Company number 11910770

LOUNGERS

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 17 APRIL 2022

LOUNGE
CAFÉ BARS

COSY CLUB

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MARKET OVERVIEW

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

At the year end the Group had 195 sites, comprising 164 Lounges and 31 Cosy Clubs. Whilst it competes with coffee shops, pubs, restaurants and local independent operators, 72 per cent of Lounge customers see it as a unique proposition, rather than categorise it solely as a restaurant, pub or coffee shop. The Group competes with every element of the trade of a pub chain, coffee shop, or restaurant, whereas each of those operators only competes for a part of Loungers' sales. It is this level of differentiation that has enabled the Group to deliver significant and consistent like for like ("LFL") sales outperformance, and in turn, it is this sales outperformance allied to the new site roll-out and growing scale of the Group that have provided the scope to better withstand the cost pressures that have afflicted the broader hospitality sector in recent years.

LOUNGE

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

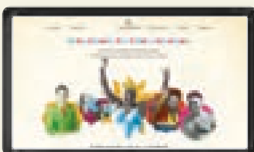
As at the 17 April 2022, there were 164 Lounges nationwide. Lounges are principally located in secondary suburban high streets and small town centres. The sites are characterised by informal, unique interiors with an emphasis on a warm, comfortable atmosphere, often described as a "home from home". The 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.

LOUNGE

CAFÉ BARS



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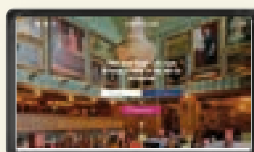
COSY CLUB

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 FY22 year end, there were 31 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.



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Strategic Report

CHAIRMAN'S STATEMENT

OVERVIEW

A record year of financial and operational progress

FY22 was a record year for Loungers, with sales of £237.3m, Adjusted EBITDA of £53.6m (IFRS16), and 27 new sites opened. We have come through the challenges of the Covid period with flying colours, and we are a stronger, more resilient and indeed more ambitious business than ever before. All in all, our performance during the year was a truly outstanding achievement against an extraordinarily challenging and changeable backdrop.

At the start of the financial year, we only had roughly a third of our estate open - and even then those sites were only able to trade outside. On 17 May 2021 the entire estate recommenced trading, which for some of our sites was the first time that they had been able to welcome customers since early November 2020. We had planned meticulously to ensure that we hit the ground running as quickly as possible, and as a result our sites were busy straight from the off.

However, as we went into a very busy summer, the 'pingdemic', rising Covid cases, and significant recruitment challenges caused severe disruption to our ability to trade normally. We found ourselves having to take extremely difficult decisions and to make compromises about how we operated. Throughout this time, the commitment, professionalism and dedication of our teams never wavered, and it was humbling to witness the way in which they helped to navigate the business through the unprecedented challenges of that summer.

As we went into autumn, a certain amount of stability returned and we regrouped with a sense of optimism that the pandemic and its consequences might finally be behind us. However, we could already see then the warning signs of economic trouble ahead as inflation started to soar, and we began to plan accordingly.

As it transpired, Covid was far from over and the Omicron variant wreaked havoc throughout the Christmas season, which is of course a critically important time for the hospitality sector. Whilst sales at Lounge held up well during December, we saw widespread Christmas party cancellations at our 31 Cosy Clubs. Although some of those parties rebooked with us in the new year, it clearly wasn't enough to compensate for the momentum that was lost in December. We are hopeful that, given the pent-up consumer demand after two years of lost Christmas party celebrations, December 2022 should be a bumper month.

As we entered 2022, we found ourselves up against a new set of challenges, and the short-term outlook is looking exceptionally uncertain for many businesses. However, in the case of Loungers, our consistent outperformance relative to the wider hospitality sector is evidence of a team and a business that knows how to deliver on its strategic objectives whilst having to deal with all manner of challenges and distractions. Our performance in FY22 is clear evidence of that ability, and I see absolutely no reason why this will be any different in FY23 and beyond - especially as we have emerged from Covid as a more resilient, agile and adaptive business than ever before.

LOOKING AHEAD

Further challenges on the horizon, but well placed to take advantage given previous experience of trading successfully through a downturn

The next few months will undoubtedly be challenging, albeit at the time of writing we are not seeing much in our trading performance to suggest that there has been any change to consumer sentiment.

However, we have been planning for these headwinds for months now and I believe we are not only positioned to weather a significant decline in consumer spending - or even a recession - but that we can actually take advantage of the circumstances.

The reason for this confidence is that as a business we have experience of dealing with a seismic economic shock before, having traded successfully through the 2008 financial crisis. In 2005/06 the economy was buoyant and consumer spending was elastic, which was exploited by the sector, and specifically by casual dining operators who confidently increased their prices. As a small management team at the time, we took the view then that we should minimise any price increases and hold on to our value for money credentials. We resisted making short-term gains in exchange for being fully prepared should a recession happen. Ultimately this approach paid dividends, and when recession hit in the autumn of 2008 we didn't need to alter our proposition or change our pricing as the consumer recognised that we already offered great value for money.

By contrast, many of our peers found they had driven price increases too strongly and resorted to discounting in a desperate attempt to drive volume, which ultimately ended up undermining their offer for years afterwards.

By early 2009 we were confident that we would not only continue to trade well - and ahead of our peers - but also that we should continue to accelerate our rate of growth. As our peers retrenched we expanded, taking advantage of an uncompetitive landscape for new sites and attracting talent to a business that was recognised to be winning. In September 2008 we had nine sites and by the end of 2011 we had 20 sites, with a further nine new sites planned for 2012. We were brave, ambitious, creative, and believed that we could build something special, and these same attributes have never been more alive in the business as they are today.

In my view, there are similar trends at play as we sit here 14 years on. Following the end of the third lockdown in 2021 we have seen prices in the hospitality sector surge. While some of these increases have been driven by a degree of necessity as supplier prices increased, some have also been driven by businesses trying to make up for months of lockdown. We have had to increase our prices in a targeted way, but by nowhere near as much as our peers. We have deliberately held back from doing so because we remember our experience in 2008 and how offering great value-for-money in an environment where the consumer is squeezed puts you at a distinct advantage. We are also extremely well placed to meet the challenges of incoming cost pressures to the business, as detailed in the CEO report.

We have just opened our 200th site - a Cosy Club in Chester – and on 27 August the business will celebrate 20 years since we opened our first tiny 10-table café/bar called Lounge on North Street in Bedminster, Bristol. After two decades of sustained growth, we now employ over 6,000 people and we have a remarkably talented team lead by CEO Nick Collins and supported by a really engaged Board. Despite the near-term challenges, we remain hugely optimistic and ambitious for the future - particularly as it genuinely feels as if we are still just getting started.

Alex Reilley
Chairman
13 July 2022

CHIEF EXECUTIVE'S STATEMENT

INTRODUCTION

I am pleased to report on a very successful year for Loungers. One in which we, on the whole, had the opportunity to put Covid behind us and begin to truly demonstrate the strength of the Loungers offer, the quality of both our brands, and the expertise of our people.

To pick just a few highlights from what was a record year, we:

- Delivered a sector leading three year LFL sales performance of 22.1% (including VAT benefit)
- Opened a record 27 new sites
- Reduced net debt (excluding IFRS16 lease liabilities) to £1.03m
- Delivered IFRS16 Adjusted EBITDA of £53.6m, a record for the business

Whilst we continue to face a number of well-publicised headwinds, Loungers is uniquely well-placed within the leisure sector to thrive through a period of economic uncertainty and emerge stronger on the other side. Our key strengths include:

- Broad appeal across all parts of the day
- Value for money offer benefits from trading down
- Community driven offer benefitting from working from home and staying local
- Scale purchasing opportunities and operational gearing mitigating margin pressure
- Excellent property opportunities driving roll-out
- Self-financing roll-out
- Best in class management team, and outstanding talent across the entire business

RECORD SALES PERFORMANCE

Throughout the year the business consistently out-performed the sector by in excess of 15%, delivering robust like for like sales growth in both our Lounge and Cosy Club brands. This out-performance shouldn't be a surprise – Loungers has consistently out-performed the market for more than seven years. The table below shows our LFL sales performance for the 48 weeks from full re-opening on 17 May 2021 to 17 April 2022 on both a net (including the benefit of the VAT reduction) and gross (excluding the one-off benefit of the VAT reduction) basis.

	Three year LFL
	48 weeks to 17 April 2022
Net – including VAT benefit	+22.1%
Gross – excluding VAT benefit	+14.2%

The reasons for this out-performance are simple, we are serving more customers than we were pre-Covid and our customers are on average spending more. This isn't a post-Covid blip; it is the product of our relentless focus on our strategic priorities, combined with shifts in consumer behaviour.

- We continue to innovate and evolve our food and drink menus, with our focus on value for money remaining at the forefront of our thinking.
- We continue to benefit from our focus on hospitality, atmosphere and community at a time when other operators are finding it more difficult to maintain standards in the face of recruitment difficulties.
- We continue to benefit from an increase in average spend as a result of the introduction of our order at table app, which now accounts for 40% of all Lounge sales.
- We are serving our customers more quickly and more consistently as a result of our focus on kitchen systems, processes and training, and
- We are benefitting from changes in consumer behaviour, with more people staying local, working from home, and supporting their local community and local high street.

While there is little doubt we are entering into a period in which consumer discretionary spending will come under pressure we remain confident that we are well-placed to continue to grow our sales within this environment:

- We remain excellent value for money. Over the past 12 months we have taken considerably less price than the sector in general as we recognise value is a key differentiator.
- We have a broad, all-day offer in both Lounge and Cosy Club, with customers enjoying both venues for a variety of occasions across the day and evening. We are not overly reliant on any specific day-part or celebration spend.
- We know from the 2008 recession that we benefit from people being more discerning about their leisure spend, and people staying local.

SCALE AND OPERATIONAL FLEXIBILITY

Along with the rest of the sector, we are experiencing significant input cost inflation. We aren't immune to this pressure, but we believe we are better placed than most to mitigate it.

Our continued growth means we are attractive to suppliers and can benefit from increasing scale. During FY23 we will tender some of our food purchasing as we seek to consolidate our supply chain and take logistics costs out of the business. This is an ongoing process as we move over the medium-term towards a fully consolidated model. In addition, our food development teams continue to evolve the menu in the face of ingredient shortages and price increases. We don't have a reliance on any single cuisine, we can sell whatever we want, and this allows us to move with trends and be very fleet of foot. We have significant expertise in both food and drink development and can engineer our menus away from ingredients that have seen short-term cost increases and use stretch to protect our margin whilst maintaining value for money. Added to this, we continue to see the benefit from our investment in our 'kitchen Resets' and the margin upside from increased uniformity across the estate.

Our utility costs were hedged in May 2020 until September 2024, giving us protection from price rises in the medium term. Elsewhere on the P&L we expect to benefit from operational gearing as our central costs are spread over an increasing number of sites.

Loungers has a fantastic track record of delivering consistent like for like sales growth across the whole estate, in both older and newer sites. We have achieved this via an unwavering focus on the customer, our product and our hospitality. This will remain unchanged in FY23, and I anticipate that any resulting margin impacts will be modest, short-term and compensated for by our sales performance.

INVESTING IN OUR TEAM

It has been an important year in the evolution of our People strategy. Covid and the various lockdowns (and to a lesser degree Brexit) have resulted in a shift in attitudes towards working in hospitality. As a result of this Loungers, along with the rest of the hospitality sector, had to re-evaluate both our role as an employer and how we make ourselves more attractive as an employer, in particular to the younger generations. During the year it became apparent that there was a real recruitment and retention challenge in our sector, varying in impact across England and Wales. It rarely impacted our ability to trade at full capacity, and it did not impact our roll-out and the opening of new sites.

During the year we launched 'The Commitments' setting out very publicly to our team (and prospective employees) the values that we want to represent as an employer. Included within these were commitments to (i) respect everyone's time off, (ii) to pay fairly, (iii) to rota fairly, (iv) to focus on everyone's development and progression and (v) to ensure everyone is made welcome. These weren't new values to Loungers, but we wanted to make sure everyone in the business knew what we stood for and to be held to account. There are no easy wins here – the sense we get from our team is that it is not about pay. It is about flexibility, working hours, team environment, progression and development, fairness and respect. By setting out our values, we want our team to hold us to account, which will allow us to become an even better employer.

