LOUNGERS PLC ANNUAL REPORT 2024

LOUNGERS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 53 WEEKS ENDED 21 APRIL 2024

Company number 11910770

LOUNGE CAFÉ BARS

COSY CLUB

Brightside ROADSIDE DINING

WHAT WE DO

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MARKET OVERVIEW

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

At the year end the Group had 257 sites (2023: 222 sites), comprising 219 Lounges, 35 Cosy Clubs and 3 Brightsides. Whilst it competes with coffee shops, pubs, restaurants and local independent operators, 72 per cent of Lounge customers see it as a unique proposition, rather than categorise it solely as a restaurant, pub or coffee shop. The Group competes with every element of the trade of a pub chain, coffee shop, or restaurant, whereas each of those operators only competes for a part of Loungers' sales. It is this level of differentiation that has enabled the Group to deliver significant and consistent like for like ("LFL") sales outperformance, and in turn, it is this sales outperformance allied to the new site roll-out and growing scale of the Group that have provided the scope to better withstand the cost pressures that have afflicted the broader hospitality sector in recent years.

LOUNGE

CAFÉ BARS

THELOUNGES.CO.UK

LOUNGE

219
LOUNGES NATIONWIDE

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

As at the 21 April 2024, there were 219 Lounges nationwide. Lounges are principally located in secondary suburban high streets and small town centres. The sites are characterised by informal, unique interiors with an emphasis on a warm, comfortable atmosphere, often described as a "home from home". The Lounge estate has a consistent look and feel but each Lounge is individually named and tailored to the site and local area, and the design of each Lounge is continually evolving, meaning no two sites are the same.

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

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

COSY CLUB

COSYCLUB.CO.UK

COSY CLUB

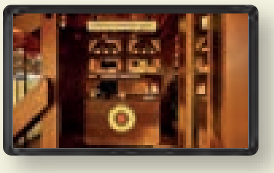
35
COSY CLUBS NATIONWIDE

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

Cosy Clubs are typically located in city centres and larger market towns. Interiors tend to be larger and more theatrical than for a Lounge, and heritage buildings or first-floor spaces are often employed to create a sense of occasion. The Cosy Club brand enables the Group to operate in areas where there is a more occasion-led demographic and offers an opportunity for greater coverage within cities. Sales, EBITDA and capital expenditure are typically higher for a Cosy Club than for a Lounge. As at the FY24 year end, there were 35 Cosy Clubs nationwide.

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

Brightside ROADSIDE DINING



BRIGHTSIDE.CO.UK

BRIGHTSIDE

3
BRIGHTSIDES NATIONWIDE

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

The first three Brightside locations are now open, on the A38, south of Exeter, on the A38 at Saltash and on the A303 at Honiton. A fourth Brightside is scheduled to open in Rutland in October 2024.

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

I am extremely pleased to report another excellent year for Loungers, both financially and strategically.

ANOTHER RECORD YEAR

In the 53-week financial year ending 21st April 2024 we achieved record revenue of £353.5m (up 24.7% on FY23) and also delivered record Adjusted EBITDA of £59.6m (up 25.9% on FY23). This strong performance was driven by the opening of a record number of new sites (36), as well as like for like sales growth of 7.5%.

During the course of the year, we reached the significant milestones of opening our 200th Lounge, Verdetto Lounge in Buckingham, and our 250th overall site, Pionero Lounge in Rochdale.

We continued to expand our footprint across the UK. We made our Lounge debut in the North East with the opening of Martino Lounge in Morpeth (in August), which was followed by further Lounge openings in the region in Hexham and Cramlington. We pushed further into the North West with openings in Penrith and Carlisle. We also continued to expand in our established heartland in the South West, with Barolo Lounge in Yeovil setting a terrific pace and Costero Lounge in Paignton being an absolute standout and recently and recently becoming the first Lounge to deliver weekly sales of over £100k.

Elsewhere, we opened one Cosy Club during the year, in Oxford, which has performed very strongly. We also opened our second and third Brightsides - on the A38 near Saltash and on the A303 near Honiton, respectively - following comprehensive refurbishments and remodelling of the previous Route Restaurant buildings, albeit not quite as ahead of the 2023 summer holidays as we had hoped.

EXCITING OPPORTUNITIES AHEAD

Moving into our current financial year and looking ahead, we have another very exciting pipeline of sites to open in FY25 and beyond. As a result of the well-documented struggles of the UK high street, property availability has never been better, and we continue to be able to negotiate very favourable terms. Bank closures are providing us with excellent prime pitch locations in towns and suburbs across the country, and more often than not they are also wonderful buildings. In FY24, our Lounge openings in Nantwich, Ashby-de-la-Zouch, and Yeovil were all very good examples of this trend - and looking ahead we have lined up at least seven former banks to be converted to Lounges with our openings in Newmarket and Saffron Walden being particularly noteworthy due to the heritage nature of the buildings.

At the beginning of the new financial year, we acquired the Pitcher and Piano sites on Bristol harbourside and in the centre of Sheffield. The former is currently being converted into Ritorno Lounge which will open in mid-July and will be our largest and most ambitious Lounge to date, right in the heart of Bristol's busiest waterside pitch. Following the success of Costero Lounge in Paignton, which was another large site (a former Harvester), we are particularly excited about the prospects for Ritorno and the opportunities that exist for us to open bigger Lounges in very high footfall locations.

Mid-July will also see us finish the conversion of the Sheffield site into a Cosy Club in a great location that we originally tried to secure, unsuccessfully, when the development was being built.

A RESHAPED AND STRENGTHENED TEAM

During the year we further strengthened the executive team and put ourselves in the best possible position to continue to deliver our ambitious growth strategy.

Justin Carter moved from being Managing Director of Lounge to the newly created role of Group Managing Director. Justin has been absolutely integral to the success of Loungers, and in particular, Lounge, since joining us in 2015 and I am really pleased we now have him in a group-wide role. His support of the brand managing directors and his extremely considered strategic perspective will undoubtedly bring a huge amount of benefit to the individual brands and to the wider business.

The Lounge Managing Director Role has been filled by Kate Eastwood who has recently joined the business having previously been at Fuller's. Kate has spent the first three months in role covering a lot of geography, getting to know her team, and learning lots of Lounge names! Once she is fully up to speed, I am very much looking forward to seeing her bring her considerable experience to bear.

Lucy Knowles joined as the Cosy Club Managing Director in September last year. Lucy has fitted in extremely well and has brought an operational intensity and sales driving focus to the brand. FY25 will be a big year for Cosy Club and Lucy is very busy managing a number of exciting work streams.

After an almost six year tenure, our unflappable CFO Gregor Grant announced in November that he had decided to leave the business. Gregor has been an invaluable member of the executive team and the PLC board, and we have been extremely lucky and privileged to have had him with us, particularly as we navigated the IPO in 2019 followed by the seismic shock of the pandemic in 2020/21. Gregor leaves with our warmest wishes and enormous gratitude for his unwavering dedication and commitment. Stephen Marshall has started as our new CFO and has hit the ground running. Stephen, who has significant CFO experience, most notably at Nisbets and Dyson, brings a commerciality that the business will undoubtedly benefit from as it continues to grow.

As always, we are extremely lucky to have such a dedicated and talented CEO in Nick Collins, and we continue to enjoy challenge, support, and entrepreneurial-style engagement with our PLC Non-Executive Directors.

GROWING AND MAINTAINING THREE DIFFERENT BUT COMPLEMENTARY BRANDS

With the launch of the first Brightside in February 2023, Loungers became a three brand business and the executive team have been busy rising to the challenge that going from two to three brands presents.

Whilst Lounge continues to be the dominant driving force behind our growth, it is important to me that the other two brands don't live in its shadow.

We are often asked, perhaps understandably, why we don't simply put all of our focus into Lounge, particularly as there remain hundreds of new site opportunities for us in the UK. My answer is always quite simple: I believe we are an infinitely better business for having more than one brand. It means that we have to look at a much wider spectrum of hospitality, and that we cannot – and therefore do not - fall into the trap of becoming too set in our ways. The brands are constantly learning from each other, and it also means that our executive team is larger than it would otherwise be, with a greater variety of perspectives and experiences for us to draw on.

LOUNGE: DOUBLING DOWN FOR FUTURE GROWTH

The performance of Lounge has been stellar for a number of years now and it feels like we are experiencing fewer growing pains as we get bigger. This is despite opening a record number of Lounges last year and often having three or four openings in a single month. We are in a great place, but instead of taking it easy and believing we have truly arrived, we are determined to double-down. We will not let complacency creep in and will obsessively focus on evolving and innovating our offer and working tirelessly on finding ways to get even better. We need to ensure that we don't lose sight of offering great value-for-money despite a plethora of cost pressures and we will continue to relentlessly strive to attract and retain great people.

COSY CLUB: MORE POTENTIAL TO BE UNLOCKED

The next few months are a really exciting time for Cosy Club as we look to build on the success to date and unlock the true potential of the brand. I believe that it is time for the brand to further distance itself from Lounge and to assume a slightly more premium position on the high street.

Lucy Knowles and her team are working hard on elevating our food offering, overhauling our drinks menu and wine list, and driving hospitality excellence amongst our teams. We are making the changes that our instincts are telling us are appropriate, and Cosy Club feels like it is on a path to finding a clearer identity. There is a lot to do but we have the strength-in-depth in the executive team to rise to the challenge without causing any distraction to other areas of the business, and we are really excited about what lies ahead for Cosy Club.

BRIGHTSIDE: AN EXCITING CONCEPT, BUT STILL EARLY DAYS

It's worth remembering that when we reported our FY23 results in July 2023 we had only just opened our second Brightside. It is still a very new brand and we are really looking forward to seeing how it trades over the next few months given that it will be the first full summer in which we have all three sites trading. Our limited like for like sales data points to encouraging sales momentum and most importantly of all, we are really encouraged by what our customers have to say about Brightside. However, the brand still needs to continue to build sales before we can sensibly give a view as to its future potential.

We have learnt a huge amount so far and we are still very much on a learning curve – especially with regard to what works best from a marketing perspective and what we need to do to increase brand awareness. With our fourth Brightside due to open on the A1 in Rutland in the autumn, we will continue to learn and assess the brand's potential - not least because it will be our first purpose-built site.

A CHANGE OF GOVERNMENT: STANCE ON OUR SECTOR IS UNCLEAR

There is now a new Prime Minister in Number 10 and a Labour government in power. In truth, there is little in the way of detail about what Labour is proposing when it comes to our sector. There is a vague commitment to review business rates but in reality, we have heard all of this before and I don't hold out much hope that this will lead to an overhaul of that system any time soon, despite it being much needed.

What is clear is that increases in the National Living Wage will almost certainly continue to be inflation-busting and this will put even greater pressure on a very beleaguered UK hospitality sector.

In an environment where getting the balance right between reflecting significant cost pressures - specifically the cost of labour - in pricing, whilst UK consumer confidence still feels quite variable, will prove extremely challenging for some operators. As a big and growing business, I am confident that we can continue to get the balance right, not least because other inflationary pressures have eased. However, there is only so much more small independent hospitality businesses can take and I fear that the sector will continue to see the number of outlets in the UK reduce.

We will continue to do everything that we can, and to work with UKHospitality, to ensure that the voice of the sector is heard by government. More specifically, I will continue to make no apology for expressing the opinion that if there is any help at all forthcoming for hospitality it should be targeted towards small businesses in our sector, rather than the big corporates. It feels like only yesterday that we were ourselves a small business, so we are all too aware of the challenges and pressures that they are feeling.

OUR OUTSTANDING PEOPLE

We employ almost 9,000 people now, which is pretty extraordinary to me when I look back at the journey of Loungers since its inception in 2002. In a report that is packed with a vast array of numbers, it is the number I am most proud of. Hospitality is all about the human touch, and Loungers is a fantastic example of how critically important people are to the success of any business.

I am so proud that we have created so many jobs and I am constantly in awe of the way in which so many of our people need no encouragement to go that extra mile to deliver an above-and-beyond hospitality experience. Our teams have my full admiration, utmost respect, and immense gratitude; they are what makes Loungers such a special business.

Alex Reilley
Chairman
9 July 2024

CHIEF EXECUTIVE'S STATEMENT

INTRODUCTION

I am pleased to report on another very successful year for Loungers. We achieved record revenue of £353.5m, operating profit of £20.3m, opened 36 new sites (our most ever in a single financial year), and our Adjusted EBITDA performance of £59.6m represents growth of 109% since our IPO in 2019.

This strong financial performance was underpinned by consistent LFL sales growth and margin improvement in the mature estate, alongside growth through the continued roll-out of new sites. The second half of the year also saw significant organisational change in the business, providing us with a platform to achieve further growth in the years ahead.

SALES PERFORMANCE AND OUR EVOLVING OFFER

Our sales performance throughout the year was once again exceptional, achieving underlying 53 week LFL sales growth of 7.5%. LFL sales in the mature estate are now +26.3% higher than they were four years ago. Sales growth this year was driven by price increases, as well as modest volume growth, and we believe we are well-positioned to return to more meaningful volume growth in FY25. Value for money is – and always will be - at the core of our offer, and we have closely monitored competitor pricing and remain confident we represent excellent value for money.

Reassuringly, we haven't seen any shift in consumer behaviour, or the way our customers are using our Lounges, Cosy Clubs and Brightsides. Sales patterns across the week and monthly payroll cycle have remained consistent, and the wide demographic make-up of our customers remains unchanged. Across our estate of 264 sites, sales levels reflect a normal distribution, and there are inevitably both over and under-performers. What's reassuring is that the drivers of under or over-performance are virtually always within our control and invariably relate to the tenure and strength of the team, and the consistency of the hospitality they provide. Whilst our performance continues to be very strong, there are, of course, always areas in which we can improve.

We continue to innovate on both the food and drink menus, with two menu changes a year. On the food side, our customers continue to be increasingly adventurous in terms of flavours and heat, with Asian and Middle Eastern flavours and dishes increasing in mix. Sharing remains a really important part of our offer in both Lounge and Cosy Club. Over the course of last year we sold 5.7m tapas/small plates dishes, in comparison to 6.7m brunch dishes. The versatility of our all-day offer is at the core of our success – with varied menus offering brunch, sandwiches, burgers, mains, tapas, and puddings right across the day. Pleasingly, there has been a good balance to LFL sales across the dayparts, with brunch, lunch and dinner all contributing meaningfully to our sales growth.

We are often asked who our competitors are, and the answer is that coffee shops, bakeries, sandwich shops, pubs and restaurants (both independents and chains) all compete with us at different times of the day. The appeal of our sites is the result of a combination of: our unique culture, hospitality and the personality of our teams; the changing atmosphere across the day; the individual design of each site; value for money; and consistently great and evolving food and drink. As the UK high street shifts around us, we are constantly striving for improvement in all these departments.

CONVERSION AND INFLATIONARY PRESSURE

Last year we set out our ambition to return to pre-Covid levels of IAS17 Adjusted EBITDA conversion of 13.5% in the medium-term and I am delighted with our progress to date. In the year to 16 April 2023 we converted at the Adjusted EBITDA level at 12.1% and that has now improved to 12.5% for the 53 weeks to 21 April 2024.

The diminishing inflationary environment alongside the benefit of price increases on our gross margins have been factors in this improvement, despite the ongoing wage inflation as a result of the increase to the National Living Wage. Our rent to revenue ratio of 4.3% continues to be a stand-out feature of the business and as sales consistently grow in the mature estate, our fixed costs continue to reduce as a proportion of sales. There remains opportunity across the P&L for more efficiency, and our labour performance in some of the new openings during the year could be improved upon. We also continue to pursue our strategy of gradually consolidating our supply chain and anticipate further consolidation in FY25.

Our central costs represented 7.6% of sales vs 7.3% last year, while excluding bonuses they were flat vs last year at 6.8% of sales. The year saw further investment in the fixed cost base of the business as we invested in the marketing and people departments and the senior leadership team structure. As the business continues to grow at pace, it is critical that we have the right infrastructure to deliver the roll-out whilst maintaining operational excellence. This year saw a notable shift in the central cost base as we approach the next phase in our growth. In the medium term we expect our central costs to reduce more materially as a proportion of sales as we capitalise on the return on these investments.

PEOPLE AND CULTURE

It was to some extent a year of transition from a people point of view, and we took significant steps to create the team and platform necessary for the next phase of our growth. We identified the need to materially increase our investment in learning and development, and the second half of the year saw the introduction of a number of initiatives that we expect to really kick in during FY25. As the business grows, it is imperative that we ensure best practice is shared across the business, learning as we go. We need to balance the requirement for training and operational consistency across our ever-growing estate with the need for the business to retain its unique independent culture and personality. We continue to work hard on delivering our Commitments to our teams across the UK and it has been pleasing to see staff turnover reduce across the year, albeit we recognise there is always more we can do.

There were notable investments in the Recruitment and Community teams during the year. The introduction of Regional Recruitment and Talent Managers has provided our Operations Managers with support to both find and retain great people. On the community side, we introduced Regional Community Managers to extend our local outreach, as part of our determination to make a positive impact on the areas in which we operate.

