company was sold to Greene King plc in 2011. Prior to that Nick founded Fuzzy's Grub, a sandwich business in London, which he grew to eight outlets and a central production facility over five years. Nick also spent five years in corporate finance at Arthur Andersen where he qualified as a chartered accountant in 2001.

GREGOR GRANT
CHIEF FINANCIAL OFFICER

Gregor joined the Group in August 2018 as Chief Financial Officer. Gregor qualified as a chartered accountant with Deloitte and Touche in 1992 and, after leaving Deloitte in 1998, has spent the last 24 years in a variety of CFO roles, primarily in the hospitality sector. Prior to joining the Group, Gregor spent two years as interim CFO at Colosseum Dental UK Ltd (2016 – 2018), the third largest provider of NHS dental services in the UK, three years as Finance Director at Novus Leisure Ltd (2013 – 2016), and acted as interim CFO at ETrawler Unlimited (trading as CarTrawler) (2011 – 2012) and CFO at Fuddruckers Inc., a US hamburger chain based in Austin, Texas (2007 – 2010). Gregor was also part of the management buy in team that acquired regional brewers Morrells of Oxford Ltd in 1998, which was subsequently sold to Greene King plc in 2002, and Eldridge, Pope & Co. Ltd in 2004 which was subsequently sold to Marston's plc in 2007.

NICK BACKHOUSE
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Nick joined the Board in March 2019 as an Independent Non-Executive Director and is the Senior Independent Director of the Board and chair of the Nomination Committee. Nick has extensive public company, finance, and leisure sector experience. He currently also serves as Senior Independent Director of Hollywood Bowl Group plc (2016 – Present) and as Non-Executive Chairman of Giggling Restaurants Limited (2019 – Present). Nick has also held positions as Senior Independent Director at Hyve Group plc (2019 - 2023) and Guardian Media Group Plc (2007 – 2017) and as Non-Executive Director at Marston's Plc (2012 – 2018) and All3Media Ltd (2011 – 2014). Nick started his career at Baring Brothers where he became a Board Director (1989 - 99) following which he held CFO positions at Freeserve Plc (1999 – 2001), The Laurel Pub Company Ltd (2002 – 2005) and National Car Parks Ltd (2006 – 2007), and was Managing Director and Deputy CEO of David Lloyd Leisure Ltd (2008 – 2011).

ADAM BELLAMY
INDEPENDENT NON-EXECUTIVE DIRECTOR

Adam joined the Board in March 2019 as an Independent Non-Executive Director and chair of the Audit Committee. Adam is also the Chairman at Ten Entertainment Group plc (2018 – Present) and a Non-Executive Director at Gymfinity Kids Limited (2020 - Present). Adam was a Non-Executive Director of In the Style plc from 2021-2023. During his executive career Adam held a number of finance positions at multi-site retail and leisure businesses, he was previously CFO (2012-2018) and then a Non-Executive Director (2018-2020) at Pure Gym Ltd, prior to which he was Finance Director at Atmosphere Bars & Clubs Ltd (2009 – 2012) and Finance Director at D&D London Ltd (2006 – 2009).

JILL LITTLE
INDEPENDENT NON-EXECUTIVE DIRECTOR

Jill joined the Board in March 2019 as an Independent Non-Executive Director and chair of the Remuneration Committee. Jill also held positions as Non-Executive Director at Joules Group plc (2016-2022), Nobia AB (2017 – 2020) and Shaftesbury plc (2010 – 2020), as an adviser to El Corte Ingles S.A. (2012 – 2020), Europe's largest department store group, and as Chairman of the National Trust Commercial Group (2014 – 2021). Jill spent the majority of her executive working life at John Lewis Partnership (1975 – 2012) where she held positions including Merchandise Director, Strategy & International Director and Business Development Director.

ROBERT DARWENT
NON-EXECUTIVE DIRECTOR

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

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

CHAIRMAN'S STATEMENT

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

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

COMPLIANCE WITH THE QCA CODE

The Company has chosen to adopt and report against the Quoted Companies Alliance Corporate Governance Code 2018 (the "**QCA Code**"). This Corporate Governance Statement for the year to 16 April 2023 provides an account of how Loungers has applied and complied with the principles of the QCA Code and summarises how the Board and its Committees operate, highlighting key activities during the year. The Board expects to provide at least annual updates on the Company's compliance in the manner recommended by the QCA Code and required by the AIM rules.

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

APPLICATION OF THE QCA CODE PRINCIPLES

Delivering Growth

The Board has collective responsibility for setting the strategic aims and objectives of the Group. These aims are articulated in the Strategic Report on pages 3 to 22. The Board held its annual strategy day in May 2023, part of which was attended by senior members of the management team. In addition to consideration of the Group's operational strategy, the session provided an opportunity for discussion around other topics of key strategic importance, including:

- the current strategic priorities;
- the leadership survey;
- the network plan and the development of new locations;
- what customers and employees are likely to expect from hospitality business in the future;
- how the Group can get more from its listing.

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

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

The Company takes its corporate social responsibilities very seriously. The Board recognises that, for the Company to achieve long-term success, effective working relationships must be maintained across a wide range of stakeholders, including shareholders, employees, existing and new customers, suppliers and others that it collaborates with as part of its business strategy. In order to further governance and transparency in this area, the Board has established a Sustainability Committee, chaired by the Chief Operating Officer, to develop and deliver the Group's ESG objectives.

Effective risk management is also critical to meeting the Company's strategic objectives and the Company operates a risk management and internal control framework. The Board has overall responsibility for determining the Company's risk management objectives and policies and for keeping under review the Company's systems for risk management and internal control. The Company's principal risks can be found on page 22. The Board regularly monitors the risks the Company faces and takes appropriate action where necessary. This has continued to be an area of focus for the Board as the Company has navigated through UK economic concerns and increased business costs. The Board is particularly cognisant of the recent further increases in inflation and interest rates and the impact this could have on consumer discretionary spending.

Maintaining a Dynamic Management framework

As Chairman, I consider both the operation of the Board as a whole and the performance of individual Directors regularly. We carry out an annual Board performance evaluation, in compliance with principle 7 of the QCA Code, which was conducted in August 2022.

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

The Company promotes a culture of integrity, honesty, trust and respect and all employees are expected to operate in an ethical manner in all their internal and external dealings. The Company's staff handbook and policies promote this culture and include such matters as whistleblowing, social media, anti-bribery, communication and general conduct of employees.

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

Build Trust

The Board recognises the importance of understanding the expectations of our shareholders and wider stakeholders, and a description of our activity in this area is set out on page 15 as well as in the ESG section of the Strategic Report on pages 10 to 12. The Chief Executive Officer is the primary contact for the Company's shareholders and is responsible for ensuring that the links between the Board and the shareholders are strong and efficient. The Board as a whole is responsible for the good management of the Company and its principal aim is to enhance the Company's long-term value for the benefit of shareholders whilst having regard to its wider stakeholders.

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

The Board has also established an Audit Committee, a Remuneration Committee and a Nomination Committee, each with written terms of reference. The responsibilities and current membership of these committees are set out in their respective reports, which can be found on pages 31, 33 and 38, respectively. From time to time, separate committees may be set up by the Board to consider and address specific issues, as and when they arise.

BOARD STRUCTURE AND OPERATION

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

The Chairman leads the Board and is responsible for its governance structures, performance and effectiveness. The Independent Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions. The Chief Executive Officer and the Chief Financial Officer are responsible for the day-to-day management of the Company and for implementing the strategic goals agreed by the Board. The non-independent Non-Executive Director, Robert Darwent, represents Lion Capital, a substantial shareholder of the Company, on the Board. A relationship agreement is in place between the

Company and Lion Capital to ensure their ongoing relationship is at arm's length and on a normal commercial basis. The skills and experience of the Board are set out in their biographies on page 25. Further details of the roles of the Board can be found on the Company's website: www.loungers.co.uk.

The Board meets regularly (at least eight times a year, and met 10 times during the year under review) and is responsible for strategy, performance, approval of any major capital expenditure and the framework of risk management and internal control.

Briefing papers are distributed to all Directors in advance of Board meetings and all Directors have access to the advice and services of the Chief Financial Officer and Company Secretary, who are responsible for ensuring that Board procedures are followed, that each Director is at all times provided with such information as is necessary for him or her to discharge their duties and that applicable rules and regulations are complied with, in accordance with the QCA Code and AIM Rules. In addition, all Directors can obtain independent professional advice in the furtherance of their duties at the Company's expense, if requested. The rules governing the appointment and replacement of Directors are set out in the Company's Articles of Association, which can be found on the Company's website: www.loungers.co.uk. In accordance with the Company's Articles of Association, one-third of Directors are subject to re-election by shareholders at the Annual General Meeting and any new Directors appointed during a financial year must be formally elected at the Annual General Meeting following their appointment.

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

BOARD AND COMMITTEE MEETINGS

During the year the Board has met formally 10 times, the Audit Committee three times, the Remuneration Committee three times and the Nomination Committee twice. Board and Committee meetings are also convened on an ad-hoc basis from time to time in order to consider specific corporate activities and various other ad-hoc approvals as required.

When possible, the location of Board and Committee meetings is varied so that the Directors visit different sites and have the opportunity to meet with local management teams. During the year meetings were held in Bristol, London, Guildford, Exeter and Norwich with the majority of people attending in person.

Directors are expected to attend all meetings of the Board and the Committees on which they sit, and the Non-Executive Directors are expected to devote sufficient time to the Company to enable them to fulfil their duties as Directors. The Board is satisfied that the Chairman and each of the Non-Executive Directors is able to devote sufficient time to the business, and they each maintain open communication with the Executive Directors and senior management between the formal scheduled meetings. During the year the Nominations Committee reviewed the amount of time spent by the Non-Executive Directors fulfilling their duties and all confirmed they had sufficient capacity to meet the Company's needs.

Director	Scheduled Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Chairman				
Alex Reilley	10/10	NA	NA	NA
Executive Directors				
Nick Collins	10/10	NA	NA	NA
Gregor Grant	10/10	NA	NA	NA
Non-Executive Directors				
Nick Backhouse	10/10	3/3	4/4	2/2
Adam Bellamy	9/10	3/3	3/4	2/2
Robert Darwent	2/10	NA	NA	NA
Jill Little	10/10	3/3	4/4	2/2

Only the independent Non-Executive Directors are Committee Members.

Other Directors regularly attend Committee meetings.

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

Adam Bellamy missed a scheduled Board meeting on 24 June 2022 due to a family emergency. Robert Darwent, a Non-Executive Director, missed eight Board meetings over a period of 10 months. The Board did not consider there to be a need to appoint an alternative director because of the attendance at those meetings of a full complement of long standing Independent Non-Executive Directors. Further ad hoc meetings were held during the year to deal with ad-hoc approvals and other specific corporate activities.

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

BOARD COMMITTEES

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

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

EXTERNAL ADVISERS

The Board seeks advice and guidance on various matters from its Financial and Nominated Advisor, Houlihan Lokey, its Joint Brokers, Liberum Capital Limited and Peel Hunt LLP and its Financial Public Relations Adviser, Powerscourt. The Board also uses the services of an external company secretarial provider, Link Company Matters Limited ("**Company Matters**").

As company secretary Company Matters provides corporate governance advice, financial reporting and AGM support and board and committee support, including attending meetings, preparing papers and drafting minutes.

CONFLICTS OF INTEREST

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

BOARD AND COMMITTEE EVALUATION

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

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

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

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

The most recent evaluation was conducted in August 2022, overall the results showed a positive view on the functioning of the Board and its Committees, but noted 2023's review would involve a more in depth and detailed questionnaire and review.

STAKEHOLDER ENGAGEMENT

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

The principal methods of communication with shareholders are the Annual Report, the half-year and full-year results announcements, trading updates (where required or appropriate), Annual General Meetings and the investor relations section of the Company's website (in particular the 'AIM Rule 26'): www.loungers.co.uk. The Company has continued to use Investor Meet to enable retail investors to view and ask questions on the interim and full year financial results presentations. The Company has seen a positive uptake by investors to this system.

