

Revolution Bars Limited
Annual report and financial statements
for the 52 weeks ended 29 June 2019

Registered Number: 08838980



Revolution Bars Limited

Strategic report for the 52 weeks ended 29 June 2019

The directors present their strategic report of Revolution Bars Limited (the “Company”) for the 52 weeks ended 29 June 2019.

Principal activities

Revolution Bars Limited is a leading operator of premium bars, with a strong national presence in the UK and significant opportunity for growth. The Company is a wholly owned subsidiary of Revolution Bars Group plc. Revolution Bars Group plc and its subsidiaries are defined as the “Group”.

Our business

The Group’s strategy is to provide high-quality retail brands in the leisure sector. The Group’s business comprises two strong brands: Revolution, focused on young adults, and Revolución de Cuba, focused on a broader age range. Whilst both businesses are wet-led, food is an important driver of sales growth and of the Group’s offering for both brands. The Group’s strategy for growing the business is to be customer focused, continually striving to provide a better experience both in terms of product offering, ambience and facilities leading to repeat visits and driving like-for-like sales. The Group is also focused on growing its footprint and number of premium bars by seeking new sites in good locations, and investing capital to deliver good returns.

At the beginning of the year, the Group operated from 74 venues. During the year there were five new venue openings, and therefore the Group traded from 79 venues at the end of the reporting year (60 Revolution and 19 Revolución de Cuba).

The Group’s strategy continues to focus on:

- building customer loyalty, ensuring that all visits to its venues are an excellent experience;
- driving continued profit improvement from existing sites; and
- expanding the estate in to new profitable locations.

Our people

Revolution Bars Group plc has a skilled workforce as well as experienced senior and regional management teams with proven credentials in the sector. Strong cohesive teams have been built across the Group’s businesses with a focus on staff training and development to continuously improve individual capabilities and trading performance. The Group would like to recognise the commitment and the substantial effort of all its employees and thank them for their contribution to the Group’s performance. It is their continued dedication and commitment to the business together with a clear strategic plan that is integral to the Group’s achievements.

Our business model

Revolution bars have been trading since 1996 and are a destination of choice for customers who value a premium drinks and food-led offering. Each Revolution bar has its own character, individual design and layout, with bar interiors tailored on a site-by-site basis to utilise the space available and the best attributes of the architecture of each bar.

The success of the Revolution brand is driven by its customers’ desire to be entertained outside of their homes in highly invested, exciting, quality, contemporary environments. The principal revenue streams are generated from a wide range of premium cocktails and drinks and lunchtime and evening food offerings.

Operational priorities

- Consistently providing outstanding service and unbeatable quality to customers;
- Substantial training investment driving service performance; and
- Constantly innovating to ensure that customers are offered a market-leading range of cocktails and spirits.

KPIs & results

- **Revenue year on year** – revenue is defined as total retail sales from bars in the year.
- **Number of units** – Number of sites that the Company is trading from.
- **Adjusted EBITDA** - Adjusted EBITDA excludes exceptional items and bar opening costs (see Statement of profit or loss and other comprehensive income on page 11).

Revolution Bars Limited

Strategic report for the 52 weeks ended 29 June 2019 (continued)

KPIs & results (continued)

- **Gross Margins** - Gross margin is measured after accounting for the cost of purchasing beverages and food and includes retrospective supplier rebates and other supplier support, but excludes labour costs.

Revenue for the year was £105m (2018: £104m). Gross margin for the year was 71.3% (2018: 71.0%). Earnings before interest, tax, depreciation and amortisation, ("EBITDA"), was a loss of £0.03m after adjusting for exceptional items of £6.1m (2018: £7.8m).

The Company traded from 60 sites in the year (2018: 58). The Company's performance in the year has been weaker than expected due to a period of underinvestment in the Revolution portfolio in recent years during which the Group has focused on new openings, principally in the Revolución de Cuba brand. This is now being addressed with a focus on refurbishment of existing sites. The loss after taxation for the 52 weeks ended 29 June 2019 was £10.4m (2018: loss of £11.5m). Total equity at 29 June 2019 amounted to £7.5m (2018: £17.9m).

Principal risks and uncertainties

The Company believes that the table below outlines the principal risks and uncertainties facing the business. Occurrence of any of these risks may significantly impact business performance and/or impair the achievement of its strategic goals.