Towards the end of the year we significantly restructured the operations team within the Lounge business. With the continued growth of the business, this is necessary every two to four years. The restructure saw us add one Operations Director, two Regional Operations Managers and five Operations Managers/Chefs. It also saw us reduce the 'site to ops team ratio' at every level. At the Operations Managers/Chefs level we now have a ratio of 5:1, which is unprecedented in our sector. This consistently low ratio has allowed for our intensity of operation and our focus on detail. Pleasingly all of the new roles were filled with internal promotion candidates. We continue to lead the way in providing outstanding career progression opportunities within our sector.

NEW SITE OPENINGS AND ROLL-OUT

During the year we opened 27 sites, a record number of new openings, and after an enforced pause due to Covid, our roll-out programme is very much back on track. We are opening high-performing sites, achieving above average levels of sales and EBITDA. This reflects the market for new sites and we continue to see really strong opportunities for prime pitch Lounges and Cosy Clubs in target high street locations where we know we will trade well. The year saw a bias towards Lounge openings - of which there were 26 vs one Cosy Club - which is a reflection of how Lounges can thrive in different location types. Highlights include openings in:

- Smaller towns such as Matlock (Ostello Lounge) and Pontypridd (Gatto Lounge)
- Larger towns such as Basildon (Orleto Lounge) and Shrewsbury (Floro Lounge)
- Greater London locations such as Ealing (Castano Lounge)
- Retail centres such as Fosse Park in Leicester (Volpo Lounge)
- Coastal locations benefiting from staycations such as Aberystwyth (Athro Lounge) and Bognor Regis (Bonito Lounge)

The pipeline is well-developed and we continue to see a wealth of excellent opportunities, whilst maintaining our sector-leading sub 6% rent to revenue ratio. It remains the case that we typically convert former retail units or bank units, occupying prime pitches on the high street. As a result of our confidence in both our operational performance in opening sites and the range of opportunities we are seeing, we have decided to increase the rate of roll-out.

We have recently been opening at a rate of around 25 sites per year, using four in-house site fit-out teams. In the coming weeks we will be increasing to five fit-out teams and this will give us annual capacity of around 32 sites a year. For this year (FY23) we expect to open around 30 sites given the mid-year introduction of the additional team. We continue to have real confidence over the potential scale of the business, with the capacity to open at least 500 sites across both brands in the UK.

In the current year we anticipate opening at least four Cosy Clubs (including Chester, Milton Keynes, Harrogate and Canterbury). Operating in city centres and larger market towns, there are fewer Cosy Club opportunities overall than Lounge and as a result, the number of Cosy Club openings each year can vary. The Cosy Clubs continue to go from strength to strength and this year is an opportune time to have several openings to capitalise on the momentum within the brand. We are particularly pleased with the impact of the Project Finesse roll-out, which incorporated a more elevated menu and guest experience alongside more sophisticated design and furniture that is more fitting for the Cosy Club surroundings.

INNOVATION AND EVOLUTION

The most significant change during the year was the re-working of the Cosy Club food menu. We saw the opportunity to elevate the proposition and take even greater pride in the offer. The new menu launched across the business last autumn, and saw the introduction of small plates on the menu, wider stretch with more expensive dishes at one end whilst retaining our value for money at the other. The menu launch was accompanied by an overhaul of our steps of service and an investment in our furniture which has altogether really pushed the brand on. We are delighted with the impact this is having across the Cosy Club estate.

Right at the end of the year we saw a considerable menu change in Lounge with some 40% of the dishes either being replaced or improved.

Our investment in the kitchens continues, with the final 60 Lounges now being improved via our Reset programme, benefitting from the new equipment and standardised layouts.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

We have also more formally defined our ESG strategy. I believe it is important that this is driven by our teams rather than purely in the boardroom and as such it is based around four core pillars:

1. Looking after our teams well and being an inclusive employer
2. Bringing joy to local places across the country
3. Delivering our hospitality sustainably
4. Being proud of what we put on the plate

We already achieve a great deal within these categories, but importantly have identified areas where we can improve and are building a framework to allow us to deliver.

MANAGEMENT TEAM

We remain very focused in evolving and building the strongest management team in the sector to facilitate the successful roll-out of our brands. During the year Tom Trenchard, Property Director, took over responsibility for the construction side of the business, joining together the site acquisitions and build businesses under one leader. I am also delighted to announce the appointment of Guy Youll as Chief People Officer. Guy joins the business in the autumn and will lead the people side of the business and build on the important work we have done this year. We continue to focus a great deal on developing our employees' careers and there continue to be many positive internal success stories as we grow.

CURRENT TRADING AND OUTLOOK

Since the year end our LFL sales have been +17.9% on a three year basis, representing a 15% out-performance of the Peach Tracker. We are delighted with how the business is trading and, despite the well-documented macroeconomic challenges, have not yet seen any shift in how our customers are behaving.

Whilst the short-term outlook is of course uncertain, we remain confident in the future prospects for Loungers given the quality and value of our all-day offering. In addition, our pipeline of new openings is well-developed and we continue to see a wealth of excellent opportunities to occupy prime pitches on the high street. This, combined with our recently expanded fit-out teams, means that we now have the capacity to roll-out over 30 sites a year and expect to have at least 500 sites in the UK across both of our brands in the future.

Nick Collins
Chief Executive Officer
13 July 2022

KEY STRENGTHS

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

BROAD, NATIONWIDE DEMOGRAPHIC APPEAL

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

VALUE FOR MONEY ALL-DAY OFFER

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

TWO DISTINCT BUT COMPLEMENTARY BRANDS

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

RESILIENT AND CONSISTENT OUTPERFORMANCE, RETURNS AND ECONOMICS

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

CLEAR, PROVEN GROWTH POTENTIAL

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

STRONG PIPELINE OF NEW SITES AND TRACK RECORD OF SUCCESSFUL OPENINGS

We opened 25 sites in FY19 and 21 sites in FY20 pre lockdown. Whilst openings were restricted to three new sites in FY21 due to the Covid-19 pandemic, we have opened 27 new sites in FY22, and as at the date of this report, a further six sites since the year end.

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 over 18 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 and overseas tourism

ESG – LOUNGERS AS A FORCE FOR GOOD

Striving to make a positive difference in all aspects of our operations has always been an inherent part of Loungers' strategy.

The challenges of the past two years have given the Group the chance to demonstrate what we are best at as well as consolidating our thinking in how best to approach the challenges of the future. The Directors believe that our four core pillars as set out below not only propel our commercial success but benefit our teams and society more widely.

When considering the UN's 17 Sustainable Development Goals, the Group's day to day operations as an employer of over 6,500 people across 200 sites gives us tangible opportunities to make a positive contribution, particularly in the areas of "Decent work and economic growth", "Sustainable cities and communities" and "Responsible consumption and production." During the past year, we have engaged both internally and externally with stakeholders and industry experts to understand how our actions are impacting at the moment and how we can do more.

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

Having high quality team members, both at site and at head office, is critical to the functioning of the Group. At site level the ability to be truly engaging in delivering genuine hospitality, whilst also preparing and delivering high quality food and drink is fundamental to delivering our strategy and the long-term success of the Group.

In March of 2022 we launched "The Commitments," in which we set out what our teams can expect from working at Loungers, including:

- Prioritising work-life balance, through different contract options, days off, holiday time
- Fair rotas, including advance notice, minimal changes, limiting long shifts, paid breaks and staff food on all shifts
- Fair pay, including paid overtime and new tip functionality on the order at table app. Our share ownership plans mean that over 50% of our salaried employees are owners in the Loungers business
- Development and Progression, with clear pathways for progression and regular feedback. In the year to April 2022, 12% of our team were internally promoted, while in the recent restructure of our operational teams, all the promotions were internal candidates
- Welcome for all, encouraging individuality and authenticity at work. In an employee survey in February 2022, of the 2,906 responses the mean average response to the question "*I feel accepted and can be myself at work*" was an 8.9 on a scale from 0 (completely disagree) to 10 (completely agree).

Engaging regularly with our employees is important to Loungers and we take feedback from our teams through our regular Glue Crews and pulse surveys, as well as our email service "The Voice" which can be contacted anonymously to raise any issues. Once a year we bring all our teams to "Loungefest," our annual staff party where we close our sites for the day and celebrate our culture together.

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

When Loungers was founded in 2002, it was to create a place where people could go that was "home from home" - warm, welcoming and relaxing from breakfast through lunch to evening meals, pints and cocktails. This spirit has grown across the country from St Ives up to Durham and community remains at the heart of what we do.

Loungers is a proudly Bristol born and grown brand and has expanded largely through market towns and suburban areas. We sustain over 6,500 jobs currently and until Castano Lounge opened in Ealing in 2022 these were all outside of Zone 4 London, including sites in many of the Government's Top 20 Levelling up Priority areas such as Wolverhampton and Aberystwyth. In many cases, these have been sites where previous businesses have closed, thereby regenerating high streets by bringing new footfall and energy.

It's crucial to us that our Lounges become embedded within the communities that they serve. Our teams find creative and innovative ways to achieve this, working with local charities and organisations, arranging and participating in community events and more. Since 2015, we have run an annual 2-month-long initiative known as "LoungeAid" whereby our site teams raise money for local causes.

For every new Lounge or Cosy Club, we donate 50p from every burger and 20p from every coffee sold to a local charity: this equates to an average of £1,000 donated to local charities for each new opening. Additionally, our sites regularly run their own community projects, from hosting local knitting clubs and social events to organising lockdown soup kitchens and free school meals.

Our sites are designed to be welcoming, with full disabled access and space to wheel buggies around. We bring the same quality and attention to detail on our build and on our menu wherever we are from Athro Lounge to Zorro Lounge as we believe where you live shouldn't impact on the quality you get. We are committed to giving our customers value for money.

What we offer the customer has an important role in shaping their food consumption and our separate vegan menu is an example of how by offering a great selection we are having a positive sustainability impact. Similarly we recognise that we have a responsibility to ensure that we make our healthy choices as delicious and visible as possible in comparison with our less healthy options. At all times, we prioritise customer safety, with allergen training mandatory for our teams and allergen matrices available in every site.

We have a high number of loyal, regular customers and we encourage our teams to get to know them and understand what brings them back to Loungers. This is supported by use of Feeditback, an online tool to collect feedback on customer experience, which is reviewed daily by our site teams and senior management.

SUPPLIERS – BEING PROUD OF WHAT WE PUT ON THE PLATE

Whilst we don't directly employ the people in our supply chain, we believe that we have an obligation that extends beyond the basic health and safety requirements of supply chain assurance.

We consider provenance of our core ingredients carefully:

- All whole eggs used in our kitchens are free range.
- All coffee, tea and hot chocolate are Fairtrade, with coffee purchased 97% from origin and bought at an average of 126% over Fairtrade price.
- We have recently signed up to the Better Chicken Commitments, an evidence-based animal welfare policy.

The Group has developed long-term relationships with many of its suppliers, across both its hospitality operations and its capital projects. Many of these suppliers have grown alongside the Group to become significant businesses and we actively support smaller entrepreneurial suppliers in order to give them access to a nationwide customer base.

We take a collaborative approach towards projects with our suppliers and have dedicated internal resource to ensure close and timely communication, with many suppliers attending Loungers events.

ENVIRONMENT – DELIVERING OUR HOSPITALITY SUSTAINABLY

As one of the fastest growing businesses in our industry we recognise the impact that our operations can have on our planet. During the year we have met with representatives from the Zero Carbon Forum and sought advice from an external consultant about how we can improve sustainability across our business.

We are relatively unusual in the hospitality sector in that we have our own in-house designers and builders. This vertical integration means that we have more visibility and influence on our site openings, enabling us to embed sustainable practices such as using excess materials from one site on the next, using reclaimed flooring and vintage furnishings throughout the estates, as well as new technology such as LED lightbulbs in all sites.

We have a number of policies in place to reduce waste and recycle where possible, using a zero to landfill waste company, with separate collections for food waste, glass and dry mixed recycling. Around 500,000 litres of our used cooking oil is collected and turned into biofuel annually. All our menus are printed on FSC certified paper, while all straws and takeaway packaging is fully compostable.

We work with Amber, a B Corp certified energy consultancy, who manage our energy supply and offer guidance around reducing carbon emissions, such as optimising sites to minimise energy wasted during the national lockdown period. Currently our sites receive energy from 50% renewable and 5% nuclear sources and we are looking at ways in which we can increase the proportion from clean energy sources.

While Loungers is not required to report against the Taskforce for Climate-Related Financial Disclosure recommendations until the next financial year, we have begun to consider processes and strategies for approaching climate related risk that will be evolved over the coming year.