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

ANNUAL GENERAL MEETING ("AGM")

Shareholders will have an opportunity to raise questions with the Board at the Group's Annual General Meeting, which will be held at Cosy Club, 14 Tunsgate Quarter, Guildford GU1 3QY on 13 October 2023. Details of the business to be transacted at the AGM are set out in the Notice of AGM, which is available on the Company's website.

Alex Reilley
Chairman
12 July 2023

AUDIT COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Audit Committee Report for the 52 weeks ended 16 April 2023.

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

ROLES AND RESPONSIBILITIES

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported on and reviewed. Its role includes monitoring the integrity of the Group's financial statements and results announcements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems and overseeing the relationship with the external auditors (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings). It is also responsible for establishing, monitoring and reviewing procedures and controls for ensuring compliance with the AIM Rules. The detailed duties of the Audit Committee are set out in its Terms of Reference which are reviewed by the Committee on an annual basis. At the meeting in July 2023, the Board approved an expansion of the scope of the Audit Committee to include a wider range of risk and compliance responsibilities, which will be in place for FY24.

The principal areas of focus for the Committee have been as follows:

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

SIGNIFICANT ISSUES

The significant issues considered by the Audit Committee in respect of the FY23 Annual Report are as follows:

- Impairment of tangible fixed assets and right of use assets – management has undertaken an impairment review at individual site level, taking account of economic factors such as cost of living, energy costs and supply chain inflation. The key assumptions underpinning cash flow forecasts, future growth rates and discount rates were reviewed by the Committee and the decision taken to impair ten sites, but to release impairment provisions made in 2020 against five sites, resulting in an overall net impairment charge of £1.6m.
- Impairment of goodwill – similarly to the review of tangible fixed assets, the Committee has reviewed key assumptions and forecasts for the Group and is satisfied that no impairment charge is required to be taken in the year in respect of the pre-existing goodwill.
- Accounting for acquisitions – following the acquisition of Route Restaurants Limited and Nightlife Leisure (South West) Limited earlier in the year, the Committee has reviewed the accounting estimates made and is satisfied that the acquisition values have been fairly represented in the Group's financial statements.
- Going concern – The Committee has considered the impact of the base and downside case on the profitability, cash flows and liquidity of the Group. The Committee is satisfied that the Group has sufficient liquidity to support the assessment that it is appropriate to prepare the FY23 financial statements on the going concern basis.
- Task Force for Climate Related Disclosure (TCFD) – this is the first year that the Group will report under the new TCFD framework. The Committee has reviewed the reporting prepared by the Chair of the Sustainability Committee and is satisfied that the reporting is an accurate representation of Loungers' position.

ROLE OF THE EXTERNAL AUDITORS

The Audit Committee monitors and oversees the relationship with the external auditors, PricewaterhouseCoopers LLP, to ensure that external auditor independence and objectivity are maintained. The Committee assesses the independence of the external auditors and effectiveness of the external audit process before making recommendations to the Board in respect of their re-appointment. The Audit Committee seek confirmation from the external auditors that they have remained independent within the meaning of the APB Ethical Standards of Auditors.

FY23 is the first audit conducted by Sarah Phillips, the new PricewaterhouseCoopers LLP audit partner, following the rotation of our former audit partner as per APB and FRC ethical standards requirements. The Committee has welcomed the new perspective and challenge brought by our new partner and looks forward to a constructive relationship moving forwards.

RISK MANAGEMENT AND INTERNAL CONTROLS

The principal risks relating to the ongoing operations of the business, including climate change risk, were reviewed with the wider Board in April. The Audit Committee is responsible for reviewing the internal financial control systems that identify, assess, manage and monitor financial risks, in addition to other internal control and risk management systems. During the year, the Audit Committee reviewed key processes and controls with a focus on developing new system solutions to reduce the Group's reliance on manual processes as it increases in size and complexity. This began in 2022 with the rollout of invoice automation and a roadmap has been established for the wider development of financial reporting and sales analysis.

Other areas of review included payroll processes and controls in the light of legislative developments in the year, specifically in the areas of employee tips and holiday pay calculations, which have a particular impact on the hospitality industry.

TAX STRATEGY

Following the financial performance in the 52 weeks ended 17 April 2022 the Group is now classed as a large company by HMRC, having exceeded the £200m turnover threshold. This requires the Group to provide more detail publicly around its tax strategy and its approach to considering tax risk and the Committee has therefore reviewed the policies and processes developed in conjunction with the Group's tax advisors. The Group has committed to managing its tax affairs in accordance with both the letter and the spirit of the law, working transparently with the UK tax authorities, and the Committee is satisfied that the relevant governance is in place to ensure that this is achieved.

SHARE DEALING, ANTI-BRIBERY AND WHISTLEBLOWING

Loungers adopted, with effect from Admission, a share dealing code (the "Code") for the Directors and all employees, which is appropriate for a company whose shares are admitted to trading on AIM and which is subject to Rule 21 of the AIM Rules. The Group takes all reasonable steps to ensure compliance by the Directors and any other applicable employees with the terms of the Code.

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

Adam Bellamy
Audit Committee Chairman
12 July 2023

REMUNERATION COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Remuneration Committee Report for the 52 weeks ended 16 April 2023.

The Committee consists of the three independent Non-Executive Directors and is chaired by myself. The Committee met four times during the year, and as shown in the Chairman's Corporate Governance Statement on page 26, all members of the Committee attended all the meetings with the exception of Adam Bellamy who missed one meeting in June 2022 due to a family emergency.

DUTIES

The Committee has responsibility for:

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

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

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

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

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

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

REMUNERATION – EXECUTIVE DIRECTORS

As outlined in last year's Remuneration Committee Report, the remuneration structure for the Executive Directors has evolved to reflect a more market standard approach following a comprehensive review of the remuneration policy and practices. The current on-going structure consists of the following elements:

- Base salary – Set at a level resulting in fixed pay broadly in line with other companies of a similar size
- Benefits & Pensions – none operated in 2022/23
- Annual bonus – cash bonus up to a normal maximum of 100% of base salary subject to achieving stretching financial and non-financial targets
- Long Term Incentive Place ("LTIP") – awards of free shares worth up to 150% of base salary each year which vest three years later, subject to continued employment and the satisfaction of performance conditions.

The full approach to the individual elements of Executive Remuneration is detailed below:

Fixed pay

Fixed pay (e.g. base salary, pension and benefits) is reviewed annually in May in light of a number of factors, including the approach to salary reviews more generally across the Group and the performance of the individuals and the Group. The fixed pay levels are set broadly in line with the median level seen in other companies of a similar size.

The Remuneration Committee has approved a 5% salary increase for the Executive Directors with the following salaries becoming effective 1 May 2023.

- Alex Reilley £242,550
- Nick Collins £392,700
- Gregor Grant £231,000

The 5% increases are aligned with the general workforce average.

In addition to the pay reviews and after a review of a comparator group of similar sized listed companies, the Committee approved the addition of private healthcare as an optional benefit for Executive Directors. This optional benefit has also been introduced for a significant number of senior managers across the Group as part of the Group's drive to ensure we support work-life balance and prioritise our teams' health and mental wellbeing

Annual Bonus

All Executive Directors have a bonus opportunity at a normal maximum of 100% of base salary. For the 2022/23 financial year payout was based on a mix of stretching financial metrics (using Adjusted EBITDA – IAS17) and measurable non-financial targets linked to the Group's strategy. The Remuneration Committee set the financial targets by reference to Group budgets and analysts' forecasts. Payments under the annual bonus plan are subject to typical malus and clawback provisions.

The Committee intends for the 2023/24 financial year to continue to have a payout based on a mix of stretching financial metrics (Adjusted EBITDA – IAS17) as well as measurable non-financial targets.

Long-term Incentives

In 2022 the Committee adopted a more market standard approach to long term incentive provision by making awards under a Performance Share Plan ("PSP"). Free shares up to 150% of base salary are made each year which vest three years later, subject to continued employment and the satisfaction of performance conditions. Awards are subject to typical malus and clawback provisions. The 2022/23 awards over Ordinary Shares were approved to Executive Directors of the following value:

- Alex Reilley 100% of base salary
- Nick Collins 150% of base salary
- Gregor Grant 125% of base salary

Key members of senior management also participate in the plan.

The Committee acknowledged the preference of some shareholders for relative targets and therefore 50% of awards were based on TSR performance against a bespoke group of hospitality and leisure comparators. TSR performance is measured on a sliding scale between median and upper quartile performance against the comparator group.

Group TSR for FY 2023, 2024 and 2025	Part of the award that may vest
Upper quartile or better	100%
Median	25%
Below median	0%

The remaining 50% of awards are based on stretching EPS targets, which the Committee considers incentivises management to both grow revenue and manage costs in a balanced way. The performance range is determined by the Committee by reference to Group budgets and analysts' forecasts. Full details of the targets for the 2022/23 awards are as follows with a sliding scale operating between the thresholds.

Group EPS for FY 2025[1]	Part of the award that may vest
20.1p or more	100%
18.4p	75%
16.7p	50%
16.0p	25%
Less than 16.0p	0%

[1] The EPS Measure is adjusted IFRS16 EPS with the impact of share-based payments excluded

The Committee intends to make further awards in 2023/24 up to 150% salary under the PSP to the Executive Directors retaining the structure introduced last year with 50% of the award being based on TSR and 50% of the award being based on EPS. The Committee will conduct a thorough review of the EPS targets and Comparator Group prior to any awards being made, and full details of the award will be disclosed in next year's Directors Remuneration Report.

2022/23 INCENTIVE PLAN PAYOUTS

As outlined elsewhere in the Annual Report, the Group continues to report strong like for like sales growth resulting in delivery of record total revenue of £283.5m, Adjusted EBITDA (IFRS16) of £47.3m and the opening of 29 new sites.

Annual bonuses for 2022/23 were driven by a mix of Adjusted EBITDA (IAS17) performance (70%) and performance against two measurable non-financial targets linked to the Group's strategy (30%).

Based on the performance during the year, the bonus will pay out at 17.5% of the maximum performance level resulting in the following payments:

- Alex Reilley £40,425
- Nick Collins £65,450
- Gregor Grant £38,500

There were no long-term incentives vesting in relation to the year ended 16 April 2023 and no Committee discretion has been applied to FY23 remuneration outcomes.

REMUNERATION – NON-EXECUTIVE DIRECTORS

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

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

EMPLOYEE SHARE SCHEMES

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

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

Awards made under the RSP plan carry no performance conditions but are subject to a three-year vesting period from the date of grant subject to continued employment with the Group. During the year 537,653 nil cost options were awarded to 112 employees under the RSP.

The ESP is a discretionary all-employee share plan under which senior management may, within certain limits, grant to any employee a conditional award (i.e. a conditional right to acquire Ordinary Shares), at their discretion. The ESP has no performance conditions, other than continued employment over the vesting period. During the year awards over 471,500 shares were made to 943 employees under the ESP.

SINGLE TOTAL FIGURE OF REMUNERATION TABLE (AUDITED)

	Salary / Fees		Benefits / Pension		Annual Bonus		Long-term incentives[2]		Total	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Alex Reilley	231	175	-	-	40	263	56	-	327	438
Nick Collins	374	285	-	-	65	428	148	-	587	713
Gregor Grant	220	200	-	-	39	300	74	-	333	500
Nick Backhouse	55	55	-	-	-	-	-	-	55	55
Adam Bellamy	50	50	-	-	-	-	-	-	50	50
Jill Little	50	50	-	-	-	-	-	-	50	50
Robert Darwent[1]	-	-	-	-	-	-	-	-	-	-
Total	980	815	-	-	144	991	278	-	1,402	1,806

1. Robert Darwent is a Director of Lion Capital and receives no remuneration from the Group.

2. Long term incentives are recognized on the date that share awards vest, valued at the share price on the date of vesting

DIRECTORS' INTERESTS (AUDITED)

As at 16 April 2023 the Directors of the Group held the following number of 1p ordinary shares.