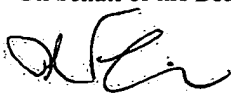
Underlying cause of risk	Response and mitigation
Dependence on key sites The Group operates throughout the UK. Certain bars deliver significantly more profit than others based on geographical diversity. A significant decline in profitability at a key bar could have a material adverse impact on Group profits.	Dependence on key sites <ul style="list-style-type: none"> • Operational management focus on economically significant bars; • annual refresh on such bars to ensure decor is maintained to the highest standards; • grow the size of the business through new bars to reduce exposure of individual bars.
Acquisition of new sites The Group's long term strategy is based on growth through the acquisition of new bars. Longer term market expectations rely on the Group sourcing and developing a pipeline of good sites.	Acquisition of new sites <ul style="list-style-type: none"> • The development team and property agents have sufficient resources to ensure the investigation of new site opportunities, as required.
Refurbishment of existing sites Underinvestment in the current estate resulting in declining like-for-like performance.	Refurbishment of existing sites <ul style="list-style-type: none"> • Shift in focus from acquisition of new bars to investment in the existing estate; • 5/6-year investment cycle for all bars.
Consumer demand The out of home markets for eating and drinking depend on the consumer's disposable income. Macroeconomic factors, such as employment levels, interest rates and consumer confidence, are important influences on disposable income.	Consumer demand <ul style="list-style-type: none"> • ability to tailor offerings in response to macroeconomic influences; • pricing, discounting, marketing and promotional activity can all be adjusted quickly if necessary; • Group's proposition is not based solely on selling price; a more affluent demographic is targeted and thus there is some down-side protection against adverse macroeconomic factors.
Health and safety The Group's bars are open to the public and the Group has a duty of care to look after its customers.	Health and safety <ul style="list-style-type: none"> • The Group's policies and procedures manual covers all aspects of operations; • adherence to these is strictly enforced both through internal operational line management and through external third-party audits. • Incidents are thoroughly investigated and

Revolution Bars Limited

Strategic report for the 52 weeks ended 29 June 2019 (continued)

	any lessons learned communicated widely throughout the business and where appropriate policies, procedures and staff training updated.
Leasehold rents All of the Group's operating sites are held under leases. Typically, rents are determined on a five yearly cycle by reference to open market rents prevailing at the time of the review.	Leasehold rents <ul style="list-style-type: none">• The Group employs specialist rent review advisers, who deal only with tenant reviews;• Some mitigation arises due to rent reviews being spread out geographically and in timing. This minimises the exposure to any rental market in any specific location or at any point in time.
Supplier concentration The drinks distribution market is dominated by one significant business, Matthew Clark, which is the Group's principal supplier. Matthew Clark operates nationwide whereas other drink wholesalers do not. If Matthew Clark were to face business difficulties or otherwise change its arrangements or pricing, then the Group's operations could be disrupted.	Supplier concentration <ul style="list-style-type: none">• The proposed strategy is to tolerate the risk, based on the Group's assessment that Matthew Clark is the best supplier, and a four-year deal is in place to December 2021;• A contingency plan is in place to move to an alternative supplier should Matthew Clark be unable to supply. This has been tested in a real life situation.
National minimum/living wage A significant proportion of venue-based staff are affected, directly or indirectly, by wage legislation. Recent years have seen rises above inflation imposed on the business and given the current political backdrop, these pressures are likely to continue for at least the next few years.	National minimum/living wage <ul style="list-style-type: none">• Technology is being introduced to deploy staff more effectively and to streamline back office processes that will help mitigate wage increases;• to some extent small increases in selling prices may be possible to help cover increased costs;• Worksmart project launched to identify opportunities for simplifying administration tasks at trading venues.

On behalf of the Board



Mike Foster

Director

21 October 2019

Registered office

21 Old Street

Ashton-under-Lyne

Tameside

OL6 6LA

Revolution Bars Limited

Directors' report for the 52 weeks ended 29 June 2019

The directors present their report and the audited financial statements of the Company for the 52 weeks ended 29 June 2019.

Dividends

No dividend has been declared or paid in the year (2018: nil).

Directors

The directors who held office during the year are listed below:

Mike Foster

Rob Pitcher – appointed 8 October 2018

Keith Edelman – resigned 8 October 2018

Directors' indemnity provisions

Certain directors benefited from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

Going concern

The Company financial statements have been prepared on the going concern basis. The directors believe that the Company will have the cash resources it requires to service and settle its liabilities for the period extending beyond 12 months from the date of approval of the financial statements.