At the end of the financial year we completed a wholesale reorganisation of the Lounge operations team map, taking us to nine regions and 29 operating areas. As the estate grows, it is critical the operating areas are kept to eight or nine sites, to allow the teams to deliver new openings whilst also ensuring that we are applying the same level of operational intensity that we have delivered for over 20 years. The reorganisation saw five General Managers or Head Chefs promoted into Operations Managers or Operations Chefs roles, three Operations Managers or Operations Chefs promoted to Regional Operations Managers, and one Regional Operations Manager promoted to Operations Director. 72% of our Operations team were previously General Managers or Head Chefs within the business and this very high proportion of people being promoted from within is critical to our continued success - and is a statistic of which we are very proud. Other people-related investments this year included the recent introduction of our Future Operations Manager Programme and Assistant Manager and Sous Chef step-up programmes. All of these initiatives and investments are part of our clear ambition to be the number one choice for hospitality careers in the UK.

As ever, I would like to say a huge thank you to our teams across the Lounges, Cosy Clubs, Brightsides and in HQ. Their willingness to go the extra mile for their customers, communities and team has allowed us to deliver another fantastic performance.

THE ONGOING ROLL-OUT AND THE OPPORTUNITY IN FRONT OF US

During the year we opened a record 36 sites comprising 33 Lounges, one Cosy Club and two Brightsides. We also closed one site, our Cosy Club in Harrogate.

Our acquisitions, design, development and build teams have again delivered a record number of sites at a fantastically high standard. Average Lounge net capex stood at £905k (vs £835k last year) and whilst we continue to benefit from having the construction capability in-house, there remains a cost opportunity from a capex perspective, and we want to build on this in FY25. The property market more broadly remains very tenant-friendly. To date, higher interest rates have not resulted in any reduction in capital contributions from landlords, and, as ever, our primary focus is on achieving a sub 6% rent to revenue percentage. In terms of the types of property we are taking on, we have seen an increase in the number of former banks that we are converting, but former retail units continue to form the bulk of our new openings.

LOUNGE

The Lounge new openings strategy continues to see us in-fill across England and Wales in areas where we already have a strong presence, as well as continuing to nudge into new territories further north and east from our heartland in the South West. This was evidenced by a cluster of openings in the North East and across into Cumbria, as well as openings in Kent and Essex. The openings reflect the diversity of location type where Lounges trade, with a good mix of suburban high streets, small towns, coastal locations, and mixed-use retail-leisure schemes. We smashed our individual site sales records in the year, with Costero Lounge in Paignton achieving record Lounge weekly sales at £99k, Brasco Lounge on the Mersey achieving record Lounge daily sales, and Barolo Lounge in Yeovil achieving the highest ever opening week of sales for a Lounge. These record-breaking locations are a great illustration of the diversity of our reach. The strength of our new site openings continues to give us real confidence in the roll-out, as well as the viability of our conservative target of at least 600 Lounges across the UK.

COSY CLUB

In October 2023, we opened a beautiful Cosy Club on Cornmarket in Oxford, which has traded exceptionally well since opening and as previously noted, we continue to look for new Cosy Club opportunities and anticipate opening one to two sites per year in future. It was disappointing to close the Cosy Club in Harrogate in February – this was only our eighth site closure in 22 years, of which two were sites that had reached the end of their leases. The sales at Harrogate never reached a level at which we felt confident the site could generate a meaningful profit. Harrogate is a competitive environment, and with the benefit of hindsight we got the pitch of the site wrong.

BRIGHTSIDE

Our three Brightside units traded for the majority of the financial year and during this time we continued to learn a great deal about this new brand. We have been delighted with the customer experience, and once the legacy effect of the previous business operated at the three sites washed through, the feedback has been consistently strong. As is typical for a new brand, sales have been relatively low, averaging around £20k per week. Unlike a Lounge or Cosy Club, Brightsides don't benefit from any footfall, and instead we need to convince passing motorists to stop. Over the course of the year, we have learnt more about the mix of local vs tourist traffic, and our marketing strategy has evolved accordingly. This summer will present a fascinating test for the brand, and the extent to which we can drive LFL growth vs last summer.

A fourth Brightside unit will open on the A1 in Rutland later this year. Beyond that we have no further pipeline sites at the moment, and instead want to really get to grips with the initial four sites in order to understand the sales growth profile before considering further potential scale. We remain excited about the Brightside concept, and customer reaction certainly suggests that the demand is there.

OUR IMPACT ON SOCIETY AND THE ENVIRONMENT

Community is at the heart of our business and continues to be a major focus as we think about our role and responsibilities towards society more broadly. Last year we created around 1,200 new jobs on high streets across England and Wales. We continue to encourage our teams to think about the local community and how their Lounge can be used to promote kindness, charity and social interaction. The introduction of our Regional Community Managers has provided our sites with even more resource to share best practice across the business. Towards the end of the year we launched our Community Fund, which means that each Lounge has the opportunity to put £1,000 towards local causes important to either our teams or customers.

We continue to pursue our goals as set out in our 'Good Stuff Strategy' which we shared in November, setting out our ambition under the five key pillars of community, customers, people, planet and suppliers. We are working hard on our target to have 40% of senior leadership positions held by women over the next five years and getting 100% of our suppliers to connect with us on SEDEX to ensure they follow sustainable and ethical practices. In recent months we have also introduced new segregated waste systems to further increase the volume of waste that is recycled or composted and continue to work with nutritionists to enhance the nutritional value of all our dishes.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

MANAGEMENT TEAM AND THE FUTURE

The year saw considerable evolution in the leadership team as we look to the next phase of our growth and maintaining our industry-leading performance. Justin Carter was promoted from Managing Director of the Lounge brand to the new role of Group Managing Director. Justin is now responsible for all three of our brands, allowing each of them to benefit from his invaluable industry experience and operational expertise. Kate Eastwood joined us to replace him as Lounge Managing Director and Lucy Knowles joined us as Cosy Club Managing Director. We are also saying farewell to Gregor Grant as CFO and welcome Stephen Marshall in his place. Behind the executive team we have strong senior management, and the succession pipeline across the Group has really strengthened during the year as we have continued to progress people through the business.

I am in no doubt that we have one of the most talented, hard-working and creative leadership teams in the industry. The business has consistently planned ahead of time how best to prepare itself for the next phase of growth. This year has been no exception, and we have particularly stress-tested our leadership style, the way we think about accountability, and how best to achieve our medium to long-term priorities. We don't just think about what we need to look like as a 300 site business, but also as a 650 site business. We are more excited than ever about what we can achieve over the next few years.

CURRENT TRADING AND OUTLOOK

We continue to feel very positive about the outlook for our brands and over the 11 weeks since the year end our LFL sales have been +5.0% and this performance is relatively consistent. Our new site openings continue to perform exceptionally well, achieving record levels of sales, and our pipeline of new sites is as strong as ever.

We have opened seven sites since the year end (all of them Lounges) and are confident that the good momentum we are seeing across the business, as well as the investment that we continue to make in our operational management, puts us in the best possible position to deliver further growth and margin expansion in FY25.

Nick Collins
Chief Executive Officer
9 July 2024

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

THREE DISTINCT BUT COMPLEMENTARY BRANDS

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

RESILIENT AND CONSISTENT OUTPERFORMANCE, RETURNS AND ECONOMICS

Like-for-like sales have consistently and significantly outperformed the Coffer CGA Tracker which is seen as the benchmark for the UK hospitality sector. This like-for-like sales outperformance has historically 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

Analysis has identified the potential for more than 600 Lounges and more than 50 Cosy Clubs across mainland Britain. 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 a record 36 new sites in FY24 and 29 new sites in FY23. We continue to anticipate that we will be able to open 32-36 sites per year going forwards.

WELL INVESTED CENTRAL INFRASTRUCTURE TO SUPPORT GROWTH

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

EXPERIENCED MANAGEMENT TEAM

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

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

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

ESG – LOUNGERS AS A FORCE FOR GOOD

THE GOOD STUFF

Ever since Loungers was founded, we have looked for ways to make a positive difference – for our people, customers, and suppliers, as well as for the communities we serve and our shared planet. In the 53 weeks to April 2024, we have challenged ourselves to go further and faster with our strategy and, in November 2023, for the first time, we set out our goals and activities in a standalone sustainability report "The Good Stuff."

Setting and delivering this strategy is the Sustainability Committee, which provides oversight and governance on behalf of the Board. The Committee is chaired by Eve Bugler, Chief Operating Officer, and contains representatives from key functions including Commercial, People, Finance, Compliance, Marketing, Property, and our Group Managing Director, as well as an external sustainability expert to challenge our thinking. The Committee meets monthly to review progress against targets and agree new areas of opportunity or concern. During the year, external parties have also been invited to present certain areas in more detail, including a carbon expert and a Bristol-based social enterprise, which have helped to evolve the way we think about and respond to key issues.

STRATEGY AND TARGETS

We have engaged with our stakeholders and with industry experts to understand how our actions are impacting on others and the environment, and what we can do to make those impacts positive. We have also invited feedback from our teams and held workshops to consider what we can do better.

This year, we have split the "Customers and Community" pillar into two separate focus areas, hence our "Good Stuff" strategy is now organised around five key pillars:

Community	Customers	People	Planet	Suppliers
We exist to bring people together	**We are proud of what we put on the plate**	**We care about our teams**	**We deliver hospitality sustainably**	**We are working with our partners to raise standards**
FY24 progress	FY24 progress	FY24 progress	FY24 progress	FY24 progress
• Over 5,500 community events • £80,000 raised for charity through LoungeAid	• Loungers' menus featured an average of 18 vegan and 36 gluten free dishes	• 37% of senior leaders are female • 40% of management roles filled internally • 7.8/10 response to "I enjoy working at Loungers"	• Emissions per £m turnover fallen by 6% • Trialled new bin system for roll out in FY25	• Linked to 91% of food and soft drink suppliers on Sedex
Target for FY25	Target for FY25	Target for FY25	Target for FY25	Target for FY25
• Host 10,000 community events every year • Raise £100,000 for charity via LoungeAid	• Establish guideline nutritional parameters for all new product development • Minimum of 18 vegan and 36 gluten free dishes per menu	• 40% of our senior leaders to be female by FY29 • 50% of management roles to be filled by internal hires • Increase the % of our team who score "I enjoy working at Loungers" to 8/10	• Net zero by 2035 (Scopes 1 & 2) • Increase recycling by 10% and food composting by 20% by end of FY25	• 100% of our suppliers committed to following sustainable and ethical practices • Better Chicken commitment for 100% of the chicken in our supply chain by 2026

COMMUNITIES – WE EXIST TO BRING PEOPLE TOGETHER

As at 21 April 2024, we have 219 Lounges which sit in the heart of communities all over the England and Wales, offering a "home from home" where everyone is welcome. We want to earn our place in the community by having a knock-on positive impact on the businesses and groups around us. We have opened 36 Lounge, Brightside, and Cosy sites this financial year and, at each one, we invested nearly £1m in the local high street as well as adding around 30 jobs to the area, creating around 1,200 new jobs over 12 months. One in eight of those jobs are in areas targeted by the government for levelling up by creating better opportunities and standards of living.

Following on from a successful trial in 2023, we now have eight Regional Community Managers whose role is to deepen community interactions by supporting our teams to connect with their local areas. This includes organising or facilitating events in our sites such as parent and baby groups, quiz nights, painting classes and coffee mornings.

We want to play a more active role in tackling food insecurity in the UK and, in the first half of FY24, trialled a new community initiative at 30 Lounges. Each site was given a budget to enable them to distribute food to those that need it, whether by giving away meals, offering vouchers to charities, or volunteering staff time at soup kitchens or food banks. A version of this will be rolled out in FY25, and each Lounge will have a dedicated 'fund' to support the team to Do Good in their local community around causes they feel strongly about.

We continue to support local charities through our "LoungeAid" programme, devoting June and December to fundraising initiatives for local charities chosen by the sites. In FY24, our sites supported 150 different charities and raised over £80,000 through activities from walking challenges to bake sales. Our site openings generate further donations: in our opening week, we give 50p from every burger and 20p from every coffee sold to a local charity. In the last financial year, this activity raised an additional £35,000, taking the total to £115,000.

Over and above our fundraising efforts, we encourage our teams to look after individual customers through our "Random Acts of Kindness" programme in which staff have discretion to offer a free coffee or cake to make someone's day better. In FY24 we gave away £663,000 worth of food and drink to our customers.

CUSTOMERS – WE ARE PROUD OF WHAT WE PUT ON THE PLATE

We want to make sure that when our customers pick up our menus, there is something on there for everyone, whether they're avoiding meat, watching their weight, managing a food allergy, or looking to try something new. In addition to putting the calories on our menus, we always offer a couple of tempting main menu items with fewer than 800 calories and plenty of veggie side dishes. We don't offer fizzy drinks on our kids' menus, and kids' meals come with a complementary pot of hummus and crudités plus a carton of fruit juice.

We provide a separate vegan menu, which contains an average of 18 dishes, and we continue to innovate in this area. Our Bang Bang Chicken Noodle dish is one of the most popular on the Lounge menu and, in October 2023, we introduced a vegan version that replaced the chicken with cauliflower. It was an instant hit and a third of our sales of Bang Bang Noodles are now vegan.

We have very clear standards around the ingredients that we use, avoiding MSG, hydrogenated vegetable oils and trans fats and favouring MSC-certified fish and high-welfare British and Irish beef. We use free range eggs (when regulations to control bird flu have permitted) and ask our suppliers to use the minimum of additives and to use only certified sustainable palm oil.

Looking ahead, we want to understand the nutritional value of every dish and are now calculating the protein, fat, salt and sugar in each recipe. In FY25, we will work with a nutritionist to improve the nutritional content of all our menus, set parameters for our healthier dishes, and look for ways to enhance the nutritional value of all our dishes.

PEOPLE – WE CARE ABOUT OUR TEAMS AND ARE COMMITTED TO DOING THE RIGHT THING

"The Commitments," which set out what our site-based teams can expect from working at Loungers, were launched in FY22, and continue to be at the heart of our culture today. We support our managers to deliver on these and hold ourselves accountable with the goal of making sure everyone who's with us thoroughly enjoys their time whether they're here for a long time or a short time. The 3,500 people who completed our staff survey in May 2023 gave "I enjoy working for Loungers" an average score of 7.8 out of 10 (up from 7.5 in 2022) and "I feel accepted and can be myself here" a score of 8.7. We've recently moved onto a new platform which makes listening to our teams and acting on their feedback much easier. Recently more than 4,000 of our team gave their views and 75% of them answered 'agree' or 'strongly agree' on the question "Overall I enjoy working for Loungers". We continue to plan to run two surveys a year.

We are committed to paying our teams fairly, which includes paying the third of our team who are under 21 an hourly rate that is £0.30p above the national minimum wage, to reflect their value to us. We also pay overtime to salaried team members for every hour above their contracted hours. Our teams can take advantage of paid breaks with food, no matter the length of their shift, as well as a 50% staff discount from their very first day. We also commit that every team member has a 1-2-1 at least once every six months to talk about their career as well as receive feedback.

More than half our workforce is female, and we have set ourselves a target to have 40% of our senior leadership positions held by women over the next five years[1]. Today, women hold 37% of these roles[2]. We are taking steps to ensure that we are equally represented across all roles in both sites and our Head Office and have piloted our first female leadership programme this year which we're looking to expand in FY25.

For those that want them, we help our people to build careers with us and, in FY24, over 70% of our vacant Operations Managers and Operations Chef roles were filled internally, as were 75% of our Regional Operations Manager positions. In our sites in FY24 more than 40% of our Head Chefs and General Manager roles were filled internally and we've set ourselves a target to get this above 50%. This year, we piloted our first "Step Up" programmes for Assistant Managers and Sous Chefs, aiming to give structured career development to our future leaders. During FY25 we have committed to investing more in these structured opportunities for our team in order to drive internal succession.

We now employ more than 8,000 people, and focus hiring decisions more on personality than previous experience, education or qualifications. In 2023, we explored partnerships in Bristol to support young people from disadvantaged backgrounds and minority ethnic groups to build a career in hospitality, and recently signed a partnership with the social enterprise group Babbasa who we will help to highlight and promote careers in hospitality to those from minority ethnic backgrounds in and around the Bristol area. As a signatory of the Race at Work charter we are tracking the ethnicity of new joiners so that we can better understand who is joining us and our level of representation.

PLANET – WE DELIVER HOSPITALITY SUSTAINABLY

Loungers is targeting net zero operations (Scopes 1 and 2) by 2035 and net zero Scope 3 by 2050. In FY24, we engaged an external expert to review our climate impacts as part of our sustainability reporting, and used a cost based model to estimate Scope 3 emissions for the first time. This has given us a baseline for understanding where we can target initiatives to drive the most change, recognising that, with the pace of our growth, reducing our carbon footprint is particularly challenging. To balance that equation, we are focusing on two areas: maximising efficiency and sustainability when we fit out our new sites, and minimising wastage, whether energy, water, or rubbish, in our existing sites. We are exploring options to move our energy supply to renewable energy sources.

When we fit out a new site, we prioritise electricity over gas, use LED lighting throughout, and use air source heat pumps for heating and cooling. We set up close controls on systems, such as lighting and ventilation, and are installing cellar management systems that reduce the energy required to store beer at the correct temperature. All new sites have efficient low volume flushes and aerating mixer taps which require less water, and we are phasing out rinse hoses in our pot washes and replacing them with trigger activated low volume sprayers.

In the second half of FY24 we ran a trial with an external energy partner to review ways to change behaviours and control energy usage in sites and in FY25 we plan to roll this out more widely.