	Beneficially owned at 16 April 2023	Vested, unexercised share awards at 16 April 2023
Alex Reilley	6,951,432	29,789
Nick Collins	1,086,276	529,430
Gregor Grant	180,148	89,715
Nick Backhouse	13,903	-
Adam Bellamy	13,903	-
Jill Little	13,903	-

Robert Darwent is a Director of Lion Capital. At 16 April 2023 funds managed by Lion Capital were interested in 26,728,524 shares.

OUTSTANDING DIRECTORS' SHARE AWARDS (AUDITED)

	Scheme	At 18 April 2022	Granted	At 16 April 2023	Share price at grant	Exercise price	Date of Grant	Exercisable from[1]	Expiry Date
Alex Reilley	RSP- VCP	-	89,359	89,359	£2.51	Nil	April 2022	July 2022	April 2032
Nick Collins	RSP – IPO	450,000	-	450,000	£2.00	Nil	April 2019	April 2020	April 2029
	RSP – VCP	-	238,292	238,292	£2.51	Nil	April 2022	July 2022	April 2032
Gregor Grant	RSP – IPO	50,000	-	50,000	£2.00	Nil	April 2019	April 2020	April 2029
	RSP – VCP	-	119,146	119,146	£2.51	Nil	April 2022	July 2022	April 2032

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

(2) As outlined in last year's report, the performance period under the VCP ended in April 2022. The measurement of performance over the performance period resulted in the following nil cost options awarded to each of the Executive Directors: Alex Reilley – 89,359 shares, Nick Collins – 238,292 shares and Gregor Grant – 119,146 shares. The 446,797 shares are exercisable in three equal tranches from 13 July 2022, 29 April 2023 and 29 April 2024.

(3) As outlined in last year's report, the following one-off retention awards were granted as nil cost options to each of the Executive Directors on 2 May 2023: Alex Reilley – 107,569 shares, Nick Collins – 131,143 shares and Gregor Grant – 131,265 shares. These share entitlements are exercisable in two equal tranches from 25 July 2023 and 25 July 2024.

(4) As outlined in last year's report, the following PSP Awards were awarded as nil cost options to each of the Executive Directors on 1 June 2023: Alex Reilley – 110,262 shares, Nick Collins – 267,780 shares and Gregor Grant – 131,264 shares. These share entitlements are exercisable at the end of the 3 year performance period. The attached TSR and EPS performance conditions are outlined above.

Jill Little
Remuneration Committee Chairman
12 July 2023

NOMINATION COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Nomination Committee Report for the 52 weeks ended 16 April 2023.

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

DUTIES

The Committee is responsible for, *inter alia*:

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

ACTIVITY DURING THE YEAR

There have been no changes to the Group's Board during the year, and the Committee has therefore continued to prioritize its oversight of succession planning and development in the business. Detailed discussions have been held in both of the Committee's meetings during the year on succession planning, which remains a standing item on the Committee's agenda. Furthermore, the Committee has reviewed the composition of the Board and its Committees, the time commitments of the Non-Executive Directors and its own terms of reference. A summary of the Committee's discussion on each of those areas is given below.

Succession Planning

As the business continues to grow at pace, the Committee has given particular consideration to the structure and leadership required to facilitate future scale. Key appointments made in the year include the creation of a new Chief People Officer role, filled by Guy Youll, and a Marketing Director role filled by Kate Lister. With the launch of the Brightside brand a new MD role has been created which provides further development opportunity for the senior operational leadership team.

The Committee believes that the Group is taking appropriate steps to ensure that talent is recruited and retained for key roles and that processes are in place to develop leadership within the operational and head office teams.

Board and Committee composition

During the year, the Committee undertook a review of the Board and its Committees, encompassing the balance of independence, skills, experience and diversity. All Committees comprise only independent Non-Executive Directors, and half the Board (excluding the Chair) are independent Non-Executive Directors. Diversity remains an area of challenge within the confines of the size of the Board, but the Committee is satisfied that there will be opportunities to address this with future appointments.

Non-Executive Director time commitments

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

All Non-Executive Directors will have served two three-year terms by the time of the AGM in 2025 and therefore the Committee has begun to consider the process for recruitment of new Non-Executive Directors (bearing in mind the opportunity to address diversity challenges as noted above) and an orderly transition of responsibility.

Terms of reference

In accordance with good governance practice, the Committee conducted its annual review of its terms of reference and no changes were recommended.

Board and Committee evaluation

In line with the growth of the business, the Committee has proposed a more comprehensive review for the Board evaluation in 2023, to be undertaken over the summer. This will enable the Committee to ensure that key areas are addressed in a timely manner.

Nick Backhouse
Nomination Committee Chairman
12 July 2023

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of Loungers plc for the 52 weeks ended 16 April 2023.

The Corporate Governance Statement on pages 25 to 30 also forms part of this Directors' Report.

PRINCIPAL ACTIVITY

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

INCORPORATION

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

RESULTS AND DIVIDENDS

The consolidated statement of comprehensive income is set out on page 50 and shows the comprehensive income for the year.

There were no dividends paid or proposed in the year under review. The Board announced, in its half year results on 30 November 2022, its intention to retain Group earnings in the short-term to bolster liquidity and balance sheet strength and for re-investment in the roll-out of new sites. However, it is the Board's ultimate intention to pursue a progressive dividend policy, subject to the need to retain sufficient earnings for the future growth of the Group.

STRATEGIC REPORT

Information in respect of the Business Review, Future Outlook of the Business, Section 172 reporting, SECR and TCFD disclosures and Principal Risks and Uncertainties are not shown in the Directors' Report because they are presented in the Strategic Report.

ANNUAL GENERAL MEETING ("AGM")

The Group's next Annual General Meeting will be held at Cosy Club, 14 Tunsgate Quarter, Guildford GU1 3QY on 13 October 2023. Details of the business to be transacted at the AGM are set out in the Notice of AGM, which is available on the Group's website.

DIRECTORS

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

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

Brief biographical details for each of the Directors are given on page 25.

DIRECTORS' INTERESTS

A table showing the Directors' interests in the share capital of Loungers plc is set out in the Directors' Remuneration Report on page 33.

GOING CONCERN

In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities as set out on pages 3 to 9 as well as the Group's principal risks and uncertainties as set out on page 22, including the downside sensitivities outlined on page 21 and in note 2.2. The Group entered into new financing facilities in June 2023 and based on its cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of these facilities for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

SHARE CAPITAL

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

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

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

AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

At the AGM on 14 October 2022 the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 10,328,799 of its Ordinary shares. The Company did not repurchase any of its Ordinary shares under this authority in the year ended 16 April 2023, which is due to expire at the date of this year's AGM. Post year end, on 8 June 2023 the Company repurchased 195,000 ordinary shares which are now held in treasury.

SUBSTANTIAL SHAREHOLDINGS

The Company is aware that the following had an interest of 3% or more of the issued Ordinary share capital of the Company at 28 June 2023, the last practicable date before the publication of this report:

	No of ordinary shares	% of share capital
Funds managed by Lion Capital	26,728,524	25.7%
Slater Investments	8,338,617	8.0%
Alex Reilley	6,951,432	6.7%
Jake Bishop	6,507,432	6.3%
Canaccord Genuity Wealth Management	6,489,000	6.2%
Invesco	5,406,194	5.2%
AXA Framlington Investment Managers	5,245,259	5.1%
Gresham House Asset Management	4,073,206	3.9%
M&G Investment Management	3,998,251	3.9%
Highclere International Investors	3,517,734	3.4%
BGF	3,224,222	3.1%

As at 12 July 2023 the Company's ordinary issued share capital was 103,861,945 ordinary shares of 1p each, each carrying one right to vote in general meeting.

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

EMPLOYMENT POLICY

Our policy is to promote equal opportunity in employment regardless of gender, race, colour or disability, subject only to capability and suitability for the task and legal requirements. Where existing employees become disabled, it is our policy to provide continuing employment under equivalent terms and conditions, and to provide equal opportunity for promotion to disabled employees wherever appropriate.

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

EMPLOYEE ENGAGEMENT

We keep our team members regularly updated with issues affecting the running of the business and obtain their views on any key matters, all of which is in accordance with our obligations under the Information and Consultation Regulations 2004. The dissemination of information is achieved in many ways including weekly and quarterly newsletters, regular regional and area meetings, our Company intranet and Directors and Managers briefings. These are opportunities for team members to express their views and ask questions. Outside of these specific events, we welcome any questions that team members may have about the business. Further information on employee engagement is provided on page 10.

FINANCIAL RISK MANAGEMENT

The Group finances its operations through a combination of intra-Group funding and bank debt. The Group uses various financial instruments (Note 19) in the form of cash, third-party bank debt and other items, such as trade payables, that arise directly from its operations. The main purpose of these financial instruments is to fund the Group's operations. These financial instruments expose the Group to several financial risks, principally liquidity and interest rate risks.

The Group seeks to meet liquidity risk through assessment of short-, medium- and long-term cash flow forecasts to ensure the adequacy of committed debt facilities. On 7 June 2023 the Group entered into a new senior facilities agreement with its existing lenders Santander Corporate Banking and Bank of Ireland. Under the terms of the new agreement the Group reduced its term loan from £32,500,000 to £20,000,000 and increased its RCF from £10,000,000 to £22,500,000. The new facility terminates on 7 June 2026. The term loan is non-amortising and bears interest at between 1.75% and 2.5% over SONIA subject to the Group's leverage. At inception of the new facility the Group was paying a margin of 1.75%. The term loan and RCF are subject to financial covenants relating to leverage and interest cover, these are unchanged from the original facility.

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

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

POLITICAL DONATIONS

During the year ended 16 April 2023 the Group made no political donations (2022: £nil).

POST BALANCE SHEET EVENTS

On 4 May 2023 the Company allotted and issued 359,000 ordinary shares of 1 pence each in the Company following the vesting of awards made to 718 Group employees pursuant to the Company's Employee Share Plan. At the same time the Company applied for a block listing of 477,962 ordinary shares of 1 pence each to satisfy such options as might be exercised from time to time under the Senior Management Restricted Share Plan award which vested on the 29th April 2023.

On 7 June 2023 the Group entered into a new senior facilities agreement with its existing lenders Santander and Bank of Ireland. Under the terms of the new agreement the Group reduced its term loan from £32,500,000 to £20,000,000 and increased its RCF from £10,000,000 to £22,500,000. The new facility terminates on 7 June 2026. The term loan is non-amortising and bears interest at between 1.75% and 2.5% over SONIA subject to the Group's leverage. At inception of the new facility the Group was paying a margin of 1.75%. The term loan and RCF are subject to financial covenants relating to leverage and interest cover, these are unchanged from the original facility.

On 8 June 2023 the Group repurchased 195,000 ordinary shares which are now held in treasury.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and Financial Statements and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under Company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable UK-adopted international accounting standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION TO AUDITORS

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

INDEPENDENT AUDITORS

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

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

G Grant
Chief Financial Officer
12 July 2023

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LOUNGERS PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- Loungers plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 16 April 2023 and of the group's profit and the group's cash flows for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: consolidated and company statements of financial position as at 16 April 2023; the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated and company statements of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

OUR AUDIT APPROACH

Overview

Audit scope

- The group is comprised of six components, each a legal entity. Following our assessment of the risk of material misstatement we selected the parent company and the trading company, Loungers UK Limited, for full scope audits and performed specified audit procedures over certain balances in one intermediate holding company. This work was conducted by the PwC Group team. In addition, we also performed audit procedures for transactions and balances that arose as part of the Group's consolidation process. This included the impairment review of goodwill, property, plant and equipment, IFRS 16 accounting, and the Group's elimination and consolidation entries.