Whilst the company has generated almost break-even adjusted EBITDA during the 52 weeks ended 29 June 2019, and is in a net asset position at the period end date, the company has suffered a decline in trading during the year. Furthermore, the company made a significant statutory loss during the 52 weeks ended 29 June 2019 due largely to significant exceptional charges which were entirely of a non-cash nature, including fixed asset impairment charges and provisions for onerous leases. The ultimate parent company, Revolution Bars Group plc, holds a revolving credit facility (the "Facility") committed to 31 December 2021 that is available for use by the Company. The Facility is secured by a cross guarantee between Revolution Bars Group plc and the Company. The Facility provides funding resources in the next 12 months of not less than £18.5m.

The directors of Revolution Bars Group plc have prepared a forecast model for the Group to 30 June 2022 and have run a number of sales downturn scenarios. These test scenarios indicate that there is sufficient headroom on the Facility and over recently revised financial covenants to which the Facility is subject. The directors have concluded, after making enquires, that they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

Employees

The Group places a high level of emphasis on being a good employer and has team engagement at the heart of its people strategy, measured by balanced scorecard results for employee engagement, training and revenue. Key elements in achieving this are investment in training and development, a competitive remuneration and benefits package and encouragement of employees to participate actively in business strategy. Detailed information can be found in the Revolution Bars Group plc 2019 Annual Report and Group Accounts.

Employment of disabled persons

The Company aims to provide a working environment and to offer terms and conditions of service which allow disabled people with the necessary skills and qualifications to obtain employment with the Company. Disabled people are afforded equal opportunities in recruitment, promotion and training.

Statement of directors' responsibilities in respect of the financial statements

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

Revolution Bars Limited

Directors' report for the 52 weeks ended 29 June 2019

Company law requires the directors to prepare financial statements for each financial 52 week period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the 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 Company and of the profit or loss of the Company 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 United Kingdom Accounting Standards, comprising FRS 101, have been followed, 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 Company will continue in business.

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

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

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in the office.

On behalf of the Board



Mike Foster

Director

21 October 2019

Independent auditors' report to the members of Revolution Bars Limited

Report on the audit of the financial statements

Opinion

In our opinion, Revolution Bars Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 29 June 2019 and of its loss for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- 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 Statement of Financial Position at 29 June 2019; the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Changes in Equity for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

We remained independent of the company 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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.

Independent auditors' report to the members of Revolution Bars Limited (continued)

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 29 June 2019 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 company and its 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 Statement of directors' responsibilities in respect of the financial statements, 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 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 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.

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.

Independent auditors' report to the members of Revolution Bars Limited (continued)

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 received 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
21 October 2019

Revolution Bars Limited

Statement of Profit or Loss and Other Comprehensive Income

for the 52 weeks ended 29 June 2019

	<i>Note</i>	2019 £'000	2018 £'000
Revenue	2	104,558	103,642
Cost of sales		(30,057)	(30,072)
Gross profit		74,501	73,570
Operating expenses	3	(85,258)	(85,339)
Operating loss		(10,757)	(11,769)
Finance expense		(109)	(77)
Loss before taxation		(10,866)	(11,846)
Income tax	7	435	354
Loss and total comprehensive expense for the period		(10,431)	(11,492)
Non-GAAP measure			
Revenue		104,558	103,642
Operating loss		(10,757)	(11,769)
Exceptional items	3	6,089	7,847
Adjusted operating loss		(4,668)	(3,922)
Finance expense		(109)	(77)
Adjusted loss before tax		(4,777)	(3,999)
Depreciation	8	4,642	4,412
Finance expense		109	77
Adjusted (Loss)/EBITDA		(26)	490

There were no items of other comprehensive income and therefore a separate statement of other comprehensive income is not presented.

The notes on pages 13 to 23 form a part of these financial statements.

Revolution Bars Limited

Statement of Financial Position at 29 June 2019

	<i>Note</i>	2019 £'000	2018 £'000
Assets			
Non-current assets			
Deferred tax asset	15	16	-
Property, plant and equipment	8	34,738	37,900
Current assets			
Inventories	9	2,522	2,699
Trade and other receivables	10	6,695	6,217
Cash and cash equivalents	11	276	328
		9,493	9,244
Total assets		44,247	47,144
Liabilities			
Current liabilities			
Trade and other payables	12	(24,672)	(17,895)
Onerous lease provisions due within one year	13	(1,270)	(1,065)
		(25,942)	(18,960)
Non-current liabilities			
Deferred tax liability	15	-	(373)
Provisions	13	(9,590)	(8,912)
Other liabilities	14	(1,259)	(1,012)
		(10,849)	(10,297)
Total liabilities		(36,791)	(29,257)
Net assets		7,456	17,887
Equity attributable to equity holders of the parent			
Share capital	17	-	-
Retained earnings		7,456	17,887
Total equity		7,456	17,887

The notes on pages 13 to 23 form a part of these financial statements.