Despite sending zero waste to landfill, we want to increase the volume of waste that is recycled or composted, rather than incinerated in an Energy from Waste plant. In FY24 we trialled a new bin system to make recycling more efficient, as well as reinforcing the importance of segregating food waste so that it can be composted. By the year end we had rolled this out across the entire estate, with the aim of increasing recycling by 10% and the volume of food waste sent for composting by 20% in FY25.

1 As measured through the Executive Committee plus direct reports
2 Measured as of the 12th April 2024

SUPPLIERS – WE ARE WORKING WITH OUR PARTNERS TO RAISE STANDARDS

Over the years, we have created a fantastic network of suppliers, many of whom have grown alongside us. We seek to build meaningful relationships with them, treat them fairly, and work with them to build an ethical supply chain.

We are working to confirm that 100% of our suppliers follow sustainable and ethical practices. As part of this, we have asked our food and soft drinks suppliers to connect with us on SEDEX, to help us understand their social and environmental performance. We are now linked to 91% of these suppliers via SEDEX and have asked the remainder to join. In the Good Stuff report we set year end FY24 as our target date but, once we initiated discussions with our suppliers, we realised that achieving 100% would take longer than expected.

In addition, we have sent out specific questionnaires asking about areas where we have internal standards, such as only buying 100% certified palm oil, sustainable seafood, or free-range eggs.

Once we have embedded SEDEX across our full food and drink supply chain, we will expand it to include our non-food suppliers (such as building materials, furniture, and kitchen equipment) as well as service providers (such as cleaners). In preparation for IFRS S1 and S2, across the first quarter of FY24 we are contacting suppliers to ask about issues such as animal welfare and industry certification. Having recruited a food technologist in 2023, we intend to expand their remit to include factory visits so that we can see our products being made and explore more ways to do things efficiently and sustainably.

NON-FINANCIAL SUSTAINABILITY IMPACT STATEMENT

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

The Board delegates oversight of risks and opportunities to the Audit and Risk Committee. The Audit and Risk Committee is kept informed of key risks and actions through the operation of specific committees, including the Health and Safety Committee and the Sustainability Committee. The Sustainability Committee meets on a regular basis and is responsible for identifying and proposing relevant actions to reduce carbon emissions. As proposals are agreed upon by the Sustainability Committee these are formally presented to the Audit and Risk Committee, and included in business plans where necessary, to ensure that the correct focus is given to delivering the required output.

The Sustainability Committee also facilitates analysis of climate-related risks and opportunities. This group has continued to work alongside external experts to assess material physical and transition risks related to our business. In order to ensure that all risks are identified, it includes representatives from key areas of the business (Commercial, Finance, Operations, Marketing, Compliance, Property and People) as well as an external expert and the Group Managing Director, with the remit of setting Loungers' agenda and targets in this area.

During the year, the Sustainability Committee met to review the risks arising from climate change and these were reported to the Audit and Risk Committee and discussed as part of the overall risk review of the business. As part of this, an external climate risk specialist was consulted to ensure that all key risks had been considered and appropriate mitigation strategies determined. These risks are reviewed on an annual basis, to ensure that they remain up to date and relevant. Risks are assessed at a Group level, however, given the structure of the business, this is very closely aligned and focussed on the risks associated with the main trading subsidiary, Loungers UK Limited.

Loungers classifies risks as either critical or key. Critical risks are those which would prevent the business operating or have a significant impact on profitability or reputation. Key risks are those which the business needs to consider and mitigate in the normal course of business. The critical climate related risks and opportunities reviewed by the Audit and Risk Committee were as follows:

Risk Identified	Mitigation	Type	Risk category	Potential financial impact	Timeframe
Increased rainfall over UK winters increases flood risk	A minimal number of our sites are in coastal or riverside locations at risk of flooding. The risk of flooding is considered as part of the site approval process when selecting new sites and monitored through the annual insurance process.	Physical	Acute	Low to medium	Medium
Drier/ hotter summers leads to droughts/ water shortages, while heatwaves impact our staff	Portfolio of sites with a mix of indoor and outdoor space and suburban/ coastal locations. When fitting out new sites we seek to incorporate technology such as air source heat pumps that will maximise our efficiency.	Physical	Acute	Medium to high	Medium
Extreme weather events cause disruption in supply chains	We use a selection of large national wholesalers to procure our ingredients and continue to work with them to ensure the resilience of their sourcing. In the event of major disruption over a sustained period we would seek to flex our menus accordingly.	Physical	Chronic	Medium to high	Long
Compliance and cost risk from new government regulation	We have sought input from industry experts on our Sustainability and energy reporting. Our teams are kept up to date by industry bodies such as the ICAEW and continue to look out for new legislation coming down the line. The Sustainability Committee monitors new legislation and will report to the Board on any impacts to allow Loungers to respond in a measured and timely fashion	Transitional	Policy, regulatory & compliance	Low to medium	Medium
Cultural shift to prioritising sustainability – opportunity to differentiate ourselves to employees & customers, but a risk if we are not perceived to be responsible	We take frequent feedback from both customers and employees and this is reviewed and taken into account when making menu decisions and policy decisions. We have appointed an industry expert to our Sustainability Committee and worked with specialists (MaltDoctor, Zero Carbon Forum) to help us drive leading sustainability performance	Transitional	Market: consumer preference	Medium	Medium

Timeframe referred to above defined as: Short - 1-5 years, Medium - 5-10 years, Long – 10+ years

Opportunity identified	Actions being taken	Type	Opportunity category	Potential financial impact	Timeframe
Loungers can differentiate itself to its customers by the strength of its sustainable offerings, such as the breadth of our vegan menu	We have set a target of a minimum of 18 vegan options and 36 gluten free options per menu	Transitional	Market: consumer preference	Medium	Medium
Hotter summers in the UK could result in Loungers being able to source more ingredients locally that have previously been imported (e.g. wines, fruit)	We review product lists on a regular basis with our key suppliers. Tools such as Sedex will also give us greater visibility over our supply chain, enabling us to make informed decisions	Physical	Chronic	Low to medium	Medium to long
Identify more sustainable processes and technology to improve efficiency	By increasing focus in areas such as waste and recycling we can reduce costs across the business	Transitional	Technology	Medium	Short

Timeframe referred to above defined as: Short - 1-5 years, Medium - 5-10 years, Long – 10+ years

Key focus areas associated with climate change are shown in our separate Sustainability Report, available on our website.

Loungers' strategy is to support long term business growth whilst minimising its impact on the environment and operating in a verifiably ethical and responsible way. Where we are aware of significant risk or opportunity, the Sustainability Committee is responsible for coordinating the response from the wider business to ensure that we are building the appropriate actions into our operational and financial planning. This includes identifying opportunities (such as current projects to improve energy efficiency and recycling rates) as well as working with suppliers to ensure that we have a secure and ethical supply chain.

As part of our annual review, we have modelled the impact of climate change on our business under different scenarios to review the resilience of our business model and strategy. We have therefore considered the risks out to 2035, being the year targeted for Loungers to achieve net zero, using the scenarios used in UK CCRA3.

SCENARIO 1 – TEMPERATURE RISE OF LESS THAN 2 DEGREES CELSIUS

In this scenario, government intervention through regulation and taxation as well as societal shifts in perception and behaviour limit the average temperature rise to 2 degrees. We would envisage carbon taxation, energy efficiency regulation and mandatory decarbonisation, alongside improvements in technology to maximise efficiency. In this environment, we would expect consumers to start shifting towards less carbon intensive food options as well as avoiding flights. All of these would potentially cause a significant increase in operational and capex costs which would require judicious actions on pricing and controllable costs such as labour.

Under this scenario, our key risks would predominantly be transitional:

Risk	Mitigation
Increased government intervention through areas such as carbon pricing, energy tax, efficiency regulations etc, resulting in higher operating costs and potential impacts on menu choices, fit out options etc	• Menu innovation to reduce reliance on high emission products • Partnership with suppliers to decarbonise supply chain • Pricing decisions to consider carbon costs to preserve margin where needed • More efficient technology in build process reduces operating costs for energy, waste etc
Failure to pivot quickly enough to low carbon options results in lack of compliance, with resulting reputational damage and financial penalties	• Sustainability committee monitors risk horizon • Targets in place to incentivise more efficient build strategies • Strong relationships with external advisors to ensure we don't fall behind the curve

SCENARIO 2 – TEMPERATURE RISE OF MORE THAN 2 DEGREES CELSIUS

In this scenario, regulation would be reactive rather than proactive, responding to extreme weather events as they arose. Risks would therefore mainly be physical, from the impact of droughts, floods etc on our supply chain, our sites, and our staff.

Risk	Mitigation
Global weather becomes unpredictable, with extreme events impacting availability of key products in our supply chain	• Menu innovation to remove products impacted by supply shortages as we did at the start of the Ukraine war • Pricing decisions to offset costs that we cannot absorb
Extreme weather in the UK results in flooding in winter and heatwaves and water shortages in summer, impacting our ability to operate and the health of our staff	• Flood risk monitored as part of Site Acquisition sign off process Diverse portfolio of sites enables us to offset risk in some with opportunities in others
Temperature volatility in the UK results in disruption to energy supply or digital infrastructure	• Investigation of alternative energy generation sources • Digital contingency plans for our data to look at alternative back up options

In this scenario, there could also be opportunities such as:

- New agriculture options in the UK in the warmer climate meaning that new supply chain options are open to us (e.g. wine)
- UK coastal areas become more desirable as holiday destinations, resulting in greater sales potential

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

TARGETS AND KPIS

Our sustainability related targets are as set out in the Good Stuff Report on page 11. These are tracked throughout the year and their delivery forms part of the key strategic priorities against which management are measured.

Loungers is targeting to achieve net zero operations (Scopes 1 and 2) by 2035, in line with the majority of our peers in the hospitality sector. The key metric at Board level for carbon emissions is tonnes CO2e/£m turnover. As we did last year, in FY24 we engaged a specialist consultancy to calculate the carbon footprint of the whole supply chain from procurement of purchased goods and services through operations and included the impact of sold goods and services.

As part of this process, we have used a spend based model to estimate Scope 3 emissions (those emissions from activities outside our control but for which we are indirectly responsible up and down our value chain) in addition to the Scope 3 energy component as set out in the SECR reporting.

This has given us the base to enable us to track our progress to net zero, acknowledging that reducing carbon emissions while growing our business so strongly is challenging. Over the course of FY24, we have made progress on reducing our carbon footprint relative to the size of the business, with our total CO2e tonnes per £m revenue decreasing by 6% to 47.4, compared to 50.2 in FY23.

STREAMLINED ENERGY AND CARBON REPORTING

The data below relates wholly to the United Kingdom and covers the 53 week period to 21 April 2024 and 52 weeks to 16 April 2023.

	2024 Energy Usage (kWh)	2024 GHG Emissions (CO_2e tonnes)	2023 Energy Usage (kWh)	2023 GHG Emissions (CO_2e tonnes)
Grid electricity	42,993,946	9,663	32,696,804	7,739
Natural gas	32,584,875	5,995	30,188,963	5,554
Transport fuel (purchased and reimbursed)	4,459,776	1,097	3,819,067	939
Total	**80,038,597**	**16,755**	**66,704,834**	**14,232**
Scope 1	33,373,893	6,193	30,773,728	5,701
Scope 2	42,993,946	8,903	32,696,804	7,161
Scope 3	3,670,758	1,659	3,234,302	1,370
Total	**80,038,597**	**16,755**	**66,704,834**	**14,232**
Intensity ratio				
Annual revenue (£000)		353,486		283,507
Total CO_2e tonnes per £m revenue		47.4		50.2

QUANTIFICATION AND REPORTING METHODOLOGY

We have followed 2019 HM Government environmental reporting guidelines to ensure compliance with the SECR requirements. The DEFRA issued 2023 conversion figures for CO_2e 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 REDUCE CARBON AND IMPROVE ENERGY EFFICIENCY

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

- Trialled energy management processes and technologies at a number of sites
- Installed air source heat pumps in new sites
- Continued to reuse materials in its sites, such as reclaimed flooring and vintage lampshades
- Continued to collect used cooking oil from its sites for recycling into bio-fuel
- Introduced a new bin system to divert more waste to be recycled or composted
- Worked with suppliers to reduce packaging into sites, and increase use of reusable solutions
- Improved focus on water management

INVESTORS AND GOVERNMENT

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

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

DIRECTORS' DUTIES - S172 STATEMENT

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

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

The Directors consider the Group's key stakeholders to be its employees, its customers, its suppliers, the communities in which it operates and its shareholders. Details about how the Group interacts with these stakeholders can be found in the ESG section of the Strategic Report on pages 11 to 19.

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 11 to 19 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, the key strategic issues under discussion by the Board included the management of a second year of significant National Living Wage increase and menu pricing against a backdrop of inflation and consumer pressure, There was also continued focus on recruitment and retention, including the development of the Group's organisational structure and ensuring that it is well equipped for future growth.

RECRUITMENT AND RETENTION

The Group monitors retention rates and conducts exit interviews with all senior salaried employees and seeks feedback from all leavers. Following a number of regional recruitment shortages, the Executive Directors and the brand Managing Directors sought to address key themes being raised by employees through a specific paper on Recruitment and Retention. The responses to the issues raised were developed into "The Commitments" in 2023, as referenced in the ESG section of the Strategic report on pages 12 and 13. During the year the Board continued to evaluate the success of these initiatives in order to maintain the focus on ensuring that our sites were appropriately staffed to deliver the levels of hospitality that Loungers wishes to deliver to its customers.

BRIGHTSIDE

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

NEW SITES

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

FINANCIAL REVIEW

I am pleased to be able to report on a year of significant progress, not least in respect of our journey to restore margins to pre Covid levels.

We have delivered record sales on the back of market leading LFL revenue growth in our mature estate, strong sales performance in our newer sites and a record 36 new site openings. In addition, we have taken a significant step towards our medium-term goal of returning to our pre-Covid Adjusted EBITDA margin through a combination of disciplined cost management and an easing of inflationary pressures. Our strong cash conversion continues to allow us to fund our growth through internally generated profits. We remain very confident in our ability to deliver strong top line performance through our compelling all-day offer in our existing and new sites, and to improve profitability against easing inflation and lower interest rates for the UK consumer. As a result, we see significant potential to continue our strong growth trajectory over the coming years.

Year on year revenue was up by 24.7% to a record £353.5m on a 53-week basis (FY23: £283.5m). Excluding the benefit of the 53rd week, total sales were up 22.2%. This sales performance reflects both continuing strong LFL sales growth across our mature estate (+7.5% across 53 weeks) and the ongoing success of our new site opening programme. Headline operating margin increased from 5.2% to 5.7% as the benefits of improved gross margin performance exceeded receding cost inflation.

Net cash generated from operating activities on a 53-week basis of £64.6m represented 108% (2023: 108%) of IFRS 16 Adjusted EBITDA and continues to reflect the working capital benefits accruing from the strong LFL sales performance and the new site opening programme. Post investing and financing outflows, which included capital expenditure cash outflows of £47.7m and the reduction of the term loan from £32.5m to £20m, cash balances decreased by £16.0m to £10.3m. We continue to be pleased with the returns on capital from the estate. Total year end IFRS 16 net debt increased by £19.8m to £160.7m, the increase driven by taking on new leases with a capital value of £27.0m at inception.

We use a range of financial and non-financial measures to assess our performance. A number of the financial measures, for example 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, which is defined as operating profit before depreciation, impairment, pre-opening costs and share based payments) 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 84.

	IFRS 16	
	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Revenue	353,486	283,507
Operating profit	20,315	14,751
Operating margin (%)	5.7%	5.2%
Profit before tax	11,444	7,334
Fully diluted earnings per share (p)	8.5	6.5
Net cash generated from operating activities	64,648	51,107
Net debt	160,670	140,859

The table below summarises the key APM's under both IFRS 16 and IAS 17 for the past two financial years (with FY24 on a 52 week basis to aid comparison):

	52 weeks ended 14 April 2024 £000	52 weeks ended 16 April 2023 £000	Year on year Growth %
Sites at year end	257	222	+15.8%
New sites opened	36	29	+24.1%
Revenue	346,570	283,507	+22.2%
Adjusted EBITDA – IFRS 16	58,559	47,349	+23.7%
Adjusted EBITDA margin (%) – IFRS 16	16.9%	16.7%	+0.2ppt
Adjusted EBITDA – IAS 17	43,490	34,221	+27.1%
Adjusted EBITDA margin (%) – IAS 17	12.5%	12.1%	+0.4ppt
Net debt – IAS 17	8,494	6,022	+41.0%

Over the five years since IPO the Group has grown revenue by 127% on a 52 week basis, a function of growing the estate by 76% and a consistently strong LFL sales performance, across all cohorts.

The adjusted 52-week EBITDA (IAS 17) of £43.5m delivers a margin of 12.5%, up 40 basis points on FY23. The Group has succeeded in expanding its gross margin whilst retaining the core value for money principles that are at the heart of the offer, and this has offset the impact of the significant National Living Wage increases. This leaves the business well placed on its medium-term journey to return to the pre-Covid margin level of 13.5%.

Non-property net debt increased to £8.5m, a year on year increase of £2.5m. This largely reflects the increase in the pace of the new site roll out programme, which increased to 36 sites in the year under review.