STREAMLINED ENERGY AND CARBON REPORTING

The data below relates wholly to the United Kingdom and covers the 52 week periods to 17 April 2022 and 18 April 2021.

	2022 Energy Usage (kWh)	2022 GHG Emissions (CO2e tonnes)	2021 Energy Usage (kWh)	2021 GHG Emissions (CO2e tonnes)
Grid electricity	26,106,974	6,034	12,578,753	3,185
Natural gas	28,945,216	5,875	13,976,477	2,848
Transport fuel (purchased and reimbursed)	2,109,924	519	1,157,488	288
Total	**57,162,114**	**12,428**	**27,712,718**	**6,321**
Scope 1	29,418,525	5,992	14,213,322	2,848
Scope 2	26,106,974	5,543	12,578,753	2,992
Scope 3	1,636,615	893	920,643	481
Total	**57,162,114**	**12,428**	**27,712,718**	**6,321**
Intensity ratio				
Annual revenue (£000)		237,291		78,346
Total CO2e tonnes per £m revenue		52.4		80.7

QUANTIFICATION AND REPORTING METHODOLOGY

We have followed 2019 HM Government environmental reporting guidelines to ensure compliance with the SECR requirements. The DEFRA issued 2021 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 PLC continue to strive for energy and carbon reduction arising from their activities. During this reporting period, the Group has:

- Set up its sites from the start with LED lightbulbs, reclaimed flooring and vintage furnishings.
- Collected used cooking oil (circa 500,000 litres per year) from sites and used an external company to recycle it into biofuel.

INVESTORS AND GOVERNMENT

Gaining the confidence of existing and potential investors has remained a priority for the Group following its IPO in April 2019. In the coming years more sustainability focused legislation is likely to influence our operations and 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 17 April 2022, 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 continued to be the Group's response to the Covid-19 pandemic, specifically how to reopen sites in a way that preserved the nature of a Lounge or Cosy Club in a safe way for our staff and customers, as well as how to manage wider issues of recruitment and retention in the hospitality industry and how to progress the Group's pipeline of new sites.

RESPONSE TO COVID-19

In establishing how the Group's sites would operate after the reopening of trading in May 2021, the Board considered feedback from staff and customers, customer behaviour observed during initial trading and the practices adopted by the hospitality industry as a whole. As the government lifted all restrictions in July, all staff were invited to express their views through an online survey, which was discussed as part of the Board's decisions on how to support staff and retain customer experience. The Board was kept regularly informed by the CFO of the impact of Covid-19 upon trading performance and cash flow, which enabled them to balance the longer term health of the business with the provision of support to employees impacted by Covid-19. As a result, the decision was taken to provide a company funded equivalent of the furlough scheme throughout the Omicron wave in the winter months.

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", as referenced in the ESG section of the Strategic report on page 10.

NEW SITES

The Board is mindful of the positive impact that opening a Lounge or Cosy Club 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

The year to 17 April 2022 represents the first year in our three years as a public company where we have ended the year with all our sites open, trading, and free of Covid restrictions. Indeed, if we exclude the first four weeks of the year where we could trade external areas only, and excepting the impact of Omicron on our Christmas trading, then the past year has very much seen a return to normality.

The financial highlights below demonstrate the underlying resilience and relevance of the Loungers business, and the positive benefits of that return to normality.

	IFRS 16	
	Year ended 17 April 2022 £000	Year ended 18 April 2021 £000
Revenue	237,291	78,346
Operating profit / (loss)	28,437	(7,728)
Operating margin (%)	12.0%	(9.9%)
Profit / (loss) before tax	21,605	(14,722)
Fully diluted earnings / (losses) per share (p)	17.0	(10.9)
Net cash generated from operating activities	69,626	12,031
Net debt	120,627	144,823

Year on year revenue was up by £158.9m to a record £237.3m. Whilst Covid restrictions meant our sites could only trade in 34% of the available weeks in the comparative year, strong like for like ("LFL") sales growth and the strength of our new site openings also played a significant role in delivering the year on year sales uplift. Accompanying the sales growth, operating profit increased to £28.4m from an operating loss of £7.7m in the prior year, with operating margins growing to 12.0%. We continued to benefit from various government support measures during the year (detailed below) and they played a part in delivering our strong operating margin performance.

The strong trading and profit performance, allied to the recovery in the Group's negative working capital position that the resumption of full trading allowed, resulted in net cash generated from operations of £69.6m. Post investing and financing outflows net cash balances increased by £26.3m and were instrumental in the reduction in net debt of £24.2m.

Throughout the annual report and accounts 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 page 78.

The table below summarises the key APM's under both IFRS16 and IAS17 and covers the past three financial years. The negative impact of Covid restrictions and the positive impact of government support continues to make comparisons difficult. The year ended 19 April 2020 is arguably a more sensible comparator in that its broadly five weeks of total lockdown and two weeks of Covid impact is not wholly dissimilar to the four weeks of limited external trading and the Omicron impacted December 2021 that was suffered in the year to 17 April 2022.

	Year ended 17 April 2022 £000	Year ended 18 April 2021 £000	Year ended 19 April 2020 £000
Sites at year end	195	168	165
New sites opened	27	3	21
Revenue	237,291	78,346	166,502
Adjusted EBITDA – IFRS16	53,639	13,913	28,767
Adjusted EBITDA margin (%) – IFRS16	22.6%	17.8%	17.3%
Adjusted EBITDA – IAS17	42,319	3,530	18,813
Adjusted EBITDA margin (%) – IAS17	17.8%	4.5%	11.3%
Net debt – IAS17	1,025	34,245	34,956

Revenue of £237.3m compares to £166.5m in the year to 19 April 2020 and reflects the positive impacts of strong LFL sales performance, a record 27 new sites opened during the financial year, and the reduced VAT rates on food and non-alcoholic drinks that ran to 31 March 2022, and delivered a benefit of £15.1m. The Group has delivered consistently strong LFL sales, whether measured on a two year (40 weeks where trading not impacted by lockdown in the current or comparative year) or three year basis (48 weeks where trading not impacted by lockdown in the current year) and whether including or excluding the benefit of the VAT reduction:

	Two year LFL	Three year LFL
	40 weeks to	48 weeks to
	20 February 2022	17 April 2022
Net – including VAT benefit	+17.7%	+22.1%
Gross – excluding VAT benefit	+9.3%	+14.2%

Adjusted EBITDA (IAS17) of £42.3m compares to £18.8m in the year to 19 April 2020, with a corresponding increase in Adjusted EBITDA margin from 11.3% to 17.8%. The reduction in the VAT rate on food and non-alcoholic drink was the most substantial part of that margin expansion, contributing 5.6% to the margin growth of 6.5%.

Non-property net debt reduced to £1.0m, a year on year reduction of £33.2m. This reflects not only the strong trading and EBITDA performance but also the rebuilding of the Group's negative working capital position.

IMPACT OF UK GOVERNMENT SUPPORT INITIATIVES

In addition to the VAT reduction referenced above the Group benefited over the year from the continuation of a number of UK Government initiatives introduced to mitigate the impact of Covid-19, notably:

- **The Coronavirus Job Retention Scheme ("CJRS")** – The Group continued to benefit from the CJRS through to the ending of the scheme on 30 September 2021. During the year under review the Group received a total of £4.1m of funding under the CJRS. A total of £2.1m was recognised in the statement of comprehensive income in the year, offsetting site payroll costs on the cost of sales line and head office payroll costs on the administrative expenses line. Cash receipts included £2.0m that was recognised in the FY21 results.
- **Business Rates Relief** – The Group's sites have benefitted from the business rates holiday that ran to 30 June 2021, and subsequently from the 66% reduction (capped at £2.0m) that ran to 31 March 2022. During the year to 17 April 2022 the Group has benefitted by £3.3m.
- **Support Grant Funding** – In the year under review the Group has recognised £2.5m of grant funding received under the Restart Grant scheme. This income has been recognised under other income.

The Corporate Insolvency and Governance Bill provided a range of protections for tenants and allowed the Group to continue to work collaboratively with all of its landlords, seeking to reach agreement over an equitable share of the pain of lockdowns and trading restrictions. The Group has recognised £0.8m in the year in respect of rent waivers.

LONG TERM EMPLOYEE INCENTIVES

The focus on employee engagement and retention has been unstinting throughout the year, 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 (574,000 shares) and the senior management restricted share plan (435,334 shares). These awards were made to a total of 1,206 employees who work across the business, predominantly at site level, and in hourly paid and salaried positions. In addition, awards covering 673 employees and in respect of 338,664 shares vested in the year.

The Group recognised a share based payment charge in the year of £3.2m (2021: £2.0m), 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 £6.9m (2021: £7.0m) include IFRS 16 lease liability finance costs of £5.7m (2021: £5.6m) and bank interest payable of £1.2m (2021: £1.4m).

Net debt at the year end including property leases of £120.6m (2021: £144.8m) represented a significant decrease over the prior year, with strong trading and profitability, allied to the rebuilding of the Group's negative working capital position, offsetting the impact of adding new lease liabilities of £16.4m.

The Group's capital structure includes a £32.5m term loan due for repayment in July 2024. The Group entered into an interest rate hedge to fix SONIA at 0.7% until July 2022. Whilst the Group's significant positive cash balances provide an element of natural interest rate hedge the Board continues to consider the options for hedging the interest rate risk on the outstanding term loan.

In April 2020 the Group entered into an incremental £15m RCF facility to provide additional liquidity should it be required during the Covid lockdowns. It is envisaged that this facility, which has never been drawn upon, will be allowed to expire at its term date in October 2022.

TAXATION

The Group has reported a tax charge of £3.7m for the year to 17 April 2022 (2021: credit of £3.6m) and at year end carried a corporation tax receivable of £0.1m (2021: £nil payable or receivable) and a deferred tax asset of £1.4m (2021: £3.8m). The corporation tax payable in respect of the year of £1.3m benefits from the introduction of the 130% capital allowance super deduction. During the year corporation tax payments on account of £1.4m were made.

CASH FLOW AND CAPITAL EXPENDITURE

Net cash generated from operating activities of £69.6m (2021: £12.0m) reflects a working capital cash inflow of £19.7m (2021: cash outflow of £1.3m). The working capital cash inflow has been achieved in spite of a significant reduction in deferred Covid liabilities. At year end the Group had settled all bar £1.4m of its deferred Covid liabilities in respect of outstanding rents and all of its HMRC liabilities (2021: £12.9m outstanding in total).

Cash outflows in the year in respect of capital expenditure totalled £22.8m (2021: £7.8m) and compare to the cost of fixed asset additions (excluding right of use assets) recognised in the year of £26.2m. The lower cash outflow reflects the rebuild of capital expenditure creditors as the new site opening programme returned to its pre Covid pace during the year. Capital expenditure in the year of £26.2m (2021: £5.1m) included £19.6m (2021: £2.8m) in respect of new site openings.

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 17 April 2022 £000 Growth	Year ended 18 April 2021 £000 Growth / (decline)	Year ended 19 April 2020 £000 Growth
New site openings	27	3	21
Capital expenditure (IAS 16 PPE excluding IFRS RoU assets)	£26.2m	£5.1m	£22.8m
LFL sales growth (excluding lockdown periods)	+22.1%[1]	+13.3%	+4.4%
Total sales growth	302.9%	(52.9%)	8.8%
Adjusted EBITDA margin (IFRS 16)	22.6%	17.8%	17.3%

[1] Three year LFL calculated over 48 weeks from 17 May 2021 and including VAT benefit

GOING CONCERN

In concluding that it is appropriate to prepare the financial statements for the year to 17 April 2022 on the going concern basis attention has been paid both to the potential impact of further Covid-19 outbreaks on the Group and also to the current sector headwinds in terms of consumer confidence and inflationary pressures.

The Group has very successfully navigated the Covid-19 challenges of the past two years and has emerged with a significantly strengthened balance sheet, with IAS17 net debt reduced to £1.0m at 17 April 2022 and total liquidity, excluding the incremental £15m RCF which is assumed to expire in October 2022, of £41.3m.

In order to assess the Group's going concern position the Board has considered three downside scenarios of the Group's business plan.

- The first scenario assumes a re-emergence of Covid-19 in similar fashion to the Omicron outbreak of 2021. A sales decline of 20% relative to the FY23 budget for 12 weeks across December 2022, January and February 2023 has been modelled. This is significantly worse than the impact felt from the 2021 Omicron variant.
- The second scenario looks to model a weakening in consumer confidence, commencing in July 2022 and accelerating in October 2022 with sales between 5% and 10% below budget, allied to continuing cost of goods sold and labour inflation reducing gross margins by 1%.
- The third scenario combines both the above scenarios, resulting, for example, in sales being 30% below budget across December 2022 to February 2023.