The financial statements were approved by the Board of directors on 21 October 2019 and were signed on its behalf by:


Mike Foster
Director

Registered Number: 08838980

Revolution Bars Limited

Statement of Changes in Equity for the 52 weeks ended 29 June 2019

	Share capital £'000	Retained earnings £'000	Total shareholders' equity £'000
At 2 July 2017	-	29,379	29,379
Loss and total comprehensive expense for the period	-	(11,492)	(11,492)
At 30 June 2018	-	17,887	17,887
Loss and total comprehensive expense for the period	-	(10,431)	(10,431)
At 29 June 2019	-	7,456	7,456

The notes on pages 13 to 23 form a part of these financial statements.

Revolution Bars Limited

Notes to the financial statements

1. General information

Corporate information

The financial statements of Revolution Bars Limited for the 52 weeks ended 29 June 2019 were authorised for issue by the Board of directors on 21 October 2019. Revolution Bars Limited is a limited company incorporated and domiciled in England and Wales.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Revolution Bars Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments;

The Company's ultimate parent undertaking, Revolution Bars Group plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Revolution Bars Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Group's website (www.revolutionbarsgroup.com) or from the Company Secretary, 21 Old Street, Ashton-under-Lyne, Tameside, OL6 6LA.

New and amended standards adopted by the Company

The Company applied the following standards and amendments for the first time in the annual reporting period commencing 1 July 2018:

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

The adoption of these standards did not have a material impact on the Company Financial Statements. Please see the Group financial statements for further consideration.

Basis of preparation

The financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They are presented in Pounds Sterling, with values rounded to the nearest hundred thousand, except where otherwise indicated. Judgements made by the directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed at the end of note 1.

Revolution Bars Limited

1. General information (continued)

(a) Accounting policies

Going concern

The company financial statements have been prepared on the going concern basis. The directors believe that the Company will have the cash resources it requires to service and settle its liabilities for the period extending beyond 12 months from the date of approval of the financial statements.

Whilst the Company has generated almost break-even Adjusted EBITDA during the 52 weeks ended 29 June 2019, and is in a net asset position at the period end date, the Company has suffered a decline in trading during the year. Furthermore, the Company made a significant statutory loss during the 52 weeks ended 29 June 2019 due largely to significant exceptional charges which were entirely of a non-cash nature, including fixed asset impairment charges and provisions for onerous leases. The ultimate parent company, Revolution Bars Group plc, holds a revolving credit facility (the "Facility") committed to 31 December 2021 that is available for use by the Company. The Facility is secured by a cross guarantee between Revolution Bars Group plc and the Company. The Facility provides funding resources in the next 12 months of not less than £18.5m.

The directors of Revolution Bars Group plc have prepared a forecast model for the Group to 30 June 2022 and have run a number of sales downturn scenarios. These test scenarios indicate that there is sufficient headroom on the Facility and over recently revised financial covenants that the facility is subject to. The directors have concluded, after making enquires, that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares are recognised as a deduction from equity, net of any tax effects.

Property, plant and equipment

Property, plant and equipment are stated at historical purchase cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is charged so as to write-off the cost of assets over their estimated useful lives as follows:

Short leasehold premises and improvements – Lower of 25 years or the remaining term of the leasehold agreement on a straight line basis for new bars and lower of 10 years or the remaining term of the leasehold agreement for refurbishments to existing bars

IT equipment and office furniture – 3 years to 4 years on a straight line basis

Fixtures and fittings in licensed premises – 5 years on a straight line basis

Revolution Bars Limited

1. General information (continued)

Impairment

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value, net of rebates, with due allowance being made for obsolete or slow-moving items. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition. Net realisable value is the estimated selling price less further costs expected to be incurred prior to disposal.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, which can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation.