IMPAIRMENT COSTS

The statutory operating profit of £20.3m is after incurring net impairment charges of £2.5m. These costs include:

- £3.9m relating to the impairment of right of use assets
- £0.8m relating to the impairment of property, plant and equipment
- The release of prior year impairment provisions totalling £2.2m

The impairment methodology included the calculation of a value in use for all sites. This valuation was based upon three year site cash flow forecasts covering FY25 through to FY27 which incorporated assumptions regarding future trading, and a full allocation of central costs and maintenance capex spend. The release of excess impairment provisions created in prior years relate to the improved trading performance in a number of sites relative to the assumptions about future trading made at the time of the impairment.

The main driver of this year's charge was the impairment of the Cosy Club in Harrogate, which was closed on 1 April 2024. This site was opened on 31 August 2022 but due to site specific factors struggled to trade at acceptable levels, accordingly the Board took the decision to close. As at 21 April 2024, an impairment of £2.5m was charged in relation to the Harrogate property. At the point of closure, there was 18 years remaining on the lease, which has been fully provided for in the above charge. There is an intention to sub-lease the site and if achieved, this will result in a partial reversal of the above impairment.

LONG TERM EMPLOYEE INCENTIVES

Employee engagement and retention remains a key area of focus, and share awards continue to play a significant role in these efforts. During the year the Group granted further share awards under the employee share plan (588,500 shares) and the senior management restricted share plan (629,192 shares). These awards were made to a total of 1,267 employees who work across the business, predominantly at site level, and in hourly paid and salaried positions. In addition, awards covering 992 employees and in respect of 810,647 shares vested in the year.

The Group recognised a share based payment charge in the year of £3.9m (2023: £4.0m), 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 £9.0m (2023 £7.6m) include IFRS 16 lease liability finance costs of £7.0m (2023: £6.1m) and bank interest payable of £2.0m (2023: £1.5m). The Group received interest of £0.2m (2023: £0.2m) on its positive cash balances.

Net debt at the year end including property leases of £160.7m (2023: £140.9m) reflects the impact of adding new lease liabilities of £27.0m in the year.

During the year the Group refinanced its borrowing facilities with its existing lenders, paying down £12.5m of the term loan to leave a term loan debt of £20.0m and extending the RCF to £22.5m to leave total facilities unchanged at £42.5m. The Board continues to consider the options for hedging the interest rate risk on the outstanding term loan.

TAXATION

The Group has reported a tax charge of £2.3m for the financial year to 21 April 2024 (2023: charge of £0.4m) and at year end carried a corporation tax receivable of £1.2m (2023: £0.1m receivable). The corporation tax charge represents 20.3% of profit before tax (2023: 5.5%), with the prior year benefiting from the 130% capital allowance super deduction, without which the corporation tax rate would have been 20.9%.

CASH FLOW AND CAPITAL EXPENDITURE

Net cash generated from operating activities of £64.6m (2023: £51.1m) reflects a working capital cash inflow of £9.0m (2023: cash inflow of £7.3m).

Cash outflows in the year in respect of capital expenditure totalled £47.7m (2023: £37.0m) and compare to the cost of fixed asset additions (excluding right of use assets) recognised in the year of £47.2m (2023: £39.2m). These additions included £38.6m in respect of new site openings of which £35.7m related to 36 sites opened in the year (2023: £29.6m in respect of new site openings of which £26.9m related to the 29 sites opened in the year).

KEY PERFORMANCE INDICATORS ("KPI's")

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

	53 weeks ended 21 April 2024	52 weeks ended 16 April 2023
New site openings	36	29
Capital expenditure (excluding IFRS16 RoU assets)	£47.2m	£39.2m
LFL Sales growth	+7.5%	+7.4%[1]
Total sales growth	22.2%[2]	19.5%
Adjusted EBITDA margin (IFRS16)	16.9%	16.7%

[1] One year LFL calculated over 48 weeks from 16 May 2022
[2] Sales growth over the 52 weeks ended 14 April 2024 versus the 52 weeks ended 16 April 2023

GOING CONCERN

In concluding that it is appropriate to prepare the financial statements for the 53 weeks to 21 April 2024 on the going concern basis attention has been paid both to the current sector headwinds in terms of consumer confidence and inflationary pressures and also longer term risks such as climate change.

The Group has traded successfully over the past financial year and ended the year with net debt (including property leases) of £160.7m and total liquidity of £32.8m.

In order to assess the Group's going concern position the Board has considered a base case and downside case scenario. The base case assumes no further selling price increases beyond those put through in March 2024 and flat volumes and reflects current assumptions in respect of future cost inflation. The base case scenario indicates that the Group has significant headroom in respect of both its liquidity position and its banking covenants.

In the downside scenario it has been assumed that sales volumes fall by 10% from the base case with an associated reduction in labour and variable cost efficiency and a resultant 31% decline in adjusted EBITDA. Under this scenario the Group is able to maintain its new site opening programme and continues to have significant liquidity and banking covenant headroom and accordingly the Directors have concluded that it is appropriate to prepare the financial statements for the 53 weeks ending 21 April 2024 on the going concern basis.

Stephen Marshall
Chief Financial Officer
9 July 2024

PRINCIPAL RISKS AND UNCERTAINTIES

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

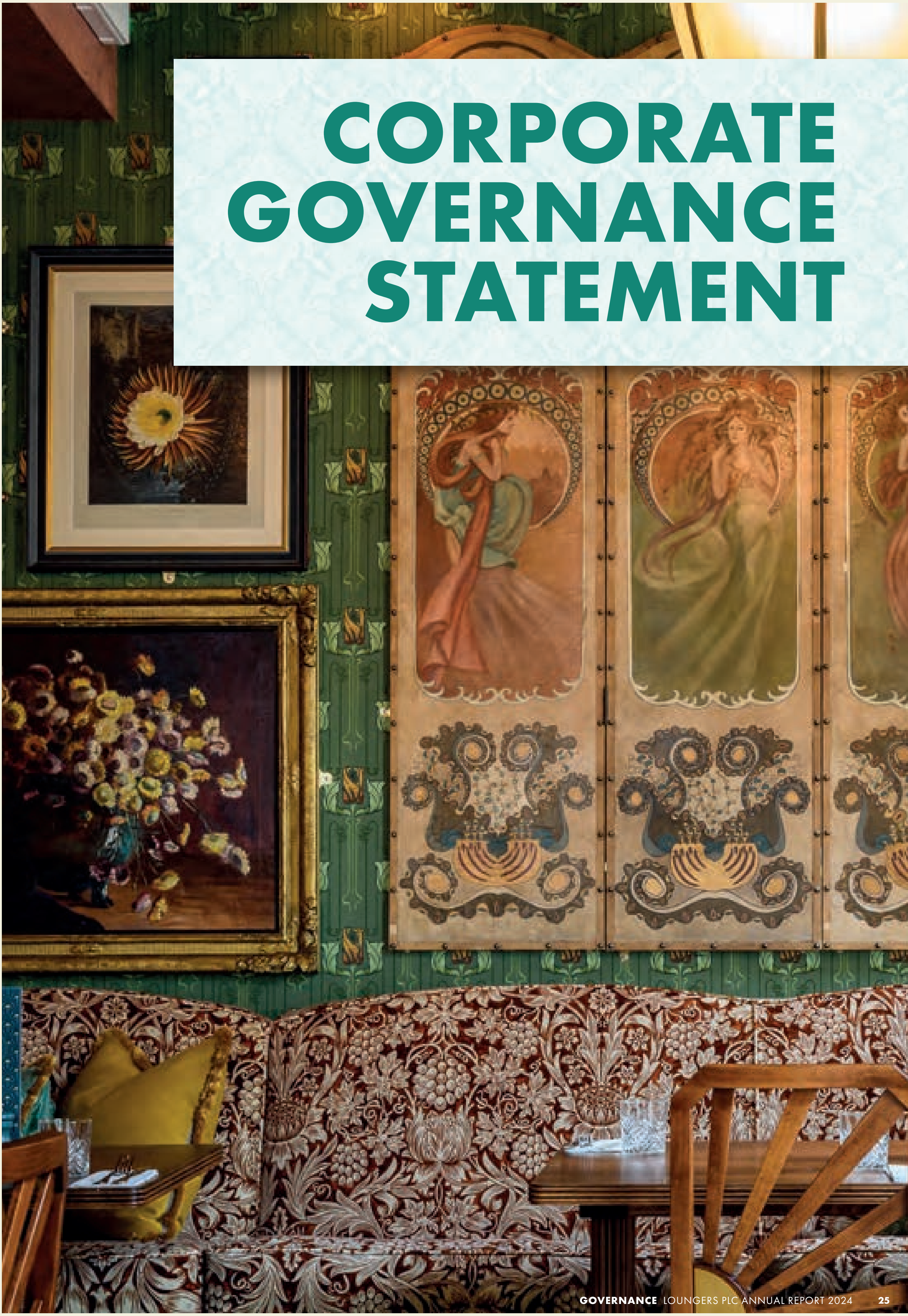
The Directors consider the following to be the principal risks faced by the Group:

KEY RISKS	RISK DESCRIPTION	MITIGATING ACTIONS
Consumer confidence	The Group derives all its profits from the United Kingdom and is therefore sensitive to fluctuations in the UK economy. The Group's performance depends to a certain extent on several factors outside of the control of the Group which impact on consumer sentiment.	The Group's existing offer has value for money as a core principle and the Directors believe this will provide a level of resilience in the event of a consumer slow down.
Cost inflation	The Group operates in a sector that has seen significant cost pressures over the past two years, notably staff costs driven by annual increases in the National Living Wage ("NLW"), utilities and food and drink input cost inflation. The value for money principles of the Group's offer require the Group to manage cost inflation tightly.	The increasing scale of the Group and its attractiveness to suppliers has assisted in mitigating cost inflation in respect of food and drink products. Utility costs are hedged 100% to September 2024 and 100% to September 2025. The Group continues to monitor its supply chain constantly and seeks to optimize efficiency through a number of initiatives.
Health and safety and food safety	The health and safety of the Group's employees and guests is of key concern and the Group is required to comply with health and safety legislation that includes fire safety, food hygiene, and allergens.	The Group invests significantly in the training of its employees and in third party specialists to ensure adherence to legislation and the safety of our employees and guests. Allergen training is mandatory for all employees in sites. The Group has established a Health and Safety Committee to oversee the operation and development of health and safety policies and health and safety matters are formally reported to the plc Board.
Recruitment and retention	The success of the business to date and our ability to maintain our roll-out programme is in large part down to our ability to recruit and retain the best teams in our sites. Recruitment remains challenging across the hospitality sector. The increased level of competition has the potential to put additional pressure on wage inflation.	Employee engagement and satisfaction is a key focus of management. Employees are incentivised through a mixture of competitive pay scales, bonus and equity awards. The Group is also committed to offering a fair and supportive workplace. The Group continues to strengthen its recruitment and training and development teams to assist in recruiting and retaining the best talent.
Availability of new sites	The Group's growth strategy includes an expectation that we can continue to open up to 36 new sites per annum. The Board only approves new site investment where strict economic criteria are met. The availability of sites, with the correct rent levels, cost of investment, and demographics, are critical to the delivery of the roll-out programme.	In the current economic environment there is considerable new site acquisition opportunity in a more tenant friendly environment. The Group continues to strengthen its property team to ensure that we can respond to the right opportunities in a timely fashion.
Information technology and data security	The Group is increasingly reliant on information technology and the risk of failure leading to disruption of trading, loss of data and reputational damage. The Group recognises that cyber threats pose a significant risk and works to continually assess and manage these risks.	The Group continues to invest in its IT platforms to ensure that upgrades are implemented on a timely basis and that appropriate data protection measures are in place.
Environment and sustainability	The Group recognises that climate change may impact on its ability to operate, through weather related impacts (flooding closing sites, disruption to supply chain) and shifts in consumer behaviour towards sustainable choices.	Loungers seeks to deliver a credible ESG agenda for its customers and employees. The Group has established a Sustainability Committee to monitor climate related risks, set targets for efficiency and decarbonisation and deliver initiatives to meet those targets effectively.

The Strategic Report, from pages 3 to 24, was approved by the Board of Directors and signed on its behalf by:

Nick Collins
Chief Executive Officer
9 July 2024

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 257 sites at 21 April 2024. 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.

STEPHEN MARSHALL
CHIEF FINANCIAL OFFICER (APPOINTED APRIL 2024)

Stephen Marshall joined the Group in April 2024 as Chief Financial Officer. Stephen qualified as a Chartered Accountant with EY in 1995 and spent 13 years in various senior finance roles with Bass plc and Somerfield plc, leaving when that company was sold to the Cooperative Group in 2009. He then joined Dyson Ltd as UK Finance Director, where he spent eight years in a number of senior commercial and group roles. He joined Nisbets plc, the catering equipment supplier, as CFO in 2018, where he led the business through Covid before moving to Pure Electric Ltd, the micromobility start-up, as CFO in 2021.

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 has held positions as Senior Independent Director of Hollywood Bowl Group plc (2016 – 2024), Hyve Group plc (2019 - 2023) and Guardian Media Group Plc (2007 – 2017) and as Non-Executive Director at Marston's Plc (2012 – 2018) and All3Media Ltd (2011 – 2014). He currently also serves as Non-Executive Chairman of Giggling Restaurants Limited (2019-present). 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 served on the Board at Ten Entertainment Group plc (2018 – 2024), latterly as Chairman (2021-2024) and is also currently a Non-Executive Director at Gymfinity Kids Limited (2020 - Present). Adam was a Non-Executive Director of In the Style plc from 2021-2023. During his executive career Adam held a number of finance positions at multi-site retail and leisure businesses, he was previously CFO (2012-2018) and then a Non-Executive Director (2018-2020) at Pure Gym Ltd, prior to which he was Finance Director at Atmosphere Bars & Clubs Ltd (2009 – 2012) and Finance Director at D&D London Ltd (2006 – 2009).

JILL LITTLE
INDEPENDENT NON-EXECUTIVE DIRECTOR

Jill joined the Board in March 2019 as an Independent Non-Executive Director and chair of the Remuneration Committee. Jill also held positions as Non-Executive Director at Joules Group plc (2016-2023), 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 Group's governance arrangements, particularly at Board level.

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

COMPLIANCE WITH THE QCA CODE

The Group has chosen to adopt and report against the Quoted Companies Alliance Corporate Governance Code 2018 (the "**QCA Code**"). This Corporate Governance Statement for the financial year to 21 April 2024 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 Group'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.

The Board has noted that the Quoted Companies Alliance issued a revised Corporate Governance Code in November 2023 (the "QCA Code 2023"). A full review of the QCA Code 2023 will be undertaken to ensure compliance with the new requirements.

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 24. The Board will hold its next annual strategy day in September 2024, part of which will be attended by senior members of the management team. In addition to consideration of the Group's operational strategy, the session will provide an opportunity for discussion around other topics of key strategic importance.

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 Group'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 Group's shareholder base at Board meetings.

The Group takes its corporate social responsibilities very seriously. The Board recognises that, for the Company to achieve long-term success, effective working relationships must be maintained across a wide range of stakeholders, including shareholders, employees, existing and new customers, suppliers and others that it collaborates with as part of its business strategy. In order to further governance and transparency in this area, the Board has established a Sustainability Committee, chaired by the Chief Operating Officer, to develop and deliver the Group's ESG objectives. More information on these objectives and the FY24 progress against them is contained in 'The Good Stuff' section of this report on pages 11 to 14.

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 24. The Board regularly monitors the risks the Company faces and takes appropriate action where necessary. This has continued to be an area of focus for the Board as the Company has navigated through UK economic concerns and increased business costs. The Board is particularly cognisant of the recent further increases in inflation and interest rates and the impact this could have on consumer discretionary spending.

Maintaining a Dynamic Management framework

As Chairman, I consider both the operation of the Board as a whole and the performance of individual Directors regularly. We carry out an annual Board performance evaluation, in compliance with principle 7 of the QCA Code, which was conducted in August 2023.

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 19, within the ESG section of the Strategic Report. 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 and Risk 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 32, 34 and 39, 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 26. Further details of the roles of the Board can be found on the Company's website: www.loungers.co.uk.

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

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

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

BOARD AND COMMITTEE MEETINGS

During the year the Board has met formally 10 times, the Audit and Risk Committee three times, the Remuneration Committee four 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.

During the year, all meetings were held in Bristol, with the majority of people attending in person.

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

Director	Scheduled Board Meetings	Audit and Risk 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	9/10	NA	NA	NA
Non-Executive Directors				
Nick Backhouse	10/10	3/3	4/4	2/2
Adam Bellamy	10/10	3/3	4/4	2/2
Robert Darwent	10/10	NA	NA	NA
Jill Little	10/10	3/3	4/4	2/2

Only the independent Non-Executive Directors are Committee Members.

Other Directors regularly attend Committee meetings.

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

Gregor Grant missed a scheduled Board meeting on 13 October 2023 due to a family emergency.

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 and Risk 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, Panmure Liberum Limited and Peel Hunt LLP and its Financial Public Relations Adviser, Powerscourt. The Board also uses the services of an external company secretarial provider, Link Company Matters Limited ("**Company Matters**").

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

CONFLICTS OF INTEREST

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

BOARD AND COMMITTEE EVALUATION

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

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

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

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

The most recent evaluation was conducted in August 2023, overall, the results showed a positive view on the functioning of the Board and its Committees.

STAKEHOLDER ENGAGEMENT

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

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

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 Ritorno Lounge, Unit 3, V-Shed, Canons Road, Bristol, BS1 5UH on 8th October 2024. 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
9 July 2024

AUDIT AND RISK COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Audit and Risk Committee Report for the 53 weeks ended 21 April 2024.