Key audit matters

- Impairment of property, plant and equipment (group)
- Impairment of investments (parent)

Materiality

- Overall group materiality: £2,835,000 (2022: £2,370,000) based on 1% of revenue.
- Overall company materiality: £1,692,000 (2022: £870,000) based on 1% of total assets (2022: an allocation of group reporting materiality).
- Performance materiality: £2,125,000 (2022: £1,777,000) (group) and £1,269,000 (2022: £672,500) (company).

The scope of our audit

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

Key audit matters

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

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

Impairment of investments is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment (group)	
Refer to notes 2, 3, and 12 of the Consolidated financial statements. The continued effects of the cost of living/cost inflation crisis continue to unfold across the UK economy and business. The possible impact on consumer behaviour and margins on site profitability creates a risk of impairment of the carrying value of property, plant and equipment including right of use assets. The carrying value of property, plant and equipment is £228.4m (2022: £188.4m). Management performed an impairment trigger event analysis and then prepared a value in use model for assets considered to be at risk of impairment. The key assumptions in the model include the discount rate, the long term growth rate, revenue growth and food and labour costs. An impairment of assets of £3.4m was recognised, alongside an impairment reversal of previous impairment of £1.8m. We focussed on this area, as the estimation of future discounted cash flows is inherently subjective and involves judgement, including the assessment of the potential impact of climate change. This assessment is also susceptible to management bias.	We obtained management's assessment of impairment trigger events at a site level and challenged key assertions within it. The primary judgement was that sites that have been open for less than two years are considered to not have any impairment trigger. We obtained historical sales and profit data to validate that it takes sites on average two years to meet consistent profit levels, as well as considering the qualitative assessment around operational performance. For sites where a trigger event had been identified, we obtained management's value in use model, and: • validated the carrying amounts that were attributed to each site cash generating unit to the accounting records • we tested the mathematical accuracy and technical integrity of the model to ensure that it had been performed in line with the guidance provided in IAS 36 • we used internal valuation experts to determine whether management's discount rate was appropriate and calculated the impact of it being outside of our acceptable range, which was not material • we used internal valuation experts to determine if the long term growth rate of 2% was appropriate and concluded that it was reasonable • we challenged management on the basis for the short term forecasts used in the model. This included but was not limited to: • – agreeing forecasts to the Board approved budget and supporting strategic plans; • – challenging the revenue growth rates with reference to the historical growth rate trends and external research sources of expected growth in the sector; – challenged management on the food and labour cost inflation assumptions, which we validated against external data sources and sensitised the impact of inflation remaining at the higher market forecast rate than that forecast by management for the short term; • – agreed central cost allocations were performed on a reasonable basis; • – reviewed management's historical accuracy of forecasting; and • – obtained management's paper on the assessment of climate change risk impacting the sites. We also performed sensitivity analysis to understand the impact that possible changes in assumption might have. We assessed the adequacy of disclosures made in the financial statements. After our challenges were addressed we concurred with the carrying value of property, plant and equipment.

Key audit matter	How our audit addressed the key audit matter
Impairment of investments (parent)	
Refer to notes 2 and 6 of the Company financial statements. At 16 April 2023, the company reported investments with a carrying value of £148.4m. This balance remains the largest single balance in the Company's accounts and so has been the principal focus of our audit effort in the current year. Any potential impairment loss could be material to the Company.	In order to address the identified risk we discussed with management their impairment trigger assessment which concluded that no trigger event was identified. We challenged the trigger assessment by reviewing the Group's market capitalisation and found it was in excess of the carrying value. We also considered other qualitative and quantitative factors such as the Group's value in use model used to support Group goodwill. We concluded that management's trigger assessment was reasonable and that no impairment was required.

How we tailored the audit scope

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

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate. The group consists of the parent company, four holding companies and one trading company, with the accounting function of all entities based in the head office in Bristol. All entities are audited by the PwC Group team. Following our assessment of the risk of material misstatement we selected the parent company, and the trading company, Loungers UK Limited, for full scope audits and performed specified audit procedures over certain balances in one intermediate holding company. The Group consolidation, financial statement disclosures and a number of centralised functions were audited by the Group team. These included, but were not limited to, central procedures over tax, IFRS 16 accounting, and impairment assessments. Taken together, these reporting entities where we performed audit work accounted for approximately 100% of group revenue and in excess of 99% of group profit before tax.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

Materiality

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

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

	Financial statements - group	Financial statements - company
Overall materiality	£2,835,000 (2022: £2,370,000).	£1,692,000 (2022: £870,000).
How we determined it	1% of revenue	1% of total assets (2022: an allocation of group reporting materiality)
Rationale for benchmark applied	Due to the high level of turnover and relatively low level of profit before tax, using 1% of revenue is considered to be the most appropriate benchmark, which is the same materiality benchmark as used in the prior year.	As the entity is a holding company, we consider that total assets is the most appropriate benchmark to assess materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £927,000 and £2,693,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £2,125,000 (2022: £1,777,000) for the group financial statements and £1,269,000 (2022: £672,500) for the company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £140,000 (group audit) (2022: £115,000) and £85,000 (company audit) (2022: £43,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

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

- We obtained management's paper that supports the Board's assessment and conclusions with respect to the disclosures provided around going concern;
- We discussed with management the assumptions applied in the going concern review so we could understand and challenge the rationale for those assumptions, using our knowledge of the business;
- We reviewed post year end trading results to June 2023, and compared to management's budget, and considered the impact of these actual results on the future forecasts;
- We obtained the new financing facilities documentation, entered into on 7 June 2023, and confirmed the levels of available liquidity and financial covenant terms. We then assessed the availability of liquid resources under the different scenarios and the associated covenant tests applicable;
- We reviewed management's sensitivity scenarios including their severe but plausible downside. This includes potential mitigating actions available to the Group that are achievable and within management's control; and
- We have assessed the disclosures and consider them appropriate.

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

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

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

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

REPORTING ON OTHER INFORMATION

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 16 April 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

Use of this report

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

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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

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

We have no exceptions to report arising from this responsibility.

Sarah Phillips

Sarah Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

12 July 2023

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEK YEAR ENDED 16 APRIL 2023

	Note	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000
Revenue	4	283,507	237,291
Cost of sales		(170,350)	(134,369)
Gross profit		113,157	102,922
Administrative expenses		(98,406)	(76,975)
Other income	5	-	2,490
Operating profit	5	14,751	28,437
Finance income	7	204	44
Finance costs	8	(7,621)	(6,876)
Profit before taxation		7,334	21,605
Tax charge on profit	9	(405)	(3,727)
Profit for the year		6,929	17,878
Other comprehensive (expense) / income:			
Items that may be reclassified to profit or loss			
Cash flow hedge – change in value of hedging instrument		(38)	269
Other comprehensive (expense) / income for the year		(38)	269
Total comprehensive income for the year		6,891	18,147

	Note	Year ended 16 April 2023 Pence	Year ended 17 April 2022 Pence
Earnings per share			
Basic earnings per share	10	6.7	17.4
Diluted earnings per share	10	6.5	17.0

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 16 APRIL 2023

	Note	At 16 April 2023 £000	At 17 April 2022 £000
Assets			
Non-current			
Goodwill	11	114,722	113,227
Property, plant and equipment	12	228,414	188,363
Deferred tax assets	20	945	1,355
Finance lease receivable	14	-	579
Total non-current assets		344,081	303,524
Current			
Inventories	13	2,475	1,919
Trade and other receivables	14	8,722	5,466
Derivative financial instruments	18	-	38
Cash and cash equivalents	15	26,370	31,250
Total current assets		37,567	38,673
Total assets		381,648	342,197
Liabilities			
Current liabilities			
Trade and other payables	16	(69,708)	(56,214)
Corporation tax payable		(59)	-
Lease liabilities	17	(10,247)	(8,475)
Total current liabilities		(80,014)	(64,689)
Non-current liabilities			
Borrowings	18	(32,392)	(32,275)
Lease liabilities	17	(124,590)	(111,127)
Total liabilities		(236,996)	(208,091)
Net assets		144,652	134,106
Called up share capital	23	1,133	1,127
Share premium	24	8,066	8,066
Hedge reserve	24	-	38
Other reserve	24	14,278	14,278
Retained earnings	24	121,175	110,597
Total equity		144,652	134,106

The financial statements on pages 50 to 77 were approved and authorised for issue by the Board of Directors on 6 July 2023 and were signed on its behalf by:

Nick Collins
Chief Executive Officer
12 July 2023

G Grant
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEK YEAR ENDED 16 APRIL 2023

	Called up share capital £000	Share premium £000	Hedge reserve £000	Other reserve £000	Retained earnings £000	Total equity £000
At 18 April 2021	1,124	8,066	(231)	14,278	89,680	112,917
Ordinary shares issued	3	-	-	-	(3)	-
Share based payment charge	-	-	-	-	3,042	3,042
Total transactions with owners	3	-	-	-	3,039	3,042
Profit for the year	-	-	-	-	17,878	17,878
Other comprehensive income	-	-	269	-	-	269
Total comprehensive income for the 52 week year	-	-	269	-	17,878	18,147
At 17 April 2022	1,127	8,066	38	14,278	110,597	134,106
Ordinary shares issued	6	-	-	-	(6)	-
Share based payment charge	-	-	-	-	3,655	3,655
Total transactions with owners	6	-	-	-	3,649	3,655
Profit for the year	-	-	-	-	6,929	6,929
Other comprehensive expense	-	-	(38)	-	-	(38)
Total comprehensive income for the 52 week year	-	-	(38)	-	6,929	6,891
At 16 April 2023	1,133	8,066	-	14,278	121,175	144,652

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 52 WEEK YEAR ENDED 16 APRIL 2023

	Note	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000
Net cash generated from operating activities	25	51,107	69,626
Cash flows from investing activities			
Purchase of subsidiary undertakings (net of cash acquired)	22	(2,719)	-
Purchase of property, plant and equipment		(36,978)	(22,837)
Interest received		204	3
Net cash used in investing activities		(39,493)	(22,834)
Cash flows from financing activities			
Shares issued on exercise of employee share awards		(190)	(135)
Bank loans repaid		-	(7,000)
Interest paid		(1,334)	(1,101)
Principal element of lease payments		(8,824)	(6,903)
Interest paid on lease liabilities		(6,146)	(5,315)
Net cash used in financing activities		(16,494)	(20,454)
Net (decrease) / increase in cash and cash equivalents		(4,880)	26,338
Cash and cash equivalents at beginning of the year		31,250	4,912
Cash and cash equivalents at end of the year	26	26,370	31,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 52 WEEK YEAR ENDED 16 APRIL 2023

1. GENERAL INFORMATION

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

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

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Loungers plc Group have been prepared in accordance with UK adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The accounting policies adopted in the preparation of the Financial Statements are consistent with those applied in the preparation of the financial statements of the Group for the year ended 17 April 2022.

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

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

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

2.2 GOING CONCERN

In concluding that it is appropriate to prepare the FY23 financial statements on the going concern basis the Directors have considered the Group's cash flows, liquidity and business activities in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014 published by the UK Financial Reporting Council.

As at 16 April 2023 the Group had cash balances of £26.4m (2022: £31.3m) and undrawn facilities of £10m (2022: £25m), providing total liquidity of £36.4m (2022: £41.3m). The Group did not utilise its RCF facilities during the year to 16 April 2023. Subsequent to the year end, the Group has refinanced its banking facilities, using its excess cash balances to pay down £12.5m of its term loan. At the same time the Group's RCF was increased to £22.5m to leave total bank facilities unchanged.

The Group has modelled financial projections for the going concern period to the 4 August 2024 based upon two scenarios, a base case and a downside case. The base case incorporates the Board approved budget for FY24 as well as the first 16 weeks of the FY25 business plan. The base case assumes below inflation selling price increases and flat volumes. It reflects current assumptions in respect of future cost inflation and incorporates increases in energy costs to reflect the continued opening of new sites whose energy costs are hedged at current rates. The base case scenario indicates that the Group has significant headroom in respect of both its liquidity position and its banking covenants.