The impact of reflecting the third scenario is to reduce expectations of Adjusted EBITDA (IAS17) by approximately 54% for FY23 relative to the Group's budget. Under this scenario the Group is forecast to remain comfortably within its borrowing facilities and to be in compliance with its covenant obligations, and accordingly the Directors have concluded that it is appropriate to prepare the financial statements for the year ending 17 April 2022 on the going concern basis.

Gregor Grant
Chief Financial Officer
13 July 2022

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 in recent months, notably staff costs driven by annual increases in the National Living Wage ("NLW"), utilities, business rates 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. The Group continues to monitor its supply chain constantly and seeks to optimise efficiency through a number of initiatives.
Covid-19	The Group derives all its sales and profits from its 200 sites. The complete closure of sites as required during the Covid-19 lockdowns had a very severe negative impact on sales and profits. Whilst the Directors consider the risk of further lockdowns to be remote, the Group continues to monitor the situation in order to respond as required.	During the pandemic, the Group demonstrated its ability to respond to changing circumstances through: • Preserving access to capital • Closing and reopening sites safely • Supporting staff required to isolate • Ensuring that operating processes in sites minimised risk
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. Over the past year, recruitment has been very challenging across the hospitality sector. The increased level of competition has the potential to put additional pressure on wage inflation.	Employee engagement and satisfaction is a key focus of management. The Group's IPO provided another mechanism by which the Group can incentivise and reward team members. The Group continues to strengthen its recruitment and training and development teams to assist in recruiting and retaining the best talent.
Availability of new sites	The Group's growth strategy includes an expectation that we can continue to open up to 32 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.	As we emerge from Covid-19 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. During the year, the Board reviewed the cyber security framework and a number of measures have been adopted, including the rollout of Office 365, data security training for head office staff and phishing email software and testing.

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

Nick Collins
Chief Executive Officer
13 July 2022

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 195 sites at 17 April 2022. 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 22 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 both Hollywood Bowl Group plc (2016 – Present) and of Hyve Group plc (2019 – Present) and as Non-Executive Chairman of Giggling Restaurants Limited (2019 - Present). Nick has also held positions as Non-Executive Director at Marston's Plc (2012 – 2018) and at All3Media Ltd (2011 – 2014) and Senior Independent Director at Guardian Media Group Plc (2007 – 2017). Nick started his career at Baring Brothers where he became a Board Director (1989-99) following which he held CFO positions at Freeserve Plc (1999 – 2001), The Laurel Pub Company Ltd (2002 – 2005) and National Car Parks Ltd (2006 – 2007), and was Managing Director and Deputy CEO of David Lloyd Leisure Ltd (2008 – 2011).

ADAM BELLAMY
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

JILL LITTLE
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

ROBERT DARWENT
NON-EXECUTIVE DIRECTOR

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

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

CHAIRMAN'S STATEMENT

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

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

COMPLIANCE WITH THE QCA CODE

The Company has chosen to adopt and report against the Quoted Companies Alliance Corporate Governance Code 2018 (the "**QCA Code**"). This Corporate Governance Statement for the year to 17 April 2022 provides an account of how Loungers has applied and complied with the principles of the QCA Code and summarises how the Board and its Committees operate, highlighting key activities during the year. The Board expects to provide at least annual updates on the Company's compliance in the manner recommended by the QCA Code and required by the AIM rules.

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

APPLICATION OF THE QCA CODE PRINCIPLES

Delivering Growth

The Board has collective responsibility for setting the strategic aims and objectives of the Group. These aims are articulated in the Strategic Report on pages 3 to 20. The Board held its annual strategy day in April 2022, part of which was attended by senior members of the management team. In addition to consideration of the Group's operational strategy, the session provided an opportunity for discussion around other topics of key strategic importance, including:

- the Group's five-year plan;
- the Group's Environmental, Social and Governance ("**ESG**") agenda and areas of focus;
- the Group's pricing strategies and
- the Group's culture and employee engagement.

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

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

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

Effective risk management is also critical to meeting the Company's strategic objectives and the Company operates a risk management and internal control framework. The Board has overall responsibility for determining the Company's risk management objectives and policies and for keeping under review the Company's systems for risk management and internal control. The Company's principal risks can be found on page 20. The Board regularly monitors the risks the Company faces and takes appropriate action where necessary. This has continued to be an area of focus for the Board as the Company has navigated through the Covid-19 pandemic and more recently the inflationary impacts exacerbated by the situation in Ukraine.

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 is in progress as at the date of this report.

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 14 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 29, 31 and 36, respectively. From time to time, separate committees may be set up by the Board to consider and address specific issues, as and when they arise.

BOARD STRUCTURE AND OPERATION

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

The Chairman leads the Board and is responsible for its governance structures, performance and effectiveness. The Independent Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions. The Chief Executive Officer and the Chief Financial Officer are responsible for the day-to-day management of the Company and for implementing the strategic goals agreed by the Board. The non-independent Non-Executive Director, Robert Darwent, represents Lion Capital, a substantial shareholder of the Company, on the Board. A relationship agreement is in place between the Company and Lion Capital to ensure their ongoing relationship is at arm's length and on a normal commercial basis. The skills and experience of the Board are set out in their biographies on page 23.

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 five 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. In the prior year, the majority of meetings were held electronically due to the restrictions imposed by the Covid-19 pandemic. However, during the year under review, the Board and its Committees were pleased to hold the majority of its meetings 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.

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	5/5	2/2
Adam Bellamy	10/10	3/3	5/5	2/2
Robert Darwent	9/10	NA	NA	NA
Jill Little	9/10	2/3	5/5	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.

Jill Little missed a scheduled Board meeting on 25 March 2022 due to a family commitment.

Robert Darwent missed a scheduled Board meeting on 15 October 2021 due to a conflicting business commitment.

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 and Peel Hunt 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**") who were appointed as Company Secretary on 26 May 2022.

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 is in progress as at the date of signing the report and accounts and the results will be tabled to the Board in due course.

STAKEHOLDER ENGAGEMENT

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

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

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 14 October 2022. 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
13 July 2022

AUDIT COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Audit Committee Report for the 52 weeks ended 17 April 2022.

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 with the exception of Jill Little, who attended two meetings. Although not members of the Audit Committee, our Executive Chairman, CEO and CFO are also invited to attend meetings unless they have a conflict of interest.

COVID-19

While the impact of Covid-19 has not been as severe in the past financial year as in the prior year, the disruption to ongoing trading and the impact of changing regulations has required the Audit Committee and the Group's finance function to put in place processes, systems and controls to monitor and respond to the increased operational risks. As the business has reopened post Covid-19 restrictions, the Committee's focus has increasingly shifted towards more "business as usual" risks, including a detailed review undertaken to examine the completeness and efficacy of the Group's financial controls.

The impact of Covid-19 was identified as a key audit matter in the year ending 18 April 2021 and again in the current year. The Committee has worked alongside the Board to assess the potential impact on the Group's financial statements and has primary responsibility for reviewing and considering the Group's going concern assessment and any requirement for impairment to the Group's assets.

FINANCIAL REPORTING

In spring 2022, the Group's annual report and accounts for the 52 weeks ending 18 April 2021 were reviewed by the FRC. This review was based on the Group's annual financial statements and did not include any detailed review of the business or its underlying transactions. Its purpose was not to verify the accuracy of the information provided in the financial statements but to review compliance with reporting standards. No queries or questions were raised by the FRC as a result of this review.

While the FRC did not enter into substantive correspondence with the Group, it did raise a number of ways in which the Group might improve its compliance with reporting standards and provide additional transparency to readers of the 2022 report and accounts. The most significant among these were adding more context to the disclosures under section 172 and ensuring that the Alternative Performance Metrics (APMs) disclosed were relevant and explained clearly.

In conjunction with the Group's response to these recommendations, the Audit Committee also reviewed a selection of the annual reports and accounts of the Group's peers in the hospitality industry to ensure that the level of disclosure provided by Loungers is consistent and appropriate.

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. The Group has been reviewing this with its tax advisors in expectation of exceeding the threshold and the Audit Committee anticipates that this will continue to be refined ahead of its deployment in FY23.

ROLES AND RESPONSIBILITIES

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported on and reviewed. Its role includes monitoring the integrity of the Group's financial statements and results announcements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems and overseeing the relationship with the external auditors (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings). It is also responsible for establishing, monitoring and reviewing procedures and controls for ensuring compliance with the AIM Rules. The detailed duties of the Audit Committee are set out in its Terms of Reference which are reviewed by the Committee on an annual basis, no material changes were made to the Terms of Reference during the year. The principal areas of focus for the Committee 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 FY22 Annual Report are as follows:

- Impairment of tangible fixed assets – following the cessation of Government support measures such as the decreased VAT rate, management have undertaken an impairment review at individual site level. The key assumptions underpinning cash flow forecasts, future growth rates and discount rates were reviewed by the Committee and the Committee was satisfied with the methodology and assumptions that underpin the conclusion that no impairment charge is required to be taken in the year.
- 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.
- Going concern – The Committee has considered the impact of a range of potential scenarios on the profitability, cash flows and liquidity of the Group. While Covid-19 remains a potential risk, the Committee is satisfied that the Group has sufficient liquidity to support the assessment that it is appropriate to prepare the FY22 financial statements on the going concern basis.
- Accounting for Government support – The Group has received Government support through the Coronavirus Job Retention Scheme, various grant schemes, and the business rates holiday. The Committee has reviewed the accounting treatment for these various support measures.
- Accounting for landlord negotiations – The Committee has reviewed management's approach to the adoption of Covid-19 Related Rent Concessions - Amendment to IFRS16 and is satisfied that the rent credit taken in FY22 to reflect rent waivers agreed with landlords has been appropriately calculated.
- FRC response – following the review by the FRC in March 2022, the Committee reviewed the recommendations from the FRC and was satisfied that they have been addressed in the FY22 report and accounts.

ROLE OF THE EXTERNAL AUDITORS

The Audit Committee monitors and oversees the relationship with the external auditors, PricewaterhouseCoopers LLP, to ensure that external auditor independence and objectivity are maintained.

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

Following the FY22 audit, the current Audit Partner will rotate off and a new Audit Partner will be appointed. The Audit Committee has consulted with PricewaterhouseCoopers and met with a selection of potential replacements, following which a new partner has now been identified.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group has established a system of risk management and internal control. The Audit Committee is responsible for reviewing the internal financial control systems that identify, assess, manage and monitor financial risks, in addition to other internal control and risk management systems. During the year, the Audit Committee undertook a detailed review of the internal controls environment and the finance function is now implementing a programme of systems and controls which are appropriate for a business of the scale and complexity of Loungers both now and for the next few years.

SHARE DEALING, ANTI-BRIBERY AND WHISTLEBLOWING

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

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

Adam Bellamy
Audit Committee Chairman
13 July 2022

REMUNERATION COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Remuneration Committee Report for the 52 weeks ended 17 April 2022.

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

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

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

REMUNERATION – EXECUTIVE DIRECTORS

Since IPO, the remuneration structure for the Executive Directors has consisted of the following elements:

- Base salary – set at below the market rate for companies of a similar size
- Benefits and pension – none operated
- Annual bonus – cash bonus of a normal maximum of 100% of base salary, subject to achieving stretching financial targets (an exceptional limit of 150% was operated for 2021/22 only)
- Value Creation Plan ("VCP") – one-off awards in a geared arrangement entitling participants to be issued shares based on the excess cumulative total shareholder return generated

The VCP reached the end of its performance period in April 2022 and this has led the Remuneration Committee to consider how best to continue to link remuneration to the Company's long-term performance and, indeed, whether the underlying principles that have shaped the approach to executive remuneration remain appropriate as the Company moves into the next stage of its development.

As a result, the Committee has conducted a review of its Executive Director remuneration policy and practices. This review was undertaken in the context of continued strong underlying performance at the Company.

The key output of the review was that the Committee considers it appropriate to now adopt a more market standard approach going forward. How this impacts the individual elements of remuneration is outlined below:

Fixed pay

Fixed pay (e.g. base salary, pension and benefits) had been very conservatively positioned against companies of a comparable size under the existing structure. At the time of the IPO with the assistance of a benchmarking exercise undertaken by external advisors, base salaries were set to be in line with the lower quartile salaries paid by a comparator group of similarly sized listed companies.