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

ROLES AND RESPONSIBILITIES

The purpose of the Committee is to oversee the internal financial controls and risk management system of the Group, to recommend the half and full year financial results to the Board, to review and monitor the internal and external audit processes and auditors, the integrity of all formal reports and announcements relating to the Company's financial performance and how risk is reported internally and externally. The Audit Committee adopted new terms of reference at the start of the financial year as it expanded its remit to become the Audit and Risk Committee, with responsibility for a wider range of risk management.

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

- Reviewing the Group's risk management processes, key risk register and risk mitigations and assessing the effectiveness of the Group's internal control framework
- 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 and approving the Group's 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 Group's tax strategy and compliance with UK tax regulation; and
- Considering new accounting standards and their implications for the Group.

SIGNIFICANT ISSUES

The significant issues considered by the Audit and Risk Committee in respect of the FY24 Annual Report are as follows:

- Impairment of tangible fixed assets and right of use assets – management has undertaken an impairment review at individual site level, taking account of economic factors such as cost of living, energy costs and supply chain inflation. The key assumptions underpinning cash flow forecasts, future growth rates and discount rates were reviewed by the Committee and the decision taken to impair 11 sites, but to release impairment provisions made in previous years against four sites, resulting in an overall net impairment charge of £2.5m.
- Impairment of goodwill – similarly to the review of tangible fixed assets, the Committee has reviewed key assumptions and forecasts for the Group and is satisfied that no impairment charge is required to be taken in the year in respect of the pre-existing goodwill.
- Accounting for restructuring – following the strike off of Lion/ Jenga Bidco Ltd, Lion/ Jenga Midco Ltd, Lion/ Jenga Topco Ltd, Route Restaurants Ltd and Nightlife Leisure (South West) Ltd, the Committee has reviewed the accounting treatment and is satisfied that the acquisition values have been fairly represented in the Group's financial statements.
- Dilapidations – as Loungers' portfolio of sites matures, management has considered whether it is appropriate to create a provision for dilapidations. While the intention would be to renew leases where we are trading profitably, it was deemed appropriate to adopt a policy to review for potential dilapidations when a lease has less than five years left and is not protected under the Landlord and Tenant Act and to provide for dilapidations as appropriate. The Committee reviewed the proposed policy and considered it appropriate at this stage to not make a provision for FY24, but to keep this under review for the FY25 year.
- Alternative Performance Measures (APMs) – Loungers uses certain non-statutory measures such as Like for Like sales and Adjusted EBITDA to assist stakeholders in understanding the performance of the Group. The Committee has reviewed the use

of these measures and is satisfied that their use is not excessive and that they remain relevant to understanding the financial performance of Loungers as reported in the financial statements.

- Going concern – The Committee has considered the impact of the base and downside case on the profitability, cash flows and liquidity of the Group. The Committee is satisfied that the Group has sufficient liquidity to support the assessment that it is appropriate to prepare the FY24 financial statements on the going concern basis.
- Non Financial Sustainability Impact Statement - The Committee has reviewed the reporting prepared by the Chair of the Sustainability Committee and is satisfied that the reporting is an accurate representation of Loungers' position.

RISK MANAGEMENT AND INTERNAL CONTROLS

The principal risks relating to the ongoing operations of the business, including climate change risk, were reviewed by the Audit and Risk Committee in November 2023 and March 2024. The Audit and Risk Committee is responsible for reviewing the current and prospective risks faced by the Group and determining whether there are effective internal processes and controls for mitigating these risks where appropriate. The risk environment is considered at every meeting and from FY25 the Committee will select two of the principal risks of the business for a detailed review during the year.

During the year, the Audit and Risk Committee reviewed key risks and controls with a view to establishing clear accountabilities for risk management, as well as giving greater consideration to areas where risks were deemed to have increased compared to last year. The Group's financial control environment was reviewed in the context of the growth of the business and judged to be adequate to prevent material misstatement. Following Loungers' transition to large company status with HMRC, particular focus was also given to reviewing and documenting risk processes and controls relating to taxation.

ROLE OF THE EXTERNAL AUDITORS

The Audit and Risk Committee monitors and oversees the relationship with the external auditors, PricewaterhouseCoopers LLP, to ensure that external auditor independence and objectivity are maintained. The Committee assesses the independence of the external auditors and effectiveness of the external audit process before making recommendations to the Board in respect of their re-appointment. The Audit and Risk Committee seek confirmation from the external auditors that they have remained independent within the meaning of the APB Ethical Standards of Auditors. PricewaterhouseCoopers LLP has not undertaken any additional work for Loungers during the year other than the year end audit.

SHARE DEALING, ANTI-BRIBERY AND WHISTLEBLOWING

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

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

OTHER MATTERS

The Audit and Risk Committee reviewed and approved amendments to its terms of reference during the year, which are published on the Group's external website.

The Group's tax strategy was considered and approved by the Committee in November 2023 and is also published on the Group's external website.

Adam Bellamy
Audit and Risk Committee Chairman
9 July 2024

REMUNERATION COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Remuneration Committee Report for the 53 weeks ended 21 April 2024.

The Committee consists of the three independent Non-Executive Directors and is chaired by myself. The Committee met 4 times during the year, and as shown in the Chairman's Corporate Governance Statement on page 29, 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, Chief Financial Officer and Chief People Office occasionally attend meetings and provide information and support as requested. Executive Directors are not present when their own remuneration package is considered.

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

REMUNERATION – EXECUTIVE DIRECTORS

The current on-going structure consists of the following elements:

- Base salary – Set at a level resulting in fixed pay broadly in line with other companies of a similar size
- Benefits & Pensions – Private Medical care is offered to Executive Directors of which Alex Reilley and Nick Collins have opted into.
- Annual bonus – cash bonus up to a normal maximum of 100% of base salary subject to achieving stretching financial and non-financial targets
- Long Term Incentive Place ("LTIP") – awards of free shares worth up to 150% of base salary each year which vest three years later, subject to continued employment and the satisfaction of performance conditions.

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

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

The Remuneration Committee has approved a 4% salary increase for the following Executive Directors with the revised salaries becoming effective 1 May 2024. This level of increase is below the wider workforce average.

- Alex Reilley - £252,252
- Nick Collins - £408,408

Our outgoing CFO, Gregor Grant receives a salary of £231,000 and was not eligible for an increase.

Annual Bonus

All Executive Directors have a bonus opportunity at a normal maximum of 100% of base salary. For the 2023/24 financial year, payout was based on a mix of stretching financial metrics (using Adjusted EBITDA – IAS17) and measurable non-financial targets linked to the Company's strategy around our team and our customers. The Remuneration Committee set the financial targets by reference to Group budgets and analysts' forecasts. Payments under the annual bonus plan are subject to typical malus and clawback provisions.

The Committee intends for the 2024/25 financial year to continue to have a payout based on a mix of stretching financial metrics (Adjusted EBITDA – IAS17) as well as measurable non-financial targets.

Long-term Incentives

Executive Directors receive annual long term incentive awards under a Performance Share Plan ("PSP"). Free shares up to 150% of base salary are made each year which vest three years later, subject to continued employment and the satisfaction of performance conditions. Awards are subject to typical malus and clawback provisions. The 2023/24 awards over Ordinary Shares were approved to Executive Directors of the following value:

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

Key members of senior management also participate in the plan.

TSR performance against a bespoke group of hospitality and leisure comparators applies to 50% of awards. TSR performance is measured on a sliding scale between median and upper quartile performance against the comparator group.

Group 3 Year TSR	Part of the award that may vest
Upper quartile or better	100%
Median	25%
Below median	0%

The remaining 50% of awards are based on stretching EPS targets, which the Committee considers incentivises management to both grow revenue and manage costs in a balanced way. The performance range is determined by the Committee by reference to Group budgets and analysts' forecasts. Full details of the targets for the 2023/24 awards are as follows with a sliding scale operating between the thresholds.

Group EPS for FY 2026[1]	Part of the award that may vest
21.2p or more	100%
18.6p	75%
16.1p	50%
15.4p	25%
Less than 15.4p	0%

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

The Committee intends to make further awards in 2024/25 up to 150% salary under the PSP to the Executive Directors under a consistent structure with 50% of the award being based on TSR and 50% of the award being based on EPS. The Committee will conduct a thorough review of the EPS targets and Comparator Group prior to any awards being made, and full details of the award will be disclosed in next year's Directors Remuneration Report.

2023/24 INCENTIVE PLAN PAYOUTS

As outlined elsewhere in the Annual Report, the Company continues to report strong like for like sales growth resulting in delivery of record total revenue of £353.5m, Adjusted EBITDA (IFRS16) of £59.6m and the opening of 36 new sites.

Annual bonuses for 2023/24 were driven by a mix of Adjusted EBITDA (IAS17) performance (70%) and performance against three measurable non-financial targets linked to the Company's strategy (30%).

Based on the performance during the year, the bonus will pay out at 92.5% of the maximum performance level resulting in the following payments:

- Alex Reilley £224,359
- Nick Collins £363,248
- Gregor Grant £213,675

There were no long-term incentives vesting in relation to the 53 weeks ended 21 April 2024 and no Committee discretion has been applied to FY24 remuneration outcomes.

REMUNERATION – NON-EXECUTIVE DIRECTORS

The remuneration policy for the non-executive directors is to pay fees necessary to attract the individual of the calibre required, taking into consideration the size and complexity of the business and the time commitment of the role, without paying more than is necessary. A review of the fees for non-executive directors was completed in 2023. 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 continue to consider equity participation to be an important element of attracting, retaining, and incentivising key staff. To this end the Group has previously operated two share schemes: the senior management restricted share plan ("RSP") and the all employee share plan ("ESP"). Further details are provided in Note 21.

The RSP is a discretionary executive share plan. Awards are made on an annual basis, and as proposed by the executive directors, at the discretion of the Remuneration Committee. There will be an overall cap on the number of shares that can be issued under the RSP equal to the dilution limit of 10 per cent in 10 years (such amount to be reduced by any dilution arising from the VCP and/or the Employee Share Plan). The Group has also operated 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 normally subject to a three-year vesting period from the date of grant subject to continued employment with the Group. During the year 629,192 nil cost options were awarded to 133 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 made over 588,500 shares were made to 1,177 employees under the ESP, and post year end a total of 464,500 shares were cash settled in respect of those awards.

In FY25, Loungers intends to make changes to the operation of the Employee Share Schemes and the ESP will no longer be used. In place of the ESP Loungers intends to bring General Managers and Head Chefs into the RSP, with no performance conditions, subject to a two-year vesting period from the date of grant, in addition to operating a loyalty plan which is available to everyone that really rewards our team via ways they most value. The number of awards will be disclosed in the FY25 Director's Remuneration Report.

SINGLE TOTAL FIGURE OF REMUNERATION TABLE (AUDITED)

	Salary / Fees		Benefits / Pension		Annual Bonus		Long-term incentives[2]		Total	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Alex Reilley	243	231	1	-	224	40	167	56	635	327
Nick Collins	393	374	1	-	363	65	290	148	1,047	587
Gregor Grant	231	220	-	-	214	39	211	74	656	333
Nick Backhouse	59	55	-	-	-	-	-	-	59	55
Adam Bellamy	54	50	-	-	-	-	-	-	54	50
Jill Little	54	50	-	-	-	-	-	-	54	50
Robert Darwent[1]	-	-	-	-	-	-	-	-	-	-
Total	1,034	980	2	-	801	144	668	278	2,505	1,402

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

2. Long term incentives are recognized on the date that share awards vest, valued at the share price on the date of vesting. In FY24 there were two awards that vested for Executive Directors, being the second tranche of shares under the value creation plan and the first tranche of the Retention Award.

DIRECTORS' INTERESTS (AUDITED)

As at 21 April 2024 the Directors of the Group held the following number of 1p ordinary shares.

	Beneficially owned at 21 April 2024	Vested, unexercised share awards at 21 April 2024
Alex Reilley	6,751,432	113,358
Nick Collins	956,276	674,434
Gregor Grant	180,148	195,064
Nick Backhouse	13,903	-
Adam Bellamy	24,012	-
Jill Little	13,903	-

Robert Darwent is a Director of Lion Capital. At 21 April 2024, funds managed by Lion Capital were interested in 26,728,524 shares.

OUTSTANDING DIRECTORS' SHARE AWARDS (AUDITED)

	Scheme	At 16 April 2023	Granted	At 21 April 2024	Share price at grant	Exercise price	Date of Grant	Exercisable from	Expiry Date
Nick Collins	IPO RSP[1]	450,000	-	450,000	2.00	Nil	29-Apr-19	29-Apr-20	29-Apr-30
	RSP - VCP[2]	238,292	-	238,292	2.51	Nil	27-Apr-22	13-Jul-22	27-Apr-32
	RA[3]	-	131,143	131,143	2.00	Nil	2-May-23	25-Jul-23	1-May-33
	FY25 PSP[4]	-	267,780	267,780	1.92	Nil	1-Jun-23	25-Jul-25	31-May-33
	FY26 PSP[5]	-	259,493	259,493	2.26	Nil	13-Dec-23	25-Jul-26	12-Dec-33
Gregor Grant	IPO RSP[1]	50,000	-	50,000	2.00	Nil	29-Apr-19	29-Apr-20	29-Apr-30
	RSP - VCP[2]	119,146	-	119,146	2.51	Nil	27-Apr-22	13-Jul-22	27-Apr-32
	RA[3]	-	131,265	131,265	2.00	Nil	2-May-23	25-Jul-23	1-May-33
	FY25 PSP[4]	-	131,264	131,264	1.92	Nil	1-Jun-23	25-Jul-25	31-May-33
	FY26 PSP[5]	-	127,202	127,202	2.26	Nil	13-Dec-23	25-Jul-26	12-Dec-33
Alex Reilley	RSP - VCP[2]	89,359	-	89,359	2.51	Nil	27-Apr-22	13-Jul-22	27-Apr-32
	RA[3]	-	107,569	107,569	2.00	Nil	2-May-23	25-Jul-23	1-May-33
	FY25 PSP[4]	-	110,262	110,262	1.92	Nil	1-Jun-23	25-Jul-25	31-May-33
	FY26 PSP[5]	-	106,850	106,850	2.26	Nil	13-Dec-23	25-Jul-26	12-Dec-33

(1) The IPO 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.

(2) As outlined in the FY22 Directors Remuneration Report, the performance period under the VCP ended in April 2022. The measurement of performance over the performance period resulted in the following nil cost options awarded to each of the Executive Directors: Alex Reilley – 89,359 shares, Nick Collins – 238,292 shares and Gregor Grant – 119,146 shares. The 446,797 shares are exercisable in three equal tranches on 29 April 2022, 29 April 2023 and 29 April 2024.

(3) As outlined in the FY22 Directors Remuneration Report, the following one-off retention awards were granted as nil cost options to each of the Executive Directors on 2 May 2023: Alex Reilley – 107,569 shares, Nick Collins – 131,143 shares and Gregor Grant – 131,265 shares. These share entitlements are exercisable in two equal tranches on 25 July 2023 and 25 July 2024.

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

(5) The following PSP Awards were awarded as nil cost options to each of the Executive Directors on 13 December 2023: Alex Reilley – 106,850 shares, Nick Collins – 259,493 shares and Gregor Grant - 127,202 shares. These share entitlements are exercisable at the end of the end of the three-year performance period. The attached TSR and EPS performance conditions are outlined above.

Jill Little
Remuneration Committee Chairman
9 July 2024


CLEAR HEAD

NOMINATION COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Nomination Committee Report for the 53 weeks ended 21 April 2024.

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

The Nomination Committee has continued to consider the evolution of the Group's Board and leadership structures to ensure that they remain appropriate in the context of the growth of the business. Succession planning remains a standing item on the Committee's agenda and has been a key area of focus in both meetings. Following the announcement of the resignation of Gregor Grant as CFO, the Committee has worked with the Executive Committee and the Audit and Risk Committee chair to identify a successor, resulting in the appointment of Stephen Marshall as CFO. Furthermore, the Committee has reviewed the composition of the Board and its Committees, the time commitments of the Non-Executive Directors and its own terms of reference. A summary of the Committee's discussion on each of those areas is given below.

Succession Planning

Loungers continues its strong growth trajectory and ensuring that the Group retains a strong leadership talent pipeline to facilitate that growth remains critical. During the year, the Executive team was restructured to create a Group MD role, filled by Justin Carter (formerly Lounge MD), while the number of Lounge regional managers has been expanded to nine, establishing a strong talent pool to develop for future senior roles. Internal candidates have filled one Operations Director role and four out of five of the regional manager vacancies. The Board recognizes the importance of the senior leadership reflecting the diversity of the wider employee and customer base and is pleased to have appointed Lucy Knowles as Cosy Club MD and Kate Eastwood as Lounge MD as well as two new female regional managers in the Lounge business.

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

Board and Committee composition

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

Non-Executive Director time commitments

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

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

Terms of reference

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

Nick Backhouse
Nomination Committee Chairman
9 July 2024

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of Loungers plc for the 53 weeks ended 21 April 2024.

The Corporate Governance Statement on pages 27 to 31 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 51 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 28 November 2023, its intention to retain Group earnings in the short-term to bolster liquidity and balance sheet strength and for re-investment in the roll-out of new sites. However, it is the Board's ultimate intention to pursue a progressive dividend policy, subject to the need to retain sufficient earnings for the future growth of the Group.