In the downside scenario it has been assumed that sales volumes fall by 10% from the base case with an associated reduction in labour and variable cost efficiency and a resultant 38% decline in adjusted EBITDA. Under this scenario the Group is able to maintain its new site opening programme and continues to have significant liquidity and banking covenant headroom.

The Group has also performed a reverse stress test to identify the level of sales and EBITDA decline that the Group could withstand before breaching any banking covenants or hitting liquidity issues. On the basis that the Group mitigates its financial position by ceasing its new site opening programme, with no new sites opening after 3 September 2023, the Group could absorb a sales volume decline of c18% before breaching its leverage covenants. Beyond the cessation of the new site opening programme this reverse stress test incorporates no other mitigating actions, for example reductions in non-essential capital expenditure and other cost reduction initiatives.

The Directors have also considered the potential impact of climate change on going concern and have concluded that there is not expected to be any impact on the business during the going concern period.

Based upon the forecasts described above the Directors deem it appropriate to prepare the FY23 financial statements on the going concern basis.

2.3 BASIS OF CONSOLIDATION

A subsidiary is an entity controlled by the Group. Control exists when the Group possesses power over the investee, has exposure to variable returns from its involvement with the entity and has the ability to use its power over the investee to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

2.4 ALTERNATIVE PERFORMANCE MEASURES ("APM'S")

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

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

The key APMs that the Group uses include: Like for Like (LFL) sales growth %, Adjusted EBITDA and Adjusted operating profit. These APMs are set out on page 19 including explanations of how they are calculated and how they are reconciled to a statutory measure where relevant.

Like for like sales are calculated using all sites within the estate that have been open for at least 18 months. It is generally the case that when a new site opens it enjoys a "honeymoon" period of above trend performance. Starting the LFL calculation from 18 months post opening removes the impact of this above trend trading period.

The Adjusted EBITDA and Adjusted operating profit measures exclude adjusting items and site pre-opening costs, as defined below, and non-cash share-based payment charges. The calculation of these measures aligns to the way in which they are calculated by the Group's lenders for the purpose of testing compliance with its covenants.

Adjusting items
The Group classifies certain charges or credits as 'adjusting'. 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. Adjusting items include exceptional items, impairment charges and reversing credits, profit or loss on disposal of fixed assets, and acquisition related transaction costs.

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

2.5 REVENUE

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

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

2.6 GOVERNMENT GRANTS

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

2.7 FINANCE COSTS

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

2.8 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred and the amount of any non-controlling interest in the acquiree. The consideration transferred is measured at the acquisition date fair value. The non-controlling interest is measured as the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in adjusting items.

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

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

2.9 PROPERTY, PLANT AND EQUIPMENT

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Freehold land is not depreciated.

Depreciation is provided on the following basis:

Leasehold building improvements	- straight-line over the life of the lease
Motor vehicles	- 25% straight-line
Fixtures and fittings	- 6.67% - 33% straight-line or over the life of the lease
Freehold buildings	- 2% straight line

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

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

2.10 RIGHT OF USE ASSETS

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

2.11 INVENTORIES

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

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

2.12 TRADE AND OTHER RECEIVABLES

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

2.13 IMPAIRMENT

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

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

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

2.14 CASH AND CASH EQUIVALENTS

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

2.15 FINANCIAL INSTRUMENTS

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

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

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

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

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

2.16 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

2.17 TRADE AND OTHER PAYABLES

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

2.18 LEASED ASSETS: THE GROUP AS LESSEE

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include lease payments less any lease incentives receivable. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, for example a rent review or a change in the lease term.

2.19 PENSIONS

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

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

2.20 PROVISIONS

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

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

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

2.21 SHARE BASED PAYMENTS

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 22.

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

2.22 CURRENT AND DEFERRED TAXATION

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

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

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

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

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

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

2.23 RELATED PARTY TRANSACTIONS

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

2.24 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED

Amendments to accounting standards applied from 18 April 2022 included amendments to:

- Scope amendments to IAS1, IFRS Practice Statement 2 and IAS8 regarding accounting policy disclosures
- Amendments to IAS12 – deferred tax related to assets and liabilities arising from a single transaction

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

Certain new accounting standards and interpretations have been published that are not mandatory for 16 April 2023 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods an on foreseeable future transactions.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

KEY JUDGEMENTS

Determining the rate used to discount lease payments
At the commencement date of property leases the lease liability is calculated by discounting the lease payments. The discount rate used should be the interest rate implicit in the lease. However, if that rate cannot be readily determined, which is generally the case for property leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. In the year ended 16 April 2023, new leases have been discounted at a rate of 4.5%. For the lease liabilities at 16 April 2023 a 0.1 per cent change in the discount rate used would have adjusted the total liabilities by £684,000.

Determining the value of business combinations
When assets are acquired, management determines whether the assets form a business combination. Business combinations must involve the acquisition of a business, which generally have three elements: inputs, process, and output.

A fair value exercise of both the consideration paid and the net assets acquired is performed once it is determined that a business combination has taken place. If the fair value of the consideration is in excess of the fair value of the net assets acquired, the difference is recognised as goodwill. If the opposite occurs, the difference is recognised in the income statement. The group makes judgements in relation to the fair value of the consideration, the net assets acquired and whether the purchase represents a business combination. The consideration paid for the business combinations acquired during the period was solely cash. The impact of business combinations undertaken during the year on the financial statements is set out in notes 11 and 22.

KEY ESTIMATES

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

Useful economic lives of property, plant and equipment
The depreciation charge in each year is sensitive to the assumptions used regarding the economic lives of assets. A 10% increase in the average useful economic lives results in approximately a 9.1% (£1,215,000) decrease in depreciation. More information on useful economic lives is presented in note 2.9.

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, including commentary, at a whole business level with further supplementary analysis provided down to a site-by-site level. The Group trades in one business segment (operating café bars and café restaurants).

The CODM uses Adjusted EBITDA (IFRS16 and IAS17) 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

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

	Note	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000
Depreciation of tangible fixed assets	12	13,364	11,187
Depreciation of right of use assets	12	9,861	8,451
Net impairment on property, plant and equipment	12	309	-
Net impairment on Right of Use assets	12	1,298	-
Loss on disposal of tangible fixed assets	12	317	-
Inventories – amounts charged as an expense		68,023	53,815
Fees payable to the company's auditors and its associates for the audit of parent company and consolidated financial statements		85	75
Fees payable to company's auditors and its associates for other services:			
- for statutory audit services (subsidiary companies)		85	75
Staff costs (excluding share based payments)		123,008	95,779
CJRS Grant income		-	(2,045)
Government support grant income		-	(2,490)
Pre-opening costs		3,323	2,344

6. EMPLOYEES AND DIRECTORS

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

	Year ended 16 April 2023	Year ended 17 April 2022
Management, administration and maintenance	198	176
Site	7,228	5,461
	7,426	5,637

Staff costs were as follows:

	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000
Wages and salaries	114,116	88,801
Social security costs	7,464	5,820
Share based payments	4,024	3,220
Other pension costs	1,428	1,158
	127,032	98,999
CJRS Grant income	-	(2,045)
	127,032	96,954

Additional payroll costs of £2,523,000 (2022: £1,804,000) relating to the build team have been capitalised.

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

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

	Salary / Fees		Annual Bonus		Share Award		Total	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Alex Reilley	231	175	40	263	56	-	327	438
Nick Collins	374	285	65	428	148	-	587	713
Gregor Grant	220	200	39	300	74	-	333	500
Nick Backhouse	55	55	-	-	-	-	55	55
Adam Bellamy	50	50	-	-	-	-	50	50
Jill Little	50	50	-	-	-	-	50	50
Robert Darwent[1]	-	-	-	-	-	-	-	-
Total	980	815	144	991	278	-	1,402	1,806

1 Robert Darwent is a Director of Lion Capital and receives no remuneration from the Company.

Further information in respect of Directors' remuneration is provided in the Remuneration Committee Report on pages 33 to 36.

7. FINANCE INCOME

	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000
Bank interest receivable	204	-
Lease interest income	-	41
	204	41

8. FINANCE COSTS

	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000
Bank interest payable	1,475	1,190
Other interest payable	-	4
Finance cost on lease liabilities	6,146	5,682
	7,621	6,876

9. TAX CHARGE ON PROFIT

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

	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000
Taxation charged to the income statement		
Current income taxation	-	1,266
Total current income taxation	-	1,266
Deferred Taxation		
Origination and reversal of temporary timing differences	1,069	2,408
Adjustments to tax charge in respect of prior years	(911)	109
Adjustment in respect of change of rate of corporation tax	247	(56)
Total deferred tax	405	2,461
Total taxation charge in the consolidated income statement	405	3,727
The above is disclosed as:		
Income tax charge – current year	1,316	3,618
Income tax (credit) / charge – prior year	(911)	109
	405	3,727

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

Factors affecting the tax charge / (credit) for the year

	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000
Profit before tax	7,334	21,605
At UK standard rate of corporation taxation of 19% (2022: 19%).	1,393	4,105
Expenses not deductible for tax purposes	801	384
Fixed asset permanent differences	(1,125)	(815)
Adjustments to tax charge in respect of prior years	(911)	109
Adjustment in respect of change of rate of corporation tax	247	(56)
Total tax charge for the year	405	3,727

10. EARNINGS PER SHARE

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

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the year ended 16 April 2023 the Group had potentially dilutive shares in the form of unvested shares pursuant to the above long-term incentive plans.

	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000
Profit for the year after tax	6,929	17,878
Basic weighted average number of shares	103,243,015	102,728,430
Adjusted for share awards	3,375,062	2,464,588
Diluted weighted average number of shares	106,618,077	105,193,018
Basic earnings per share (p)	6.7	17.4
Diluted earnings per share (p)	6.5	17.0

Adjusted earnings per share is based on profit for the year before the following adjusting items: impairment charges and reversing credits, profit or loss on disposal of fixed assets, and acquisition related transaction costs.

	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000
Profit for the year before tax	7,334	21,605
Net impairment charge	1,607	-
Loss on disposal of fixed assets	317	-
Transaction costs	102	-
Adjusted profit before tax	9,360	21,605
Tax charge	(405)	(3,727)
Tax effect of adjusting items	(324)	-
Adjusted profit after tax	8,631	17,878
Basic weighted average number of shares	103,243,015	102,728,430
Adjusted for share awards	3,375,062	2,464,588
Diluted weighted average number of shares	106,618,077	105,193,018
Basic adjusted earnings per share (p)	8.4	17.4
Diluted adjusted earnings per share (p)	8.1	17.0

11. GOODWILL

	16 April 2023 £000	17 April 2022 £000
Cost		
At beginning of year	113,227	113,227
Additions	1,495	-
At end of year	114,722	113,227

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

Goodwill of £1,495,000 arose on the acquisition of Route Restaurants Limited and Nightlife Leisure (South West) Limited on 1 December 2022

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

Goodwill is monitored at the operating segment level identified in note 4. For assessing impairment at 16 April 2023 and 17 April 2022 a value in use calculation has been performed using a discounted cash flow method based on the forecast cash flows and a terminal growth rate. The cash flows used in this assessment are based on a three year business plan to April 2026, the cash flows include ongoing capital expenditure required to maintain the sites but exclude any growth capital. The discount rate used to determine the present value of projected future cash flows is based on the Group's Weighted Average Cost of Capital ("WACC") and the Group's current view of achievable long-term growth. The post-tax discount rate and terminal growth rate used in the discounted cash flow model were 9.0% and 2.0% respectively (2022: 9.0% and 2.0% respectively). The pre-tax discount rate used in the discounted cash flow model was 11.1% (2022: 11.1%).