In the context of a more market standard structure the Committee has approved the following salaries effective 1 May 2022:

- Alex Reilley - £231,000
- Nick Collins - £374,000
- Gregor Grant - £220,000

The intention is to continue with the approach of not offering any benefits and pension but the Committee intends to keep this under review.

The resulting levels of fixed pay are broadly in line with the median level seen in other companies of a similar size.

Annual Bonus

All Executive Directors will have a bonus opportunity at the previous normal maximum of 100% of base salary. The intention for the 2022/23 financial year is to have payout based on a mix of stretching financial metrics (using Adjusted EBITDA – IAS17) and measurable non-financial targets linked to the Company'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.

Long-term Incentives

Since IPO, the VCP has been the vehicle through which the link between long-term performance and remuneration has been delivered. The structure of the VCP is explained later in this report but, in essence, involved a one-off award of nil-cost options based on performance against an absolute total shareholder return ("TSR") based condition.

Mindful of the fact that the VCP's performance period has now ended, the Committee believes it important that a new long-term incentive opportunity is created for the Company's well-regarded, highly performing management team. However, rather than adopting another one-off/end-to-end plan such as the VCP, the Committee considers it appropriate to adopt a more market standard approach to long-term incentive provision going forward, under which more modest regular annual awards are made which vest subject to performance over rolling three-year periods.

Therefore, the Committee is intending to make awards going forward under a Performance Share Plan ("PSP"). The PSP will be of fairly standard design, in that awards of free shares can (in the normal course) be made worth up to 150% of base salary each year which vest three years later, subject to continued employment and the satisfaction of performance conditions.

Awards are to be subject to typical malus and clawback provisions. The intention is for the initial awards to Executive Directors in 2022/23, if made, to be over Ordinary Shares with 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 will also participate in the plan.

When considering which performance conditions should be used to determine vesting of PSP awards, the Committee noted that the link with share price performance in the VCP provided the management team with a simple, transparent long-term incentive opportunity that was directly aligned with value creation for shareholders. Consequently, the Committee wishes to retain the use of a link with share price performance in the new PSP awards.

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

The remaining 50% of awards will be 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 will be determined by the Committee by reference to Group budgets and analysts' forecasts. Full details of the targets for the 2022/23 awards are yet to be determined but will be disclosed in next year's report.

As the VCP performance period ended in April 2022 and as any PSP award will not normally vest until 2025, the Committee wishes to ensure the Executive Directors and other members of senior management are fully motivated and retained over the intervening period. Therefore, the Committee is intending to grant one-off Retention Awards in 2022/23. These awards, if made, would be subject to continued employment and would vest 50% after one year and 50% after two years. The intended one-off awards to Executive Directors in 2022/23 would be over Ordinary Shares with the following value:

- Alex Reilley – 87% of base salary
- Nick Collins – 73% of base salary
- Gregor Grant – 125% of base salary

Key members of senior management would also receive Retention Awards.

2021/22 INCENTIVE PLAN PAYOUTS

As outlined elsewhere in the Annual Report, the Company's significant outperformance of the market has been maintained over the financial year resulting in delivery of record total revenue of £237.3m and Adjusted EBITDA (IFRS16) of £53.6m, the opening of 27 new sites and a significant reduction in net debt.

Annual bonuses for 2021/22 were driven by Adjusted EBITDA (IAS17) performance. Stretch bonus targets were introduced this year which, if achieved, would result in payout of 150% of base salary. Based on strong business performance during the year, the bonus will pay out at the maximum performance level.

The performance period under the VCP which was introduced at the time of the IPO ended in April 2022. The five participants in the VCP were granted one-off awards giving them a future right to be issued Ordinary Shares based on the excess cumulative TSR generated over the VCP performance period.

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

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

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

The value created was measured in terms of TSR (being the growth in the Company's market capitalisation including dividends reinvested). The VCP had an overall cap on the number of Ordinary Shares that could be issued under the plan, equal to six per cent. of the Company's share capital from time to time.

The measurement of performance over the performance period resulted in the following share entitlements under the nil cost options awarded to each of the Executive Directors under the VCP:

- Alex Reilley – 89,359 Ordinary Shares
- Nick Collins – 238,292 Ordinary Shares
- Gregor Grant – 119,146 Ordinary Shares

These share entitlements vest as to one third on the 3rd anniversary of Admission, one third on the 4th anniversary of Admission and one third on the 5th anniversary of Admission. Awards are subject to typical malus and clawback provisions. No further awards are to be made under the VCP.

No adjustments have been made to out-turns to reflect the impact of the pandemic or any other factors over the performance period. The Committee considered that the formulaic out-turns for both the annual bonus and VCP, which represent the first payouts under the Company's incentive arrangements since IPO, were appropriate in the context of wider business performance and reflective of the wider stakeholder experience.

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 employee share plan ("ESP"). Further details are provided in Note 21.

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

Awards made under the RSP plan carry no performance conditions but are subject to a three-year vesting period from the date of grant subject to continued employment with the Group. During the year 435,334 nil cost options were awarded to 90 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 574,000 shares were made to 1,116 employees under the ESP.

SINGLE TOTAL FIGURE OF REMUNERATION TABLE (AUDITED)

	Salary / Fees		Benefits / Pension		Annual Bonus		Long-term incentives		Total	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Alex Reilley	175	155	-	-	263	-	-	-	438	155
Nick Collins	285	283	-	-	428	-	-	-	713	283
Gregor Grant	200	187	-	-	300	-	-	-	500	187
Nick Backhouse	55	55	-	-	-	-	-	-	55	55
Adam Bellamy	50	50	-	-	-	-	-	-	50	50
Jill Little	50	50	-	-	-	-	-	-	50	50
Robert Darwent[1]	-	-	-	-	-	-	-	-	-	-
Total	815	780	-	-	991	-	-	-	1,806	780

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

DIRECTORS' INTERESTS (AUDITED)

As at 17 April 2022 the Directors of the Company held the following number of 1p ordinary shares.

	Beneficially owned at 17 April 2022	Vested, unexercised share awards at 17 April 2022
Alex Reilley	6,951,432	-
Nick Collins	1,086,276	450,000
Gregor Grant	180,148	50,000
Nick Backhouse	13,903	-
Adam Bellamy	13,903	-
Jill Little	13,903	-

Robert Darwent is a Director of Lion Capital. At 17 April 2022 funds managed by Lion Capital were interested in 26,728,524 shares.

OUTSTANDING DIRECTORS' SHARE AWARDS (AUDITED)

	Scheme	At 19 April 2021	Granted	At 17 April 2022	Share price at grant	Exercise price	Date of Grant	Exercisable from[(1)]	Expiry Date
Nick Collins	RSP	450,000	-	450,000	£2.00	Nil	April 2019	April 2020	April 2029
Gregor Grant	RSP	50,000	-	50,000	£2.00	Nil	April 2019	April 2020	April 2029

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

Jill Little
Remuneration Committee Chairman
13 July 2022

NOMINATION COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Nomination Committee Report for the 52 weeks ended 17 April 2022.

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 Company's Board during the year, and the Committee has therefore prioritised its oversight of the development of succession planning and processes in the business. Succession planning is a standing item on the Committee's agenda, and detailed discussions have been held on this area at both of the Committee's meetings during the year. In addition, the Committee has also reviewed the composition of the Board and its Committees, the time commitments of the Non-Executive Directors and its own terms of reference. More detail on the Committee's discussion on each of those areas is summarised below.

Succession Planning

The Committee received and discussed regular updates from the CEO on succession plans for the Company's senior management team, with particular focus on supporting the business as it scales further. As part of these discussions the Committee considered where the business might also add new leadership roles or upweight existing roles, such as in the Marketing and People functions.

The Committee is satisfied that good progress on succession planning within the business is being made, and that career development plans for operational and head office teams support the development of a pipeline of internal talent for future succession. When considering development and future roles, particular consideration was given to the future diversity needs of the Group.

Board and Committee composition

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

Non-Executive Director time commitments

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

Terms of reference

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

Board and Committee evaluation

The Committee reviewed and made recommendations to the Board regarding the appropriate methodology for undertaking the next annual Board evaluation process, which is in progress as at the date of signing the 2022 report and accounts.

Nick Backhouse
Nomination Committee Chairman
13 July 2022

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of Loungers plc for the 52 weeks ended 17 April 2022.

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

PRINCIPAL ACTIVITY

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

INCORPORATION

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

RESULTS AND DIVIDENDS

The consolidated statement of comprehensive income is set out on page 47 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 1 December 2021, its intention to retain Group earnings in the short-term to bolster liquidity and balance sheet strength and for re-investment in the roll-out of new Lounge and Cosy Club sites. However, it is the Board's ultimate intention to pursue a progressive dividend policy, subject to the need to retain sufficient earnings for the future growth of the Group.

STRATEGIC REPORT

Information in respect of the Business Review, Future Outlook of the Business, Section 172 reporting, SECR 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 14 October 2022. Details of the business to be transacted at the AGM are set out in the Notice of AGM, which is available on the Company's website.

DIRECTORS

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

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

Brief biographical details for each of the Directors are given on page 23.

DIRECTORS' INTERESTS

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

GOING CONCERN

In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities as set out on pages 3 to 8 as well as the Group's principal risks and uncertainties as set out on page 20, including the downside sensitivities outlined on page 19 and in note 2.2. Based on the Group's cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

SHARE CAPITAL

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

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

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

AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

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

At the AGM on 15 October 2021 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 10,273,866 of its Ordinary shares. The Company has not repurchased any of its Ordinary shares under this authority, which is due to expire at the date of this year's AGM.

SUBSTANTIAL SHAREHOLDINGS

The Company is aware that the following had an interest of 3% or more of the issued Ordinary share capital of the Company at 28 June 2022, 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	25.9%
Canaccord Genuity Wealth Management	10,056,745	9.8%
Alex Reilley	6,951,432	6.8%
Jake Bishop	6,507,432	6.3%
AXA Framlington Investment Managers	6,349,757	6.2%
Highclere International Investors	5,852,772	5.7%
M&G Investment Management	5,696,081	5.5%
Invesco	5,183,925	5.0%
Gresham House Asset Management	3,433,022	3.3%
Jupiter Asset Management	3,424,437	3.3%

As at 13 July 2022 the Company's ordinary issued share capital was 103,123,831 ordinary shares of 1p each, each carrying one right to vote in general meeting.

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

EMPLOYMENT POLICY

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

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

EMPLOYEE ENGAGEMENT

We keep our team members regularly updated with issues affecting the running of the business and obtain their views on any key matters, all of which is in accordance with our obligations under the Information and Consultation Regulations 2004. The dissemination of information is achieved in many ways including weekly and quarterly newsletters, regular regional and area meetings, our company intranet and Directors and Managers briefings. These are opportunities for team members to express their views and ask questions. Outside of these specific events, we welcome any questions that team members may have about the business. Further information on employee engagement is provided on page 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 in the form of cash, third-party bank debt and other items, such as trade payables, that arise directly from its operations. The main purpose of these financial instruments is to fund the Group's operations. These financial instruments expose the Group to several financial risks, principally liquidity and interest rate risks.

The Group seeks to meet liquidity risk through assessment of short-, medium- and long-term cash flow forecasts to ensure the adequacy of committed debt facilities. The banking facilities referred to above include a £25m revolving credit facility, of which it is expected that £15m will expire in October 2022.

Interest rate risk is managed by the use of interest rate swaps to fix the Group's interest rate on its term loan debt. The Group has entered into a three-year interest rate SWAP through to 31 July 2022 to fix SONIA at 0.7% on the £32.5m term loan 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 17 April 2022 the Group made no political donations (2021 £nil).

POST BALANCE SHEET EVENTS

On 9 May 2022 the Company allotted and issued 385,167 ordinary shares of 1 pence each in the Company following the vesting of awards made to 711 Company employees pursuant to the Company's Employee Share Plan.

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
13 July 2022

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 17 April 2022 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;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 17 April 2022; 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

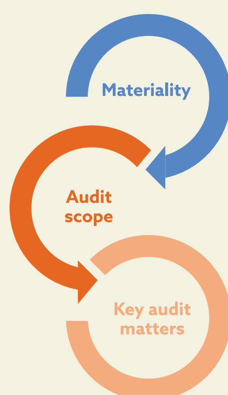
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other listed entities of public interest, and we have fulfilled our other ethical responsibilities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



- Following our assessment of the risk of material misstatement we selected the parent company, Loungers plc, and the trading company, Loungers UK Limited, for full scope audits and performed specified audit procedures over certain balances and transactions in the four intermediate holding companies.
- Impairment of property, plant and equipment (group)
- Overall group materiality: £2,370,000 (2021: £1,338,000) based on 1% of revenue.
- Overall company materiality: £870,000 (2021: £870,000) based on 1% of total assets or an allocation of group reporting materiality if lower.
- Performance materiality: £1,777,000 (2021: £1,003,500) (group) and £652,500 (2021: £652,500) (company).