When valuations of leasehold properties (based on future estimated income streams) give rise to a deficit as a result of onerous lease conditions they are recognised as provisions. These provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The key assumptions used in the discounted cash flow calculations are the discount and inflation rates and the market rents, vacant periods and future trading income of the properties.

Revolution Bars Limited

1. General information (continued)

Revenue recognition

Revenue is the fair value of goods and services sold to third parties as part of the Group's trading activities, net of discounts. Revenue primarily comprises food and beverages sold in the Group's businesses. This revenue is recognised at the point of sale to the customer.

Expenses

Cost of sales

Cost of sales principally comprises the purchase cost of drinks and food sold.

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Supplier rebates

Supplier income is recognised as a deduction from cost of sales on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract. The accrued rebates receivable at year end are included within trade and other receivables. Where amounts received are in expectation of future business, these are recognised in the income statement in line with that future business. Certain arrangements include a stepped rebate based on volume. Management makes an assessment of these and applies estimates based on the volumes achieved and the expected out-turn.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Exceptional items

Items that are material in size or unusual or infrequent in nature are included within operating profit and disclosed separately in the income statement. The separate reporting of these items, which are disclosed within the relevant category in the income statement, helps provide a more accurate indication of the Company's underlying business performance.

(b) Judgements and key sources of estimation and uncertainty

The preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Revolution Bars Limited

1. General information (continued)

Note 8 ("Tangible assets") – Recoverable amount of tangible assets

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance 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 estimated recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an investment of equivalent risk. For an asset that does not generate largely independent income streams, the recoverable amount is determined in conjunction with the income generating units to which the asset belongs.

Determining value in use requires a series of estimates to be made including the appropriate discount rate to calculate the present value, and an estimate of the cash flows expected to arise from the CGU (including an assessment of revenue and cost base growth) and the long term growth rate. For further details of sensitivity to these key assumptions, see note 8. The key assumptions in the value-in-use calculation are the applicable discount rate of 11.7 per cent, revenue and cost base growth, and the long-term growth rate.

Note 8 ("Tangible assets") - Capitalisation of leasehold additions

The company capitalises employment costs and related personal expenses of individuals whose job roles are fundamentally associated with managing or implementing the company's capital development programme. Judgement is therefore applied in determining the element of internal employment costs which are directly attributable to capital projects. Where such an individual undertakes non-capital expenditure related activities as part of their job role then that proportion of their cost is not capitalised unless the non-capital expenditure related activities are incidental to their role.

Note 13 ("Onerous Lease Provision")

Provisions for onerous leases require estimation and judgments to be made of the amounts expected to be payable over the remaining lease term for bars that have been closed, including an assessment of any sublet income. The future cash flows are discounted at a rate which reflects the risk profile of the cash flows. Sensitivity of the provision recorded to these key assumptions is included in note 13.

2 Revenue

Revenue consists entirely of sales made in the United Kingdom and is attributable to one activity, being the operation of bars.

3 Operating expenses

	2019	2018
	£'000	£'000
Administrative expenses	5,061	1,550
Sales and distribution	74,108	75,942
Exceptional items	6,089	7,847
Total operating expenses	85,258	85,339
Exceptional items		
Impairment of property, plant and equipment	4,178	860
Provision for onerous lease costs	1,911	6,987
Total exceptional items	6,089	7,847

As a result of the annual impairment testing of property, plant and equipment, the net book value of the assets at 22 of the Group's bars was written down either partially or in full.

Revolution Bars Limited

3 Operating expenses (continued)

Following a robust analysis of the trading performance of the Group's bars, a small number have been identified as requiring an onerous lease provision, based on projected bar contribution and rental commitments. The adjustment will reduce rental charges in future periods; it does not affect the Group's cash flows.

	2019 £'000	2018 £'000
4 Expenses and auditors' remuneration		
Operating loss is stated after charging:		
<i>Depreciation of owned fixed assets</i>	4,642	4,412
<i>Impairment of owned fixed assets</i>	4,178	860
<i>Rentals payable under operating leases:</i>		
Leasehold premises	8,090	8,789
<i>Auditors' remuneration:</i>		
Audit fees payable to the Company's auditors for the audit of official financial statements	10	10

No fees in respect of other non-audit services were received by the company's auditors in the current or prior period.