The estimation of value in use is most sensitive to changes in future cash flows, discount rates and terminal growth rates applied to cash flows beyond the forecast year. The sensitivity of key inputs and assumptions used was tested by recalculating the recoverable amount using reasonably possible variances to those assumptions. The discount rate was increased by 1%, the terminal growth rate was decreased by 1%, and future cash flows were reduced by 10%. As at 17 April 2022 and 16 April 2023, no reasonably possible change in an individual key input or assumption, as described, would result in the carrying amount exceeding its recoverable amount based on value in use.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land and Buildings £000	Leasehold Building Improvements £000	Motor Vehicles £000	Fixtures and Fittings £000	Right of use asset £000	Total £000
Cost						
At 19 April 2021	-	56,668	81	55,790	132,977	245,516
Additions	369	10,821	148	14,816	16,404	42,558
Disposals	-	-	(19)	-	-	(19)
At 17 April 2022	369	67,489	210	70,606	149,381	288,055
Accumulated depreciation						
At 19 April 2021	-	13,919	53	23,521	42,580	80,073
Provided for the year	-	4,018	32	7,137	8,451	19,638
Disposals	-	-	(19)	-	-	(19)
At 17 April 2022	-	17,937	66	30,658	51,031	99,692
Net book value						
At 17 April 2022	369	49,552	144	39,948	98,350	188,363
Cost						
At 18 April 2022	369	67,489	210	70,606	149,381	288,055
Additions	832	17,076	-	21,273	24,519	63,700
Acquisition of subsidiaries	1,500	-	-	-	-	1,500
Disposals	(250)	(451)	(9)	(175)	-	(885)
At 16 April 2023	2,451	84,114	201	91,704	173,900	352,370
Accumulated depreciation						
At 18 April 2022	-	17,937	66	30,658	51,031	99,692
Provided for the year	14	4,771	48	8,531	9,861	23,225
Impairment	-	381	-	85	2,937	3,403
Impairment reversal	-	(157)	-	-	(1,639)	(1,796)
Disposals	-	(405)	(3)	(160)	-	(568)
At 16 April 2023	14	22,527	111	39,114	62,190	123,956
Net book value						
At 16 April 2023	2,437	61,587	90	52,590	111,710	228,414

The above includes assets in the course of construction with a total cost of £2,467,000 (2022: £1,031,000) which have not been depreciated to date.

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

The Group has determined that each site is a separate CGU for impairment testing purposes. Each CGU is tested for impairment at the balance sheet date if there exists at that date any indicators of impairment. All sites were reviewed in FY20 following the first national lockdown and an impairment of £9,829,000 was booked in the FY20 financial statements. Following reopening a number of those sites have generated sufficient cashflows to justify an assessment that impairment is no longer necessary and consequently a reversal of £1,796,000 has been released to the income statement (2022: £nil). Conversely, the assessment carried out at the end of FY23 indicated that a further ten sites showed potential impairment and a £3,403,000 charge has been recognised in respect of these sites (2022: £nil).

The value in use of each CGU is calculated based upon the Group's latest three-year forecast. The site cash flows include an allocation of central costs and ongoing capital expenditure to maintain the sites. The cash flows exclude any growth capital. Cash flows beyond the three-year period are extrapolated using the Group's estimate of the long-term growth rate, currently 2.0% (2022: 2.0%).

The key assumptions in the value in use calculations are the like for like sales projections for each site, changes in the operating cost base, the long-term growth rate and the pre-tax discount rate. The post-tax discount rate is derived from the Group's WACC and is currently 9.0% (2022: 9.0%).

The cash flows used within the impairment model are based upon Board approved forecasts. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in the key assumptions. A reduction in site cash flows of 10% in each year would result in an incremental impairment charge of £1,000,000 (2022: £2,984,000). A 100 basis point increase in the discount rate would result in an impairment charge of £400,000 (2022: £1,431,000) and a 50 basis point reduction in the terminal growth rate would result in an impairment charge of £100,000 (2022: £295,000).

13. INVENTORIES

	16 April 2023 £000	17 April 2022 £000
Food and beverages for resale	2,475	1,919
	2,475	1,919

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

	16 April 2023 £000	17 April 2022 £000
Included within current assets		
Trade receivables	925	464
Corporation tax recoverable	146	146
Finance lease receivable	-	89
Other receivables	166	303
Prepayments	7,485	4,464
	8,722	5,466
Included within non-current assets		
Deferred tax assets	945	1,355
Finance lease receivable	-	579

Receivables are denominated in sterling.

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

15. CASH AND CASH EQUIVALENTS

	16 April 2023 £000	17 April 2022 £000
Cash at bank and in hand	26,370	31,250
	26,370	31,250

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 £26,370,000 (2022: £31,250,000).

16. TRADE AND OTHER PAYABLES

	16 April 2023 £000	17 April 2022 £000
Included in current liabilities:		
Trade payables	33,058	27,270
Other taxation and social security	13,824	9,092
Other payables	13,882	9,140
Accruals and deferred income	8,944	10,712
	69,708	56,214

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

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

17. LEASES

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

The Group leases the vast majority of its estate as well as its Head Office. The leases are non-cancellable, with varying terms, escalation clauses and renewal rights and in some cases include variable payments that are not fixed in amount but based upon a percentage of sales. Rental contracts are typically made for fixed years of between 10 and 25 years, the average lease runs for 16.0 years from commencement.

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

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

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

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

Amounts recognised in the balance sheet

	16 April 2023 £000	17 April 2022 £000
Right of use assets – leasehold properties	111,710	98,350
Lease liabilities		
Current	10,247	8,475
Non-current	124,590	111,127
	134,837	119,602

Additions to right of use assets during the year ended 16 April 2023 were £24,519,000 (2022: £16,404,000).

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

Amounts recognised in the consolidated statement of comprehensive income

	16 April 2023 £000	17 April 2022 £000
Depreciation charge of right of use assets	9,861	8,451
Net impairment of right of use assets	1,607	-
Interest expense (included in finance cost)	6,146	5,682

Total cash outflow for leases in 2023 was £14,970,000 (2022: £12,218,000).

18. BORROWINGS

	16 April 2023 £000	17 April 2022 £000
Long term borrowings:		
Secured bank loans	32,500	32,500
Loan arrangement fees	(108)	(225)
	32,392	32,275

Secured bank loans

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

The facilities entered into at the time of the IPO provide for a term loan of £32,500,000 and a revolving credit facility ("RCF") of £10,000,000. The term loan is a five-year non-amortising facility with a margin of 2% above SONIA. In June 2023 the Group completed a refinancing of it debt arrangements, reducing the term loan to £20,000,000 and increasing the RCF by £12,500,000.

As a consequence of Covid-19, on 22 April 2020 the Group agreed an incremental £15,000,000 RCF with its lenders, providing a total RCF of £25,000,000. This facility was not renewed when it expired in October 2022.

The term loan and RCF are subject to financial covenants relating to leverage and interest cover. There were no breaches of these tests in the years to 17 April 2022 or 16 April 2023.

At 16 April 2023 the term loan was fully drawn while nothing was drawn on any of the revolving facilities (2022: term loan fully drawn and £nil drawn down under the RCF). On 7 June 2023 £12,500,000 was repaid on the term loan, leaving a balance of £20,000,000.

19. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group's capital management strategy seeks to maintain an optimal structure, facilitating the ongoing investment in new sites while maintaining a strong financial position from which to generate shareholder value. The Board reviews key metrics such as return on capital on an achieved and forecast basis at the end of every period. Headroom against key covenant metrics such as the ratio of net debt to adjusted EBITDA and interest cover is also reviewed at the end of every period.

The Group finances the business through a mixture of equity and debt, with the debt being comprised of bank funding and lease liabilities. Further funding needs are met through the management of working capital.

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

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

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

Interest rate risk
The Group's exposure to the variable interest element of its term loan was fully hedged by an interest rate swap through to 31 July 2022. The Group continues to review its options for mitigating interest rate exposure.

Commodity price risk
The Group is exposed to movements in the wholesale prices of foods and drinks. Like many others in the hospitality sector, following the conflict in Ukraine the group is exposed to increases in input prices. Prices are typically fixed for periods of 3-6 months to address seasonality, with suppliers hedging foreign exchange risk across these years. The Group benchmarks and verifies any potential cost changes from suppliers and also has the ability to flex its menu items to mitigate specific product related cost pressures. The Group hedged its energy costs in May 2020 for the estate at that time; subsequent sites are also hedged. All sites are hedged to September 2024 and therefore the Group has had reduced exposure to the increase in energy costs in the years to 17 April 2022 and 16 April 2023.

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. Subsequent to the year end the Group has refinanced its debt to reduce its ongoing interest costs, while retaining a more flexible financing facility. The Directors continue to monitor cashflow in order to ensure access to sufficient liquidity.

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

The Group monitors cash balances and prepares regular forecasts, which are reviewed by the board. In order to maintain or adjust the capital structure, the Group may, in the future, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group is subject to capital requirements from its lenders in respect of the term loan and revolving credit facility, which obliged the Group to maintain a leverage ratio of Net Debt (IAS 17 basis) to Adjusted EBITDA (IAS17) of less than 2.50. As at 16 April 2023 the leverage ratio of the Group was 0.18 compared with a threshold of 2.50. At 17 April 2022 the leverage ratio of the Group was 0.03 compared with a threshold of 2.50.

Reconciliation of net debt (IAS 17) and adjusted EBITDA (IAS17) to the statutory results can be found on pages 85 to 86.

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

	16 April 2023 £000	17 April 2022 £000
Financial Assets		
Financial assets that are debt instruments measured at amortised cost	27,461	32,685
Financial assets held at fair value	-	38
Financial liabilities		
Financial liabilities measured at amortised cost	(214,170)	(188,287)
Financial liabilities held at fair value	-	-

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

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

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

Hedging

The Group previously entered into an interest rate swap for £32.5m to fix its floating rate loan at a rate of 0.7% above SONIA as described above which qualifies as a cashflow hedge. The hedge was allowed to expire on 31 July 2022. The movements in fair value have been recognised as follows:

	£000
Derivative liability at 17 April 2022	38
Recognised through other comprehensive expense	(38)
Derivative asset at 16 April 2023	-

Maturity analysis

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

	Less than 1 year £000	Between 1 and 5 years £000	More than 5 years £000	Total £000
As at 16 April 2023				
Secured bank loans	1,858	32,541	-	34,399
Lease liabilities	16,431	64,078	95,718	176,227
Trade and other payables	46,941	-	-	46,941
	65,230	96,619	95,718	257,567
As at 17 April 2022				
Secured bank loans	1,064	33,659	-	34,723
Lease liabilities	13,951	55,730	86,376	156,057
Trade and other payables	36,410	-	-	36,410
	51,425	89,389	86,376	227,190

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

20. DEFERRED TAX ASSETS

	Accelerated capital allowances £000	Losses £000	Acquisition accounting £000	Share schemes £000	Other £000	Total £000
At 18 April 2021	2,065	375	(907)	842	1,441	3,816
Recognised in income statement	(3,428)	(375)	129	396	817	(2,461)
At 17 April 2022	(1,363)	-	(778)	1,238	2,258	1,355
Recognised in income statement	(4,285)	2,795	255	520	310	(405)
Acquired with subsidiary	(5)	-	-	-	-	(5)
At 16 April 2023	(5,653)	2,795	(523)	1,758	2,568	945

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences where it is probable that these assets will be recovered. Based on its current business plan, the Group anticipates that future taxable profits will be generated in excess of the profits arising from the reversal of existing taxable temporary differences.

The Group had no unrecognised deferred tax assets at 16 April 2023 or 17 April 2022.