THE SCOPE OF OUR AUDIT

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

KEY AUDIT MATTERS

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

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

The impact of COVID-19, which was a key audit matter last year, is no longer included because of the notable impacts being mainly endured in the prior financial year, with all sites re-opening following the last lock-down near the start of the current year and trading continuously since. 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 – note 12 (group) At the start of the year the COVID-19 lock-downs ended and sites gradually opened again for business over a 4 week period, however some COVID-19 restrictions continued to apply for part of the year, such as social distancing ending on 19 July 2022. In addition, the VAT reduction to 5% for food and non-alcoholic drinks was extended to 30 September 2021 with a stepped increase to 12.5% to 31 March 2022. The impact of the lower VAT rates, which have not been passed on to consumers, has increased revenue by approximately £15m during the year. The mixed trading performance of some sites post re-opening, together with the ending of the lower VAT rates results in an impairment risk for site property, plant and equipment. We focussed on this area due to the carrying value of property, plant and equipment and the impairment risk noted above. At 17 April 2022, the Group reported property, plant and equipment, with a carrying value of £188 million, as disclosed in note 12. Following an impairment review performed by management, no impairment of property, plant and equipment was recognised. Management's impairment review involved the preparation of a discounted cash flow model, which include assumptions in relation to future trading results which required management judgement.	We have obtained management's impairment review of property, plant and equipment, which has been performed at an individual site level, which indicated no impairment charge in the current period. As part of our audit work, we validated the carrying amounts that were attributed to each site cash generating unit. We tested the assumptions used in determining the value in use of each site which included assessing the revenue, profit and cash flow forecasts included in the value in use calculations, taking into account the profile of actual results since the sites re-opened. We used PwC experts to assess the appropriateness of the discount rate used. We also considered the results of a number of sensitivity scenarios in respect of discount rate and long-term growth rate. We tested the calculation in the value in use model to ensure that it appropriately determined the net present value of the future cashflows. We also considered the disclosures made in respect of the impairment review performed as disclosed in note 12. We concluded that whilst management's impairment assessment is inherently judgemental , the accounting for the carrying value of property, plant and equipment and related disclosures was acceptable and consistent with the audit evidence obtained.

We determined that there were no key audit matters applicable to the parent company to communicate in our report.

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 five holding companies and one trading company, with the accounting function of all entities based in the head office in Bristol. All entities are audited by PricewaterhouseCoopers LLP, Bristol. Following our assessment of the risk of material misstatement we selected the parent company, Loungers plc, and the trading company, Loungers UK Limited, for full scope audits and performed specified audit procedures over certain balances and transactions in the four intermediate holding companies. Taken together, these reporting entities where we performed audit work accounted for approximately 100% of group revenue and in excess of 99% of group profit before tax.

MATERIALITY

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

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

	Financial statements – group	**Financial statements – company**
Overall materiality	£2,370,000 (2021: £1,338,000).	£870,000 (2021: £870,000).
How we determined it	1% of revenue	1% of total assets or an allocation of group reporting materiality if lower
Rationale for benchmark applied	Whilst the Group is profitable in the current year it has significantly benefited from the VAT reduction which has returned to the full rate as well as business rates grants not expected to reoccur in future periods and therefore using 1% of revenue is considered to be the most appropriate benchmark.	As the entity is a holding company, we consider that total assets is the most appropriate benchmark to assess materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £870,000 and £2,232,500. 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% (2021: 75%) of overall materiality, amounting to £1,777,000 (2021: £1,003,500) for the group financial statements and £652,500 (2021: £652,500) for the company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £115,000 (group audit) (2021: 67,000) and £43,000 (company audit) (2021: £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:

- Evaluation of management's going concern assessment
- Evaluation of the Group's forecast financial performance, liquidity and covenant compliance over the going concern period
- Evaluation of stress testing performed by management in their downside scenario and consideration of whether the stresses applied are appropriate for assessing going concern.

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 17 April 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

USE OF THIS REPORT

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

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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

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

We have no exceptions to report arising from this responsibility.

Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
13 July 2022

Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEK YEAR ENDED 17 APRIL 2022

	Note	Year ended 17 April 2022 £000	Year ended 18 April 2021 £000
Revenue	4	237,291	78,346
Cost of sales		(134,369)	(46,178)
Gross profit		102,922	32,168
Gross profit before exceptional items		102,922	32,609
Exceptional items included in cost of sales	9	-	(441)
Administrative expenses		(76,975)	(43,950)
Other income	5	2,490	4,054
Operating profit / (loss)	5	28,437	(7,728)
Operating profit / (loss) before exceptional items		28,437	(6,401)
Exceptional items included in cost of sales	9	-	(441)
Exceptional items included in administrative expenses	9	-	(886)
Finance income		44	46
Finance costs	7	(6,876)	(7,040)
Profit / (loss) before taxation		21,605	(14,722)
Tax (charge) / credit on profit / (loss)	8	(3,727)	3,580
Profit / (loss) for the year		17,878	(11,142)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Cash flow hedge – change in value of hedging instrument		269	101
Other comprehensive income for the year		269	101
Total comprehensive income / (expense) for the year		18,147	(11,041)

	Note	Year ended 17 April 2022 Pence	Year ended 18 April 2021 Pence
Earnings / (losses) per share			
Basic earnings / (losses) per share	10	17.4	(10.9)
Diluted earnings / (losses) per share	10	17.0	(10.9)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 17 APRIL 2022

	Note	At 17 April 2022 £000	At 18 April 2021 £000
Assets			
Non-current			
Intangible assets	11	113,227	113,227
Property, plant and equipment	12	188,363	165,443
Deferred tax assets	20	1,355	3,816
Finance lease receivable	14	579	668
Total non-current assets		303,524	283,154
Current			
Inventories	13	1,919	774
Trade and other receivables	14	5,466	2,619
Derivative financial instruments	19	38	-
Cash and cash equivalents	15	31,250	4,912
Total current assets		38,673	8,305
Total assets		342,197	291,459
Liabilities			
Current liabilities			
Trade and other payables	16	(56,214)	(28,576)
Lease liabilities	17	(8,475)	(6,921)
Derivative financial instruments	19	-	(231)
Total current liabilities		(64,689)	(35,728)
Non-current liabilities			
Borrowings	18	(32,275)	(39,157)
Lease liabilities	17	(111,127)	(103,657)
Total liabilities		(208,091)	(178,542)
Net assets		134,106	112,917
Called up share capital	22	1,127	1,124
Share premium	23	8,066	8,066
Hedge reserve	23	38	(231)
Other reserve	23	14,278	14,278
Retained earnings	23	110,597	89,680
Total equity		134,106	112,917

The financial statements on pages 47 to 71 were approved and authorised for issue by the Board and were signed on its behalf by:

Nick Collins
Chief Executive Officer
13 July 2022

G Grant
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEK YEAR ENDED 17 APRIL 2022

	Called up share capital £000	Share premium £000	Hedge reserve £000	Other reserve £000	Retained earnings £000	Total equity £000
At 19 April 2020	1,025	-	(332)	14,278	99,011	113,982
Ordinary shares issued	99	8,066	-	-	(6)	8,159
Share based payment charge	-	-	-	-	1,817	1,817
Total transactions with owners	99	8,066	-	-	1,811	9,976
Loss for the year	-	-	-	-	(11,142)	(11,142)
Other comprehensive income	-	-	101	-	-	101
Total comprehensive expense for the 52 week year	-	-	101	-	(11,142)	(11,041)
At 18 April 2021	1,124	8,066	(231)	14,278	89,680	112,917
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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 52 WEEK YEAR ENDED 17 APRIL 2022

	Note	Year ended 17 April 2022 £000	Year ended 18 April 2021 £000
Net cash generated from operating activities	24	69,626	12,031
Cash flows from investing activities			
Purchase of property, plant and equipment		(22,837)	(7,808)
Net cash used in investing activities		(22,837)	(7,808)
Cash flows from financing activities			
Issue of ordinary shares		-	8,158
Shares issued on exercise of employee share awards		(135)	(79)
Bank loans repaid		(7,000)	-
Interest paid		(1,101)	(1,260)
Interest received		3	-
Principal element of lease payments		(6,903)	(5,303)
Interest paid on lease liabilities		(5,315)	(4,910)
Net cash used in financing activities		(20,451)	(3,394)
Net increase in cash and cash equivalents		26,338	829
Cash and cash equivalents at beginning of the year		4,912	4,083
Cash and cash equivalents at end of the year	25	31,250	4,912

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 52 WEEK YEAR ENDED 17 APRIL 2022

1. GENERAL INFORMATION

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

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

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Loungers plc Group have been prepared in accordance with 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 18 April 2021.

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 FY22 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 17 April 2022 the Group had cash balances of £31.3m (2021: £4.9m) and undrawn facilities of £25m (2021: £18m), providing total liquidity, assuming the incremental £15m RCF is allowed to expire in October 2022, of £41.3m (2021: £22.9m). The Group has not had to use its RCF facilities since the resumption of trading in May 2021 and does not forecast requiring to do so in the next 12 months.

Attention has been paid both to the potential impact of further Covid-19 outbreaks on the Group and also to the current sector headwinds in terms of consumer confidence and inflationary pressures.

The Directors have modelled a number of downside scenarios relating to additional cost pressure and reduced consumer demand alongside a resurgence of Covid-19 cases over the winter months and are satisfied that the Group can manage these within existing cash flow forecasts. It is therefore deemed appropriate to prepare the FY22 financial statements on a 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 ("APMS")

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 ("L4L") sales growth %, Adjusted EBITDA and Adjusted operating profit. These APMs are set out on page 78 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 exceptional items and site pre-opening costs, as defined below, and non-cash share-based payment charges. These are excluded until such time as their liability crystalises and becomes payable in order to relate the adjusted measure more closely to the cash performance of the business. 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.

Exceptional items

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

Site pre-opening costs

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

2.5 REVENUE

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

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

2.6 GOVERNMENT GRANTS

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

2.7 FINANCE COSTS

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

2.8 INTANGIBLE ASSETS GOODWILL

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

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

2.9 PROPERTY, PLANT AND EQUIPMENT

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

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

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

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

2.10 RIGHT OF USE ASSETS

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

2.11 INVENTORIES

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

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

2.12 TRADE AND OTHER RECEIVABLES

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

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

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

2.13 IMPAIRMENT

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

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

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

2.14 CASH AND CASH EQUIVALENTS

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

2.15 FINANCIAL INSTRUMENTS

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

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

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

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

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

2.16 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

2.17 TRADE AND OTHER PAYABLES

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

2.18 LEASED ASSETS: THE GROUP AS LESSEE

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

2.19 PENSIONS

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

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

2.20 PROVISIONS

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

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

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

2.21 SHARE BASED PAYMENTS

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 21.

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

2.22 CURRENT AND DEFERRED TAXATION

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

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

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

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

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

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

2.23 RELATED PARTY TRANSACTIONS

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

2.24 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED

Amendments to accounting standards applied from 19 April 2021 included amendments to:

- Interest Rate Benchmark Reform – Phase 2 impacts on IFRS9, IAS39, IFRS 7, IFRS4 and IFRS16 (effective 1 January 2021).

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

Certain new accounting standards and interpretations have been published that are not mandatory for 17 April 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods an on foreseeable future transactions.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

KEY JUDGEMENTS

Operating Segments
The Directors have taken a judgement that individual sites meet the aggregation criteria in IFRS 8 and hence have concluded that the Group only has a single reporting segment, as discussed in note 4.

Determining the rate used to discount lease payments

At the commencement date of property leases the lease liability is calculated by discounting the lease payments. The discount rate used should be the interest rate implicit in the lease. However, if that rate cannot be readily determined, which is generally the case for property leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The weighted average discount rate applied to those leases that pre-dated the Group's IPO in April 2019 was 5.9%. Leases entered into post IPO have been discounted with a weighted average discount rate of 3.5%. For the lease liabilities at 17 April 2022 a 0.1 per cent change in the discount rate used would have adjusted the total liabilities by £615,000.