STRATEGIC REPORT

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

ANNUAL GENERAL MEETING ("AGM")

The Group's next Annual General Meeting will be held at Ritorno Lounge, Unit 3, V-Shed, Canons Road, Bristol, BS1 5UH, on 8 October 2024. Details of the business to be transacted at the AGM are set out in the Notice of AGM, which is available on the Group's website.

DIRECTORS

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

- Alex Reilley
- Nick Collins
- Gregor Grant (resigned 23 April 2024)
- Stephen Marshall (appointed 23 April 2024)
- Nick Backhouse
- Adam Bellamy
- Robert Darwent
- Jill Little

Brief biographical details for each of the Directors are given on page 26.

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 37.

GOING CONCERN

In concluding that it is appropriate to prepare the financial statements for the 53 weeks to 21 April 2024 on the going concern basis attention has been paid both to the current sector headwinds in terms of consumer confidence and inflationary pressures and also longer term risks such as climate change. The Group has traded successfully over the past financial year and ended the year with net debt (including property leases) of £160.7m and total liquidity of £32.8m.

In order to assess the Group's going concern position the Board has considered a base case and downside case scenario. The base case assumes no further selling price increases beyond those put through in March 2024 and flat volumes and reflects current assumptions in respect of future cost inflation. The base case scenario indicates that the Group has significant headroom in respect of both its liquidity position and banking covenants.

In the downside scenario it has been assumed that sales volumes fall by 10% from the base case with an associated reduction in labour and variable cost efficiency and a resultant 31% decline in adjusted EBITDA. Under this scenario the Group is able to maintain its new site opening programme and continues to have significant liquidity and banking covenant headroom and accordingly the Directors have concluded that it is appropriate to prepare the financial statements for the 53 weeks ending 21 April 2024 on the going concern basis.

SHARE CAPITAL

Details of the issued share capital, together with details of movements during the year are shown in note 23 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.

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 13 October 2023 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 10,370,564 of its Ordinary shares. The Company repurchased 195,000 ordinary shares on 8th June 2023, which are now held in treasury.

SUBSTANTIAL SHAREHOLDINGS

The Company is aware that the following had an interest of 3% or more of the issued Ordinary share capital of the Company at 18 June 2024, the last practicable date before the publication of this report:

	No of ordinary shares	% of share capital
Funds managed by Lion Capital	26,728,524	25.7%
Slater Investments	10,818,617	10.4%
Alex Reilley	6,951,432	6.5%
Jake Bishop	6,507,432	6.3%
BGF Investment Management	5,956,564	5.7%
Invesco Asset Management	5,188,954	5.0%
AXA Framlington Investment Managers	4,482,446	4.3%
Gresham House Asset Management	4,042,489	3.9%
Martin Currie Investment Management	3,200,000	3.1%
M&G Investment Management	3,144,971	3.0%

As at 9 July 2024 the Company's ordinary issued share capital was 104,023,148 ordinary shares of 1p each, each carrying one right to vote in general meeting.

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

EMPLOYMENT POLICY

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

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

EMPLOYEE ENGAGEMENT

We keep our team members regularly updated with issues affecting the running of the business and obtain their views on any key matters, all of which is in accordance with our obligations under the Information and Consultation Regulations 2004. The dissemination of information is achieved in many ways including weekly and quarterly newsletters, regular regional and area meetings, our company intranet and Directors and Managers briefings. These are opportunities for team members to express their views and ask questions. Outside of these specific events, we welcome any questions that team members may have about the business. Further information on employee engagement is provided on pages 12 and 13.

FINANCIAL RISK MANAGEMENT

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

The Group seeks to meet liquidity risk through assessment of short-, medium- and long-term cash flow forecasts to ensure the adequacy of committed debt facilities. On 7 June 2023, the Group entered into a new senior facilities agreement with its existing lenders Santander Corporate Banking and Bank of Ireland. Under the terms of the new agreement the Group reduced its term loan from £32,500,000 to £20,000,000 and increased its RCF from £10,000,000 to £22,500,000. The new facility terminates on 7 June 2026. The term loan is non-amortising and bears interest at between 1.75% and 2.5% over SONIA subject to the Group's leverage. At inception of the new facility and throughout the 53 weeks ending 21 April 2024, the Group was paying a margin of 1.75%. The term loan and RCF are subject to financial covenants relating to leverage and interest cover, these are unchanged from the original facility.

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

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

POLITICAL DONATIONS

During the 53 weeks ended 21 April 2024 the Group made no political donations (2023: £nil).

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.

Stephen Marshall
Chief Financial Officer
9 July 2024

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 21 April 2024 and of the group's profit and the group's cash flows for the 53 week period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 21 April 2024; 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, comprising material accounting policy information and other explanatory information (group) and which include a description of the significant accounting policies (company).

BASIS FOR OPINION

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

Independence

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

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

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

OUR AUDIT APPROACH

Overview

Audit scope

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

Key audit matters

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

Materiality

- Overall group materiality: £3,535,000 (2023: £2,835,000) based on 1% of revenue.
- Overall company materiality: £1,896,000 (2023: £1,692,000) based on 1% of total assets (2023: 1% of total assets).
- Performance materiality: £2,651,000 (2023: £2,125,000) (group) and £1,422,000 (2023: £1,269,000) (company).

The scope of our audit

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

Key audit matters

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

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

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment (group)	
Refer to notes 2, 3, and 12 of the Consolidated financial statements. The effects of the cost of living/cost inflation crisis continue to influence the UK economy and consumer spending in the year. The possible impact on consumer behaviour and margins on site profitability creates a risk of impairment of the carrying value of property, plant and equipment including right of use assets. Management performed an impairment trigger event analysis and then prepared a value in use model for assets considered to be at risk of impairment. The key assumptions in the model include the pre-tax discount rate, the long-term growth rate, like for like sales projections for each site and changes in the operating cost base. We focussed on this area, as the estimation of future discounted cash flows is inherently subjective and involves judgement, including the assessment of the potential impact of climate change. This assessment is also susceptible to management bias.	We obtained management's assessment of impairment trigger events at a site level and challenged key assertions within it. The primary judgement was that sites that have been open for less than two years are considered to not have any impairment trigger. We obtained historical sales and profit data to support that it takes sites on average two years to meet consistent profit level, as well as considering the qualitative assessment around operational performance. For sites where a trigger event had been identified, we obtained management's value in use model, and: • validated the carrying amounts that were attributed to each site cash generating unit to the accounting records, • we tested the mathematical accuracy and technical integrity of the model to ensure that it had been performed in line with the guidance provided in IAS 36, • we used internal valuation experts to determine whether management's pre-tax discount rate was appropriate and calculated the impact of it being outside of our acceptable range which was not material, • we compared benchmarked external reports with long term growth rate of 2% to determine whether the long term growth rate was appropriate and concluded that it was reasonable, • we challenged the basis for the short term forecasts used in the model. This included but was not limited to: • – agreeing forecasts to the Board approved budget and supporting strategic plans; – challenging the revenue growth rates with reference to the historical growth rate and third party evidence of expected growth in the sector; – challenged management on the operating cost base inflation assumptions, which we validated against external data sources; - agreeing central cost allocations were performed on a reasonable basis; – reviewed management's historical accuracy of forecasting; - obtained management's paper on the assessment of climate change risk impacting the sites. We also performed sensitivity analysis to understand the impact that possible changes in assumption might have. Where sites had potential reversal of impairment identified, we understood if there was a track record of improved performance, generally over a two year period, to conclude that the impairment should be reversed. We assessed the adequacy of disclosures made in the financial statements. After our challenges were addressed we concurred with the carrying value of property, plant and equipment.

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

How we tailored the audit scope

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

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

The impact of climate risk on our audit

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

Materiality

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

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

	Financial statements - group	Financial statements - company
Overall materiality	£3,535,000 (2023: £2,835,000).	£1,896,000 (2023: £1,692,000).
How we determined it	1% of revenue	1% of total assets (2023: 1% of total assets)
Rationale for benchmark applied	Due to the high level of turnover and relatively low level of profit before tax, using 1% of revenue is considered to be the most appropriate benchmark, which is the same materiality benchmark as used in the prior year.	As the entity is a holding company, we consider that total assets is the most appropriate benchmark to assess materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £900,000 and £3,358,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £2,651,000 (2023: £2,125,000) for the group financial statements and £1,422,000 (2023: £1,269,000) 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 £175,000 (group audit) (2023: £140,000) and £90,000 (company audit) (2023: £85,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

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

- We obtained management's paper that supports the Board's assessment and conclusions with respect to the disclosures provided around going concern;
- We discussed with management the assumptions applied in the going concern review so we could understand and challenge the rationale for those assumptions, using our knowledge of the business;
- We reviewed post year end trading results to June 2024, and compared to management's budget, and considered the impact of these actual results on the future forecasts;
- We confirmed the levels of available liquidity and financial covenant terms for the financing facilities. We then assessed the availability of liquid resources under the different scenarios and the associated covenant tests applicable;
- We reviewed management's sensitivity scenarios including their severe but plausible downside. This includes potential mitigating actions available to the Group that are achievable and within management's control; and
- We have assessed the disclosures and consider them appropriate.

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

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

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

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

REPORTING ON OTHER INFORMATION

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

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

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

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

Strategic report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 21 April 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety, food safety, and employment laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and taxation legislation. 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 or 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 and financial reporting and taxation legislation, including consideration of actual or potential litigation and claims;
- Reviewing relevant minutes of director board meetings;
- Evaluation of management's controls designed to prevent and detect irregularities, in particular the whistleblowing policy and employee code of conduct;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment of property, plant and equipment, useful economic lives of property, plant and equipment and share based payments;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Identifying and testing journal entries, in particular any entries posted with unusual account combinations

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

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

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

Use of this report

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

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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

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

We have no exceptions to report arising from this responsibility.

Sarah Phillips

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

9 July 2024

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 53 WEEKS ENDED 21 APRIL 2024

	Note	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Revenue	4	353,486	283,507
Cost of sales		(209,338)	(170,350)
Gross profit		144,148	113,157
Administrative expenses		(123,833)	(98,406)
Operating profit	5	20,315	14,751
Finance income	7	154	204
Finance costs	8	(9,025)	(7,621)
Profit before taxation		11,444	7,334
Tax charge on profit	9	(2,320)	(405)
Profit for the year		9,124	6,929
Other comprehensive expense:			
Items that may be reclassified to profit or loss			
Cash flow hedge – change in value of hedging instrument		-	(38)
Other comprehensive expense		-	(38)
Total comprehensive income for the year		9,124	6,891

	Note	53 weeks ended 21 April 2024 Pence	52 weeks ended 16 April 2023 Pence
Earnings per share			
Basic earnings per share	10	8.6	6.7
Diluted earnings per share	10	8.5	6.5

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 21 APRIL 2024

	Note	At 21 April 2024 £000	At 16 April 2023 £000
Assets			
Non-current			
Goodwill	11	114,722	114,722
Property, plant and equipment	12	271,359	228,414
Deferred tax assets	20	-	945
Total non-current assets		386,081	344,081
Current			
Inventories	13	2,910	2,475
Trade and other receivables	14	10,487	8,722
Cash and cash equivalents	15	10,349	26,370
Total current assets		23,746	37,567
Total assets		409,827	381,648
Liabilities			
Current liabilities			
Trade and other payables	16	(79,788)	(69,708)
Corporation tax payable		-	(59)
Lease liabilities	17	(11,876)	(10,247)
Total current liabilities		(91,664)	(80,014)
Non-current liabilities			
Borrowings	18	(19,810)	(32,392)
Lease liabilities	17	(139,333)	(124,590)
Deferred tax liabilities	20	(2,634)	-
Total liabilities		(253,441)	(236,996)
Net assets		156,386	144,652
Called up share capital	23,24	1,039	1,133
Share premium	24	8,066	8,066
Treasury shares	24	(376)	-
Other reserve	24	-	14,278
Retained earnings	24	147,657	121,175
Total equity		156,386	144,652

Notes 1 to 29 form part of these financial statements. The Company's registered number is 11910770.

The financial statements on pages 51 to 77 were approved and authorised for issue by the Board of Directors on 9 July 2024 and were signed on its behalf by:

Nick Collins
Chief Executive Officer
9 July 2024

Stephen Marshall
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 53 WEEKS ENDED 21 APRIL 2024

	Called up share capital £000	Share premium £000	Treasury shares £000	Hedge reserve £000	Other reserve £000	Retained earnings £000	Total equity £000
At 17 April 2022	1,127	8,066	-	38	14,278	110,597	134,106
Ordinary shares issued	6	-	-	-	-	(6)	-
Share based payment charge	-	-	-	-	-	3,655	3,655
Total transactions with owners	6	-	-	-	-	3,649	3,655
Profit for the year	-	-	-	-	-	6,929	6,929
Other comprehensive expense	-	-	-	(38)	-	-	(38)
Total comprehensive income for the 52 week year	-	-	-	(38)	-	6,929	6,891
At 16 April 2023	1,133	8,066	-	-	14,278	121,175	144,652
Ordinary shares issued	6	-	-	-	-	(6)	-
Share based payment charge	-	-	-	-	-	3,086	3,086
Group reorganisation	-	-	-	-	(14,278)	14,278	-
Redemption of preference shares	(100)	-	-	-	-	-	(100)
Purchase of own shares	-	-	(376)	-	-	-	(376)
Total transactions with owners	(94)	-	(376)	-	(14,278)	17,358	2,610
Profit for the year	-	-	-	-	-	9,124	9,124
Total comprehensive income for the 53 week year	-	-	-	-	-	9,124	9,124
At 21 April 2024	1,039	8,066	(376)	-	-	147,657	156,386

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 53 WEEKS ENDED 21 APRIL 2024

	Note	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Net cash generated from operating activities	25	64,648	51,107
Cash flows from investing activities			
Purchase of subsidiary undertakings (net of cash acquired)	22	-	(2,719)
Purchase of property, plant and equipment		(47,716)	(36,978)
Interest received		154	204
Net cash used in investing activities		(47,562)	(39,493)
Cash flows from financing activities			
Shares issued on exercise of employee share awards		(193)	(190)
Cash settlement of share awards		(333)	-
Purchase of own shares		(376)	-
Loan arrangement fees		(266)	-
Bank loans repaid		(12,500)	-
Interest paid		(1,882)	(1,334)
Principal element of lease payments		(10,607)	(8,824)
Interest paid on lease liabilities		(6,950)	(6,146)
Net cash used in financing activities		(33,107)	(16,494)
Net decrease in cash and cash equivalents		(16,021)	(4,880)
Cash and cash equivalents at beginning of the year		26,370	31,250
Cash and cash equivalents at end of the year	26	10,349	26,370

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 53 WEEKS ENDED 21 APRIL 2024

1. GENERAL INFORMATION

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

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

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

The accounting policies adopted in the preparation of the Financial Statements are consistent with those applied in the preparation of the financial statements of the Group for the 52 weeks ended 16 April 2023.

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 FY24 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 21 April 2024 the Group had cash balances of £10.3m (2023: £26.4m) and undrawn facilities of £22.5m (2023: £10m), providing total liquidity of £32.8m (2023: £36.4m). During FY24, the Group refinanced its banking facilities, using its excess cash balances to pay down £12.5m of its term loan. At the same time the Group's RCF was increased to £22.5m to leave total bank facilities unchanged.

The Group has modelled financial projections for the going concern period to the 5 October 2025 based upon two scenarios, a base case and a downside case. The base case incorporates the Board approved budget for FY25 as well as the first six periods of the FY26 business plan. The base case assumes no further selling price increases beyond those put through in March 2024 and flat volumes and reflects current assumptions in respect of future cost inflation. The base case scenario indicates that the Group has significant headroom in respect of both its liquidity position and its banking covenants.

In the downside scenario it has been assumed that sales volumes fall by 10% from the base case with an associated reduction in labour and variable cost efficiency and a resultant 31% decline in adjusted EBITDA. Under this scenario the Group is able to maintain its new site opening programme and continues to have significant liquidity and banking covenant headroom.

The Group has also performed a reverse stress test to identify the level of sales and EBITDA decline that the Group could withstand before breaching any banking covenants or hitting liquidity issues. On the basis that the Group mitigates its financial position by ceasing its new site opening programme, with no new sites opening after 8 September 2024, the Group could absorb a sales volume decline of c18% before breaching its leverage covenants at 5 October 2025. Beyond the cessation of the new site opening programme this reverse stress test incorporates no other mitigating actions, for example reductions in non-essential capital expenditure and other cost reduction initiatives.

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

Based upon the forecasts described above the Directors deem it appropriate to prepare the FY24 financial statements on the going concern basis.

2.3 BASIS OF CONSOLIDATION

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

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

2.4 ALTERNATIVE PERFORMANCE MEASURES ("APM'S")

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

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

The key APMs that the Group uses include: Like for Like (LFL) sales growth %, Adjusted EBITDA and Adjusted operating profit. These APMs are set out on page 84, including explanations of how they are calculated and how they are reconciled to a statutory measure where relevant.

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

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

Adjusting items
The Group classifies certain charges or credits as 'adjusting'. These are disclosed separately to provide further understanding of the financial performance of the Group. Management splits out these costs for internal purposes when reviewing the business. Adjusting items include exceptional items, impairment charges and reversing credits, profit or loss on disposal of fixed assets, and acquisition related transaction costs.