21. SHARE BASED PAYMENTS

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

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

In accordance with IFRS 2 Share Based Payments, the value of the awards is measured at fair value at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period, based on management's estimate of the number of shares that will eventually vest. The Group recognised a total charge of £3,655,000 (2022: £3,042,000) in respect of the Group's share based payment plans and related employer's national insurance of £369,000 (2022: £178,000). The total charge of £4,024,000 is split by scheme as follows:

	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000
Employee share plan	811	1,118
Senior management restricted share plan:		
RSP	925	1,007
PSP	346	-
Retention award	802	-
Value creation plan	1,140	1,095
	4,024	3,220

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

	Outstanding at 17 April 2022 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Outstanding at 16 April 2023 Number
Employee share plan	356,500	471,500	(356,500)	(112,500)	359,000
Senior management restricted share plan					
RSP	2,006,913	537,653	(236,869)	(149,317)	2,158,380
PSP	-	-	-	-	-
Retention award	-	-	-	-	-
Value creation plan	-	595,729	-	-	595,729
	2,363,413	1,604,882	(593,369)	(261,817)	3,113,109

Employee Share Plan
Share grants over 574,000 shares were made on the 21 May 2021. These awards had no performance conditions other than continued employment for one year from grant date and on 29 April 2022 a total of 356,500 shares were issued in respect of these awards. Awards over a further 471,500 shares were made on 26 July 2022 and post year end a total of 359,000 shares were issued in respect of those awards.

Senior Management Restricted Share Plan – RSP award
Share options in respect of 625,000 shares were granted at the time of the IPO. These options vested at the date of grant. The option price is £0.01 and the options are exercisable in equal instalments on the first, second and third anniversary of the IPO.

During the year ended 19 April 2020, 472,069 nil cost options were awarded. These options had no performance conditions, other than continued employment for three years post grant, and are exercisable on the third anniversary of issue. A total of 106,576 options in respect of this award had lapsed prior to awards over 365,493 shares vesting on 24 July 2022, and as at 16 April 2023 options had been exercised in respect of 222,540 shares.

During the year ended 18 April 2021, 718,766 nil cost options were awarded. These options have no performance conditions, other than continued employment for three years post grant, and are exercisable on the third anniversary of issue. A total of 164,492 options in respect of this award had lapsed at year end, whilst options had been exercised over 14,329 shares.

During the year ended 17 April 2022, 435,334 options were granted. These options have no performance conditions, other than continued employment for three years post grant, and are exercisable on the third anniversary of issue. A total of 81,529 options in respect of this award had lapsed at year end.

During the year ended 16 April 2023, 537,653 options were granted. These options have no performance conditions, other than continued employment for three years post grant, and are exercisable on the third anniversary of issue. A total of 40,976 options in respect of this award had lapsed at year end.

Senior Management Restricted Share Plan – PSP award

During the year ended 16 April 2023, the Group adopted a more market standard approach to long term incentive provision for senior executives by making awards under a Performance Share Plan ("PSP"). 50% (378,162 shares) of this award is based on TSR performance against a bespoke group of hospitality and leisure comparators and 50% (378,162) is based on achieving stretching adjusted EPS targets. The award was granted in June 2023 however based on the communication of the clear intention to grant the awards, the cost is being recognized over the three year vesting period to April 2025. A charge of £346,000 (2022: nil) has therefore been recognized in respect of this award in the year ended 16 April 2023.

The fair value of the total shareholder return ("TSR") element of the award was estimated at the grant date using a stochastic (Monte Carlo) simulation model, taking into account the terms and conditions upon which the awards were granted. This model simulates the TSR and compares it against a group of comparator companies. It uses historic dividends and share price fluctuations to predict the distribution of relative share price performance. The shares are potentially dilutive for the purposes of calculating diluted earnings per share. The following assumptions were used:

Share price at date of grant	£2.08
Exercise price	Nil
Expected volatility	24%
Term until exercised	2.4 years
Maximum dilution	0.36%
Risk free interest rate	3.53%
Expected dividend yield	0.00%

The element of the PSP relating to expected payout on the adjusted EPS target has been expensed over the 3 year vesting period.

Senior Management Restricted Share Plan – Retention award

In 2022 the Group announced its intention to grant one off retention awards to the Executive directors. These took the form of 572,792 nil cost options and were granted in May 2023. Based on the communication of the clear intention to grant the awards, the cost of the awards was apportioned over the two year vesting period. A charge of £706,000 (2022: £32,000) has been recognised in the year ended 16 April 2023.

Value Creation Plan

The Value Creation Plan ("VCP") was a discretionary executive share plan under which awards were granted at the time of the IPO in April 2019.

The fair value of the total shareholder return ("TSR") element of the award was estimated at the grant date using a Monte Carlo simulation model, taking into account the terms and conditions upon which the awards were granted. This model simulates the TSR and compares it against a group of comparator companies. It uses historic dividends and share price fluctuations to predict the distribution of relative share price performance. The shares are potentially dilutive for the purposes of calculating diluted earnings per share. The following assumptions were used:

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

The fair value of the VCP at the time of grant in April 2019 was £2,600,000. At this time it was not anticipated that there would be a Covid related equity raise in April 2020. As reported in the Remuneration Committee Report external advice was taken as to how the impact of the equity raise might be reflected in the VCP scheme, and it was decided to replicate the thresholds and vesting conditions of the original scheme in respect of the April 2020 equity raise, with a start date of April 2020.

The performance period for the VCP ended on 29 April 2022 and it was determined that a total of 595,729 shares would be issued to executive directors and senior management in respect of the VCP. These shares vest in three equal instalments in July 2022, April 2023 and April 2024. The original fair value calculation of £2,600,000 did not reflect the impact of the April 2020 equity raise and accordingly a further fair value charge of £1,477,000 is required to be recognised over the period to April 2024. As a result a charge of £692,000 (2022: £525,000) was taken in respect of the additional fair value charge of £1,477,000 during the year ended 16 April 2023.

The weighted average remaining contractual life of options across all schemes outstanding at the year end was 6.5 years.

22. BUSINESS COMBINATIONS

In accounting for acquisitions, adjustments are made to the book values of the net assets of the companies acquired to reflect their fair values to the Group.

During the year ended 16 April 2023 the Group acquired Route Restaurants Limited and Nightlife Leisure (South West) Limited. These two entities were related and the acquisition was a single transaction.

	£000
Non-current assets	
Property, plant and equipment	1,500
Current assets	
Trade and other receivables	4
Cash and cash equivalents	199
Total assets	**1,703**
Current liabilities	
Trade and other payables	(137)
Corporation tax	(138)
Non-current liabilities	
Deferred tax	(5)
Total liabilities	**(280)**
Net identifiable assets of businesses acquired	**1,423**
Purchase consideration	2,918
Goodwill recognised on purchase	**1,495**

The two entities were acquired in order to provide access to two freehold sites for conversion to the Group's roadside dining brand Brightside. The acquired businesses ceased to trade as at the date of acquisition and accordingly contributed nil revenue and nil profit after tax in the period from 1 December 2022 to 16 April 2023. Had the entities not ceased trading they would have added in the region of £2,000,000 to the Group's turnover on an annualised basis.

At the balance sheet date, a disposal of £250,000 was recognised in respect of one of the properties, reflecting the partial demolition of the building.

	£000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	2,918
Less: cash acquired	(199)
Net outflow of cash	**2,719**

Acquisition related costs of £102,000 are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

23. CALLED UP SHARE CAPITAL

	16 April 2023 £000	17 April 2022 £000
Allotted, called up and fully paid ordinary shares	1,033	1,027
Redeemable preference shares	100	100
	1,133	1,127

	16 April 2023 Number	17 April 2022 Number
Ordinary shares at £0.01 each	103,332,033	102,738,664
Redeemable preference shares at £49,999 each	2	2

The table below summarises the movements in share capital for Loungers plc during the year ended 16 April 2023:

	Ordinary Shares £0.01 NV	Redeemable Preference Shares £49,999 NV	£000
At 19 April 2021	102,400,000	2	1,124
Shares issued	338,664	-	3
At 17 April 2022	102,738,664	2	1,127
Shares issued	593,369	-	6
At 16 April 2023	103,332,033	2	1,133

On 4 May 2022 the Company allotted and issued 356,500 ordinary shares of 1 pence each in the Company following the vesting of awards made to 710 Company employees pursuant to the Company's Employee Share Plan.

During the year to 16 April 2023 the Company allotted 236,839 ordinary shares of 1 pence each in the Company following the vesting of awards made to Company employees under the Senior Management Share Plan.

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

24. EQUITY

The Group's Equity comprises the following:

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

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

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

Other reserve

The other reserve comprises:

	Other Reserve £000	Merger Reserve £000	Capital Contribution Reserve £000	Total Other Reserves £000
At 17 April 2022 and 16 April 2023	18,451	(4,224)	51	14,278

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

The capital contribution reserve represents additional contributions from shareholders.

Retained Earnings

The retained earnings account represents cumulative profits or losses, net of dividends paid and other adjustments.

25. NET CASH GENERATED FROM OPERATING ACTIVITIES

	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000
Cash flows from operating activities		
Profit before tax	7,334	21,605
Adjustments for:		
Depreciation of property, plant and equipment	13,364	11,187
Depreciation of right of use assets	9,861	8,451
Impairment of property, plant and equipment	309	-
Impairment of right of use assets	1,298	-
Share based payment transactions	4,024	3,220
Loss on disposal of tangible assets	317	-
Finance income	(204)	(44)
Finance costs	7,621	6,876
Changes in inventories	(557)	(1,145)
Changes in trade and other receivables	(3,134)	(2,699)
Changes in trade and other payables	10,950	23,593
Cash generated from operations	51,183	71,044
Tax paid	(76)	(1,418)
Net cash generated from operating activities	51,107	69,626

26. ANALYSIS OF CHANGES IN NET DEBT

	19 April 2021 £000	Cash flows £000	Non-cash movement £000	17 April 2022 £000
Cash in hand	4,912	26,338	-	31,250
Bank Loans – due after one year	(39,157)	7,000	(118)	(32,275)
Lease liabilities	(110,578)	12,218	(21,242)	(119,602)
Net debt	(144,823)	45,556	(21,360)	(120,627)
Derivatives				
Interest-rate swaps liability	(231)	-	269	38
Total derivatives	(231)	-	269	38
Net debt after derivatives	(145,054)	45,556	(21,091)	(120,589)

	18 April 2022 £000	Cash flows £000	Non-cash movement £000	16 April 2023 £000
Cash in hand	31,250	(4,880)	-	26,370
Bank Loans – due after one year	(32,275)	-	(117)	(32,392)
Lease liabilities	(119,602)	14,970	(30,205)	(134,837)
Net debt	(120,627)	10,090	(30,322)	(140,859)
Derivatives				
Interest-rate swaps liability	38	-	(38)	-
Total derivatives	38	-	(38)	-
Net debt after derivatives	(120,589)	10,090	(30,360)	(140,859)

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

27. PENSION COMMITMENTS

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

	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000
Pension cost	1,428	1,158

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

	16 April 2023 £000	17 April 2022 £000
Pension contributions payable	604	517

28. LESSOR

The Group leases out un-utilised property space under non-cancellable operating leases. During the course of the year the Group returned one of these sites to the landlord and terminated the sub-lease in respect of a second site. The Group is due to receive minimum lease payments under non-cancellable operating leases as follows:

	16 April 2023 £000	17 April 2022 £000
Within one year	-	125
In two to five years	-	496
After five years	-	207
	-	828

29. RELATED PARTY TRANSACTIONS

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

	16 April 2023 £000	17 April 2022 £000
Purchases from related parties:		
Colombe D'Or Property LLP	173	201
Amounts owed to related parties:		
Colombe D'Or Property LLP	-	6

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

	16 April 2023 £000	17 April 2022 £000
Purchases from Reilley Properties Limited	250	242
Amounts owed to Reilley Properties Limited	-	2

30. LEGAL ENTITIES

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

Direct Subsidiary Holding		
Lion/Jenga Topco Limited	Ordinary 100%	Holding company
Indirect Subsidiary Holding		
Lion/Jenga Midco Limited	Ordinary 100%	Holding company
Lion/Jenga Bidco Limited	Ordinary 100%	Holding company
Loungers Holdings Limited	Ordinary 100%	Holding company
Loungers UK Limited	Ordinary 100%	The development, operation and management of all day neighbourhood café/bars and bar/restaurants.
Route Restaurants Limited	Ordinary 100%	Dormant
Nightlife Leisure (South West) Limited	Ordinary 100%	Dormant

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

31. POST BALANCE SHEET EVENTS NOTE

On 4 May 2023 the Company allotted and issued 359,000 ordinary shares of 1 pence each in the Company following the vesting of awards made to 718 Company employees pursuant to the Company's Employee Share Plan. At the same time the Company applied for a block listing of 477,962 ordinary shares of 1 pence each to satisfy such options as might be exercised from time to time under the Senior Management Restricted Share Plan award which vested on the 29th April 2023.