KEY ESTIMATES

Impairment of property plant and equipment

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

Useful economic lives of property, plant and equipment

The depreciation charge in each year is sensitive to the assumptions used regarding the economic lives of assets. A 10% increase in the average useful economic lives results in approximately a 11% (£1,289,000) decrease in depreciation. More information on useful economic lives is presented in note 2.9.

Share-based payments

The charge for share based payments in respect of the Value Creation Plan is calculated in accordance with the methodology described in note 21. The model requires subjective assumptions to be made including the future volatility of the Company's share price, expected dividend yield, and risk-free interest rates. Changes in such estimates may have a significant impact on the original fair value calculation at the date of grant and therefore the share based payments charge. A 5% change in the estimate regarding share price volatility results in a £600,000 change in the fair value of the Value Creation Plan.

4. SEGMENTAL REPORTING

IFRS 8 "Operating Segments" requires operating segments to be based on the Group's internal reporting to its Chief Operating Decision Maker ("CODM"). The CODM is regarded as the Chief Executive together with other Board Members who receive financial information at a site-by-site level. The Group trades in one business segment (operating café bars and café restaurants) and these sites meet the aggregation criteria set out in paragraph 12 of IFRS 8. Economic indicators assessed in determining that the aggregated operating segments share similar economic characteristics include expected future financial performance, operating and competitive risks and return on investment.

The CODM uses Adjusted EBITDA (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 / (LOSS)

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

	Note	Year ended 17 April 2022 £000	Year ended 18 April 2021 £000
Depreciation of tangible fixed assets	12	11,187	10,288
Depreciation of right of use assets	12	8,451	7,567
Inventories - amounts charged as an expense		53,815	16,804
Fees payable to the Company's auditors and its associates for the audit of parent company and consolidated financial statements		75	60
Fees payable to Company's auditors and its associates for other services:			
- for statutory audit services (subsidiary companies)		75	66
- for tax compliance services		-	71
- for tax advisory services		-	37
Staff costs (excluding share based payments)		95,779	69,599
CJRS Grant income		(2,045)	(33,157)
Government support grant income		(2,490)	(4,054)
Pre-opening costs		2,344	421
Exceptional costs	9	-	1,327

Government support grant income of £2,490,000 relates to income received under the Re-Start Grant Scheme. The prior year total of £4,054,000 also included income received under the Retail, Leisure and Hospitality Scheme and The Local Restrictions Support Grant Scheme.

6. EMPLOYEES AND DIRECTORS

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

	Year ended 17 April 2022	Year ended 18 April 2021
Management, administration and maintenance	176	144
Site	5,461	4,377
	5,637	4,521

Staff costs were as follows:

	Year ended 17 April 2022 £000	Year ended 18 April 2021 £000
Wages and salaries	88,801	64,778
Social security costs	5,820	3,928
Share based payments	3,220	2,034
Other pension costs	1,158	893
	98,999	71,633
CJRS Grant income	(2,045)	(33,157)
	96,954	38,476

Additional payroll costs of £1,804,000 (2021: £1,100,000) relating to the build team have been capitalised. CJRS grant income in respect of the build team amounted to £nil (2021: £261,000).

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	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
Alex Reilley	175	155	263	-	-	-	438	155
Nick Collins	285	283	428	-	-	-	713	283
Gregor Grant	200	187	300	-	-	-	500	187
Nick Backhouse	55	55	-	-	-	-	55	55
Adam Bellamy	50	50	-	-	-	-	50	50
Jill Little	50	50	-	-	-	-	50	50
Total	815	780	991	-	-	-	1,806	780

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

7. FINANCE COSTS

	Year ended 17 April 2022 £000	Year ended 18 April 2021 £000
Bank interest payable	1,190	1,398
Other interest payable	4	-
Finance cost on lease liabilities	5,682	5,642
	6,876	7,040

8. TAX CHARGE / (CREDIT) ON PROFIT / (LOSS)

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

	Year ended 17 April 2022 £000	Year ended 18 April 2021 £000
Taxation charged / (credited) to the income statement		
Current income taxation	1,266	-
Total current income taxation	1,266	-
Deferred Taxation		
Origination and reversal of temporary timing differences	2,408	(2,600)
Adjustments to tax charge in respect of prior years	109	(980)
Adjustment in respect of change of rate of corporation tax	(56)	-
Total deferred tax	2,461	(3,580)
Total taxation charge / (credit) in the consolidated income statement	3,727	(3,580)
The above is disclosed as:		
Income tax charge / (credit) - current year	3,618	(2,600)
Income tax charge / (credit) – prior year	109	(980)
	3,727	(3,580)

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

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

	Year ended 17 April 2022 £000	Year ended 18 April 2021 £000
Profit / (loss) before tax	21,605	(14,722)
At UK standard rate of corporation taxation of 19% (2021: 19%).	4,105	(2,797)
Expenses not deductible for tax purposes	384	206
Fixed asset permanent differences	(815)	(9)
Adjustments to tax charge in respect of prior years	109	(980)
Adjustment in respect of change of rate of corporation tax	(56)	-
Total tax charge / (credit) for the year	3,727	(3,580)

In the Spring budget 2021, the Government announced that from 1 April 2023, the corporation tax rate will increase to 25%. This change was substantively enacted on 24 May 2021; as such deferred tax liabilities and assets have been recalculated and recorded at the rate they are expected to unwind.

9. EXCEPTIONAL ITEMS

	Year ended 17 April 2022 £000	Year ended 18 April 2021 £000
Included in cost of sales		
Covid-19 related	-	441
Included in administrative expenses		
Covid-19 related	-	886
	-	1,327

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

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

10. EARNINGS / (LOSSES) PER SHARE

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

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

Diluted earnings/ (losses) 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 17 April 2022 the Group had potentially dilutive shares in the form of unvested shares pursuant to the above long-term incentive plans.

	Year ended 17 April 2022 £000	Year ended 18 April 2021 £000
Profit / (loss) for the year after tax	17,878	(11,142)
Basic weighted average number of shares	102,728,430	102,291,621
Adjusted for share awards	2,464,588	2,076,783
Diluted weighted average number of shares	105,193,018	104,368,404
Basic earnings/ (losses) per share (p)	17.4	(10.9)
Diluted earnings/ (losses) per share (p)	17.0	(10.9)

The share awards were not considered to be dilutive in the prior year as they would have had the impact of reducing the losses per share.

11. INTANGIBLE ASSETS

	17 April 2022 £000	18 April 2021 £000
Goodwill	113,227	113,227
	113,227	113,227

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

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

Goodwill is monitored at the operating segment level identified in note 4. For assessing impairment at 17 April 2022 and 18 April 2021 a value in use calculation has been performed using a discounted cash flow method based on the forecast cash flows and a terminal growth rate. The cash flows used in this assessment are based on a three year business plan to April 2025, 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 (2021: 8.0% and 2.0% respectively).

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

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Building Improvements £000	Motor Vehicles £000	Fixtures and Fittings £000	Right of use asset £000	Total £000
Cost					
At 20 April 2020	54,498	81	53,147	121,480	229,206
Additions	2,330	-	2,790	11,735	16,855
Disposals	(160)	-	(147)	(238)	(545)
At 18 April 2021	56,668	81	55,790	132,977	245,516
Accumulated depreciation					
At 20 April 2020	10,525	22	16,961	35,251	62,759
Provided for the year	3,553	31	6,704	7,567	17,855
Disposals	(159)	-	(144)	(238)	(541)
At 18 April 2021	13,919	53	23,521	42,580	80,073
Net book value					
At 18 April 2021	42,749	28	32,269	90,397	165,443
Cost					
At 19 April 2021	56,668	81	55,790	132,977	245,516
Additions	11,190	148	14,816	16,404	42,558
Disposals	-	(19)	-	-	(19)
At 17 April 2022	67,858	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	49,921	144	39,948	98,350	188,363

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

The Group has determined that each site is a separate CGU for impairment testing purposes. Each CGU is tested for impairment at the balance sheet date if there exists at that date any indicators of impairment. All sites were reviewed in FY20 following the first national lockdown and an impairment of £9.8m was booked in the FY20 financial statements. All sites have been tested for impairment in FY22, however following the successful reopening of all sites in April and May 2021, no further impairment has been booked.

The value in use of each CGU is calculated based upon the Group's latest three-year forecast. 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% (2021: 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% (2021: 8.0%).

On the basis of the impairment test undertaken the Group has not recognised any impairment charge in the year to 17 April 2022 (2021: £nil). The cash flows used within the impairment model are based upon assumptions which, while prudent, are sources of estimation uncertainty. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in the key assumptions. A reduction in site cash flows of 10% in each year would result in an incremental impairment charge of £2,984,000. A 100 basis point increase in the discount rate would result in an impairment charge of £1,431,000 and a 50 basis point reduction in the terminal growth rate would result in an impairment charge of £295,000.

13. INVENTORIES

	17 April 2022 £000	18 April 2021 £000
Food and beverages for resale	1,919	774
	1,919	774

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

	17 April 2022 £000	18 April 2021 £000
Included within current assets		
Trade receivables	464	163
Corporation tax recoverable	146	-
Finance lease receivable	89	84
Other receivables	303	2,150
Prepayments	4,464	222
	5,466	2,619
Included within non-current assets		
Deferred tax assets	1,355	3,816
Finance lease receivable	579	668

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

	17 April 2022 £000	18 April 2021 £000
Cash at bank and in hand	31,250	4,912
	31,250	4,912

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 £31,250,000 (2021: £4,912,000).

16. TRADE AND OTHER PAYABLES

	17 April 2022 £000	18 April 2021 £000
Included in current liabilities:		
Trade payables	27,270	8,562
Corporation tax	-	5
Other taxation and social security	9,092	7,218
Other payables	9,140	5,408
Accruals and deferred income	10,712	7,383
	56,214	28,576

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

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

17. LEASES

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

The Group leases the entire Lounge and Cosy Club estates as well as its Head Office. The leases are non-cancellable, with varying terms, escalation clauses and renewal rights and in some cases include variable payments that are not fixed in amount but based upon a percentage of sales. Rental contracts are typically made for fixed years of between 10 and 25 years, the average lease runs for 16.1 years from commencement.

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

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

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

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

Amounts recognised in the balance sheet

	17 April 2022 £000	18 April 2021 £000
Right of use assets – leasehold properties	98,350	90,397
Lease liabilities		
Current	8,475	6,921
Non-current	111,127	103,657
	119,602	110,578

Additions to right of use assets during the year ended 17 April 2022 were £16,404,000 (2021: £11,735,000).

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

Amounts recognised in the consolidated statement of comprehensive income

	17 April 2022 £000	18 April 2021 £000
Depreciation charge of right of use assets	8,451	7,567
Interest expense (included in finance cost)	5,682	5,642

Total cash outflow for leases in 2022 was £12,218,000 (2021: £10,336,000).

18. BORROWINGS

	17 April 2022 £000	18 April 2021 £000
Long term borrowings:		
Secured bank loans	32,500	39,500
Loan arrangement fees	(225)	(343)
	32,275	39,157

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. A three-year interest rate swap through to July 2022 was entered into that fixes SONIA on the full term loan facility at 0.7%.

As a consequence of Covid-19, on 22 April 2020 the Group agreed an incremental £15,000,000 RCF with its lenders, providing a total RCF of £25,000,000. This incremental facility was originally due to expire in October 2021, however, given the prolonged Covid-19 lockdowns on 16 April 2021 the facility was extended for a further 12 months to October 2022. It is not anticipated that this facility will be renewed in October 2022.

The term loan and RCF are subject to financial covenants relating to leverage and interest cover. The agreement reached with lenders on 16 April 2021 included a waiver of the covenant tests due at 18 April 2021 and amendment of the covenant tests scheduled for 11 July 2021, 3 October 2021 and 26 December 2021. There were no breaches of these tests in the year to 17 April 2022.

At 17 April 2022 the term loan was fully drawn while nothing was drawn on any of the revolving facilities (2021: term loan fully drawn and £7,000,000 drawn down under the RCF).

19. FINANCIAL INSTRUMENTS

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

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

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

Interest rate risk

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

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 Covid-19 pandemic and 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.

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. While the risk of further restrictions as a result of Covid-19 now seems remote and the Group has a healthy cash position, 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) at stepped thresholds throughout the year. As at 17 April 2022 the leverage ratio of the Group was 0.03 compared with a threshold of 2.50. At 18 April 2021 the leverage ratio was 9.8 but the covenant requirement had been waived.