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

2.5 REVENUE

The Group has recognised revenue in accordance with IFRS 15. The standard requires revenue to be recognised when goods or services are transferred to customers and the entity has satisfied its performance obligations under the contract, and at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Group has one revenue stream which comprises food and beverage sales 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 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.

2.7 BUSINESS COMBINATIONS AND GOODWILL

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

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

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

2.8 PROPERTY, PLANT AND EQUIPMENT

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

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

Depreciation is provided on the following basis:

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

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

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

2.9 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.

2.10 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.

2.11 TRADE AND OTHER RECEIVABLES

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

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

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

2.21 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.

2.22 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.

2.23 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ADOPTED

Amendments to accounting standards applied from 17 April 2023 included amendments to:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates – amendments to IAS 8
- International Tax Reform – Pillar Two Model Rules - amendments to IAS 12

The application of the above accounting standards did not have a material impact on the Group's accounting treatment and have therefore not resulted in any material changes for the 53 weeks ended 21 April 2024.

Certain new accounting standards and interpretations have been published that are not mandatory for 21 April 2024 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods an on foreseeable future transactions.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

KEY JUDGEMENTS

Determining the rate used to discount lease payments
At the commencement date of property leases the lease liability is calculated by discounting the lease payments. The discount rate used should be the interest rate implicit in the lease. However, if that rate cannot be readily determined, which is generally the case for property leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. In the 53 weeks ended 21 April 2024, new leases have been discounted at a rate of 4.5%. For the lease liabilities at 21 April 2024 a 0.1 per cent change in the discount rate used would have adjusted the total liabilities by £161,000.

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

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

KEY ESTIMATES

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

Useful economic lives of property, plant and equipment
The depreciation charge in each year is sensitive to the assumptions used regarding the economic lives of assets. A 10% increase in the average useful economic lives results in approximately a 9.1% (£1,574,000) decrease in depreciation. More information on useful economic lives is presented in note 2.8.

4. SEGMENTAL REPORTING

IFRS 8 "Operating Segments" requires operating segments to be based on the Group's internal reporting to its Chief Operating Decision Maker ("CODM"). The CODM is regarded as the Chief Executive together with other Board Members who receive financial information, including commentary, at a whole business level with further supplementary analysis provided down to a site-by-site level. The Group trades in one business segment (operating café bars and café restaurants).

The CODM uses Adjusted EBITDA (IFRS16 and IAS17) as the primary measure for assessing the Group's results on an aggregated basis.

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

5. OPERATING PROFIT

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

	Note	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Depreciation of tangible fixed assets	12	17,311	13,364
Depreciation of right of use assets	12	11,391	9,861
Net impairment on property, plant and equipment	12	304	309
Net impairment on right of use assets	12	2,215	1,298
Loss on disposal of tangible fixed assets	12	-	317
Loss on disposal of right of use assets	12	52	-
(Gain) on write back of lease liability		(67)	-
Inventories – amounts charged as an expense		81,587	68,023
Fees payable to the company's auditors and its associates for the audit of parent company and consolidated financial statements		110	85
Fees payable to company's auditors and its associates for other services:			
- for statutory audit services (subsidiary companies)		110	85
Staff costs (excluding share based payments)		150,989	123,008
Pre-opening costs		4,164	3,323

6. EMPLOYEES AND DIRECTORS

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

	53 weeks ended 21 April 2024 Number	52 weeks ended 16 April 2023 Number
Management, administration and maintenance	228	198
Site	8,403	7,228
	8,631	7,426

Staff costs were as follows:

	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Wages and salaries	139,856	114,116
Social security costs	9,250	7,464
Share based payments	3,907	4,024
Other pension costs	1,883	1,428
	154,896	127,032

Additional payroll costs of £2,726,000 (2023: £2,523,000) relating to the build team have been capitalised.

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

6. EMPLOYEES AND DIRECTORS (CONTINUED)

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

	Salary / Fees		Other Benefits		Bonus		Share Award		Total	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Alex Reilley	243	231	1	-	224	40	167	56	635	327
Nick Collins	393	374	1	-	363	65	290	148	1,047	587
Gregor Grant	231	220	-	-	214	39	211	74	656	333
Nick Backhouse	59	55	-	-	-	-	-	-	59	55
Adam Bellamy	54	50	-	-	-	-	-	-	54	50
Jill Little	54	50	-	-	-	-	-	-	54	50
Robert Darwent[1]	-	-	-	-	-	-	-	-	-	-
Total	1,034	980	2	-	801	144	668	278	2,505	1,402

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

Further information in respect of Directors' remuneration is provided in the Remuneration Committee Report on pages 34 to 37.

7. FINANCE INCOME

	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Bank interest receivable	154	204
	154	204

8. FINANCE COSTS

	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Bank interest payable	2,075	1,475
Finance cost on lease liabilities	6,950	6,146
	9,025	7,621

9. TAX CHARGE ON PROFIT

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

	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Taxation charged to the income statement		
Current income taxation	-	-
Adjustment for current tax of prior periods	(1,259)	-
Total current income taxation	(1,259)	-
Deferred Taxation		
Origination and reversal of temporary timing differences	3,941	1,069
Adjustments to tax charge in respect of prior years	(687)	(911)
Adjustment in respect of change of rate of corporation tax	325	247
Total deferred tax	3,579	405
Total taxation charge in the consolidated income statement	2,320	405
The above is disclosed as:		
Income tax charge – current year	4,266	1,316
Income tax (credit) / charge – prior year	(1,946)	(911)
	2,320	405

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

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

	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Profit before tax	11,444	7,334
At UK standard rate of corporation taxation of 25% (2023: 19%).	2,861	1,393
Expenses not deductible for tax purposes	1,080	801
Fixed asset permanent differences	-	(1,125)
Adjustments to tax charge in respect of prior years	(1,946)	(911)
Adjustment in respect of change of rate of corporation tax	325	247
Total tax charge for the year	2,320	405

10. EARNINGS PER SHARE

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

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the 53 weeks ended 21 April 2024 the Group had potentially dilutive shares in the form of unvested shares pursuant to the above long-term incentive plans.

10. EARNINGS PER SHARE (CONTINUED)

	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Profit for the year after tax	9,124	6,929
Basic weighted average number of shares	105,620,347	103,243,015
Adjusted for share awards	2,180,395	3,375,062
Diluted weighted average number of shares	107,800,742	106,618,077
Basic earnings per share (p)	8.6	6.7
Diluted earnings per share (p)	8.5	6.5

11. GOODWILL

	21 April 2024 £000	16 April 2023 £000
Net book value		
At beginning of year	114,722	113,227
Additions	-	1,495
At end of year	114,722	114,722

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

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

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

Goodwill is monitored at the operating segment level identified in note 4. For assessing impairment at 21 April 2024 and 16 April 2023, 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 2027, 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 (2023: 9.0% and 2.0% respectively). The pre-tax discount rate used in the discounted cash flow model was 12.0% (2023: 12.0%).

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 16 April 2023 and 21 April 2024, no reasonably possible change in an individual key input or assumption, as described, would result in the carrying amount exceeding its recoverable amount based on value in use.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land and Buildings £000	Leasehold Building Improvements £000	Motor Vehicles £000	Fixtures and Fittings £000	Right of use asset £000	Total £000
Cost						
At 18 April 2022	369	67,489	210	70,606	149,381	288,055
Additions	832	17,076	-	21,273	24,519	63,700
Acquisition of subsidiaries	1,500	-	-	-	-	1,500
Disposals	(250)	(451)	(9)	(175)	-	(885)
At 16 April 2023	2,451	84,114	201	91,704	173,900	352,370
Accumulated depreciation						
At 18 April 2022	-	17,937	66	30,658	51,031	99,692
Provided for the year	14	4,771	48	8,531	9,861	23,225
Impairment	-	381	-	85	2,937	3,403
Impairment reversal	-	(157)	-	-	(1,639)	(1,796)
Disposals	-	(405)	(3)	(160)	-	(568)
At 16 April 2023	14	22,527	111	39,114	62,190	123,956
Net book value						
At 16 April 2023	2,437	61,587	90	52,590	111,710	228,414
Cost						
At 17 April 2023	2,451	84,114	201	91,704	173,900	352,370
Additions	2,865	20,005	-	24,302	27,046	74,218
Disposals	-	-	-	-	(243)	(243)
At 21 April 2024	5,316	104,119	201	116,006	200,703	426,345
Accumulated depreciation						
At 17 April 2023	14	22,527	111	39,114	62,190	123,956
Provided for the year	40	6,085	35	11,151	11,391	28,702
Impairment	-	422	-	333	3,940	4,695
Impairment reversal	-	(451)	-	-	(1,725)	(2,176)
Disposals	-	-	-	-	(191)	(191)
At 21 April 2024	54	28,583	146	50,598	75,605	154,986
Net book value						
At 21 April 2024	5,262	75,536	55	65,408	125,098	271,359

The above includes assets in the course of construction with a total cost of £2,270,000 (2023: £2,467,000) which have not been depreciated to date.

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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. As at 16 April 2023 impairment provisions totalling £8,586,000 were carried. In undertaking the current year review a number of those sites where provisions were carried at 16 April have generated sufficient cashflows to justify an assessment that impairment is no longer necessary and consequently a reversal of £2,176,000 has been released to the income statement (2023: £1,796,000). Conversely, the assessment carried out at the end of FY24 indicated that a further eleven sites showed potential impairment and a £4,695,000 charge has been recognised in respect of these sites (2023: £3,403,000).

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% (2023: 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% (2023: 9.0%).

The cash flows used within the impairment model are based upon Board approved forecasts. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in the key assumptions. A reduction in site cash flows of 10% in each year would result in an incremental impairment charge of £1,978,000 (2023: £1,000,000). A 100 basis point increase in the discount rate would result in an incremental impairment charge of £455,000 (2023: £400,000) and a 50 basis point reduction in the terminal growth rate would result in an incremental impairment charge of £174,000 (2023: £100,000).

13. INVENTORIES

	21 April 2024 £000	16 April 2023 £000
Food and beverages for resale	2,910	2,475
	2,910	2,475

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

	21 April 2024 £000	16 April 2023 £000
Included within current assets		
Trade receivables	549	925
Corporation tax recoverable	1,175	146
Other receivables	1,302	166
Prepayments	7,461	7,485
	10,487	8,722
Included within non-current assets		
Deferred tax assets	-	945

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

	21 April 2024 £000	16 April 2023 £000
Cash at bank and in hand	10,349	26,370
	10,349	26,370

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 £10,349,000 (2023: £26,370,000).

16. TRADE AND OTHER PAYABLES

	21 April 2024 £000	16 April 2023 £000
Included in current liabilities:		
Trade payables	31,773	33,058
Other taxation and social security	15,158	13,824
Other payables	17,177	13,882
Accruals and deferred income	15,680	8,944
	79,788	69,708

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

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

17. LEASES

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

The Group leases the vast majority of its estate as well as its Head Office. The leases are non-cancellable, with varying terms, escalation clauses and renewal rights and in some cases include variable payments that are not fixed in amount but based upon a percentage of sales. Rental contracts are typically made for fixed years of between 10 and 25 years, the average lease runs for 15.9 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.

17. LEASES (CONTINUED)

Amounts recognised in the balance sheet

	21 April 2024 £000	16 April 2023 £000
Right of use assets – leasehold properties	125,098	111,710
Lease liabilities		
Current	11,876	10,247
Non-current	139,333	124,590
	151,209	134,837

Additions to right of use assets during the 53 weeks ended 21 April 2024 were £27,046,000 (2023: £24,519,000).

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

Amounts recognised in the consolidated statement of comprehensive income

	21 April 2024 £000	16 April 2023 £000
Depreciation charge of right of use assets	11,391	9,861
Net impairment of right of use assets	2,215	1,298
Interest expense (included in finance cost)	6,950	6,146

Total cash outflow for leases in 2024 was £17,557,000 (2023: £14,970,000).

18. BORROWINGS

	21 April 2024 £000	16 April 2023 £000
Long term borrowings:		
Secured bank loans	20,000	32,500
Loan arrangement fees	(190)	(108)
	19,810	32,392

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 provided for a term loan of £32,500,000 and a revolving credit facility ("RCF") of £10,000,000. The term loan was a five-year non-amortising facility with a margin of 2% above SONIA. In June 2023 the Group completed a refinancing of its debt arrangements, reducing the term loan to £20,000,000 and increasing the RCF by £12,500,000.

The term loan and RCF are subject to financial covenants relating to leverage and interest cover. There were no breaches of these tests in the financial years to 16 April 2023 or 21 April 2024.

At 21 April 2024 the term loan was fully drawn while nothing was drawn on the revolving facility (2023: term loan fully drawn and £nil drawn down under the RCF).

19. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

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

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

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

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 continues to review its options for mitigating interest rate exposure.

Commodity price risk
The Group is exposed to movements in the wholesale prices of foods and drinks. Prices are typically fixed for periods of 3-6 months to address seasonality, with suppliers hedging foreign exchange risk across these years. The Group benchmarks and verifies any potential cost changes from suppliers and also has the ability to flex its menu items to mitigate specific product related cost pressures. The Group has hedged its energy costs 100% through to September 2024 and 100% through to September 2025.

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

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

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

The Group is subject to capital requirements from its lenders in respect of the term loan and revolving credit facility, which obliged the Group to maintain a leverage ratio of Net Debt (IAS 17 basis) to Adjusted EBITDA (IAS17) of less than 2.50. As at 21 April 2024 the leverage ratio of the Group was 0.22 compared with a threshold of 2.50. At 16 April 2023 the leverage ratio of the Group was 0.18 compared with a threshold of 2.50.

Reconciliation of net debt (IAS 17) and adjusted EBITDA (IAS17) to the statutory results can be found on page 84.

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

	21 April 2024 £000	16 April 2023 £000
Financial Assets		
Financial assets that are debt instruments measured at amortised cost	12,200	27,461
Financial liabilities		
Financial liabilities measured at amortised cost	(219,968)	(214,170)

Financial assets held at amortised cost include trade and other 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.

19. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Hedging

The Group had no interest rate swaps or other hedging in place during the 53 weeks ended 21 April 2024 (2023: nil).

Maturity analysis

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

	Less than 1 year £000	Between 1 and 5 years £000	More than 5 years £000	Total £000
As at 21 April 2024				
Secured bank loans	1,391	21,570	-	22,961
Lease liabilities	18,607	73,325	108,565	200,497
Trade and other payables	48,950	-	-	48,950
	68,948	94,895	108,565	272,408
As at 16 April 2023				
Secured bank loans	1,858	32,541	-	34,399
Lease liabilities	16,431	64,078	95,718	176,227
Trade and other payables	46,941	-	-	46,941
	65,230	96,619	95,718	257,567

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

20. DEFERRED TAX (LIABILITIES)/ASSETS

	Accelerated capital allowances £000	Losses £000	Acquisition accounting £000	Share schemes £000	Other £000	Total £000
At 17 April 2022	(1,363)	-	(778)	1,238	2,258	1,355
Recognised in income statement	(4,285)	2,795	255	520	310	(405)
Acquired with subsidiary	(5)	-	-	-	-	(5)
At 16 April 2023	(5,653)	2,795	(523)	1,758	2,568	945
Recognised in income statement	(3,313)	(1,387)	255	580	286	(3,579)
At 21 April 2024	(8,966)	1,408	(268)	2,338	2,854	(2,634)

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 21 April 2024 or 16 April 2023.

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

21. SHARE BASED PAYMENTS (CONTINUED)

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 £3,419,000 (2023: £3,655,000) in respect of the Group's share based payment plans, of which £3,086,000 was equity settled (2023: £3,655,000) and £333,000 was settled in cash (2023: £nil). The related employer's national insurance charge was £488,000 (2023: £369,000). The total charge of £3,907,000 is split by scheme as follows:

	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Employee share plan	999	811
Senior management restricted share plan:		
RSP	1,131	925
PSP	945	346
Retention award	398	802
Value creation plan	434	1,140
	3,907	4,024

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

	Outstanding at 16 April 2023 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Outstanding at 21 April 2024 Number
Employee share plan	359,000	588,500	(359,000)	(124,000)	464,500
Senior management restricted share plan					
RSP	2,158,380	629,192	(323,803)	(85,397)	2,378,372
PSP	-	1,555,095	-	-	1,555,095
Retention award	-	572,792	(47,623)	(47,623)	477,546
Value creation plan	595,729	-	(59,573)	-	536,156
	3,113,109	3,345,579	(789,999)	(257,020)	5,411,669

Employee Share Plan

Share grants over 471,500 nil cost options were made on the 22 July 2022. These awards had no performance conditions other than continued employment for one year from grant date and on 29 April 2023 a total of 359,000 shares were issued in respect of these awards. Awards over a further 588,500 nil cost options were made on 5 July 2023 and post year end a total of 464,500 shares were settled in respect of those awards, of which awards over 382,500 shares were settled in cash.

Senior Management Restricted Share Plan – RSP award

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

During the year ended 19 April 2020, 472,069 nil cost options were awarded. These options had no performance conditions, other than continued employment for three years post grant, and are exercisable from the third anniversary of issue. A total of 106,576 options in respect of this award had lapsed prior to awards over 365,493 shares vesting on 24 July 2022, and as at 16 April 2023 options had been exercised in respect of 222,540 shares. During the 53 weeks ended 21 April 2024 options were exercised in respect of a further 54,840 shares and options over 4,902 shares lapsed.