On 7 June 2023 the Group entered into a new senior facilities agreement with its existing lenders Santander Corporate Banking and Bank of Ireland. Under the terms of the new agreement the Group reduced its term loan from £32,500,000 to £20,000,000 and increased its RCF from £10,000,000 to £22,500,000. The new facility terminates on 7 June 2026. The term loan is non-amortising and bears interest at between 1.75% and 2.5% over SONIA subject to the Group's leverage. At inception of the new facility the Group was paying a margin of 1.75%. The term loan and RCF are subject to financial covenants relating to leverage and interest cover, these are unchanged from the original facility.

On 8 June 2023 the Group repurchased 195,000 ordinary shares which are now held in treasury.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 16 APRIL 2023

	Note	At 16 April 2023 £000	As restated At 17 April 2022 £000
Assets			
Non-current			
Investments	6	148,353	144,698
Total non-current assets		148,353	144,698
Current assets			
Trade and other receivables	7	20,879	21,474
Total current assets		20,879	21,474
Total assets		169,232	166,172
Liabilities			
Current liabilities			
Trade and other payables	8	(50)	(50)
Total current liabilities		(50)	(50)
Total liabilities		(50)	(50)
Net assets		169,182	166,122
Called up share capital	9	1,133	1,127
Share premium account		8,066	8,066
Other reserves		18,451	18,451
Retained earnings			
Brought forward		138,478	135,977
Loss for the year attributable to the owners		(595)	(538)
Other changes in retained earnings	11	3,649	3,039
		141,532	138,478
Total equity		169,182	166,122

The financial statements on pages 78 to 84 were approved and authorised for issue by the Board and were signed on its behalf by:

Nick Collins
Chief Executive Officer
12 July 2023

G Grant
Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEK YEAR ENDED 16 APRIL 2023

	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings (restated) £000	Total equity (restated) £000
At 18 April 2021 – as reported	1,124	8,066	18,451	130,621	158,262
Share based payments	-	-	-	5,356	5,356
At 18 April 2021 – as restated	1,124	8,066	18,451	135,977	163,618
Ordinary shares issued	3	-	-	(3)	-
Share based payments (restated) (note 11)	-	-	-	3,042	3,042
Total transactions with owners (restated)	3	-	-	3,039	3,042
Loss for the financial year	-	-	-	(538)	(538)
Total comprehensive expense for the 52 week year	3	-	-	(538)	(538)
At 17 April 2022 (restated)	1,127	8,066	18,451	138,478	166,122
Ordinary shares issued	6	-	-	(6)	-
Share based payments	-	-	-	3,655	3,655
Total transactions with owners	6	-	-	3,649	3,655
Loss for the financial year	-	-	-	(595)	(595)
Total comprehensive expense for the 52 week year	-	-	-	(595)	(595)
At 16 April 2023	1,133	8,066	18,451	141,532	169,182

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 52 WEEK YEAR ENDED 16 APRIL 2023

1. GENERAL INFORMATION

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

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

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

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

2. ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention. The financial statements are presented in thousands of pounds sterling ('£000') except where otherwise indicated.

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

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flows and related notes and disclosures;
- Section 11 'Basic Financial Instruments' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument not measured at fair value through profit or loss, and information that enables users to evaluate the significance of financial instruments;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

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

As permitted by section 408(3) of the Companies Act 2006, no profit and loss account has been presented for the Company. The loss for the financial year dealt with in the Financial Statements of the Parent Company is £595,000 (2022: £538,000).

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

2.2 GOING CONCERN

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

2.3 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED

No new standards have been adopted during the year.

2.4 INVESTMENTS

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

2.5 FINANCIAL INSTRUMENTS

The Company has chosen to adopt sections 11 and 12 of FRS102 in respect of financial instruments.

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

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

Other financial assets, including investments in equity instruments which are not subsidiaries, associates, or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

Basic financial liabilities including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts, discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

2.6 CURRENT AND DEFERRED TAXATION

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

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

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

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

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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

2.7 RELATED PARTY TRANSACTIONS

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

There were no matters of material accounting judgement or estimation uncertainty within the Company financial statements.

4. INFORMATION INCLUDED IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Note 5 – Auditors' remuneration

Note 21 – Share based payments

Note 31 – Post balance sheet events

5. STAFF COSTS

Loungers plc has no employees other than the Directors. Details of Directors' emoluments are disclosed in the Remuneration Committee Report on pages 33 to 36 and in note 6 of the notes to the consolidated financial statements.

6. INVESTMENTS

	Shares in subsidiary undertakings £000
At 17 April 2022 (restated)	144,698
Additions (consolidated statements note 21)	3,655
At 16 April 2023	148,353

Additions represent the value of share based payment arrangements related to shares in the Company issued to employees of one of the Company's subsidiaries, Loungers UK Limited. The Company's subsidiary undertakings are shown in note 29 to the Consolidated Financial Statements.

7. TRADE AND OTHER RECEIVABLES

	16 April 2023 £000	17 April 2022 £000
Included within current assets		
Amounts owed by Group undertakings	20,776	21,371
Other debtors	103	103
	20,879	21,474

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

8. TRADE AND OTHER PAYABLES

	16 April 2023 £000	17 April 2022 £000
Included within current liabilities		
Amounts owed to Group undertakings	50	50
	50	50

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

9. CALLED UP SHARE CAPITAL

	At 16 April 2023 £000	At 17 April 2022 £000
Allotted, called up and fully paid ordinary shares	1,033	1,027
Redeemable preference shares	100	100
	1,133	1,127

	At 16 April 2023 Number	At 17 April 2022 Number
Ordinary shares at £0.01 each	103,332,033	102,738,664
Redeemable preference shares at £49,999 each	2	2

The table below summarises the movements in share capital for Loungers plc during the year ended 16 April 2023:

	Ordinary Shares £0.01 NV	Redeemable Preference Shares £49,999 NV	£000
At 17 April 2022	102,738,664	2	1,127
Shares issued	593,369	-	6
At 16 April 2023	**103,332,033**	**2**	**1,133**

On 4 May 2022 the Company allotted and issued 356,500 ordinary shares of 1 pence each in the Company following the vesting of awards made to 710 Company employees pursuant to the Company's Employee Share Plan.

During the year to 16 April 2023 the company allotted 236,839 ordinary shares of 1 pence each in the Company following the vesting of awards made to Company employees under the Senior Management Share Plan.

Rights of shareholders

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

10. 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

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

Other reserve

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

Retained Earnings

The retained earnings account represents cumulative profits or losses, net of dividends paid and other adjustments.

11. PRIOR YEAR ADJUSTMENT

The Group operates a number of share based payment arrangements, as explained more fully in Note 21 to the consolidated financial statements. Under these schemes the Company issues shares in reward for services provided to the Group through their employment by Loungers UK Limited. The cost of these awards has been correctly reflected in Loungers UK Limited and the consolidated financial statements of Loungers plc, but in prior years was not reflected in the standalone financial statements of the entity. However in accordance with FRS 102, the Company has restated its comparatives to recognise the fair value of these awards within the Company as an addition to its cost of investment in Loungers UK Limited. Accordingly a prior year adjustment has been made to increase the cost of investment at 17 April 2022 by £8,398,000, with a corresponding increase in reserves of £8,398,000.

The adjustments to the statement of financial position are as follows:

	Note	Reported At 17 April 2022 £000	Adjusted	Restated At 17 April 2022 £000
Assets				
Non-current				
Investments	6	136,300	8,398	144,698
Total non-current assets		136,300	8,398	144,698
Current assets				
Trade and other receivables	7	21,474	-	21,474
Total current assets		21,474	-	21,474
Total assets		157,774	8,398	166,172
Liabilities				
Current liabilities				
Trade and other payables	8	(50)	-	(50)
Total current liabilities		(50)	-	(50)
Total liabilities		(50)	-	(50)
Net assets		157,724	8,398	166,122
Called up share capital	9	1,127	-	1,127
Share premium account		8,066	-	8,066
Other reserves		18,451	-	18,451
Retained earnings				
Brought forward		130,621	5,356	135,977
Loss for the year attributable to the owners		(538)	-	(538)
Other changes in retained earnings		(3)	3,042	3,039
		130,080		138,478
Total equity		157,724	8,398	166,122

RECONCILIATION OF STATUTORY RESULTS TO ALTERNATIVE PERFORMANCE MEASURES

	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000
Operating profit	14,751	28,437
Net impairment charge	1,607	-
Loss on disposal of fixed assets	317	-
Transaction costs	102	-
Share based payment charge	4,024	3,220
Site pre-opening costs	3,323	2,344
Adjusted operating profit	24,124	34,001
Depreciation (pre IFRS 16 right of use asset charge)	13,364	11,187
IFRS 16 right of use asset depreciation	9,861	8,451
Adjusted EBITDA (IFRS 16)	47,349	53,639
Adjusted EBITDA % (IFRS 16)	16.7%	22.6%
IAS 17 Rent charge	(13,459)	(11,745)
IAS 17 Rent charge included in IAS 17 pre-opening costs	331	425
Adjusted EBITDA (IAS 17)	34,221	42,319
Adjusted EBITDA Margin % (IAS17)	12.1%	17.8%
Profit before tax (IFRS16)	7,334	21,605
Net impairment charge	1,607	-
Loss on disposal of fixed assets	317	-
Transaction costs	102	-
Adjusted profit before tax (IFRS16)	9,360	21,605
Adjusted profit before tax	9,360	21,605
Tax charge	(405)	(3,727)
Tax effect of adjusting items	(324)	-
Adjusted profit after tax (IFRS16)	8,631	17,878
Basic weighted average number of shares	103,243,015	102,728,430
Adjusted for share awards	3,375,062	2,464,588
Diluted weighted average number of shares	106,618,077	105,193,018
Basic adjusted earnings per share (p)	8.4	17.4
Diluted adjusted earnings per share (p)	8.1	17.0
Profit before tax (IFRS 16)	7,334	21,605
IAS 17 Rent charge	(13,459)	(11,745)
IAS 17 Leasehold depreciation (re landlord contributions)	(945)	(675)
IFRS 16 Right of use asset impairment	1,298	-
IFRS 16 Right of use asset depreciation	9,861	8,451
IFRS 16 Lease interest charge	6,145	5,682
IFRS 16 Lease interest income	-	(41)
Profit before tax (IAS 17)	10,234	23,277

RECONCILIATION OF STATUTORY RESULTS TO ALTERNATIVE PERFORMANCE MEASURES CONTINUED

	Year ended 16 April 2023 £000	Year ended 17 April 2022 £000
Net debt (IFRS 16)	140,859	120,627
Property lease liability	(134,837)	(119,602)
Net debt (IAS 17)	6,022	1,025

The Group references Like for Like (LFL) sales growth as a key APM. LFL sales growth excludes the sales from sites that have been open for less than 18 months. During the year ended 16 April 2023, the comparator periods are the 48 weeks ended 17 April 2022 for the one-year like for like (excluding the four weeks ended 16 May 2021 when sites could trade external areas only) and the 44 weeks to 23 February 2020 for the three-year like for like (excluding the eight weeks to 19 April 2020 when the business was impacted by the onset of Covid and the first national lockdown). The four year like for like period is on a comparable 52 week basis. The benefit from the VAT reduction during the Covid-19 pandemic is excluded in calculating the LFL result.

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