5 Staff costs

The average monthly number of employees during each period, analysed by category, was as follows:

	2019 Number	2018 Number
Operational	<u>2,265</u>	<u>2,180</u>

The aggregate payroll costs were as follows:

	2019 £'000	2018 £'000
Wages and salaries	25,918	23,817
Social security costs	935	1,738
Other pension costs	178	193
	<u>27,031</u>	<u>25,748</u>

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Revolution Bars Limited

6 Directors

	2019 £'000	2018 £'000
Remuneration	270	278
Pension costs	18	6
	<u>288</u>	<u>284</u>

Mike Foster, Rob Pitcher (appointed 8 October 2018), and Keith Edelman (resigned 8 October 2018) were employed by the Company and all three were also directors of the ultimate parent undertaking during the year and have been remunerated by the Company in their capacity as directors. Their full remuneration is disclosed in the consolidated financial statements of Revolution Bars Group plc. Included above is a percentage of their total remuneration which amounts to £288,000 (2018: £278,000) and is recharged to the Company within a management charge from Inventive Service Company Limited.

The aggregate of emoluments of the highest paid director was £164,000 (2018: £102,000). This amount includes £18,000 (2018: £nil) of employer pension contributions to a defined contribution scheme.

7 Income tax

	2019 £'000	2018 £'000
The major components of income tax for each period are:		
Analysis of charge in the year		
Current tax		
UK corporation tax on the loss for the period	-	-
Adjustment in respect of prior periods	(46)	47
Deferred tax		
Origination and reversal of timing differences	(389)	(401)
Total tax credit	<u>(435)</u>	<u>(354)</u>
Factors affecting total tax credit for each period		
Loss on ordinary activities before taxation	(10,866)	(11,846)
Loss before taxation at standard rate of UK corporation tax rate (2019 – 19.0%, 2018 – 19.0%)	(2,065)	(2,251)
Effects of:		
Changes in deferred tax rates and other reconciling items	(3)	(3)
Group relief	1,199	1,796
Fixed asset differences	424	188
Adjustment in respect of prior periods	(36)	(126)
Adjustment in respect of changes in tax rates on deferred tax balances	46	42
Total tax credit for the year	<u>(435)</u>	<u>(354)</u>

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7 Income tax (continued)

The UK rate of corporation tax, currently 19%, will reduce to 17% on 1 April 2020 under provisions contained in the Finance Act 2016. The Company has recognised deferred tax in relation to UK companies at either 19% or 17% depending on the period in which the deferred tax asset or liability is expected to reverse.

8 Property, plant and equipment

	Short leasehold premises £'000	Fixtures and fittings £'000	IT equipment and office furniture £'000	Total £'000
Cost				
At 1 July 2018	44,938	10,995	6,982	62,915
Additions	2,689	2,839	131	5,659
At 29 June 2019	47,627	13,834	7,113	68,574
Accumulated depreciation				
At 1 July 2018	14,116	8,184	2,715	25,015
Charge in the period	2,955	1,557	130	4,642
Impairment charges	3,031	1,121	27	4,179
At 29 June 2019	20,102	10,862	2,872	33,836
Net book value				
At 30 June 2018	30,822	2,811	4,267	37,900
At 29 June 2019	27,525	2,972	4,241	34,738

The Group has determined that for the purposes of impairment testing, each bar is a cash generating unit ("CGU"). The bars are tested for impairment in accordance with IAS 36 "Impairment of Assets" when a triggering event is identified. The recoverable amounts for CGUs are predominantly based on value in use, which is calculated from the cash flows expected to be generated to the end of the lease term discounted at the Group's weighted average cost of capital.

In the 52 weeks ended 29 June 2019, the Group impaired the assets of 22 CGUs, either partially or in full, based on the value in use of the CGU determined by discounted cash flow projections being lower than the net book value. When an impairment loss is recognised, the asset's adjusted carrying value is depreciated over its remaining useful economic life.

At the end each reporting period, a filter test, based on annual run rate of EBITDA, is used to identify whether any asset is potentially impaired. This test compares a multiple of run rate EBITDA, adjusted for an allocation of central overheads, to the carrying value of the asset. The applied multiple is based on the shorter of the remaining lease term or eight years. If this test indicates a potential impairment, a more detailed value in use review using cash flows based on Board-approved forecasts covering a three-year period. These forecasts combine management's understanding of historical performance and knowledge of local market environments and competitive conditions to set realistic views for future growth rates. Cash flows beyond this three-year period are extrapolated using a long-term growth rate to the end of the lease term.