Reconciliation of net debt (IAS 17) and adjusted EBITDA (IAS17) to the statutory results can be found on page 78.

Financial assets and liabilities

Financial assets and liabilities consist of the following:

	17 April 2022 £000	18 April 2021 £000
Financial Assets		
Financial assets that are debt instruments measured at amortised cost	32,685	7,977
Financial assets held at fair value	38	-
Financial liabilities		
Financial liabilities measured at amortised cost	(188,287)	(163,705)
Financial liabilities held at fair value	-	(231)

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 has 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 movements in fair value have been recognised as follows:

	£000
Derivative liability at 19 April 2021	(231)
Recognised through other comprehensive income	269
Derivative asset at 17 April 2022	38

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
For the 52 week year ended 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
For the 52 week year ended 18 April 2021				
Secured bank loans	1,035	41,584	-	42,619
Lease liabilities	12,462	51,108	86,126	149,696
Trade and other payables	13,970	-	-	13,970
	27,467	92,692	86,126	206,285

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 19 April 2020	(393)	318	(1,162)	237	1,236	236
Recognised in income statement	2,458	57	255	605	205	3,580
At 18 April 2021	2,065	375	(907)	842	1,441	3,816
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

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 17 April 2022 or 18 April 2021.

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 £3,042,000 (2021: £1,817,000) in respect of the Group's share based payment plans and related employer's national insurance of £178,000 (2021: £217,000). The total charge of £3,220,000 is split by scheme as follows:

	Year ended 17 April 2022 £000	Year ended 18 April 2021 £000
Employee share plan	1,118	528
Senior management restricted share plan	1,007	733
Value creation plan	1,095	773
	3,220	2,034

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

	Outstanding at 19 April 2021 Number	Granted during the year Number	Vested during the year Number	Lapsed during the year Number	Outstanding at 17 April 2022 Number
Employee share plan	338,664	574,000	(338,664)	(217,500)	356,500
Senior management restricted share plan	1,738,119	435,334	-	(166,540)	2,006,913
Value creation plan	-	-	-	-	-
Retention award	-	-	-	-	-

Employee Share Plan

Share grants over 360,664 shares were made on the 21st October 2020. These awards had no performance conditions other than continued employment for one year from grant date and on 29th April 2021 a total of 338,664 shares were issued in respect of these awards. Awards over a further 574,000 shares were made on 21 May 2021 and post year end a total of 356,500 shares were issued in respect those awards.

Senior Management Restricted Share Plan

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

During the year ended 19th April 2020, 472,069 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 91,871 options in respect of this award had lapsed at year end.

During the year ended 18th April 2021 a further 718,766 nil cost options were awarded. These options have no performance conditions, other than continued employment for three years post grant, and are exercisable on the third anniversary of issue. A total of 114,696 options in respect of this award had lapsed at year end.

During the year ended 17th April 2022 a further 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 37,689 options in respect of this award had lapsed at year end.

Value Creation Plan

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

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

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

The fair value of the VCP at 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 will vest in three equal instalments in April 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. Whilst the VCP performance period did not end until 29 April 2022 there was a settled expectation that an award would be made under the VCP pre the 17 April 2022 year end and accordingly a charge of £525,000 was taken in respect of the additional fair value charge of £1,477,000 during the year ended 17 April 2022.

22. CALLED UP SHARE CAPITAL

	17 April 2022 £000	18 April 2021 £000
Allotted, called up and fully paid ordinary shares	1,027	1,024
Redeemable preference shares	100	100
	1,127	1,124

	17 April 2022 Number	18 April 2021 Number
Ordinary shares at £0.01 each	102,738,664	102,400,000
Redeemable preference shares at £49,999 each	2	2

The table below summarises the movements in share capital for Loungers plc during the year ended 17 April 2022:

	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

On 7 May 2021 the Company allotted 338,664 ordinary shares of £0.01 to employees of the Group under the Employee Share Plan and Senior Management Restricted Share Plan.

Rights of shareholders

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

23. EQUITY

The Group's Equity comprises the following:

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

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

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

Other reserve
The other reserve comprises:

	Other Reserve £000	Merger Reserve £000	Capital Contribution Reserve £000	Total Other Reserves £000
At 18 April 2021 and 17 April 2022	18,451	(4,224)	51	14,278

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

The capital contribution reserve represents additional contributions from shareholders.

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

24. NOTE TO CASH FLOW STATEMENT

	Year ended 17 April 2022 £000	Year ended 18 April 2021 £000
Cash flows from operating activities		
Profit / (loss) before tax	21,605	(14,722)
Adjustments for:		
Depreciation of property, plant and equipment	11,187	10,288
Depreciation of right of use assets	8,451	7,567
Share based payment transactions	3,220	2,034
Loss on disposal of tangible assets	-	4
Finance income	(44)	(46)
Finance costs	6,876	7,040
Changes in inventories	(1,145)	41
Changes in trade and other receivables	(2,699)	3,108
Changes in trade and other payables	23,593	(4,414)
Cash generated from operations	71,044	10,900
Tax (paid) / reclaimed	(1,418)	1,131
Net cash generated from operating activities	69,626	12,031

25. ANALYSIS OF CHANGES IN NET DEBT

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

	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) / asset	(231)	-	269	38
Total derivatives	(231)	-	269	38
Net debt after derivatives	(145,054)	45,556	(21,091)	(120,589)

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

26. PENSION COMMITMENTS

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

	Year ended 17 April 2022 £000	Year ended 18 April 2021 £000
Pension cost	1,158	893

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

	17 April 2022 £000	18 April 2021 £000
Pension contributions payable	517	316

27. LESSOR

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

	17 April 2022 £000	18 April 2021 £000
Within one year	125	125
In two to five years	496	500
After five years	207	307
	828	932

28. 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. The Group undertook the following transactions, stated net of VAT:

	17 April 2022 £000	18 April 2021 £000
Purchases from related parties:		
Colombe D'Or Property LLP	201	125
Amounts owed to related parties:		
Colombe D'Or Property LLP	6	57

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

	17 April 2022 £000	18 April 2021 £000
Purchases from Reilley Properties Limited	242	239
Amounts owed to Reilley Properties Limited	2	137

29. LEGAL ENTITIES

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

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

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

30. POST BALANCE SHEET EVENTS NOTE

On 9 May 2022 the Company allotted and issued 385,167 ordinary shares of 1 pence each in the Company following the vesting of awards made to 711 Company employees pursuant to the Company's Employee Share Plan.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 17 APRIL 2022

	Note	At 17 April 2022 £000	At 18 April 2021 £000
Assets			
Non-current			
Investments	5	136,300	136,300
Total non-current assets		136,300	136,300
Current assets			
Trade and other receivables	6	21,474	22,012
Total current assets		21,474	22,012
Total assets		157,774	158,312
Liabilities			
Current liabilities			
Trade and other payables	7	(50)	(50)
Total current liabilities		(50)	(50)
Total liabilities		(50)	(50)
Net assets		157,724	158,262
Called up share capital	8	1,127	1,124
Share premium account		8,066	8,066
Other reserves		18,451	18,451
Retained earnings			
Brought forward		130,621	131,153
Loss for the year attributable to the owners		(538)	(526)
Other changes in retained earnings		(3)	(6)
		130,080	130,621
Total equity		157,724	158,262

The financial statements on pages 72 to 77 were approved and authorised for issue by the Board and were signed on its behalf by:

Nick Collins
Chief Executive Officer
13 July 2022

G Grant
Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEK YEAR ENDED 17 APRIL 2022

	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
At 19 April 2020	1,025	-	18,451	131,153	150,629
Ordinary shares issued	99	8,066	-	(6)	8,159
Total transactions with owners	99	8,066	-	(6)	8,159
Loss for the financial year	-	-	-	(526)	(526)
Total comprehensive expense for the 52 week year	-	-	-	(526)	(526)
At 18 April 2021	1,124	8,066	18,451	130,621	158,262
Ordinary shares issued	3	-	-	(3)	-
Total transactions with owners	3			(3)	-
Loss for the financial year	-	-	-	(538)	(538)
Total comprehensive expense for the 52 week year	3	-	-	(538)	(538)
At 17 April 2022	1,127	8,066	18,451	130,080	157,724

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 52 WEEK YEAR ENDED 17 APRIL 2022

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 £538,000 (2021: £526,000).

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

2.2 GOING CONCERN

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

2.3 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED

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 30 – 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 31 to 34 and in note 6 of the notes to the consolidated financial statements.

6. INVESTMENTS

	Shares in subsidiary undertakings £000
At 19 April 2021	136,300
Additions	-
At 17 April 2022	136,300

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

7. TRADE AND OTHER RECEIVABLES

	17 April 2022 £000	18 April 2021 £000
Included within current assets		
Amounts owed by Group undertakings	21,371	21,909
Other debtors	103	103
	21,474	22,012

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

8 TRADE AND OTHER PAYABLES

	17 April 2022 £000	18 April 2021 £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 17 April 2022 £000	At 18 April 2021 £000
Allotted, called up and fully paid ordinary shares	1,027	1,024
Redeemable preference shares	100	100
	1,127	1,124

	At 17 April 2022 Number	At 18 April 2021 Number
Ordinary shares at £0.01 each	102,738,664	102,400,000
Redeemable preference shares at £49,999 each	2	2

The table below summarises the movements in share capital for Loungers plc during the year ended 17 April 2022:

	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**

On 7 May 2021 the Company allotted 338,664 ordinary shares of £0.01 to employees of the Group under the Employee Share Plan and Senior Management Restricted Share Plan.

Rights of shareholders

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

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.

Profit and loss account

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

RECONCILIATION OF STATUTORY RESULTS TO ALTERNATIVE PERFORMANCE MEASURES

	Year ended 17 April 2022 £000	Year ended 18 April 2021 £000
Operating profit / (loss)	28,437	(7,728)
Exceptional items	-	1,327
Share based payment charge	3,220	2,034
Site pre-opening costs	2,344	421
Adjusted operating profit / (loss)	34,001	(3,946)
Depreciation (pre IFRS 16 right of use asset charge)	11,187	10,288
IFRS 16 Right of use asset depreciation	8,451	7,567
Loss on disposal of fixed assets	-	4
Adjusted EBITDA (IFRS 16)	53,639	13,913
Adjusted EBITDA % (IFRS 16)	22.6%	17.8%
IAS 17 Rent charge	(11,745)	(10,889)
IAS 17 Rent charge included in IAS 17 pre-opening costs	425	506
Adjusted EBITDA (IAS 17)	42,319	3,530
Adjusted EBITDA Margin % (IAS17)	17.8%	4.5%
Profit / (loss) before tax (IFRS 16)	21,605	(14,722)
IAS 17 Rent charge	(11,745)	(10,889)
IAS 17 Leasehold depreciation (re landlord contributions)	(675)	(531)
IFRS 16 Right of use asset depreciation	8,451	7,567
IFRS 16 Lease interest charge	5,682	5,642
IFRS 16 Lease interest income	(41)	(46)
Profit / (loss) before tax (IAS 17)	23,277	(12,979)
Net debt (IFRS 16)	120,627	144,823
Property lease liability	(119,602)	(110,578)
Net debt (IAS 17)	1,025	34,245

The Group references Like for Like sales growth as a key APM. Like for Like sales growth excludes the sales from sites that have been open for less than 18 months. During the year ended 17 April 2022, the comparator period was the same period in the most recent pre-Covid year (ie 2020 for the weeks up to March 20th and 2019 for the remaining weeks of the year). The periods in which the Group did not trade are excluded from the calculation.

COMPANY INFORMATION

DIRECTORS

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

COMPANY SECRETARY

Link Company Matters Limited

REGISTERED NUMBER

11910770

REGISTERED OFFICE

26 Baldwin Street
Bristol
BS1 1SE

NOMINATED AND FINANCIAL ADVISER

Houlihan Lokey
1 Curzon Street
London
W1J 5HD

CORPORATE BROKERS

Liberum Capital Limited
25 Ropemaker Street
London
EC2Y 9LY

Peel Hunt LLP
100 Liverpool Street
London
EC2M 2AT

SOLICITORS

Jones Day
21 Tudor Street
London
EC4Y 0DJ

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
2 Glass Wharf
Temple Quay
Bristol BS2 0FR

REGISTRAR

Link Market Services Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

BANKERS

Santander Corporate Banking
1st Floor
Alliance House
12 Baldwin Street Bristol
BS1 1SD

Bank of Ireland
Bow Bells House
1 Bread Street
London
EC4M 9BE

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