During the year ended 18 April 2021, 718,766 nil cost options were awarded. These options have no performance conditions, other than continued employment for three years post grant, and are exercisable on the third anniversary of issue. At 16 April 2023 a total of 164,492 options in respect of this award had lapsed, whilst options had been exercised over 14,329 shares. During the 53 weeks ended 21 April 2024 a further 2,373 options lapsed prior to awards over 537,572 shares vesting, and as at 21 April 2024 options in respect of a further 241,627 shares had been exercised.

During the year ended 17 April 2022, 435,334 options were granted. These options have no performance conditions, other than continued employment for three years post grant, and are exercisable on the third anniversary of issue. A total of 81,529 options in respect of this award had lapsed at 16 April 2023. During the 53 weeks ended 21 April 2024 a further 7,658 options lapsed whilst options in respect of 23,705 shares were exercised.

21. SHARE BASED PAYMENTS (CONTINUED)

During the year ended 16 April 2023, 537,653 options were granted. These options have no performance conditions, other than continued employment for three years post grant, and are exercisable on the third anniversary of issue. A total of 40,976 options in respect of this award had lapsed at 16 April 2023. During the 53 weeks ended 21 April 2024 a further 30,964 options lapsed whilst options in respect of 3,631 shares were exercised.

During the 53 weeks ended 21 April 2024, 629,192 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 39,500 options in respect of this award had lapsed at year end.

Senior Management Restricted Share Plan – PSP award

The Group operates a Performance Share Plan (PSP) for its senior executives. In accordance with the PSP schemes outlined in the Group's Remuneration Committee Report the vesting of these awards is conditional upon the achievement of performance targets in respect of, firstly, total shareholder return and secondly the earnings per share of the Group. Each performance target accounts for 50% of the total award.

The first award (the "FY23 Award") was granted in June 2023 over 756,321 shares and will vest in July 2025. Based upon the communication of the clear intention to grant the awards during FY23 the cost is being recognised over the three years to July 2025. A charge of £409,000 (2023: £346,000) has been recognised in the 53 weeks ended 21 April 2024.

The second award (the "FY24 Award") was granted in December 2023 over 798,774 shares and will vest in July 2026. A charge of £536,000 (2023: £nil) has been recognised in the 53 weeks ended 21 April 2024.

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

	FY24 Award	FY23 Award
Share price at date of grant	£2.26	£2.08
Exercise price	Nil	Nil
Expected volatility	21%	24%
Term until exercised	2.6 years	2.4 years
Maximum dilution	0.38%	0.36%
Risk free interest rate	4.14%	3.53%
Expected dividend yield	0.00%	0.00%

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

Senior Management Restricted Share Plan – Retention award

In 2022 the Group announced its intention to grant one off retention awards to the Executive directors. These took the form of 572,792 nil cost options and were granted in May 2023. Based on the communication of the clear intention to grant the awards, the cost of the awards was apportioned over the two year vesting period. During the year awards over 47,623 shares were exercised and awards over 47,623 shares lapsed. A charge of £398,000 (2023: £802,000) has been recognised in the 53 weeks ended 21 April 2024.

Value Creation Plan

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

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

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

21. SHARE BASED PAYMENTS (CONTINUED)

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 FY22 Remuneration Committee Report external advice was taken as to how the impact of the equity raise might be reflected in the VCP scheme, and it was decided to replicate the thresholds and vesting conditions of the original scheme in respect of the April 2020 equity raise, with a start date of April 2020.

The performance period for the VCP ended on 29 April 2022 and it was determined that a total of 595,729 shares would be issued to executive directors and senior management in respect of the VCP. These shares vest in three equal instalments in July 2022, April 2023 and April 2024. The original fair value calculation of £2,600,000 did not reflect the impact of the April 2020 equity raise and accordingly a further fair value charge of £1,477,000 was required to be recognised over the period to April 2024. As a result a charge of £252,000 (2023: £692,000) was taken in respect of the additional fair value charge of £1,477,000 during the 53 weeks ended 21 April 2024.

The weighted average remaining contractual life of options across all schemes outstanding at the year end was 7.9 years.

22. BUSINESS COMBINATIONS

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

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

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

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

At 16 April 2023 a disposal of £250,000 was recognised in respect of one of the properties, reflecting the partial demolition of the building.

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

Acquisition related costs of £nil (2023: £102,000) are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

23. CALLED UP SHARE CAPITAL

	21 April 2024 £000	16 April 2023 £000
Allotted, called up and fully paid ordinary shares	1,039	1,033
Redeemable preference shares	-	100
	1,039	1,133

	21 April 2024 Number	16 April 2023 Number
Ordinary shares at £0.01 each	103,945,057	103,332,033
Redeemable preference shares at £49,999 each	-	2

The table below summarises the movements in share capital for Loungers plc during the 53 weeks ended 21 April 2024:

	Ordinary Shares £0.01 NV Number	Redeemable Preference Shares £49,999 NV Number	£'000
At 18 April 2022	102,738,664	2	1,127
Shares issued	593,369	-	6
At 16 April 2023	103,332,033	2	1,133
Shares issued	613,024	-	6
Shares redeemed	-	(2)	(100)
At 21 April 2024	103,945,057	-	1,039

On 4 May 2023 the Company allotted and issued 359,000 ordinary shares of 1 pence each in the Company following the vesting of awards made to 718 Company employees pursuant to the Company's Employee Share Plan.

During the year to 21 April 2024 the Company allotted 254,024 ordinary shares of 1 pence each in the Company following the vesting of awards made to Company employees under the Senior Management Share Plan.

On 5 October 2023 the Company redeemed the two redeemable preference shares.

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

24. EQUITY

The Group's Equity comprises the following:

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

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

Treasury shares
The treasury share account records the amount of ordinary shares repurchased by the company. On 8 June 2023, the group repurchased 195,000 ordinary shares, with a total value of £376,000 (2023: £nil). Given the prevailing share price, this was considered an efficient use of capital, and the shares will be held in treasury in anticipation of the future exercise of share options. As at 21 April 2024, these shares represented 0.4% of the shares in issue.

24. EQUITY (CONTINUED)

Other reserve
The other reserve comprises:

	Other Reserve £000	Merger Reserve £000	Capital Contribution Reserve £000	Total Other Reserves £000
At 16 April 2023	18,451	(4,224)	51	14,278
Group reorganisation	(18,451)	4,224	(51)	(14,278)
At 21 April 2024	-	-	-	-

The other reserve and the merger reserve arose on the share for share exchange between Loungers plc and Lion/Jenga Topco Limited. These reserves were eliminated as a result of the group reorganisation in the 53 weeks ended 21 April 2024.

On 5 October 2023, the Group undertook a group reorganisation in order to simplify the group structure. The reorganisation included the strike off of the intermediate holding companies Lion/ Jenga Topco Limited, Lion/ Jenga Midco Limited and Lion/ Jenga Bidco Limited.

The capital contribution reserve represents additional contributions from shareholders.

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

25. NET CASH GENERATED FROM OPERATING ACTIVITIES

	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Cash flows from operating activities		
Profit before tax	11,444	7,334
Adjustments for:		
Depreciation of property, plant and equipment	17,311	13,364
Depreciation of right of use assets	11,391	9,861
Impairment of property, plant and equipment	304	309
Impairment of right of use assets	2,215	1,298
Share based payment transactions	3,907	4,024
(Profit)/ loss on disposal of tangible assets	(15)	317
Taxation expense	-	-
Finance income	(154)	(204)
Finance costs	9,025	7,621
Changes in inventories	(434)	(557)
Changes in trade and other receivables	(836)	(3,134)
Changes in trade and other payables	10,319	10,950
Cash generated from operations	64,477	51,183
Tax refunded/ (paid)	171	(76)
Net cash generated from operating activities	64,648	51,107

26. ANALYSIS OF CHANGES IN NET DEBT

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

	17 April 2023 £000	Cash flows £000	Non-cash movement £000	21 April 2024 £000
Cash in hand	26,370	(16,021)	-	10,349
Bank Loans – due after one year	(32,392)	12,766	(184)	(19,810)
Lease liabilities	(134,837)	17,557	(33,929)	(151,209)
Net debt	(140,859)	14,302	(34,113)	(160,670)

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

27. PENSION COMMITMENTS

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

	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Pension cost	1,883	1,428

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

	21 April 2024 £000	16 April 2023 £000
Pension contributions payable	410	604

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 four properties from Colombe D'Or Property LLP. The Group undertook the following transactions, stated net of VAT:

	21 April 2024 £000	16 April 2023 £000
Purchases from related parties:		
Colombe D'Or Property LLP	204	173
Amounts owed to related parties:		
Colombe D'Or Property LLP	-	-

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:

	21 April 2024 £000	16 April 2023 £000
Purchases from Reilley Properties Limited	250	250
Amounts owed to Reilley Properties Limited	-	-

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

As referenced in note 24, during the year the Group undertook a group reorganisation in order to simplify the group structure. The reorganisation included the strike off of the intermediate holding companies Lion/ Jenga Topco Limited, Lion/ Jenga Midco Limited and Lion/ Jenga Bidco Limited.

At 21 April 2024, the process to strike off the two dormant entities, Route Restaurants Limited and Nightlife Leisure (South West) Limited was in progress. These two companies were dissolved on 18 June 2024.

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

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 21 APRIL 2024

	Note	At 21 April 2024 £000	At 16 April 2023 £000
Assets			
Non-current			
Investments	6	188,453	148,353
Total non-current assets		188,453	148,353
Current assets			
Trade and other receivables	7	1,129	20,879
Total current assets		1,129	20,879
Total assets		189,582	169,232
Liabilities			
Current liabilities			
Trade and other payables	8	(36,941)	(50)
Total current liabilities		-	(50)
Total liabilities		(36,941)	(50)
Net assets		152,641	169,182
Called up share capital	9	1,039	1,133
Share premium account		8,066	8,066
Treasury shares		(376)	-
Other reserves		-	18,451
Retained earnings			
Brought forward		141,532	138,478
Loss for the year attributable to the owners		(700)	(595)
Other changes in retained earnings	10	3,080	3,649
		143,912	141,532
Total equity		152,641	169,182

The financial statements on pages 78 to 83 of Loungers plc (registered number 11910770) were approved and authorised for issue by the Board and were signed on its behalf by:

Nick Collins
Chief Executive Officer
9 July 2024

Stephen Marshall
Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE 53 WEEKS ENDED 21 APRIL 2024

	Called up share capital £000	Share premium £000	Treasury shares £000	Other reserves £000	Retained earnings £000	Total equity £000
At 17 April 2022	1,127	8,066	-	18,451	138,478	166,122
Ordinary shares issued	6	-	-	-	(6)	-
Share based payments	-	-	-	-	3,655	3,655
Total transactions with owners	6	-	-	-	3,649	3,655
Loss for the financial year	-	-	-	-	(595)	(595)
Total comprehensive expense for the 52 week year	-	-	-	-	(595)	(595)
At 16 April 2023	1,133	8,066	-	18,451	141,532	169,182
Ordinary shares issued	6	-	-	-	(6)	-
Preference shares redeemed	(100)	-	-	-	-	(100)
Share based payments	-	-	-	-	3,086	3,086
Group reorganisation	-	-	-	(18,451)	-	(18,451)
Purchase of own shares	-	-	(376)	-	-	(376)
Total transactions with owners	(94)	-	(376)	(18,451)	3,080	(15,841)
Loss for the financial year	-	-	-	-	(700)	(700)
Total comprehensive expense for the 53 week year	-	-	-	-	(700)	(700)
At 21 April 2024	1,039	8,066	(376)	-	143,912	152,641

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 53 WEEKS ENDED 21 APRIL 2024

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 £700,000 (2023: £595,000).

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

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 34 to 38 and in note 6 of the notes to the consolidated financial statements.

6. INVESTMENTS

	Shares in subsidiary undertakings £000
At 16 April 2023	148,353
Net impact of Group reorganisation	37,014
Additions: (consolidated statements note 21)	3,086
At 21 April 2024	188,453

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

On 5 October 2023, the Group undertook a group reorganisation in order to simplify the group structure. The reorganisation included the strike off of the intermediate holding companies Lion/ Jenga Topco Limited, Lion/ Jenga Midco Limited and Lion/ Jenga Bidco Limited. The closing investment represents the investments in Loungers Holdings Limited, whereas the opening investment represented the investments in Lion/ Jenga Topco Limited.

7. TRADE AND OTHER RECEIVABLES

	21 April 2024 £000	16 April 2023 £000
Included within current assets		
Amounts owed by Group undertakings	1,126	20,776
Other debtors	3	103
	1,129	20,879

Amounts owed by Group undertakings are repayable on demand and are non-interest bearing. As part of the group reorganisation undertaken in the year, amounts owed by Group undertaking were waived and the receivable was derecognised through equity, against the other reserve to which it originally arose from.

8. TRADE AND OTHER PAYABLES

	21 April 2024 £000	16 April 2023 £000
Included within current liabilities		
Amounts owed to Group undertakings	36,941	50
	36,941	50

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

9. CALLED UP SHARE CAPITAL

	At 21 April 2024 £000	At 16 April 2023 £000
Allotted, called up and fully paid ordinary shares	1,039	1,033
Redeemable preference shares	-	100
	1,039	1,133

	At 21 April 2024 Number	At 16 April 2023 Number
Ordinary shares at £0.01 each	103,945,057	103,332,033
Redeemable preference shares at £49,999 each	-	2

The table below summarises the movements in share capital for Loungers plc during the 53 weeks ended 21 April 2024:

	Ordinary Shares £0.01 NV Number	Redeemable Preference Shares £49,999 NV Number	£000
At 16 April 2023	103,332,033	2	1,133
Shares issued	613,024	-	6
Preference shares redeemed	-	(2)	(100)
At 21 April 2024	**103,945,057**	**-**	**1,039**

On 4 May 2023 the Company allotted and issued 359,000 ordinary shares of 1 pence each in the Company following the vesting of awards made to 718 Company employees pursuant to the Company's Employee Share Plan.

During the year to 21 April 2024 the Company allotted 254,024 ordinary shares of 1 pence each in the Company following the vesting of awards made to Company employees under the Senior Management Share Plan.

On 3 October 2023, the Company redeemed the two redeemable preference shares.

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.

Treasury shares
The treasury share account records the amount of ordinary shares repurchased by the company. On 8 June 2023, the group repurchased 195,000 ordinary shares, with a total value of £376,000 (2023: £nil). Given the prevailing share price, this was considered an efficient use of capital, and the shares will be held in treasury in anticipation of the future exercise of share options. As at 21 April 2024, these shares represented 0.4% of the shares in issue.

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

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

RECONCILIATION OF STATUTORY RESULTS TO ALTERNATIVE PERFORMANCE MEASURES

	53 weeks ended 21 April 2024 £000	52 weeks ended 16 April 2023 £000
Operating profit	20,315	14,751
Net impairment charge	2,519	1,607
Net (Profit) / loss on disposal of fixed and right of use assets	(15)	317
Transaction costs	-	102
Share based payment charge	3,907	4,024
Site pre-opening costs	4,164	3,323
Adjusted operating profit	30,890	24,124
Depreciation (pre IFRS 16 right of use asset charge)	17,311	13,364
IFRS 16 right of use asset depreciation	11,391	9,861
Adjusted EBITDA (IFRS 16)	59,592	47,349
Adjusted EBITDA % (IFRS 16)	16.9%	16.7%
IAS 17 Rent charge	(15,886)	(13,459)
IAS 17 Rent charge included in IAS 17 pre-opening costs	530	331
Adjusted EBITDA (IAS 17)	44,236	34,221
Adjusted EBITDA Margin % (IAS17)	12.5%	12.1%
Profit before tax (IFRS16)	11,444	7,334
Net impairment charge	2,519	1,607
Loss on disposal of fixed assets	(15)	317
Transaction costs	-	102
Adjusted profit before tax (IFRS16)	13,948	9,360
Adjusted profit before tax	13,948	9,360
Tax charge	(2,320)	(405)
Tax effect of adjusting items	(323)	(324)
Adjusted profit after tax (IFRS16)	11,305	8,631
Basic weighted average number of shares	105,620,347	103,243,015
Adjusted for share awards	2,180,395	3,375,062
Diluted weighted average number of shares	107,800,742	106,618,077
Basic adjusted earnings per share (p)	10.7	8.4
Diluted adjusted earnings per share (p)	10.5	8.1
Profit before tax (IFRS 16)	11,444	7,334
IAS 17 Rent charge	(15,886)	(13,459)
IAS 17 Leasehold depreciation (re landlord contributions)	(1,241)	(945)
IFRS 16 Right of use asset impairment	2,215	1,298
IFRS 16 Right of use asset depreciation	11,391	9,861
IFRS 16 Lease interest charge	6,950	6,146
IFRS 16 Asset disposal	(15)	-
Profit before tax (IAS 17)	14,858	10,235
Net debt (IFRS 16)	160,670	140,859
Property lease liability	(151,209)	(134,837)
Net debt (IAS 17)	9,461	6,022

The Group references Like for Like (LFL) sales growth as a key APM. LFL sales growth excludes the sales from sites that have been open for less than 18 months. During the 53 weeks ended 21 April 2024, the comparator periods are the 52 weeks ended 16 April 2023 for the one-year like for like.

COMPANY INFORMATION

DIRECTORS

A M Reilley
N C E Collins
S Marshall (appointed 23 April 2024)
N P Backhouse
A J G Bellamy
R Darwent
J C Little

COMPANY SECRETARY

Link Company Matters Limited

REGISTERED NUMBER

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