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8 Property, plant and equipment (continued)

The key assumptions in the value in use calculations are the cash flows contained within the budgets, the long-term growth rate and the risk-adjusted pre-tax discount rate as follows:

- Long-term growth rate: 2.0 per cent (2018: 2.0 per cent).
- Pre-tax discount rate: 11.7 per cent (2018: 11.7 per cent).

The long-term growth rate has been determined with reference to forecast 10-year Bond Yields from the Bank of England, which management believes is the most appropriate indicator available. The pre-tax discount rate is based on the Group's weighted average cost of capital.

9 Inventories

	2019 £'000	2018 £'000
Goods held for resale	<u>2,522</u>	<u>2,699</u>

The cost of inventories recognised as an expense in cost of sales is as follows;

	2019 £'000	2018 £'000
	<u>30,057</u>	<u>30,072</u>

10 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year		
Prepayments and accrued income	<u>6,695</u>	<u>6,217</u>
	<u>6,695</u>	<u>6,217</u>

Trade and other receivables are not net of any provisions.

11 Cash and cash equivalents

	2019 £'000	2018 £'000
Cash and cash equivalents	<u>276</u>	<u>328</u>

Cash and cash equivalents consist entirely of cash at bank and on hand. Balances are denominated in Sterling.

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12 Trade and other payables

	2019 £'000	2018 £'000
Trade payables	9,083	9,093
Accruals	3,539	3,137
Other taxes and social security costs	2,019	1,630
Amounts due to group undertakings	10,031	4,035
	<u>24,672</u>	<u>17,895</u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

13 Provisions

	2019 £'000	2018 £'000
Onerous lease provision	10,556	9,977
Dilapidations provision	304	-
	<u>10,860</u>	<u>9,977</u>
Current	1,270	1,065
Non-current	9,590	8,912
	<u>10,860</u>	<u>9,977</u>

	Onerous lease provision £'000	Dilapidations provision £'000	Total £'000
At 1 July 2018	9,977	-	9,977
Creation of provision	1,911	304	2,215
Utilisation of provision	(1,441)	-	(1,441)
Interest charged in period	109	-	109
At 29 June 2019	<u>10,556</u>	<u>304</u>	<u>10,860</u>

The onerous lease provision relates to estimated future unavoidable lease costs in respect of closed and loss-making sites. The provision is expected to be utilised over the lease term of the various properties. The dilapidations provision represents management's best estimate of the Group's liability under its property lease arrangements based on past experience and is expected to be utilised over the lease term of the various properties.

The calculation is most sensitive to changes in the assumptions used for budgeted cash flow, and a risk-free discount rate of 0.8 per cent. Management considers that reasonably possible changes in assumptions would be a change in discount of 0.5 per cent. As an indication of sensitivity when applied to the calculation, an increase to the rate of +/-0.5 per cent would result in a change in the corresponding liability of +/- £0.280 million.

14 Other liabilities

	2019 £'000	2018 £'000
Rent free creditor	<u>1,259</u>	<u>1,012</u>

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15 Deferred tax liability

Deferred tax (liabilities)/assets relate to the following:

	Brought-forward losses £'000	Accelerated capital allowances £'000	Total £'000
At 1 July 2017	-	(774)	(774)
Credit to income	-	401	401
At 30 June 2018	-	(373)	(373)
Credit / (charge) to income	484	(95)	389
At 29 June 2019	484	(468)	16

	2019 £'000	2018 £'000
Deferred tax assets	484	-
Deferred tax liabilities	(468)	(373)
Total deferred tax asset / (liability)	16	(373)

16 Operating leases

At the statement of financial position date the Company has outstanding commitments for future minimum lease payments under non-cancellable operating leases which are payable as follows:

Land and buildings

	2019 £'000	2018 £'000
In less than one year	10,129	8,985
In two to five years	38,995	37,031
In over five years	80,624	93,580
	129,748	139,596

17 Share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
2 (2018: 2) £1 ordinary shares of £1 each	-	-

18 Ultimate parent company

The immediate parent company is Inventive GuaranteeCo Limited which is incorporated in England and Wales.

The ultimate parent company is Revolution Bars Group plc which is incorporated in England and Wales. The Group in which the results of the Company are consolidated is that headed by Revolution Bars Group plc. The consolidated financial statements of the Group are available to the public and may be obtained from the Group's website (www.revolutionbarsgroup.com) or from the Company Secretary, 21 Old Street, Ashton-under-Lyne, Tameside, OL6 6LA.